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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2020

OR

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

For the transition period from _____ to _____

Commission File Number: 001-14956

Bausch Health Companies Inc.

(Exact name of registrant as specified in its charter)

British Columbia , Canada	**98-0448205**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2150 St. Elzéar Blvd. West, Laval, Québec, Canada H7L 4A8
(Address of Principal Executive Offices) (Zip Code)

(514) 744-6792
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

Common shares, no par value — 355,151,002 shares outstanding as of October 29, 2020.

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Introductory Note

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (this "Form 10-Q") to the "Company", "we", "us", "our" or similar words or phrases are to Bausch Health Companies Inc. and its subsidiaries, taken together. In this Form 10-Q, references to "$" are to United States ("U.S.") dollars and references to "€" are to euros. Unless otherwise indicated, the statistical and financial data contained in this Form 10-Q are presented as of September 30, 2020.

Forward-Looking Statements

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

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

These forward-looking statements relate to, among other things: our business strategy, business plans and prospects and forecasts and changes thereto; product pipeline, prospective products and product approvals, product development and future performance and results of current and anticipated products; anticipated revenues for our products; anticipated growth in our Ortho Dermatologics business; expected research and development ("R&D") and marketing spend; our expected primary cash and working capital requirements for 2020 and beyond; the Company's plans for continued improvement in operational efficiency and the anticipated impact of such plans; our liquidity and our ability to satisfy our debt maturities as they become due; our ability to reduce debt levels; our ability to meet the financial and other covenants contained in our Fourth Amended and Restated Credit and Guaranty Agreement (the "Restated Credit Agreement"), and senior notes indentures; the impact of our distribution, fulfillment and other third-party arrangements; proposed pricing actions; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as litigation, subpoenas, investigations, reviews, audits and regulatory proceedings; the anticipated impact of the adoption of new accounting standards; general market conditions; our expectations regarding our financial performance, including revenues, expenses, gross margins and income taxes; our impairment assessments, including the assumptions used therein and the results thereof; the anticipated impact of the evolving COVID-19 pandemic and related responses from governments and private sector participants on the Company, its supply chain, third-party suppliers, project development timelines, costs, revenue, margins, liquidity and financial condition, the anticipated timing, speed and magnitude of recovery from these COVID-19 pandemic related impacts and the Company's planned actions and responses to this pandemic; and the Company's plan to separate its eye-health business, including the structure and timing of completing such separation transaction.

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

- *the risks and uncertainties caused by or relating to the evolving COVID-19 pandemic, the fear of that pandemic, the rapidly evolving reaction of governments, private sector participants and the public to that pandemic and the potential effects and economic impact of the pandemic and the reaction to it, the severity, duration and future impact of which are highly uncertain and cannot be predicted, and which may have a significant adverse impact on the*

Company, including but not limited to its supply chain, third-party suppliers, project development timelines, employee base, liquidity, stock price, financial condition and costs (which may increase) and revenue and margins (both of which may decrease);

- *with respect to the proposed separation of the Company's eye-health business, the risks and uncertainties include, but are not limited to, the expected benefits and costs of the separation transaction, the expected timing of completion of the separation transaction and its terms, the Company's ability to complete the separation transaction considering the various conditions to the completion of the separation transaction (some of which are outside the Company's control, including conditions related to regulatory matters and a possible shareholder vote, if applicable), that market or other conditions are no longer favorable to completing the transaction, that any shareholder, stock exchange, regulatory or other approval (if required) is not obtained on the terms or timelines anticipated or at all, business disruption during the pendency of or following the separation transaction, diversion of management time on the separation transaction-related issues, retention of existing management team members, the reaction of customers and other parties to the separation transaction, the qualification of the separation transaction as a tax-free transaction for Canadian and/or U.S. federal income tax purposes (including whether or not an advance ruling from either or both of the Canada Revenue Agency and the Internal Revenue Service will be sought or obtained), potential dissynergy costs resulting from the separation transaction, the impact of the separation transaction on relationships with customers, suppliers, employees and other business counterparties, general economic conditions, conditions in the markets the Company is engaged in, behavior of customers, suppliers and competitors, technological developments, as well as legal and regulatory rules affecting the Company's business;*

- *the expense, timing and outcome of legal and governmental proceedings, investigations and information requests relating to, among other matters, our past distribution, marketing, pricing, disclosure and accounting practices (including with respect to our former relationship with Philidor Rx Services, LLC ("Philidor")), including pending investigations by the U.S. Attorney's Office for the District of Massachusetts and the U.S. Attorney's Office for the Southern District of New York, the investigation order issued by the Company from the Autorité des marchés financiers (the "AMF") (the Company's principal securities regulator in Canada), a number of pending non-class securities litigations (including certain pending opt-out actions in the U.S. related to the recently settled securities class action, (which is subject to final court approval, and remains subject to the risk and uncertainty that the U.S. District Court for the District of New Jersey may not approve the $1,210 million settlement agreement)) and certain opt-out actions in Canada relating to the recently settled class action in Canada (which is subject to court approval) and purported class actions under the federal RICO statute and other claims, investigations or proceedings that may be initiated or that may be asserted;*

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

- *the past and ongoing scrutiny of our legacy business practices, including with respect to pricing (including the investigations by the U.S. Attorney's Offices for the District of Massachusetts and the Southern District of New York), and any pricing controls or price adjustments that may be sought or imposed on our products as a result thereof;*

- *pricing decisions that we have implemented, or may in the future elect to implement, such as the Patient Access and Pricing Committee's commitment that the average annual price increase for our branded prescription pharmaceutical products will be set at no greater than single digits, or any future pricing actions we may take following review by our Patient Access and Pricing Committee (which is responsible for the pricing of our drugs);*

- *legislative or policy efforts, including those that may be introduced and passed by the U.S. Congress, designed to reduce patient out-of-pocket costs for medicines, which could result in new mandatory rebates and discounts or other pricing restrictions, controls or regulations (including mandatory price reductions);*

- *ongoing oversight and review of our products and facilities by regulatory and governmental agencies, including periodic audits by the U.S. Food and Drug Administration (the "FDA") and the results thereof;*

- *actions by the FDA or other regulatory authorities with respect to our products or facilities;*

- *our substantial debt (and potential additional future indebtedness) and current and future debt service obligations, our ability to reduce our outstanding debt levels and the resulting impact on our financial condition, cash flows and results of operations;*

- *our ability to meet the financial and other covenants contained in our Restated Credit Agreement, senior notes indentures, 2023 Revolving Credit Facility (as defined below) and other current or future debt agreements and the limitations, restrictions and prohibitions such covenants impose or may impose on the way we conduct our business, including prohibitions on incurring additional debt if certain financial covenants are not met, limitations on the amount of additional obligations we are able to incur pursuant to other covenants, our ability to draw under our 2023 Revolving Credit Facility and restrictions on our ability to make certain investments and other restricted payments;*
- *any default under the terms of our senior notes indentures or Restated Credit Agreement and our ability, if any, to cure or obtain waivers of such default;*
- *any delay in the filing of any future financial statements or other filings and any default under the terms of our senior notes indentures or Restated Credit Agreement as a result of such delays;*
- *any downgrade by rating agencies in our credit ratings, which may impact, among other things, our ability to raise debt and the cost of capital for additional debt issuances;*
- *any reductions in, or changes in the assumptions used in, our forecasts for fiscal year 2020 or beyond, including as a result of the impacts of the COVID-19 pandemic on our business and operations, which could lead to, among other things: (i) a failure to meet the financial and/or other covenants contained in our Restated Credit Agreement and/or senior notes indentures and/or (ii) impairment in the goodwill associated with certain of our reporting units or impairment charges related to certain of our products or other intangible assets, which impairments could be material;*
- *changes in the assumptions used in connection with our impairment analyses or assessments, which would lead to a change in such impairment analyses and assessments and which could result in an impairment in the goodwill associated with any of our reporting units or impairment charges related to certain of our products or other intangible assets;*
- *the uncertainties associated with the acquisition and launch of new products, including, but not limited to, our ability to provide the time, resources, expertise and costs required for the commercial launch of new products, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing, which could lead to material impairment charges;*
- *our ability or inability to extend the profitable life of our products, including through line extensions and other life-cycle programs;*
- *our ability to retain, motivate and recruit executives and other key employees;*
- *our ability to implement effective succession planning for our executives and key employees;*
- *factors impacting our ability to achieve anticipated growth in our Ortho Dermatologics business, including the success of recently launched products (such as Arazlo®, Bryhali® and Duobrii®), the ability to successfully implement and operate our new cash-pay prescription program for certain of our Ortho Dermatologics branded products, and the ability of such program to achieve the anticipated goals respecting patient access and fulfillment, the approval of pending and pipeline products (and the timing of such approvals), expected geographic expansion, changes in estimates on market potential for dermatology products and continued investment in and success of our sales force;*
- *factors impacting our ability to achieve anticipated revenues for our products, including changes in anticipated marketing spend on such products and launch of competing products;*
- *the challenges and difficulties associated with managing a large complex business, which has, in the past, grown rapidly;*
- *our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;*
- *our ability to effectively operate and grow our businesses in light of the challenges that the Company has faced and market conditions, including with respect to its substantial debt, pending investigations and legal proceedings, scrutiny of our past pricing and other practices, limitations on the way we conduct business imposed by the covenants contained in our Restated Credit Agreement, senior notes indentures and the agreements governing our other indebtedness, and the impacts of the COVID-19 pandemic;*

- *the extent to which our products are reimbursed by government authorities, pharmacy benefit managers ("PBMs") and other third-party payors; the impact our distribution, pricing and other practices (including as it relates to our current relationship with Walgreen Co. ("Walgreens")) may have on the decisions of such government authorities, PBMs and other third-party payors to reimburse our products; and the impact of obtaining or maintaining such reimbursement on the price and sales of our products;*
- *the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price and sales of our products in connection therewith;*
- *the consolidation of wholesalers, retail drug chains and other customer groups and the impact of such industry consolidation on our business;*
- *our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;*
- *the actions of our third-party partners or service providers of research, development, manufacturing, marketing, distribution or other services, including their compliance with applicable laws and contracts, which actions may be beyond our control or influence, and the impact of such actions on our Company, including the impact to the Company of our former relationship with Philidor and any alleged legal or contractual non-compliance by Philidor;*
- *the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering and operating in new and different geographic markets (including the challenges created by new and different regulatory regimes in such countries and the need to comply with applicable anti-bribery and economic sanctions laws and regulations);*
- *adverse global economic conditions and credit markets and foreign currency exchange uncertainty and volatility in certain of the countries in which we do business;*
- *the impact of the United States-Mexico-Canada Agreement ("USMCA") and any potential changes to other trade agreements;*
- *the final outcome and impact of Brexit negotiations;*
- *the trade conflict between the United States and China;*
- *our ability to obtain, maintain and license sufficient intellectual property rights over our products and enforce and defend against challenges to such intellectual property (such as in connection with the filing by Norwich Pharmaceuticals Inc. ("Norwich") of its Abbreviated New Drug Application ("ANDA") for Xifaxan® (rifaximin) 550 mg tablets and the Company's related lawsuit filed against Norwich in connection therewith);*
- *the introduction of generic, biosimilar or other competitors of our branded products and other products, including the introduction of products that compete against our products that do not have patent or data exclusivity rights;*
- *our ability to identify, finance, acquire, close and integrate acquisition targets successfully and on a timely basis and the difficulties, challenges, time and resources associated with the integration of acquired companies, businesses and products;*
- *any additional divestitures of our assets or businesses and our ability to successfully complete any such divestitures on commercially reasonable terms and on a timely basis, or at all, and the impact of any such divestitures on our Company, including the reduction in the size or scope of our business or market share, loss of revenue, any loss on sale, including any resultant impairments of goodwill or other assets, or any adverse tax consequences suffered as a result of any such divestitures;*
- *the expense, timing and outcome of pending or future legal and governmental proceedings, arbitrations, investigations, subpoenas, tax and other regulatory audits, examinations, reviews and regulatory proceedings against us or relating to us and settlements thereof;*
- *our ability to negotiate the terms of or obtain court approval for the settlement of certain legal and regulatory proceedings;*
- *our ability to obtain components, raw materials or finished products supplied by third parties (some of which may be single-sourced) and other manufacturing and related supply difficulties, interruptions and delays;*
- *the disruption of delivery of our products and the routine flow of manufactured goods;*

- *economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;*
- *interest rate risks associated with our floating rate debt borrowings;*
- *our ability to effectively distribute our products and the effectiveness and success of our distribution arrangements, including the impact of our arrangements with Walgreens;*
- *our ability to effectively promote our own products and those of our co-promotion partners;*
- *the success of our fulfillment arrangements with Walgreens, including market acceptance of, or market reaction to, such arrangements (including by customers, doctors, patients, PBMs, third-party payors and governmental agencies), and the continued compliance of such arrangements with applicable laws;*
- *the acceptance and success of our new cash-pay prescription program for certain of our Ortho Dermatologics branded products;*
- *our ability to secure and maintain third-party research, development, manufacturing, licensing, marketing or distribution arrangements;*
- *the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits, product liability claims and damages and/or recalls or withdrawals of products from the market;*
- *the mandatory or voluntary recall or withdrawal of our products from the market and the costs associated therewith;*
- *the availability of, and our ability to obtain and maintain, adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third-party insurance or self-insurance;*
- *the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including with respect to approvals by the FDA, Health Canada and similar agencies in other countries, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;*
- *the results of continuing safety and efficacy studies by industry and government agencies;*
- *the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as other factors impacting the commercial success of our products, which could lead to material impairment charges;*
- *the results of management reviews of our research and development portfolio (including following the receipt of clinical results or feedback from the FDA or other regulatory authorities), which could result in terminations of specific projects which, in turn, could lead to material impairment charges;*
- *the seasonality of sales of certain of our products;*
- *declines in the pricing and sales volume of certain of our products that are distributed or marketed by third parties, over which we have no or limited control;*
- *compliance by the Company or our third-party partners and service providers (over whom we may have limited influence), or the failure of our Company or these third parties to comply, with health care "fraud and abuse" laws and other extensive regulation of our marketing, promotional and business practices (including with respect to pricing), worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act), worldwide economic sanctions and/or export laws, worldwide environmental laws and regulation and privacy and security regulations;*
- *the impacts of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the "Health Care Reform Act") and potential amendment thereof and other legislative and regulatory health care reforms in the countries in which we operate, including with respect to recent government inquiries on pricing;*
- *the impact of any changes in or reforms to the legislation, laws, rules, regulation and guidance that apply to the Company and its business and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to the Company or its businesses or products;*

- *the impact of changes in federal laws and policy that may be undertaken following the election of the next administration;*
- *illegal distribution or sale of counterfeit versions of our products;*
- *interruptions, breakdowns or breaches in our information technology systems; and*
- *risks in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020, risks in Item 1A. "Risk Factors" of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, filed on May 7, 2020, risks in Item 1A. "Risk Factors" of Part II of this Form 10-Q and risks detailed from time to time in our other filings with the SEC and the Canadian Securities Administrators (the "CSA"), as well as our ability to anticipate and manage the risks associated with the foregoing.*

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found in our Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020, under Item 1A. "Risk Factors", in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, filed on May 7, 2020, under Item 1A. "Risk Factors" of Part II, under Item 1A. "Risk Factors" of Part II of this Form 10-Q and in the Company's other filings with the SEC and the CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BAUSCH HEALTH COMPANIES INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except share amounts)
(Unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 977	$ 3,243
Restricted cash	1,011	1
Trade receivables, net	1,733	1,839
Inventories, net	1,224	1,107
Prepaid expenses and other current assets	726	779
Total current assets	5,671	6,969
Property, plant and equipment, net	1,550	1,466
Intangible assets, net	8,923	10,201
Goodwill	13,160	13,126
Deferred tax assets, net	1,913	1,690
Other non-current assets	345	411
Total assets	$ 31,562	$ 33,863
Liabilities		
Current liabilities:		
Accounts payable	$ 379	$ 503
Accrued and other current liabilities	4,353	4,511
Current portion of long-term debt and other	—	1,234
Total current liabilities	4,732	6,248
Acquisition-related contingent consideration	275	262
Non-current portion of long-term debt	24,343	24,661
Deferred tax liabilities, net	650	705
Other non-current liabilities	907	851
Total liabilities	30,907	32,727
Commitments and contingencies (Note 18)		
Equity		
Common shares, no par value, unlimited shares authorized, 355,026,950 and 352,562,636 issued and outstanding at September 30, 2020 and December 31, 2019, respectively	10,219	10,172
Additional paid-in capital	435	429
Accumulated deficit	(7,860)	(7,452)
Accumulated other comprehensive loss	(2,207)	(2,086)
Total Bausch Health Companies Inc. shareholders' equity	587	1,063
Noncontrolling interest	68	73
Total equity	655	1,136
Total liabilities and equity	$ 31,562	$ 33,863

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

BAUSCH HEALTH COMPANIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Revenues				
Product sales	$ 2,111	$ 2,180	$ 5,734	$ 6,291
Other revenues	27	29	80	86
	2,138	2,209	5,814	6,377
Expenses				
Cost of goods sold (excluding amortization and impairments of intangible assets)	578	571	1,565	1,675
Cost of other revenues	12	13	39	40
Selling, general and administrative	572	648	1,731	1,886
Research and development	103	123	333	357
Amortization of intangible assets	391	475	1,263	1,452
Asset impairments	2	33	17	49
Restructuring, integration and separation costs	2	4	13	28
Acquisition-related contingent consideration	2	3	26	2
Other expense, net	16	10	146	15
	1,678	1,880	5,133	5,504
Operating income	460	329	681	873
Interest income	2	2	11	9
Interest expense	(374)	(406)	(1,155)	(1,221)
Loss on extinguishment of debt	—	—	(51)	(40)
Foreign exchange and other	(13)	9	(26)	12
Income (loss) before (provision for) benefit from income taxes	75	(66)	(540)	(367)
(Provision for) benefit from income taxes	(5)	18	133	101
Net income (loss)	70	(48)	(407)	(266)
Net loss (income) attributable to noncontrolling interest	1	(1)	—	(6)
Net income (loss) attributable to Bausch Health Companies Inc.	$ 71	$ (49)	$ (407)	$ (272)
Earnings (loss) per share attributable to Bausch Health Companies Inc.				
Basic	$ 0.20	$ (0.14)	$ (1.15)	$ (0.77)
Diluted	$ 0.20	$ (0.14)	$ (1.15)	$ (0.77)
Weighted-average common shares				
Basic	355.6	352.4	354.7	351.9
Diluted	357.8	352.4	354.7	351.9

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

BAUSCH HEALTH COMPANIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Net income (loss)	$ 70	$ (48)	$ (407)	$ (266)
Other comprehensive income (loss)				
Foreign currency translation adjustment	20	(97)	(118)	(20)
Pension and postretirement benefit plan adjustments, net of income taxes	(1)	—	(2)	(1)
Other comprehensive income (loss)	19	(97)	(120)	(21)
Comprehensive income (loss)	89	(145)	(527)	(287)
Comprehensive (income) loss attributable to noncontrolling interest	(2)	1	(1)	(4)
Comprehensive income (loss) attributable to Bausch Health Companies Inc.	$ 87	$ (144)	$ (528)	$ (291)

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

BAUSCH HEALTH COMPANIES INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)
(Unaudited)

	Bausch Health Companies Inc. Shareholders' Equity							
	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Bausch Health Companies Inc. Shareholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount						
	Three Months Ended September 30, 2020							
Balances, July 1, 2020	354.9	$10,217	$ 411	$ (7,931)	$ (2,223)	$ 474	$ 72	$ 546
Common shares issued under share-based compensation plans	0.1	2	(2)	—	—	—	—	—
Share-based compensation	—	—	27	—	—	27	—	27
Employee withholding taxes related to share-based awards	—	—	(1)	—	—	(1)	—	(1)
Noncontrolling interest distributions	—	—	—	—	—	—	(6)	(6)
Net income (loss)	—	—	—	71	—	71	(1)	70
Other comprehensive income	—	—	—	—	16	16	3	19
Balances, September 30, 2020	355.0	$10,219	$ 435	$ (7,860)	$ (2,207)	$ 587	$ 68	$ 655
	Three Months Ended September 30, 2019							
Balances, July 1, 2019	352.2	$10,165	$ 384	$ (5,887)	$ (2,061)	$ 2,601	$ 87	$ 2,688
Common shares issued under share-based compensation plans	0.2	3	(3)	—	—	—	—	—
Share-based compensation	—	—	26	—	—	26	—	26
Employee withholding taxes related to share-based awards	—	—	(1)	—	—	(1)	—	(1)
Noncontrolling interest distributions	—	—	—	—	—	—	(8)	(8)
Net (loss) income	—	—	—	(49)	—	(49)	1	(48)
Other comprehensive loss	—	—	—	—	(95)	(95)	(2)	(97)
Balances, September 30, 2019	352.4	$10,168	$ 406	$ (5,936)	$ (2,156)	$ 2,482	$ 78	$ 2,560
	Nine Months Ended September 30, 2020							
Balances, January 1, 2020	352.6	$10,172	$ 429	$ (7,452)	$ (2,086)	$ 1,063	$ 73	$ 1,136
Effect of application of new accounting standard: financial instruments - credit losses	—	—	—	(1)	—	(1)	—	(1)
Common shares issued under share-based compensation plans	2.4	47	(45)	—	—	2	—	2
Share-based compensation	—	—	81	—	—	81	—	81
Employee withholding taxes related to share-based awards	—	—	(30)	—	—	(30)	—	(30)
Noncontrolling interest distributions	—	—	—	—	—	—	(6)	(6)
Net loss	—	—	—	(407)	—	(407)	—	(407)
Other comprehensive (loss) income	—	—	—	—	(121)	(121)	1	(120)
Balances, September 30, 2020	355.0	$10,219	$ 435	$ (7,860)	$ (2,207)	$ 587	$ 68	$ 655
	Nine Months Ended September 30, 2019							
Balances, January 1, 2019	349.9	$10,121	$ 413	$ (5,664)	$ (2,137)	$ 2,733	$ 82	$ 2,815
Common shares issued under share-based compensation plans	2.5	47	(44)	—	—	3	—	3
Share-based compensation	—	—	77	—	—	77	—	77
Employee withholding taxes related to share-based awards	—	—	(40)	—	—	(40)	—	(40)
Noncontrolling interest distributions	—	—	—	—	—	—	(8)	(8)
Net (loss) income	—	—	—	(272)	—	(272)	6	(266)
Other comprehensive loss	—	—	—	—	(19)	(19)	(2)	(21)
Balances, September 30, 2019	352.4	$10,168	$ 406	$ (5,936)	$ (2,156)	$ 2,482	$ 78	$ 2,560

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

BAUSCH HEALTH COMPANIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Nine Months Ended September 30,	
	2020	**2019**
Cash Flows From Operating Activities		
Net loss	$ (407)	$ (266)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	1,397	1,583
Amortization and write-off of debt premiums, discounts and issuance costs	45	49
Asset impairments	17	49
Acquisition-related contingent consideration	26	2
Allowances for losses on trade receivable and inventories	52	46
Deferred income taxes	(213)	(233)
Gain on sale of assets	(1)	(10)
Additions to accrued legal settlements	147	12
Payments of accrued legal settlements	(82)	(4)
Share-based compensation	81	77
Foreign exchange loss	14	8
Gain excluded from hedge effectiveness	(17)	(3)
Loss on extinguishment of debt	51	40
Payments of contingent consideration adjustments, including accretion	—	(1)
Other	(7)	30
Changes in operating assets and liabilities:		
Trade receivables	67	110
Inventories	(178)	(205)
Prepaid expenses and other current assets	11	16
Accounts payable, accrued and other liabilities	(286)	(33)
Net cash provided by operating activities	717	1,267
Cash Flows From Investing Activities		
Acquisition of businesses, net of cash acquired	—	(180)
Purchases of property, plant and equipment	(222)	(192)
Payments for intangible and other assets	(3)	(1)
Purchases of marketable securities	(3)	(8)
Proceeds from sale of marketable securities	7	3
Proceeds from sale of assets and businesses, net of costs to sell	21	44
Interest settlements from cross-currency swaps	23	—
Net cash used in investing activities	(177)	(334)
Cash Flows From Financing Activities		
Issuance of long-term debt, net of discounts	1,476	3,238
Repayments of long-term debt	(3,162)	(3,956)
Proceeds from the issuances of short-term debt	1	12
Repayments of short-term debt	(1)	(12)
Payments of employee withholding taxes related to share-based awards	(30)	(40)
Payments of acquisition-related contingent consideration	(30)	(27)
Payments of financing costs	(39)	(26)
Other	(6)	(1)
Net cash used in financing activities	(1,791)	(812)
Effect of exchange rate changes on cash and cash equivalents	(5)	(17)
Net (decrease) increase in cash and cash equivalents and restricted cash	(1,256)	104
Cash and cash equivalents and restricted cash, beginning of period	3,244	723
Cash and cash equivalents and restricted cash, end of period	$ 1,988	$ 827
Cash and cash equivalents	$ 977	$ 825
Restricted cash, current	1,011	2
Cash and cash equivalents and restricted cash, end of period	$ 1,988	$ 827

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

1. DESCRIPTION OF BUSINESS

Bausch Health Companies Inc. (the "Company" or "Bausch Health") is a multinational, specialty pharmaceutical and medical device company that develops, manufactures and markets, primarily in the therapeutic areas of eye-health, gastroenterology ("GI") and dermatology, a broad range of branded, generic and branded generic pharmaceuticals, over-the-counter ("OTC") products and medical devices (contact lenses, intraocular lenses, ophthalmic surgical equipment and aesthetics devices) which are marketed directly or indirectly in approximately 100 countries.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying unaudited Consolidated Financial Statements have been prepared by the Company in U.S. dollars and in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting, which do not conform in all respects to the requirements of U.S. GAAP for annual financial statements. Accordingly, these notes to the unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements prepared in accordance with U.S. GAAP that are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the U.S. Securities and Exchange Commission (the "SEC") and the Canadian Securities Administrators on February 19, 2020. The unaudited Consolidated Financial Statements have been prepared using accounting policies that are consistent with the policies used in preparing the Company's audited Consolidated Financial Statements for the year ended December 31, 2019, except for the new accounting guidance adopted during the period. The unaudited Consolidated Financial Statements reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position and results of operations for the interim periods. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

Separation of the Bausch + Lomb Eye-Health Business

On August 6, 2020, the Company announced that it intends to separate its eye-health business into an independent publicly traded entity from the remainder of Bausch Health Companies Inc. (the "Separation"). The Separation will establish two separate companies that include: (i) a fully integrated eye-health company which will consist of the Company's Bausch + Lomb Global Vision Care, Global Surgical, Global Consumer and Global Ophthalmic Rx businesses and (ii) a diversified pharmaceutical company which will include the Company's Salix, International Rx, Solta, neurology and medical dermatology pharmaceutical businesses. The anticipated separation is subject to regulatory approvals and certain conditions, including final approval by the Company's Board of Directors and any shareholder vote requirements that may be applicable. These unaudited Consolidated Financial Statements do not include any adjustments to give effect to the Separation.

The Company has begun addressing the internal organizational design and structure of the new entity which it anticipates having substantially completed in late 2021. Management is also exploring various capitalization structures and the form of the Separation transaction in order to properly capitalize both entities post-separation. As of the date of the issuance of these financial statements, the Company is in the planning phase of the Separation. As such, there are considerations, approvals and conditions that will determine the ultimate timing and structure of the Separation and there can be no assurance that a transaction will occur.

Impacts of COVID-19 Pandemic

The unprecedented nature of the COVID-19 pandemic has adversely impacted the global economy. The COVID-19 pandemic and the rapidly evolving reactions of governments, private sector participants and the public in an effort to contain the spread of the COVID-19 virus and/or address its impacts have intensified and have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base and transactional activity, facilities closures and production suspensions. The COVID-19 pandemic has also significantly increased demand for certain goods and services, such as pandemic-related medical services and supplies, alongside decreased demand for others, such as retail, hospitality, elective medical procedures and travel.

The extent to which these events may continue to impact the Company's business, financial condition, cash flows and results of operations, in particular, will depend on future developments which are highly uncertain and many of which are outside the Company's control. Such developments include the ultimate geographic spread and duration of the pandemic, the extent and duration of a resurgence, if any, new information concerning the severity of the COVID-19 virus, the effectiveness and intensity of measures to contain the COVID-19 virus and the economic impact of the pandemic and the reactions to it. Such

developments, among others, depending on their nature, duration and intensity, could have a significant adverse effect on the Company's business, financial condition, cash flows and results of operations.

To date, the Company has been able to continue its operations with limited disruptions in supply and manufacturing. Although it is difficult to predict the broad macroeconomic effects that the COVID-19 pandemic will have on industries or individual companies, the Company has assessed the possible effects and outcomes of the pandemic on, among other things, its supply chain, customers and distributors, discounts and rebates, employee base, product sustainability, research and development efforts, product pipeline and consumer demand and currently believes that its estimates are reasonable.

Use of Estimates

In preparing the unaudited Consolidated Financial Statements, management is required to make estimates and assumptions. This includes estimates and assumptions regarding the nature, timing and extent of the impacts that the COVID-19 pandemic will have on its operations and cash flows. The estimates and assumptions used by the Company affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited Consolidated Financial Statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates and the differences could be material.

On an ongoing basis, management reviews its estimates to ensure that these estimates appropriately reflect changes in the Company's business and new information as it becomes available. If historical experience and other factors used by management to make these estimates do not reasonably reflect future activity, the Company's results of operations and financial position could be materially impacted.

Principles of Consolidation

The unaudited Consolidated Financial Statements include the accounts of the Company and those of its subsidiaries and any variable interest entities for which the Company is the primary beneficiary. All intercompany transactions and balances have been eliminated.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Adoption of New Accounting Guidance

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance on the impairment of financial instruments requiring an impairment model based on expected losses rather than incurred losses. Under this guidance, an entity recognizes as an allowance its estimate of expected credit losses. The guidance was effective for the Company beginning January 1, 2020 and was applied using a modified retrospective approach through a cumulative-effect adjustment to accumulated deficit, which resulted in an increase to accumulated deficit of less than $1 million. The application of this guidance did not have a material effect on the Company's results of operations and cash flows. The Company estimates the current expected credit loss on its receivables based on various factors, including historical credit loss experience, customer credit worthiness, value of collaterals (if any), and any relevant current and reasonably supportable future economic factors. Additionally, the Company generally estimates the expected credit loss on a pool basis when customers are deemed to have similar risk characteristics.

In August 2018, the FASB issued guidance modifying the disclosure requirements for fair value measurement. The guidance was effective for the Company beginning January 1, 2020. The application of this guidance did not have a material effect on the Company's disclosures.

In March 2020, the FASB issued guidance providing optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or a reference rate that is expected to be discontinued as a result of reference rate reform. Optional expedients are provided for contract modification accounting within the areas of receivables, debt, leases, derivatives and hedging. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022. During the nine months ended September 30, 2020, the Company has not entered into any contract modifications in which the optional expedients were applied. However, if prior to December 31, 2022 the Company enters into a contract modification in which the optional expedients are applied, the Company will evaluate the impact of adoption of this guidance on its financial position, results of operations and cash flows.

Recently Issued Accounting Standards, Not Adopted as of September 30, 2020

In August 2018, the FASB issued guidance modifying the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance is effective for annual periods ending after December 15, 2020, with early adoption permitted. The Company is evaluating the impact of adoption of this guidance on its disclosures.

In December 2019, the FASB issued guidance simplifying the accounting for income taxes. The guidance is effective for annual periods ending after December 15, 2020, with early adoption permitted. The Company is evaluating the impact of adoption of this guidance on the Company's financial position, results of operations and cash flows.

3. REVENUE RECOGNITION

The Company's revenues are primarily generated from product sales, principally 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. Contract service revenue is derived primarily from contract manufacturing for third parties and is not material. See Note 19, "SEGMENT INFORMATION" for the disaggregation of 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.

Product Sales Provisions

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 a future period.

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

The Company continually monitors its variable consideration provisions and evaluates the estimates used as additional information becomes available. Adjustments will be made to these provisions periodically to reflect new facts and circumstances that may indicate that historical experience may not be indicative of current and/or future results. The Company is required to make subjective judgments based primarily on its evaluation of current market conditions and trade inventory levels related to the Company's products. These judgments include the potential impact of the COVID-19 pandemic on, among other things, unemployment and related changes in customer health insurance levels, customer behaviors during the COVID-19 pandemic and government stimulus bills that focus on ensuring availability and access to lifesaving drugs during a public health crisis. This evaluation may result in an increase or decrease in the experience rate that is applied to current and future sales, or require an adjustment related to past sales, or both. If the trend in actual amounts of variable consideration varies from the Company's prior estimates, the Company adjusts these estimates when such trend is believed to be sustainable. At that time, the Company would record the necessary adjustments which would affect net product revenue and earnings reported in the current period.

Over the last several years, the Company increased its focus on maximizing operational efficiencies and continues to take actions to reduce product returns, including but not limited to: (i) monitoring and reducing customer inventory levels, (ii) instituting disciplined pricing policies and (iii) improving contracting. These actions have had the effect of improving sales return experience, primarily related to branded and generic products. Sales return provisions for the nine months ended September 30, 2020 and 2019 were $71 million and $50 million, respectively, and includes reductions in variable consideration for sales return provisions related to past sales of approximately $38 million and $80 million for the three months ended September 30, 2020 and 2019, respectively.

The following tables present the activity and ending balances of the Company's variable consideration provisions for the nine months ended September 30, 2020 and 2019.

	Nine Months Ended September 30, 2020					
(in millions)	Discounts and Allowances	Returns	Rebates	Chargebacks	Distribution Fees	Total
Reserve balances, January 1, 2020	$ 182	$ 691	$ 927	$ 168	$ 82	$ 2,050
Current period provisions	457	71	1,587	1,433	149	3,697
Payments and credits	(454)	(185)	(1,605)	(1,451)	(150)	(3,845)
Reserve balances, September 30, 2020	$ 185	$ 577	$ 909	$ 150	$ 81	$ 1,902

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately $33 million and $29 million as of September 30, 2020 and January 1, 2020, respectively, which are reflected as a reduction of Trade receivables, net in the Consolidated Balance Sheets. Included as a reduction of Distribution Fees in the table above are price appreciation credits of approximately $4 million during the nine months ended September 30, 2020.

	Nine Months Ended September 30, 2019					
(in millions)	Discounts and Allowances	Returns	Rebates	Chargebacks	Distribution Fees	Total
Reserve balances, January 1, 2019	$ 175	$ 813	$ 1,024	$ 209	$ 163	$ 2,384
Acquisition of Synergy	—	3	12	—	1	16
Current period provisions	585	50	1,650	1,425	150	3,860
Payments and credits	(583)	(187)	(1,673)	(1,480)	(181)	(4,104)
Reserve balances, September 30, 2019	$ 177	$ 679	$ 1,013	$ 154	$ 133	$ 2,156

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately $26 million and $26 million as of September 30, 2019 and January 1, 2019, respectively. There were no price appreciation credits during the nine months ended September 30, 2019.

Contract Assets and Contract Liabilities

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

Allowance for Credit Losses

An allowance is maintained for potential credit losses. The Company estimates the current expected credit loss on its receivables based on various factors, including historical credit loss experience, customer credit worthiness, value of collaterals (if any), and any relevant current and reasonably supportable future economic factors. Additionally, the Company generally estimates the expected credit loss on a pool basis when customers are deemed to have similar risk characteristics. Trade receivable balances are written off against the allowance when it is deemed probable that the trade receivable will not be collected. Trade receivables, net are stated net of certain sales provisions and the allowance for credit losses. The activity in the allowance for credit losses for trade receivables for the nine months ended September 30, 2020 is as follows.

(in millions)	
Balance, December 31, 2019	$ 48
Retrospective effect of application of new accounting standard	1
Provision	7
Write-offs	(3)
Recoveries	1
Foreign exchange and other	(1)
Balance, September 30, 2020	$ 53

4. ACQUISITION, LICENSING AGREEMENTS AND ASSETS HELD FOR SALE

Acquisition of Certain Assets of Synergy Pharmaceuticals Inc.

On March 6, 2019, the Company acquired certain assets of Synergy Pharmaceuticals Inc. ("Synergy") for a cash purchase price of approximately $180 million and the assumption of certain liabilities, pursuant to the terms approved by the U.S. Bankruptcy Court for the Southern District of New York on March 1, 2019. Among the assets acquired were the worldwide rights to the Trulance® (plecanatide) product, a once-daily tablet for adults with chronic idiopathic constipation and irritable bowel syndrome with constipation. This acquired business is included in the Company's Salix segment and has, to date, resulted in additional revenues and certain business synergies.

Assets Acquired and Liabilities Assumed

The acquisition of certain assets of Synergy has been accounted for as a business combination under the acquisition method of accounting as: (i) substantially all the fair value of the assets acquired is not concentrated in a single identifiable asset or group of similar identifiable assets and (ii) substantive inputs and processes were acquired to contribute to the creation of outputs. The following table summarizes the fair values of the assets acquired and liabilities assumed related to the acquisition of certain assets of Synergy as of the acquisition date:

(in millions)	
Accounts receivable	$ 7
Inventories	24
Prepaid expenses and other current assets	5
Product brand intangible assets (estimated useful life - 7 years)	159
Accounts payable	(1)
Accrued expenses	(17)
Total identifiable net assets	177
Goodwill	3
Total fair value of consideration transferred	$ 180

Goodwill associated with the acquisition of certain assets of Synergy is not deductible for income tax purposes.

Revenue and Operating Results

Revenues associated with the acquired assets of Synergy during the period March 6, 2019 through December 31, 2019 were $55 million. Operating results associated with the acquired assets of Synergy during the period March 6, 2019 through December 31, 2019 and pro-forma revenues and operating results for the nine months ended September 30, 2019 and the year 2019 were not material. Included in Other expense, net during the nine months ended September 30, 2019 are acquisition-related costs of $8 million directly related to the acquisition of certain assets of Synergy, which include expenditures for advisory, legal, valuation, accounting and other similar services.

Option to Purchase All Ophthalmology Assets of Allegro Ophthalmics, LLC ("Allegro")

On September 21, 2020, the Company announced that it entered into an agreement to acquire an option to purchase all of the ophthalmology assets of Allegro (the "Option"), a privately held biopharmaceutical company focused on the development of therapies that regulate integrin functions for the treatment of ocular diseases. Among the assets to be acquired if the Option is exercised, is the worldwide rights to risuteganib (Luminate®), Allegro's lead investigational compound in retina, which is believed to simultaneously act on the angiogenic, inflammatory and mitochondrial metabolic pathways implicated in diseases such as intermediate dry Age-related Macular Degeneration ("AMD"). A U.S. Phase 2a study with risuteganib in intermediate dry AMD met its primary endpoint of vision recovery and Phase 3 testing is in the planning stages. The aggregate payments to acquire the Option are $50 million and include an upfront payment of $10 million and a second payment of $40 million should Allegro raise additional funding. During the three months ended September 30, 2020, the Company made and expensed the upfront payment of $10 million as acquired in-process research and development ("IPR&D") included in Other expense, net. If the Option is exercised, additional payments to acquire all ophthalmology assets of Allegro will be due.

Licensing Agreements

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. These products are sometimes investigational treatments in early stage development that target unique conditions. The ultimate outcome, including whether the product will be: (i) fully developed, (ii) approved by regulatory agencies, (iii) covered by third-party payors or (iv) profitable for distribution, is highly

uncertain. The commitment periods under these agreements vary and include customary termination provisions. Expenses arising from commitments, if any, to fund the development and testing of these products and their promotion are recognized as incurred. Royalties due are recognized when earned and milestone payments are accrued when each milestone has been achieved and payment is probable and can be reasonably estimated.

Assets Held for Sale

In 2019, the Company identified certain products in the Bausch + Lomb/International segment and one product in the Diversified Products segment for disposal. The products and the related assets and liabilities of this disposal group qualified as a business. Revenues associated with this business were $14 million and $19 million for the years 2019 and 2018, respectively. The carrying value of the business, including inventories, intangible assets, goodwill and deferred income taxes, was adjusted to its estimated fair value less costs to sell and reclassified as held for sale as of September 30, 2019 and an impairment of $8 million associated with this business was recognized during the three months ended September 30, 2019. As a result of changing business dynamics, during the three months ended March 31, 2020, the Company decided not to sell these assets and reclassified $39 million of held for sale assets as assets held and used at their respective fair values at the date of the decision not to sell. This reclassification did not impact the Consolidated Statement of Operations for the nine months ended September 30, 2020.

5. RESTRUCTURING, INTEGRATION AND SEPARATION COSTS

Restructuring and integration costs

The Company evaluates opportunities to improve its operating results and implements cost savings programs to streamline its operations and eliminate redundant processes and expenses. Restructuring and integration costs 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. The liability associated with restructuring and integration costs as of September 30, 2020 was $25 million.

During the nine months ended September 30, 2020, the Company incurred $12 million of restructuring and integration costs. These costs included: (i) $7 million of facility closure costs and (ii) $5 million of severance costs. The Company made payments of $14 million for the nine months ended September 30, 2020.

During the nine months ended September 30, 2019, the Company incurred $28 million of restructuring and integration costs. These costs included: (i) $11 million of severance and other costs associated with the acquisition of certain assets of Synergy, (ii) $9 million of facility closure costs and (iii) $8 million of other severance costs. The Company made payments of $27 million for the nine months ended September 30, 2019.

Separation costs and separation-related costs

The Company has incurred, and will incur, costs associated with activities to effectuate the Separation. These activities include: (i) separating the eye-health business from the remainder of the Company and (ii) registering the eye-health business as an independent publicly traded entity. Separation costs are incremental costs directly related to the Separation and include, but are not limited to: (i) legal, audit and advisory fees, (ii) employee hiring, relocation and travel costs and (iii) costs associated with establishing a new board of directors and audit committee. Included in Restructuring, integration and separation costs for the three and nine months ended September 30, 2020 is $1 million of separation costs.

The Company has also incurred, and will incur, separation-related costs which are incremental costs indirectly related to the Separation. Separation-related costs include, but are not limited to: (i) IT infrastructure and software licensing costs, (ii) rebranding costs and (iii) costs associated with facility relocation and/or modification. Included in Selling, general and administrative expenses for the three and nine months ended September 30, 2020 is $4 million of separation-related costs.

The Company is in the planning phase of the Separation and the extent and timing of future charges for these costs cannot be reasonably estimated at this time and could be material.

6. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

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

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using discounted cash flow methodologies, pricing models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

	September 30, 2020				December 31, 2019			
(in millions)	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$ 423	$ 393	$ 30	$ —	$ 2,696	$ 2,646	$ 50	$ —
Restricted cash	$ 1,011	$ 1,011	$ —	$ —	$ 1	$ 1	$ —	$ —
Foreign currency exchange contracts	$ 1	$ —	$ 1	$ —	$ —	$ —	$ —	$ —
Liabilities:								
Acquisition-related contingent consideration	$ 312	$ —	$ —	$ 312	$ 316	$ —	$ —	$ 316
Cross-currency swaps	$ 18	$ —	$ 18	$ —	$ 13	$ —	$ 13	$ —
Foreign currency exchange contracts	$ 2	$ —	$ 2	$ —	$ —	$ —	$ —	$ —

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

As of September 30, 2020, Restricted cash includes $1,010 million of payments into an escrow fund under the terms of a settlement agreement regarding certain U.S. securities litigation, subject to final court approval, and is reflected in the Consolidated Balance Sheets at carrying value, which approximates fair value due to its short-term nature. These payments will remain in escrow until final approval of the settlement as discussed in Note 18, "LEGAL PROCEEDINGS".

There were no transfers into or out of Level 3 during the nine months ended September 30, 2020.

Cross-currency Swaps

During the three months ended September 30, 2019, the Company entered into cross-currency swaps, with aggregate notional amounts of $1,250 million, to mitigate fluctuation in the value of a portion of its euro-denominated net investment in its consolidated financial statements from fluctuation in exchange rates. The euro-denominated net investment being hedged is the Company's investment in certain euro-denominated subsidiaries.

The Company's cross-currency swaps qualify for and have been designated as an accounting hedge of the foreign currency exposure of a net investment in a foreign operation and are remeasured at each reporting date to reflect changes in their fair values. The fair value is determined via a mark-to-market analysis, using observable (Level 2) inputs. These inputs may include: (i) the foreign currency exchange spot rate between the euro and U.S. dollar, (ii) the interest rate yield curves in the euro and U.S. dollar and (iii) the credit risk rating for each applicable counterparty. The net change in fair value of cross-currency swaps is reported as a gain or loss in the Consolidated Statements of Comprehensive Income (Loss) as part of Foreign currency translation adjustment to the extent they are effective and remain in Accumulative other comprehensive loss until either the sale or complete, or substantially complete, liquidation of the subsidiary. No portion of the cross-currency swaps were ineffective for the nine months ended September 30, 2020 and 2019. The Company uses the spot method of assessing hedge effectiveness. The Company has elected to amortize amounts excluded from the assessment of effectiveness over the term of its cross-currency swaps as Interest expense in the Consolidated Statements of Operations.

The fair value of the Company's cross-currency swaps liability as of September 30, 2020 and December 31, 2019 was $18 million and $13 million, respectively. Included in Other non-current liabilities is $21 million and $22 million of cross-currency swaps and included in Prepaid expenses and other current assets is $3 million and $9 million of earned interest within the Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019, respectively.

The following table presents the effect of hedging instruments on the Consolidated Statements of Comprehensive Income (Loss) and the Consolidated Statements of Operations for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
(Loss) Gain recognized in Other comprehensive income (loss)	$ (54)	$ 5	$ 1	$ 5
Gain excluded from assessment of hedge effectiveness	$ 6	$ 3	$ 17	$ 3
Location of gain of excluded component	Interest Expense		Interest Expense	

Settlement of the Company's cross-currency swaps occur in February and August each year. During the nine months ended September 30, 2020, the Company received $23 million in settlements which are reported as investing activities in the Consolidated Statements of Cash Flows.

Foreign Currency Exchange Contracts

During the nine months ended September 30, 2020, the Company entered into foreign currency exchange contracts, with an aggregate notional amount of $187 million. The Company had no foreign currency exchange contracts during 2019.

The Company's foreign currency exchange contracts are remeasured at each reporting date to reflect changes in their fair values determined using forward rates, which are observable market inputs, multiplied by the notional amount. The Company's foreign currency exchange contracts are economically hedging the foreign exchange exposure on certain of the Company’s intercompany balances. These contracts have not been designated as an accounting hedge, and therefore the net change in their fair value is reported as a gain or loss in the Consolidated Statements of Operations as part of Foreign exchange and other.

The fair value of the Company's foreign currency exchange contracts liability as of September 30, 2020 was $1 million. Included in Accrued and other current liabilities are $2 million and included in Prepaid expenses and other current assets are $1 million of foreign currency exchange contracts within the Consolidated Balance Sheets. During the three and nine months ended September 30, 2020, the net change in fair value was $0 and a loss of $1 million, respectively. Settlements of the Company's foreign currency exchange contracts are reported as a gain or loss in the Consolidated Statements of Operations as part of Foreign exchange and other and reported as operating activities in the Consolidated Statements of Cash Flows. During the nine months ended September 30, 2020, the Company reported a realized loss of $1 million related to settlements of the Company's foreign currency exchange contracts.

Acquisition-related Contingent Consideration Obligations

The fair value measurement of contingent consideration obligations arising from business combinations is 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. Significant increases or decreases in any of those inputs in isolation could result in a significantly higher or lower fair value measurement. At September 30, 2020, the fair value measurements of acquisition-related contingent consideration were determined using risk-adjusted discount rates ranging from 5% to 25%, and a weighted average risk-adjusted discount rate of 8%. The weighted average risk-adjusted discount rate was calculated by weighting each contract's relative fair value at September 30, 2020.

The following table presents a reconciliation of contingent consideration obligations measured on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2020 and 2019:

	Nine Months Ended September 30,	
(in millions)	**2020**	**2019**
Balance, beginning of period	$ 316	$ 339
Adjustments to Acquisition-related contingent consideration:		
Accretion for the time value of money	$ 17	$ 16
Fair value adjustments due to changes in estimates of other future payments	9	(14)
Acquisition-related contingent consideration	26	2
Payments	(30)	(28)
Balance, end of period	312	313
Current portion included in Accrued and other current liabilities	37	46
Non-current portion	$ 275	$ 267

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The following table presents the components and classification of the Company's financial assets and liabilities measured at fair value on a non-recurring basis:

	September 30, 2020				December 31, 2019			
(in millions)	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
Other non-current assets:								
Non-current assets held for sale	$ —	$ —	$ —	$ —	$ 39	$ —	$ —	$ 39

Non-current assets held for sale of $39 million included in the Consolidated Balance Sheets as of December 31, 2019 were remeasured to their estimated fair values less costs to sell determined using a discounted cash flow analysis which utilized Level 3 unobservable inputs. As discussed in Note 4, "ACQUISITION, LICENSING AGREEMENTS AND ASSETS HELD FOR SALE", due to changing business dynamics, the Company decided not to sell these assets during the three months ended March 31, 2020.

Fair Value of Long-term Debt

The fair value of long-term debt as of September 30, 2020 and December 31, 2019 was $25,258 million and $27,520 million, respectively, and was estimated using the quoted market prices for the same or similar debt issuances (Level 2)**.**

7. INVENTORIES

Inventories, net of allowances for obsolescence consist of:

(in millions)	**September 30, 2020**	**December 31, 2019**
Raw materials	$ 339	$ 319
Work in process	159	149
Finished goods	726	639
	$ 1,224	$ 1,107

8. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The major components of intangible assets consist of:

(in millions)	September 30, 2020 Gross Carrying Amount	September 30, 2020 Accumulated Amortization and Impairments	September 30, 2020 Net Carrying Amount	December 31, 2019 Gross Carrying Amount	December 31, 2019 Accumulated Amortization and Impairments	December 31, 2019 Net Carrying Amount
Finite-lived intangible assets:						
Product brands	$ 21,057	$ (14,673)	$ 6,384	$ 21,011	$ (13,544)	$ 7,467
Corporate brands	921	(388)	533	930	(338)	592
Product rights/patents	3,295	(3,013)	282	3,297	(2,887)	410
Partner relationships	164	(163)	1	166	(165)	1
Technology and other	207	(195)	12	209	(189)	20
Total finite-lived intangible assets	25,644	(18,432)	7,212	25,613	(17,123)	8,490
Acquired IPR&D not in service	13	—	13	13	—	13
Bausch + Lomb Trademark	1,698	—	1,698	1,698	—	1,698
	$ 27,355	$ (18,432)	$ 8,923	$ 27,324	$ (17,123)	$ 10,201

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

Asset impairments for the nine months ended September 30, 2020 were $17 million and include impairments of: (i) $16 million, in aggregate, due to decreases in forecasted sales of certain product lines and (ii) $1 million, in aggregate, related to the discontinuance of certain product lines not aligned with the focus of the Company's core businesses.

Asset impairments for the nine months ended September 30, 2019 were $49 million and include impairments of: (i) $38 million reflecting decreases in forecasted sales of certain product lines due to generic competition and other factors, (ii) $8 million related to assets being classified as held for sale and (iii) $3 million due to the discontinuance of specific product lines not aligned with the focus of the Company's core businesses.

Estimated amortization expense of finite-lived intangible assets for the remainder of 2020 and each of the five succeeding years ending December 31 and thereafter is as follows:

(in millions)	Remainder of 2020	2021	2022	2023	2024	2025	Thereafter	Total
Amortization	$ 380	$ 1,410	$ 1,227	$ 1,055	$ 925	$ 821	$ 1,394	$ 7,212

Goodwill

The changes in the carrying amounts of goodwill during the nine months ended September 30, 2020 and the year ended December 31, 2019 were as follows:

(in millions)	Bausch + Lomb/ International	Salix	Ortho Dermatologics	Diversified Products	Total
Balance, January 1, 2019	$ 5,805	$ 3,156	$ 1,267	$ 2,914	$ 13,142
Acquisition of certain assets of Synergy	—	3	—	—	3
Goodwill reclassified to assets held for sale (Note 4)	(18)	—	—	—	(18)
Foreign exchange and other	(1)	—	—	—	(1)
Balance, December 31, 2019	5,786	3,159	1,267	2,914	13,126
Assets held for sale reclassified to goodwill (Note 4)	18	—	—	—	18
Foreign exchange and other	16	—	—	—	16
Balance, September 30, 2020	$ 5,820	$ 3,159	$ 1,267	$ 2,914	$ 13,160

Goodwill is not amortized but is tested for impairment at least annually at the reporting unit level. A reporting unit is the same as, or one level below, an operating segment. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants. The Company estimates the fair values of all reporting units using a discounted cash flow model which utilizes Level 3 unobservable inputs.

The discounted cash flow model relies on assumptions regarding revenue growth rates, gross profit, projected working capital needs, selling, general and administrative expenses, research and development expenses, capital expenditures, income tax rates, discount rates and terminal growth rates. To estimate fair value, the Company discounts the forecasted cash flows of each reporting unit. The discount rate the Company uses represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in its reporting unit operations and the rate of return a market participant would expect to earn. The Company performed its annual impairment test as of October 1, 2019 by first assessing qualitative factors to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount (Step 0). Where the qualitative assessment suggested that it was more likely than not that the fair value of a reporting unit was less than its carrying amount, a quantitative fair value test was performed for that reporting unit (Step 1). The quantitative fair value test was performed utilizing long-term growth rates and discount rates applied to the estimated cash flows in estimation of fair value. To estimate cash flows beyond the final year of its model, the Company estimates a terminal value by applying an in-perpetuity growth assumption and discount factor to determine the reporting unit's terminal value.

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

2019 Goodwill Impairment Testing

During the interim periods of 2019, no events occurred, or circumstances changed that would indicate that the fair value of any reporting unit might be below its carrying value and therefore, no impairments were recorded. The Company conducted its annual goodwill impairment test as of October 1, 2019 by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where the qualitative assessment suggested that it was more likely than not that the fair value of a reporting unit was less than its carrying amount, a quantitative fair value test was performed for that reporting unit. In each quantitative fair value test performed, the fair value was greater than the carrying value of the reporting unit. As a result, there was no impairment to the goodwill of any reporting unit. The Company performed quantitative fair value tests for the Ortho Dermatologics reporting unit and the Neuro and Other reporting unit as of October 1, 2019, utilizing long-term growth rates of 2.0% and 1.5%, and discount rates of 9.8% and 9.0%, respectively, in estimation of the fair value of these reporting units.

2020 Interim Goodwill Impairment Assessments

In response to the COVID-19 pandemic, the Company has taken actions to protect its employees, customers and other stakeholders and mitigate the negative impact of the COVID-19 pandemic on its operations and operating results. These and additional actions can increase the costs of doing business during the pandemic and, in the periods that follow, may include the costs of idling and reopening certain facilities in affected areas. Further, social restrictions and other precautionary measures taken by customers, health care patients and consumers in response to the pandemic are expected to impact the timing and amount of revenues during the COVID-19 pandemic. Although the Company's revenues for the nine months ended September 30, 2020 were less than those forecasted on the date goodwill was last tested for impairment (October 1, 2019) and additional pandemic-related declines in revenues may occur for the remainder of 2020, there are no indications that these trends are materially related to developments other than the COVID-19 pandemic.

The negative impacts of the COVID-19 pandemic on the global economy were not existing conditions on the date goodwill was last tested for impairment (October 1, 2019) and have led to significant volatility in the global equity markets. The Company has been able to continue its operations with limited disruptions and has assessed the potential impact that the COVID-19 pandemic is likely to have on its forecasted cash flows. In performing its assessment, the Company considered the possible affects and outcomes of the COVID-19 pandemic on, among other things, its supply chain, customers and distributors, employee base, product sustainability, research and development activities, product pipeline and consumer demand and related rebates and discounts and has made adjustments, although not considered to be material, to its long-term forecasts as of October 1, 2019 (the date goodwill was last tested for impairment) for these and other matters. After completing this assessment, although not completely insulated from the negative effects of the COVID-19 pandemic, the

Company believes that its long-term forecasted cash flows, as adjusted for the possible outcome of the COVID-19 pandemic and other matters, do not indicate that the fair value of any reporting unit may be below its carrying value.

During the pandemic, the public has been advised to engage in certain "social restrictions" such as: (i) remaining at home or shelter-in-place, (ii) limiting social interaction, (iii) closing non-essential businesses and (iv) postponing certain surgical and elective medical procedures in order to prioritize/conserve available health care resources. During the three months ended March 31, 2020, these factors negatively impacted, most notably, the revenues of the Company's Global Vision Care and Global Surgical businesses in Asia where the COVID-19 pandemic originated. Beginning in March 2020, and throughout most of the second quarter of 2020, the Company experienced steeper declines in these revenues and the revenues of other businesses as social restrictions expanded worldwide, particularly in the U.S. and Europe. Social restrictions negatively impacted the Company's revenues for contact lenses, intraocular lenses, medical devices, surgical systems and certain pre- and post-operative eye-medications of its Global Ophtho Rx business, medical aesthetics and therapeutic products of its Global Solta business, and certain branded pharmaceutical products of its Salix, Ortho Dermatologics and Dentistry businesses, as the offices of many health care providers were closed and certain surgeries and elective medical procedures were deferred.

The Company’s revenues for the nine months ended September 30, 2020 were negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic earlier in the year. However, as governments began lifting social restrictions, allowing offices of certain health care providers to reopen and certain surgeries and elective medical procedures to proceed, the negative trend in the revenues of certain businesses began to level off and stabilize. Presuming there is no material resurgence of the COVID-19 virus, the Company anticipates an ongoing, gradual global recovery from the macroeconomic and health care impacts of the pandemic that occurred during the first-half of 2020. The Company therefore believes that its revenues for the year 2020 will be most impacted by the COVID-19 pandemic in its second quarter, although the Company experienced additional COVID-19 pandemic related declines in the year-over-year revenues in its third quarter, and expects additional COVID-19 pandemic related declines in the fourth quarter of 2020, in many of its businesses and geographies. Presuming any reenactment of social restrictions is not significant, the Company anticipates that its affected businesses could possibly return to pre-pandemic levels as early as late 2020 or in 2021. However, the rates of recovery for each business will vary by geography and will be dependent upon government responses, rates of economic recovery, precautionary measures taken by patients and customers, the rate at which remaining social restrictions are lifted and once lifted, the presumption that social restrictions will not be materially reenacted in the event of a resurgence of the virus and other actions taken in response to the COVID-19 pandemic.

The Company's latest forecasts of cash flows gives consideration to the nature and timing of the expected revenue losses disclosed above. The changes in the amounts and timing of these revenues as presented in the latest forecasts include a range of potential outcomes and, with the exception of the Ortho Dermatologics reporting unit as discussed below, are not substantial enough to materially adversely affect the recoverability of any of the associated reporting units’ assets and are not material enough to indicate that the fair values of those reporting units might be below their respective carrying values.

Based on the results of the October 1, 2019 annual goodwill impairment test, the Company continues to assess the performance of the Ortho Dermatologics reporting unit and the Neuro and Other reporting unit and performs quarterly qualitative assessments of their respective carrying values and fair values to determine if quantitative fair value testing is warranted. As part of these qualitative assessments, management considers the totality of all relevant events or circumstances that effect the carrying amount and fair value of each reporting unit, including comparing actual operating results to the forecast used to test the goodwill of the Ortho Dermatologics reporting unit and the Neuro and Other reporting unit as of October 1, 2019.

Neuro and Other Reporting Unit

Management believed that based on its qualitative assessments as of March 31, 2020, June 30, 2020 and September 30, 2020, it was more likely than not that the carrying amount of the Neuro and Other reporting unit was less than its fair value and, therefore, concluded a quantitative assessment was not required at March 31, 2020, June 30, 2020 and September 30, 2020.

Ortho Dermatologics Reporting Unit

During the three months ended March 31, 2020, the operating results for the Ortho Dermatologics reporting unit were less than those forecasted at October 1, 2019 for that period. As part of its qualitative assessment as of March 31, 2020, the Company revised its forecasts for the year 2020, for among other matters, the lower than originally forecasted operating results for the three months ended March 31, 2020 and the range of potential impacts of the COVID-19 pandemic, including longer than expected launch cycles for certain new products. Management believed that the revisions to its forecasts for the year 2020 were indicators that there was less headroom as of March 31, 2020 as compared to the headroom calculated on the date goodwill was last tested for impairment (October 1, 2019). Therefore, a quantitative test for the Ortho Dermatologics reporting unit was performed at March 31, 2020. Based on the quantitative test, the fair value of the Ortho Dermatologics

reporting unit continued to be greater than its carrying value and as a result there was no impairment to the goodwill of the reporting unit at March 31, 2020.

During the three months ended June 30, 2020, the Company identified certain Ortho Dermatologics' products that were experiencing longer launch cycles than originally anticipated due to the COVID-19 pandemic and, as a direct result, took actions to mitigate the impact of these matters, including right-sizing its Ortho Dermatologics' sales force. As part of its qualitative assessment as of June 30, 2020, the Company revised its long-term forecasts for, among other matters, the decrease in forecasted revenues of the identified products, the reduction in sales force and related costs and a range of potential impacts of COVID-19 pandemic related matters. Management believes that these events are indicators that there is less headroom as of June 30, 2020 as compared to the headroom calculated on the date goodwill was last tested for impairment (March 31, 2020). Therefore, a quantitative test for the Ortho Dermatologics reporting unit was performed. The quantitative test utilized the Company's most recent cash flow projections, including a range of potential outcomes, along with a long-term growth rate of 2.0% and a range of discount rates between 9.5% and 10.0%. Based on the quantitative test, the fair value of the Ortho Dermatologics reporting unit was 10% to 15% greater than its carrying value and as a result there was no impairment to the goodwill of the reporting unit at June 30, 2020.

Management believed that based on its qualitative assessments as of September 30, 2020, it was more likely than not that the carrying amount of the Ortho Dermatologics reporting unit was less than its fair value and, therefore, concluded a quantitative assessment was not required at September 30, 2020.

The Company continues to monitor the market conditions impacting the Ortho Dermatologics reporting unit and Neuro and Other reporting unit including: (i) the impacts of the COVID-19 pandemic on operations, (ii) the impact of the loss of exclusivity of certain products, (iii) the impact of longer launch cycles for new products and (iv) ongoing pricing pressures, which could negatively impact the reporting units' results over the long term.

If market conditions further deteriorate, if the factors and circumstances regarding the COVID-19 pandemic escalate beyond management's current expectations, or if the Company is unable to execute its strategies, it may be necessary to record impairment charges in the future and those charges can be material.

No other events occurred or circumstances changed during the period October 1, 2019 (the date goodwill was last tested for impairment) through September 30, 2020 that indicate it is more likely than not the fair value of any reporting unit, other than the Ortho Dermatologics reporting unit may be below its carrying value. The Company will perform its annual impairment test as of October 1, 2020. In addition, the Company expects to realign and begin managing its operations in a manner consistent with the organizational structure of the two separate entities as proposed by the Separation during the first quarter of 2021, and as a result the Company may need to perform an impairment test upon realignment of its operating segments.

Accumulated goodwill impairment charges through September 30, 2020 were $3,711 million.

9. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consist of:

(in millions)	September 30, 2020	December 31, 2019
Legal matters and related fees	$ 1,462	$ 1,397
Product rebates	876	898
Product returns	577	691
Interest	375	305
Employee compensation and benefit costs	300	304
Income taxes payable	149	196
Other	614	720
	$ 4,353	$ 4,511

10. FINANCING ARRANGEMENTS

Principal amounts of debt obligations and principal amounts of debt obligations net of premiums, discounts and issuance costs consist of the following:

(in millions)	Maturity	September 30, 2020 Principal Amount	September 30, 2020 Net of Premiums, Discounts and Issuance Costs	December 31, 2019 Principal Amount	December 31, 2019 Net of Premiums, Discounts and Issuance Costs
Senior Secured Credit Facilities:					
2023 Revolving Credit Facility	June 2023	$ —	$ —	$ —	$ —
June 2025 Term Loan B Facility	June 2025	3,498	3,414	3,869	3,768
November 2025 Term Loan B Facility	November 2025	1,200	1,185	1,275	1,257
Senior Secured Notes:					
6.50% Secured Notes	March 2022	—	—	1,250	1,242
7.00% Secured Notes	March 2024	2,000	1,986	2,000	1,983
5.50% Secured Notes	November 2025	1,750	1,735	1,750	1,733
5.75% Secured Notes	August 2027	500	494	500	493
Senior Unsecured Notes:					
5.50%	March 2023	284	283	402	400
5.875%	May 2023	99	99	1,448	1,441
4.50% euro-denominated debt	May 2023	1,758	1,752	1,682	1,674
6.125%	April 2025	3,250	3,233	3,250	3,230
9.00%	December 2025	1,500	1,477	1,500	1,473
9.25%	April 2026	1,500	1,486	1,500	1,484
8.50%	January 2027	1,750	1,755	1,750	1,756
7.00%	January 2028	750	741	750	741
5.00%	January 2028	1,250	1,235	1,250	1,234
6.25%	February 2029	1,500	1,480	—	—
7.25%	May 2029	750	741	750	740
5.25%	January 2030	1,250	1,235	1,250	1,234
Other	Various	12	12	12	12
Total long-term debt and other		$ 24,601	24,343	$ 26,188	25,895
Less: Current portion of long-term debt and other			—		1,234
Non-current portion of long-term debt			$ 24,343		$ 24,661

Covenant Compliance

The Senior Secured Credit Facilities (as defined below) and the indentures governing the Senior Secured Notes and Senior Unsecured Notes contain customary affirmative and negative covenants and specified events of default. These affirmative and negative covenants include, among other things, and subject to certain qualifications and exceptions, covenants that restrict the Company's ability and the ability of its subsidiaries to: incur or guarantee additional indebtedness; create or permit liens on assets; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; make certain investments and other restricted payments; engage in mergers, acquisitions, consolidations and amalgamations; transfer and sell certain assets; and engage in transactions with affiliates. As of September 30, 2020, the amount available for restricted payments under the Company's most restrictive indentures (as defined by those indentures) was approximately $12,600 million. The 2023 Revolving Credit Facility (as defined below) also contains a financial maintenance covenant that requires the Company to maintain a first lien net leverage ratio of not greater than 4.00:1.00. The financial maintenance covenant may be waived or amended without the consent of the term loan facility lenders and contains a customary term loan facility standstill.

The unprecedented nature of the COVID-19 pandemic has adversely impacted the global economy. As the global economic landscape changes, there is a wide range of possible outcomes regarding the nature and timing of events and reactions to the COVID-19 pandemic, each of which are highly dependent on variables that are difficult to predict at this time. While there are a number of standard borrowing conditions that must be met to make borrowings under the 2023 Revolving Credit Facility, the Company has considered the economy's impact on its non-financial and financial maintenance covenants and

believes the current state of the economy does not limit its access to capital under the 2023 Revolving Credit Facility at this time.

As of September 30, 2020, the Company was in compliance with its financial maintenance covenant related to its debt obligations. The Company, based on its current forecast as adjusted for the potential impacts of the COVID-19 pandemic, expects to remain in compliance with its financial maintenance covenant and meet its debt service obligations for at least the twelve months following the date of issuance of these financial statements.

The Company continues to take steps to improve its operating results to ensure continual compliance with its financial maintenance covenant and may take other actions to reduce its debt levels to align with the Company's long-term strategy, including divesting other businesses, refinancing debt and issuing equity or equity-linked securities as deemed appropriate.

Senior Secured Credit Facilities

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

Current Description of Senior Secured Credit Facilities

Borrowings under the Senior Secured Credit Facilities in U.S. dollars bear interest at a rate per annum equal to, at the Company's option, either: (i) a base rate determined by reference to the highest of: (a) the prime rate (as defined in the Restated Credit Agreement), (b) the federal funds effective rate plus 1/2 of 1.00% or (c) the eurocurrency rate (as defined in the Restated Credit Agreement) for a period of one month plus 1.00% (or if such eurocurrency rate shall not be ascertainable, 1.00%) or (ii) a eurocurrency rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs (provided however, that the eurocurrency rate shall at no time be less than 0.00% per annum), in each case plus an applicable margin.

Borrowings under the 2023 Revolving Credit Facility in euros bear interest at a eurocurrency rate determined by reference to the costs of funds for euro deposits for the interest period relevant to such borrowing (provided however, that the eurocurrency rate shall at no time be less than 0.00% per annum), plus an applicable margin.

Borrowings under the 2023 Revolving Credit Facility in Canadian dollars bear interest at a rate per annum equal to, at the Company's option, either: (i) a prime rate determined by reference to the higher of: (a) the rate of interest last quoted by The Wall Street Journal as the "Canadian Prime Rate" or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Bank of Canada as its prime rate and (b) the 1 month BA rate (as defined below) calculated daily plus 1.00% (provided however, that the prime rate shall at no time be less than 0.00%) or (ii) the bankers' acceptance rate for Canadian dollar deposits in the Toronto interbank market (the "BA rate") for the interest period relevant to such borrowing (provided however, that the BA rate shall at no time be less than 0.00% per annum), in each case plus an applicable margin.

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

The applicable interest rate margins for the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility are 2.00% and 1.75%, respectively, with respect to base rate and prime rate borrowings and 3.00% and 2.75%, respectively, with respect to eurocurrency rate and BA rate borrowings. As of September 30, 2020, the stated rates of interest on the Company's borrowings under the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility were 3.15% and 2.90% per annum, respectively.

The amortization rate for both the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility is 5.00% per annum. The Company may direct that prepayments be applied to such amortization payments in order of maturity. As of September 30, 2020, the aggregate remaining mandatory quarterly amortization payments for the Senior Secured Credit Facilities were $680 million through November 1, 2025.

The applicable interest rate margins for borrowings under the 2023 Revolving Credit Facility are 1.50%-2.00% with respect to base rate or prime rate borrowings and 2.50%-3.00% with respect to eurocurrency rate or BA rate borrowings. As of September 30, 2020, the stated rate of interest on the 2023 Revolving Credit Facility was 3.15% per annum. As of September 30, 2020, the Company had no outstanding borrowings, $107 million of issued and outstanding letters of credit and remaining availability of $1,118 million under its 2023 Revolving Credit Facility. In addition, the Company is required to pay commitment fees of 0.25%-0.50% per annum with respect to the unutilized commitments under the 2023 Revolving Credit Facility, payable quarterly in arrears. The Company also is required to pay: (i) letter of credit fees on the maximum amount available to be drawn under all outstanding letters of credit in an amount equal to the applicable margin on eurocurrency rate borrowings under the 2023 Revolving Credit Facility on a per annum basis, payable quarterly in arrears, (ii) customary fronting fees for the issuance of letters of credit and (iii) agency fees.

The Restated Credit Agreement permits the incurrence of incremental credit facility borrowings up to the greater of $1,000 million and 28.5% of Consolidated Adjusted EBITDA (as defined in the Restated Credit Agreement), subject to customary terms and conditions, as well as the incurrence of additional incremental credit facility borrowings subject to a secured leverage ratio of not greater than 3.50:1.00, and, in the case of unsecured debt, a total leverage ratio of not greater than 6.50:1.00 or an interest coverage ratio of not less than 2.00:1.00.

Senior Secured Notes

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

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

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

5.75% Senior Secured Notes due 2027 - March 2019 Refinancing Transactions

On March 8, 2019, BHA and the Company issued: (i) $1,000 million aggregate principal amount of 8.50% Senior Unsecured Notes due January 2027 (the "January 2027 Unsecured Notes") and (ii) $500 million aggregate principal amount of 5.75% Senior Secured Notes due August 2027 (the "August 2027 Secured Notes"), respectively, in a private placement. A portion of the proceeds, and cash on hand, were used to: (i) repurchase $584 million of 5.875% Senior Unsecured Notes due 2023 (the "May 2023 Unsecured Notes"), (ii) repurchase $518 million of 5.625% Senior Unsecured Notes due 2021 (the "December 2021 Unsecured Notes"), (iii) repurchase $216 million of 5.50% Senior Unsecured Notes due 2023 (the "March 2023 Unsecured Notes") and (iv) pay all fees and expenses associated with these transactions (collectively, the "March 2019 Refinancing Transactions"). During April 2019, the Company redeemed $182 million of the December 2021 Unsecured Notes, representing the remaining outstanding principal balance of the December 2021 Unsecured Notes and completing the refinancing of $1,500 million of debt in connection with the March 2019 Refinancing Transactions.

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 Senior Secured Credit Facilities. The Senior Unsecured Notes issued by BHA are senior unsecured obligations of BHA and are jointly and

severally guaranteed on a senior unsecured basis by the Company and each of its subsidiaries (other than BHA) that is a guarantor under the Senior Secured Credit Facilities. Future subsidiaries of the Company and BHA, if any, may be required to guarantee the Senior Unsecured Notes.

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

8.50% Senior Unsecured Notes due 2027 - March 2019 Refinancing Transactions

As part of the March 2019 Refinancing Transactions described above, BHA issued $1,000 million aggregate principal amount of January 2027 Unsecured Notes. These are additional notes and form part of the same series as BHA's existing January 2027 Unsecured Notes.

7.00% Senior Unsecured Notes due 2028 and 7.25% Senior Unsecured Notes due 2029 - May 2019 Refinancing Transactions

On May 23, 2019, the Company issued: (i) $750 million aggregate principal amount of 7.00% Senior Unsecured Notes due January 2028 (the "7.00% January 2028 Unsecured Notes") and (ii) $750 million aggregate principal amount of 7.25% Senior Unsecured Notes due May 2029 (the "May 2029 Unsecured Notes"), respectively, in a private placement. The proceeds and cash on hand, were used to: (i) repurchase $1,118 million of May 2023 Unsecured Notes, (ii) repurchase $382 million of March 2023 Unsecured Notes and (iii) pay all fees and expenses associated with these transactions (collectively, the "May 2019 Refinancing Transactions").

5.00% Senior Unsecured Notes due 2028 and 5.25% Senior Unsecured Notes due 2030 - December 2019 Financing and Refinancing Transactions

On December 30, 2019, the Company issued: (i) $1,250 million aggregate principal amount of 5.00% Senior Unsecured Notes due January 2028 (the "5.00% January 2028 Unsecured Notes") and (ii) $1,250 million aggregate principal amount of 5.25% Senior Unsecured Notes due January 2030 (the "January 2030 Unsecured Notes") in a private placement. The proceeds and cash on hand were used to: (i) redeem $1,240 million of May 2023 Unsecured Notes on January 16, 2020, (ii) finance the $1,210 million settlement of certain U.S. securities litigation, subject to final court approval, as discussed in Note 18, "LEGAL PROCEEDINGS" and (iii) pay all fees and expenses associated with these transactions (collectively, the "December 2019 Financing and Refinancing Transactions").

6.25% Senior Unsecured Notes due 2029 - May 2020 Refinancing Transactions

On May 26, 2020, the Company issued $1,500 million aggregate principal amount of 6.25% Senior Unsecured Notes due February 2029 (the "February 2029 Unsecured Notes") in a private placement. The proceeds and cash on hand were used to: (i) repurchase $1,250 million aggregate principal amount of outstanding 6.50% Senior Secured Notes due March 2022, (ii) prepay $303 million of mandatory amortization scheduled for payment in 2022 under the Company's June 2025 and November 2025 Term Loan B Facilities and (iii) pay all fees and expenses associated with these transactions (collectively, the "May 2020 Refinancing Transactions"). The May 2020 Refinancing Transactions were accounted for as an extinguishment of debt and the Company incurred a loss on extinguishment of debt of $27 million representing the difference between the amount paid to settle the extinguished debt and the extinguished debt's carrying value. The February 2029 Unsecured Notes accrue interest at the rate of 6.25% per year, payable semi-annually in arrears on each of February 15 and August 15.

The Company may redeem all or a portion of the February 2029 Unsecured Notes at any time prior to February 15, 2024, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, plus a "make-whole" premium. In addition, at any time prior to August 15, 2023, the Company may redeem up to 40% of the aggregate principal amount of the outstanding February 2029 Unsecured Notes with the net proceeds of certain equity offerings at the redemption price set forth in the February 2029 Unsecured Notes indenture. On or after February 15, 2024, the Company may redeem all or a portion of the February 2029 Unsecured Notes at the applicable redemption prices set forth in the February 2029 Unsecured Notes indenture, plus accrued and unpaid interest to, but not including, the date of redemption.

Weighted Average Stated Rate of Interest

The weighted average stated rate of interest for the Company's outstanding debt obligations as of September 30, 2020 and December 31, 2019 was 5.94% and 6.21%, respectively.

Maturities and Mandatory Payments

In order to reduce future cash interest payments, as well as future maturities and mandatory payments, the Company 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. During the nine months ended September 30, 2020, the Company repurchased and retired, outstanding senior unsecured notes with an aggregate par value of $27 million in the open market, for an aggregate cost of $26 million. In connection with these repurchases, the Company recognized a gain of $1 million included in Loss on extinguishment of debt.

Maturities and mandatory payments of debt obligations for the remainder of 2020, the five succeeding years ending December 31 and thereafter are as follows:

(in millions)	
Remainder of 2020	$ —
2021	—
2022	—
2023	2,404
2024	2,303
2025	10,632
Thereafter	9,262
Total debt obligations	24,601
Unamortized premiums, discounts and issuance costs	(258)
Total long-term debt and other	$ 24,343

On October 29, 2020, the Company issued an unconditional notice of redemption to redeem: (i) $99 million of May 2023 Unsecured Notes, representing the remaining outstanding principal balance of the May 2023 Unsecured Notes and (ii) $51 million of March 2023 Unsecured Notes, on November 30, 2020.

11. PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS

The Company sponsors defined benefit plans and a participatory defined benefit postretirement medical and life insurance plan, which covers certain U.S. employees and employees in certain other countries. Net periodic (benefit) cost for the Company's defined benefit pension plans and postretirement benefit plan for the nine months ended September 30, 2020 and 2019 consists of:

	Pension Benefit Plans				Postretirement Benefit Plan	
	U.S. Plan		Non-U.S. Plans			
(in millions)	2020	2019	2020	2019	2020	2019
Service cost	$ 1	$ 1	$ 2	$ 2	$ —	$ —
Interest cost	4	6	3	4	1	1
Expected return on plan assets	(10)	(10)	(4)	(4)	—	—
Amortization of prior service credit and other	—	—	—	(1)	(2)	(2)
Amortization of net loss	—	—	1	1	—	—
Net periodic (benefit) cost	$ (5)	$ (3)	$ 2	$ 2	$ (1)	$ (1)

12. SHARE-BASED COMPENSATION

In May 2014, shareholders approved the Company's 2014 Omnibus Incentive Plan (the "2014 Plan") which replaced the Company's 2011 Omnibus Incentive Plan (the "2011 Plan") for future equity awards granted by the Company. The Company transferred the common shares available under the 2011 Plan to the 2014 Plan. The maximum number of common shares that may be issued to participants under the 2014 Plan was equal to 18,000,000 common shares, plus the number of common shares under the 2011 Plan reserved but unissued and not underlying outstanding awards and the number of common shares becoming available for reuse after awards are terminated, forfeited, cancelled, exchanged or surrendered under the 2011 Plan and the Company's 2007 Equity Compensation Plan. The Company registered 20,000,000 common shares of common stock for issuance under the 2014 Plan.

Effective April 30, 2018, the Company amended and restated the 2014 Plan (the "Amended and Restated 2014 Plan"). The Amended and Restated 2014 Plan includes the following amendments: (i) the number of common shares authorized for

issuance under the Amended and Restated 2014 Plan has been increased by an additional 11,900,000 common shares, as approved by the requisite number of shareholders at the Company's annual general meeting held on April 30, 2018, (ii) introduction of a $750,000 aggregate fair market value limit on awards (in either equity, cash or other compensation) that can be granted in any calendar year to a participant who is a non-employee director, (iii) housekeeping changes to address recent changes to Section 162(m) of the Internal Revenue Code, (iv) awards are expressly subject to the Company's clawback policy and (v) awards not assumed or substituted in connection with a Change of Control (as defined in the Amended and Restated 2014 Plan) will only vest on a pro rata basis.

Effective April 28, 2020, the Company further amended and restated the Amended and Restated 2014 Plan (the "Further Amended and Restated 2014 Plan"). The Further Amended and Restated 2014 Plan includes the following amendments: (i) the number of common shares authorized for issuance under the Further Amended and Restated 2014 Plan has been increased by an additional 13,500,000 common shares, as approved by the requisite number of shareholders at the Company's annual general meeting held on April 28, 2020, (ii) the exercise price of stock options and share appreciation rights ("SARs") will be based on the closing price of the underlying common shares on the date such stock options or SARs are granted (rather than on the last preceding trading date), (iii) additional provisions clarifying that: (a) stock options and SARs will not be eligible for the payment of dividend or dividend equivalents and (b) the Talent and Compensation Committee of the Board of Directors of the Company cannot, without shareholder approval, seek to effect any repricing of any previously granted "underwater" stock option or SAR and (iv) other housekeeping and/or clerical changes.

Approximately 17,067,000 common shares were available for future grants as of September 30, 2020. The Company uses reserved and unissued common shares to satisfy its obligations under its share-based compensation plans.

The Company has a long-term incentive program with the objective of aligning the share-based awards granted to senior management with the Company's focus on improving its tangible capital usage and allocation while maintaining focus on improving total shareholder return over the long-term. The share-based awards granted under this long-term incentive program consist of time-based stock options, time-based restricted share units ("RSUs") and performance-based RSUs. Performance-based RSUs are comprised of: (i) awards that vest upon achievement of certain share price appreciation conditions that are based on total shareholder return ("TSR") and (ii) awards that vest upon attainment of certain performance targets that are based on the Company's return on tangible capital ("ROTC").

The following table summarizes the components and classification of share-based compensation expense related to stock options and RSUs for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Stock options	$ 4	$ 5	$ 12	$ 17
RSUs	23	21	69	60
	$ 27	$ 26	$ 81	$ 77
Research and development expenses	$ 3	$ 2	$ 9	$ 7
Selling, general and administrative expenses	24	24	72	70
	$ 27	$ 26	$ 81	$ 77

Share-based awards granted consist of:

	Nine Months Ended September 30,	
	2020	2019
Stock options		
Granted	2,269,000	1,725,000
Weighted-average exercise price	$ 24.74	$ 23.16
Weighted-average grant date fair value	$ 6.60	$ 8.46
Time-based RSUs		
Granted	3,084,000	2,895,000
Weighted-average grant date fair value	$ 22.05	$ 23.93
TSR performance-based RSUs		
Granted	425,000	454,000
Weighted-average grant date fair value	$ 26.13	$ 34.53
ROTC performance-based RSUs		
Granted	472,000	505,000
Weighted-average grant date fair value	$ 27.05	$ 25.03

As of September 30, 2020, the remaining unrecognized compensation expense related to all outstanding non-vested stock options, time-based RSUs and performance-based RSUs amounted to $116 million, which will be amortized over a weighted-average period of 1.59 years.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of:

(in millions)	September 30, 2020	December 31, 2019
Foreign currency translation adjustment	$ (2,165)	$ (2,046)
Pension and postretirement benefit plan adjustments, net of income taxes	(42)	(40)
	$ (2,207)	$ (2,086)

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

During the three and nine months ended September 30, 2020, amounts reclassified from Accumulated other comprehensive loss into the Company's operating results were not material.

14. RESEARCH AND DEVELOPMENT

Included in Research and development are costs related to product development and quality assurance programs. Quality assurance are the costs incurred to meet evolving customer and regulatory standards. Research and development costs consist of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Product related research and development	$ 95	$ 114	$ 309	$ 329
Quality assurance	8	9	24	28
	$ 103	$ 123	$ 333	$ 357

15. OTHER EXPENSE, NET

Other expense, net consists of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Net gain on sale of assets	$ —	$ (1)	$ (1)	$ (10)
Acquired in-process research and development costs	12	1	20	9
Acquisition-related costs	—	—	—	8
Litigation and other matters	4	9	127	12
Other, net	—	1	—	(4)
	$ 16	$ 10	$ 146	$ 15

For the nine months ended September 30, 2020, Litigation and other matters includes adjustments related to the U.S. Securities Litigation, the SEC Investigation and the Canadian Securities Litigation and related opt-outs. Litigation and other matters also includes an insurance recovery related to a certain litigation matter. See Note 18, "LEGAL PROCEEDINGS" for further details regarding these and other litigation matters.

16. INCOME TAXES

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

Benefit from income taxes for the nine months ended September 30, 2020 was $133 million and included: (i) $105 million of net income tax benefit for discrete items, which includes: (a) $63 million in net tax benefits related to the release of a valuation allowance, (b) $36 million in tax benefits associated with law changes in the United States, (c) $10 million in tax benefits recognized for changes in uncertain tax positions, (d) a $7 million tax benefit related to a deduction for stock compensation and (e) $11 million of net tax expense associated with filing certain tax returns and (ii) $28 million of income tax benefit for the Company's ordinary loss for the nine months ended September 30, 2020.

Benefit from income taxes for the nine months ended September 30, 2019 was $101 million and included: (i) $46 million of net income tax benefit for discrete items, which includes: (a) $32 million of tax benefit recognized upon a ruling from the Polish tax authorities confirming the deductibility of royalty payments by an affiliate, (b) $13 million of net tax benefits associated with filing certain tax returns and (c) $1 million of net tax charges related to other changes in uncertain tax positions and (ii) $55 million of income tax benefit for the Company's ordinary loss for the nine months ended September 30, 2019.

The Company records a valuation allowance against its deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized. When the Company establishes or reduces the valuation allowance against its deferred tax assets, the provision for income taxes will increase or decrease, respectively, in the period such determination is made except that, as a result of the 2018 adoption of guidance regarding intra-entity transfers, any change in valuation allowance surrounding the adoption of the intra-entity transfer resulting from this adoption was recorded within equity. The valuation allowance against deferred tax assets was $2,756 million and $2,831 million as of September 30, 2020 and December 31, 2019, respectively. The decrease was primarily due to: (i) the change in the expected realizability of previously established losses in Germany, recorded discretely and (ii) income in Canada. The Company will continue to assess the need for a valuation allowance on a go-forward basis.

On July 20, 2020, the U.S. Treasury Department and the Internal Revenue Service (the "IRS") released final regulations under the Global Intangible Low Taxed Income ("GILTI") and Subpart F income provisions of the Internal Revenue Code regarding the treatment of income that is subject to a high rate of foreign tax. The final regulations allow taxpayers to exclude certain high-taxed income of a controlled foreign corporation from their GILTI computation on an elective basis. The Company has evaluated the effects of these final regulations and has discretely recorded a $19 million tax benefit during the three months ended September 30, 2020.

As of September 30, 2020 and December 31, 2019, the Company had $1,009 million and $1,002 million of unrecognized tax benefits, which included $51 million and $45 million of interest and penalties, respectively. Of the total unrecognized tax

benefits as of September 30, 2020, $363 million would reduce the Company's effective tax rate, if recognized. The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits at September 30, 2020 could decrease by approximately $141 million in the next 12 months as a result of the resolution of certain tax audits and other events.

The Company continues to be under examination by the Canada Revenue Agency. The Company's position as of September 30, 2020 with regard to proposed audit adjustments has not changed and the proposed adjustments continue to result primarily in a loss of tax attributes that are subject to a full valuation allowance.

The IRS completed its examinations of the Company's U.S. consolidated federal income tax returns for the years 2013 and 2014. There were no material adjustments to the Company's taxable income as a result of these examinations. The 2014 tax year remains open to the extent of a 2017 capital loss carried back to that year. Additionally, the IRS has selected for examination the Company's annual tax filings for 2015 and 2016 and the Company's short period tax return for the period ended September 8, 2017, which was filed as a result of the Company's internal restructuring efforts during 2017. At this time, the Company does not expect that proposed adjustments, if any, for these periods would be material to the Company's Consolidated Financial Statements.

The Company's U.S. affiliates remain under examination for various state tax audits in the U.S. for years 2010 through 2011 and 2015 through 2017.

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

The Company's subsidiaries in Australia are under audit by the Australian Tax Office for various years beginning in 2011 through 2015. At this time, the Company does not expect that proposed adjustments, if any, would be material to the Company's Consolidated Financial Statements.

Certain affiliates of the Company in regions outside of Canada, the U.S., Germany and Australia are currently under examination by relevant taxing authorities, and all necessary accruals have been recorded, including uncertain tax benefits. At this time, the Company does not expect that proposed adjustments, if any, would be material to the Company's Consolidated Financial Statements.

17. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share attributable to Bausch Health Companies Inc. were calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	**2020**	**2019**	**2020**	**2019**
Net income (loss) attributable to Bausch Health Companies Inc.	$ 71	$ (49)	$ (407)	$ (272)
Basic weighted-average common shares outstanding	355.6	352.4	354.7	351.9
Diluted effect of stock options and RSUs	2.2	—	—	—
Diluted weighted-average common shares outstanding	357.8	352.4	354.7	351.9
Earnings (loss) per share attributable to Bausch Health Companies Inc.				
Basic	$ 0.20	$ (0.14)	$ (1.15)	$ (0.77)
Diluted	$ 0.20	$ (0.14)	$ (1.15)	$ (0.77)

During the nine months ended September 30, 2020 and the three and nine months ended September 30, 2019, all potential common shares issuable for stock options and RSUs were excluded from the calculation of diluted loss per share, as the effect of including them would have been anti-dilutive. The dilutive effect of potential common shares issuable for stock options and RSUs on the weighted-average number of common shares outstanding would have been approximately 3,144,000 common shares for the nine months ended September 30, 2020, and approximately 4,453,000 and 4,589,000 common shares for the three and nine months September 30, 2019, respectively.

During the three and nine months ended September 30, 2020, time-based RSUs, performance-based RSUs and stock options to purchase approximately 10,489,000 and 10,604,000 common shares, respectively, were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive under the treasury stock method. During the three and nine months ended September 30, 2019, time-based RSUs, performance-based RSUs and stock options to purchase approximately 5,363,000 and 5,363,000 common shares, respectively were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive under the treasury stock method.

18. LEGAL PROCEEDINGS

From time to time, the Company becomes involved in various legal and administrative proceedings, which include product liability, intellectual property, commercial, tax, antitrust, governmental and regulatory investigations, related private litigation and ordinary course employment-related issues. From time to time, the Company also initiates actions or files counterclaims. The Company could be subject to counterclaims or other suits in response to actions it may initiate. The Company believes that the prosecution of these actions and counterclaims is important to preserve and protect the Company, its reputation and its assets. Certain of these proceedings and actions are described in Note 21, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC and the CSA on February 19, 2020. Except as described below, there have been no material updates or developments with respect to any such proceedings or actions during the nine months ended September 30, 2020.

On a quarterly basis, the Company evaluates developments in legal proceedings, potential settlements and other matters that could increase or decrease the amount of the liability accrued. As of September 30, 2020, the Company's Consolidated Balance Sheets includes accrued current loss contingencies of $1,462 million related to matters which are both probable and reasonably estimable. For all other matters, unless otherwise indicated, the Company cannot reasonably predict the outcome - of these legal proceedings, nor can it estimate the amount of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on the Company's business, financial condition and results of operations, and could cause the market value of its common shares and/or debt securities to decline.

Governmental and Regulatory Inquiries

As referenced above, during the three months ended September 30, 2020, there have been no material updates or developments with respect to certain other proceedings or actions as described under "Governmental and Regulatory Inquiries" in Note 21, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 19, 2020. These matters include:

Investigation by the U.S. Attorney's Office for the District of Massachusetts - re Arestin®

In August 2019, the Company received a subpoena from the U.S. Attorney's Office for the District of Massachusetts, requesting materials including documents concerning the sales, marketing, coverage and reimbursement of Arestin®, including related support services, and other matters.

The Company is cooperating with this investigation. The Company cannot predict the outcome or the duration of this investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of this investigation.

Securities and RICO Class Actions and Related Matters

U.S. Securities Litigation - Opt-Out Litigation

On December 16, 2019, the Company announced that it had agreed to settle, subject to final court approval, the consolidated securities class action filed in the U.S. District Court for the District of New Jersey (In re Valeant Pharmaceuticals International, Inc. Securities Litigation, Case No. 15-cv-07658).

In October 2015, four putative securities class actions were filed in the U.S. District Court for the District of New Jersey against the Company and certain current or former officers and directors. The allegations related to, among other things, allegedly false and misleading statements and/or failures to disclose information about the Company's business and prospects, including relating to drug pricing, the Company's use of specialty pharmacies, and the Company's relationship with Philidor. On May 31, 2016, the court entered an order consolidating the four actions under the caption In re Valeant Pharmaceuticals International, Inc. Securities Litigation, Case No. 15-cv-07658. On December 16, 2019, the Company, the current or former officers and directors, ValueAct, and the underwriters announced that they agreed to resolve the securities action for $1,210 million, subject to final court approval. Once approved by the court, the settlement will resolve and discharge all claims against the Company in the class action. As part of the settlement, the Company and the other settling defendants admitted no liability as to the claims against it and deny all allegations of wrongdoing. On January 27, 2020 the court preliminarily approved the settlement. A final settlement approval hearing was held on May 27, 2020 and the settlement remains subject to final court approval. In order to qualify for a settlement payment all persons and entities that purchased or otherwise acquired the Company securities during the class period must have submitted a proof of claim and release form by May 6, 2020. The settlement payment is being paid in accordance with the payment schedule outlined in the settlement agreement. The opt-out litigations discussed below remain ongoing.

On June 6, 2018, a putative class action was filed in the U.S. District Court for the District of New Jersey against the Company and certain current or former officers and directors. This action, captioned Timber Hill LLC, v. Valeant Pharmaceuticals International, Inc., et al., (Case No. 18-cv-10246) ("Timber Hill"), asserts securities fraud claims under Sections 10(b) and 20(a) of the Exchange Act on behalf of a putative class of persons who purchased call options or sold put options on the Company's common stock during the period January 4, 2013 through August 11, 2016. On June 11, 2018, this action was consolidated with In re Valeant Pharmaceuticals International, Inc. Securities Litigation, (Case No. 15-cv-07658). On January 14, 2019, the defendants filed a motion to dismiss the Timber Hill complaint. Briefing on that motion was completed on February 13, 2019. On August 15, 2019, the Court denied the motion to dismiss the Timber Hill action, holding that this complaint was a legal nullity as a result of the June 11, 2018 consolidation order.

In addition to the consolidated putative class action, thirty-seven groups of individual investors in the Company's stock and debt securities have chosen to opt out of the consolidated putative class action and filed securities actions in the U.S. District Court for the District of New Jersey against the Company and certain current or former officers and directors. In addition to the matters captioned Maverick Neutral Levered Fund v. Valeant Pharmaceuticals International, Inc. (Case No. 20-cv-02190) ("Maverick"), Templeton v. Valeant Pharmaceuticals International, Inc. (Case No. 20-cv-05478) ("Templeton"), USAA Mutual Funds Trust, et al. v. Valeant Pharmaceuticals International, Inc., et al., (Case No. 20-cv-07462) ("USAA"), and GIC Private Ltd. v. Valeant Pharmaceuticals International, Inc., (Case No. 20-cv-07460) ("GIC"), these actions were captioned previously in the Company's Annual Report on Form 10K for the year ended December 31, 2019, filed on February 19, 2020. Seven of the thirty-seven opt out actions have been dismissed; and the total number of remaining opt out actions pending in the District of New Jersey is thirty actions.

These individual shareholder actions assert claims under Sections 10(b), and 20(a) of the Exchange Act. Certain of these individual actions assert additional claims, including claims under Section 18 of the Exchange Act, Sections 11, 12(a)(2), and 15 of the Securities Act, common law fraud, negligent misrepresentation, and claims under the New Jersey Racketeer Influenced and Corrupt Organizations Act. These claims are based on alleged purchases of Company stock, options, and/or debt at various times between January 3, 2013 and August 10, 2016. The allegations in the complaints are similar to those made by plaintiffs in the putative class action. Motions to dismiss have been filed and in most cases decided in many of these individual actions. To date, the Court has dismissed state law claims including New Jersey Racketeer Influenced and Corrupt Organizations Act, common law fraud, and negligent misrepresentation claims in certain cases. On January 7, 2019, the Court entered a stipulation of voluntary dismissal in the Senzar Healthcare Master Fund LP v. Valeant Pharmaceuticals International, Inc. (Case No. 18-cv-02286) opt-out action, closing the case. On September 10, 2019, the Court granted defendants' motion to dismiss all claims in the Bahaa Aly v. Valeant Pharmaceuticals International, Inc. ("Aly") (Case No. 18-cv-17393) opt-out action. On October 9, 2019, the Aly Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Third Circuit. On June 19, 2020, the Court entered stipulations of voluntary dismissal in the Catalyst, Mississippi, Connecticut, and Delaware actions. On July 13, 2020, the Court entered a stipulation of voluntary dismissal in the NYCERS action.

The Company disputes the claims against it in the remaining individual opt-out complaints and intends to defend itself vigorously.

Canadian Securities Litigation

In 2015, six putative class actions were filed and served against the Company and certain current or former officers and directors in Canada in the provinces of British Columbia, Ontario and Quebec. The Company is also aware of two additional putative class actions that were filed with the applicable court but which have not been served on the Company and the factual allegations made in these actions are substantially similar to those outlined above.

The actions generally allege violations of Canadian provincial securities legislation on behalf of putative classes of persons who purchased or otherwise acquired securities of the Company for periods commencing as early as January 1, 2013 and ending as late as November 16, 2015. The alleged violations relate to the same matters described in the U.S. Securities Litigation description above.

Each of these putative class actions, other than the Catucci action in the Quebec Superior Court, has been discontinued. In the Catucci action, on August 29, 2017, the judge granted the plaintiffs leave to proceed with their claims under the Quebec Securities Act and authorized the class proceeding. On October 26, 2017, the plaintiffs issued their Judicial Application Originating Class Proceedings.

After a hearing on November 11, 2019, the court approved a settlement in the Catucci action between the class members and the Company's auditors and the action was dismissed as against them.

On August 4, 2020, the Company entered into a settlement agreement with the plaintiffs in Catucci, on behalf of the class, pursuant to which it agreed to resolve the Catucci action for the amount of CAD 94,000,000 plus payment of an additional amount to cover notice and settlement administration costs and disbursements. As part of the settlement, the Company and

the other defendants admitted no liability as to the claims against it and deny all allegations of wrongdoing. The settlement agreement is subject to court approval. If court approval is granted, the Catucci action will be dismissed against the Company, its current and former directors and officers, its underwriters and its insurers. The hearing to approve the settlement is scheduled for November 16, 2020.

In addition to the class proceedings described above, on April 12, 2018, the Company was served with an application for leave filed in the Quebec Superior Court of Justice to pursue an action under the Quebec Securities Act against the Company and certain current or former officers and directors. This proceeding is captioned BlackRock Asset Management Canada Limited et al. v. Valeant, et al. (Court File No. 500-11-054155-185). The allegations in the proceeding are similar to those made by plaintiffs in the Catucci class action. On June 18, 2018, the same BlackRock entities filed an originating application (Court File No. 500-17-103749-183) against the same defendants asserting claims under the Quebec Civil Code in respect of the same alleged misrepresentations.

The Company is aware that certain other members of the Catucci class exercised their opt-out rights prior to the June 19, 2018 deadline. On February 15, 2019, one of the entities which exercised its opt-out rights ("CalSTRS") served the Company with an application in the Quebec Superior Court of Justice for leave to pursue an action under the Quebec Securities Act against the Company, certain current or former officers and directors of the Company and its auditor. That proceeding is captioned California State Teachers' Retirement System v. Bausch Health Companies Inc. et al. (Court File No. 500-11-055722-181). The allegations in the proceeding are similar to those made by the plaintiffs in the Catucci class action and in the BlackRock opt-out proceedings. On that same date, CalSTRS also served the Company with proceedings (Court File No. 500-17-106044-186) against the same defendants asserting claims under the Quebec Civil Code in respect of the same alleged misrepresentations.

On February 3, 2020, the Quebec Superior Court granted the applications of CalSTRS and BlackRock for leave to pursue their respective actions asserting claims under the Quebec Securities Act. On June 16, 2020, the Quebec Court of Appeal granted the defendants leave to appeal that decision.

On October 8 and 9, 2020, respectively, CalSTRS amended its proceedings to, among other things, include a new alleged misrepresentation concerning the accounting treatment of "price appreciation credits" in respect of Glumetza® during the period covered by the claims. The Company has notified CalSTRS of its intention to oppose the amendments.

The Company believes that it has viable defenses in each of these actions. In each case, the Company intends to defend itself vigorously.

RICO Class Actions

Between May 27, 2016 and September 16, 2016, three actions were filed in the U.S. District Court for the District of New Jersey against the Company and various third-parties (these actions were subsequently consolidated), alleging claims under the federal Racketeer Influenced Corrupt Organizations Act ("RICO") on behalf of a putative class of certain third-party payors that paid claims submitted by Philidor for certain Company-branded drugs between January 2, 2013 and November 9, 2015. The consolidated complaint alleges, among other things, that the defendants committed predicate acts of mail and wire fraud by submitting or causing to be submitted prescription reimbursement requests that misstated or omitted facts regarding: (1) the identity and licensing status of the dispensing pharmacy; (2) the resubmission of previously denied claims; (3) patient co-pay waivers; (4) the availability of generic alternatives; and (5) the insured's consent to renew the prescription. The complaint further alleges that these acts constitute a pattern of racketeering or a racketeering conspiracy in violation of the RICO statute and caused plaintiffs and the putative class unspecified damages, which may be trebled under the RICO statute. A special master appointed by the Court has recommended that the Company's motion to dismiss be denied, but a final decision is still pending with the Court. The Company believes these claims are without merit and intends to defend itself vigorously.

Other Securities and RICO Class Actions and Related Matters

As referenced above during the three months ended September 30, 2020, there have been no material updates or developments with respect to certain other proceedings or actions as described under "Securities and RICO Class Actions and Related Matters" in Note 21, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 19, 2020. Such matters include:

Derivative Lawsuits

On September 10, 2019 and September 13, 2019, two alleged stockholders filed derivative lawsuits purportedly on behalf of the Company against former Company board members and executives. On March 7, 2020, a consolidated amended derivative

complaint was filed, captioned *In re Bausch Health Companies Inc. F/K/A/ Valeant Pharmaceuticals International, Inc. Stockholder Derivative Litigation* (Case No. 19-cv-17833).

Plaintiffs assert claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment related to, among other things, allegedly false and misleading statements and/or failures to disclose information about the Company's business and prospects, including relating to drug pricing, the Company's use of specialty pharmacies, and the Company's relationship with Philidor. The consolidated complaint also asserts a claim for contribution and indemnification by the Defendants for any liability the Company ultimately faces as a result of the conduct alleged in the complaint. The claims alleged in these cases are based on the same purported conduct that is at issue in *In re Valeant Pharmaceuticals International, Inc. Securities Litigation*, all of which occurred prior to 2017. On April 21, 2020, the Defendants filed a motion to dismiss the consolidated amended complaint. Briefing on this motion concluded on August 3, 2020. The Company disputes these claims and intends to defend itself vigorously.

Insurance Coverage Lawsuit

On December 7, 2017, the Company filed a lawsuit against its insurance companies that issued insurance policies covering claims made against the Company, its subsidiaries, and its directors and officers during two distinct policy periods, (i) 2013-14 and (ii) 2015-16. The lawsuit is currently pending in the United States District Court for the District of New Jersey (Valeant Pharmaceuticals International, Inc., et al. v. AIG Insurance Company of Canada, et al.; 3:18-CV-00493). In the lawsuit, the Company seeks coverage for: (i) the costs of defending and resolving claims brought by former shareholders and debtholders of Allergan, Inc. in In re Allergan, Inc. Proxy Violation Securities Litigation and Timber Hill LLC, individually and on behalf of all others similarly situated v. Pershing Square Capital Management, L.P., et al. (under the 2013-2014 coverage period), and (ii) costs incurred and to be incurred in connection with the securities class actions and opt-out cases described in this section and certain of the investigations described above (under the 2015-2016 coverage period).

Hound Partners Lawsuit

In October 2018, Hound Partners Offshore Fund, LP, Hound Partners Long Master, LP, and Hound Partners Concentrated Master, LP, filed a lawsuit against the Company in the Superior Court of New Jersey Law Division/Mercer County that asserts claims for common law fraud, negligent misrepresentation, and violations of the New Jersey Racketeer Influenced and Corrupt Organizations Act. This matter is currently stayed pending the completion of discovery in one of the above-noted federal opt-out cases. The Company disputes the claims and intends to vigorously defend this matter.

Antitrust

Glumetza Antitrust Litigation

Between August 2019 and July 2020, eight (8) putative antitrust class actions and four (4) non-class complaints naming the Company, Salix Pharmaceuticals, Ltd., Salix Pharmaceuticals, Inc., and Santarus, Inc. (for purposes of this subsection, collectively, the "Company"), among other defendants, were filed or transferred to the Northern District of California. Three (3) of the class actions were filed by plaintiffs seeking to represent a class of direct purchasers. The purported classes of direct purchasers filed a consolidated first amended complaint and a motion for class certification in April 2020. The court certified a direct purchaser class in August 2020. The putative class action complaints filed by end payer purchasers have all been voluntarily dismissed. Three (3) of the non-class complaints were filed by direct purchasers. The fourth non-class complaint, asserting claims based on both direct and indirect purchases, was filed by an insurer plaintiff in July 2020 and subsequently amended in September 2020. The Company's motion to dismiss the insurer plaintiff's amended complaint is pending.

These actions, five (5) of which remain pending, have been consolidated and coordinated in *In re Glumetza Antitrust Litigation*, Case No. 3:19-cv-05822-WHA. The lawsuits allege that a 2012 settlement of a patent litigation regarding Glumetza® delayed generic entry in exchange for an agreement not to launch an authorized generic of Glumetza® or grant any other company a license to do so. The complaints allege that the settlement agreement resulted in higher prices for Glumetza® and its generic equivalent both prior to and after generic entry. Both the class and non-class plaintiffs seek damages under federal antitrust laws for claims based on direct purchases. The insurer plaintiff also seeks damages and equitable relief under various state laws for claims based on indirect purchases. The Company disputes the claims against it and intends to vigorously defend these matters.

Generic Pricing Antitrust Litigation

The Company's subsidiaries, Oceanside Pharmaceuticals, Inc. ("Oceanside"), Bausch Health US, LLC (formerly Valeant Pharmaceuticals North America LLC) ("Bausch Health US"), and Bausch Health Americas, Inc. (formerly Valeant Pharmaceuticals International) ("Bausch Health Americas") (for the purposes of this subsection, collectively, the "Company"), are defendants in multidistrict antitrust litigation ("MDL") entitled *In re: Generic Pharmaceuticals Pricing*

Antitrust Litigation, pending in the United States District Court for the Eastern District of Pennsylvania (MDL 2724, 16-MD-2724). The lawsuits seek damages under federal and state antitrust laws, state consumer protection and unjust enrichment laws and allege that the Company's subsidiaries entered into a conspiracy to fix, stabilize, and raise prices, rig bids and engage in market and customer allocation for generic pharmaceuticals. The initial lawsuit to which the Company was added as a defendant in June 2018 was filed by a putative class of direct purchaser plaintiffs. In December 2018, certain direct purchaser plaintiffs that had opted out of this putative class filed an amended complaint in the MDL that added the Company, alleging similar claims as the direct purchaser plaintiffs' putative class action complaint. In February 2019, the Company filed a motion to dismiss the individual claims brought against it and that motion remains pending. In October 2019, an end payer plaintiff that had opted out of the putative end payer class filed a complaint against the Company in the Eastern District of Pennsylvania alleging similar claims. In December 2019, end payer opt-out complaints also were filed against the Company in the Eastern District of Pennsylvania and in the Northern District of California. In December 2019, separate putative class action complaints were filed against the Company in the Eastern District of Pennsylvania by end payer and indirect reseller plaintiffs. In February 2020, a putative class action complaint was filed against the Company in the Eastern District of Pennsylvania by direct purchaser plaintiffs. In June 2020, an opt-out complaint raising both direct purchaser and end payer claims was filed against the Company in the Eastern District of Pennsylvania. Also in June 2020, State Attorneys General filed a Complaint against the Company in the District of Connecticut. In July 2020, a direct purchaser opt-out complaint was filed against the Company in the Eastern District of Pennsylvania. In August 2020, a complaint was filed against the Company by Suffolk County, New York in the Eastern District of New York. In September 2020, a direct purchaser opt-out complaint was filed against the Company in the Eastern District of Pennsylvania. The cases have been or will be consolidated into the MDL. There are also additional, separate complaints by other plaintiffs which have been consolidated in the same MDL that do not name the Company or any of its subsidiaries as a defendant. In July 2019, 87 health plans commenced an action in the Court of Common Pleas of Philadelphia County against the Company and other defendants related to the multidistrict litigation, but no complaint has been filed and the case has been put in deferred status. In May 2020, seven health plans commenced an additional action in the Court of Common Pleas of Philadelphia County against the Company and other defendants related to the multidistrict litigation, but no complaint has been filed. The Company disputes the claims against it and continues to defend itself vigorously.

Intellectual Property

Patent Litigation/Paragraph IV Matters

From time to time, the Company (and/or certain of its affiliates) is also party to certain patent infringement proceedings in the United States and Canada, including as arising from claims filed by the Company (or that the Company anticipates filing within the required time periods) in connection with Notices of Paragraph IV Certification (in the United States) and Notices of Allegation (in Canada) received from third-party generic manufacturers respecting their pending applications for generic versions of certain products sold by or on behalf of the Company, including Relistor®, Uceris®, Xifaxan® 550mg, Plenvu®, Bryhali®, Duobrii® and Jublia® in the United States and Jublia® in Canada, or other similar suits.

On July 23, 2020, the Company received a Notice of Paragraph IV Certification from Perrigo Israel Pharmaceuticals, Ltd. ("Perrigo"), in which Perrigo asserted that certain U.S. patents, each of which is listed in the U.S. Food and Drug Administration's (the "FDA") Orange Book for Duobrii® (halobetasol propionate and tazarotine) lotion, are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of Perrigo's generic lotion, for which an Abbreviated New Drug Application ("ANDA") has been filed by Perrigo. On August 28, 2020, the Company filed suit against Perrigo pursuant to the Hatch-Waxman Act, alleging infringement by Perrigo of one or more claims of the Duobrii® Patents, thereby triggering a 30-month stay of the approval of the Perrigo ANDA. On September 3, 2020, this action was consolidated with the action between the Company and Perrigo described below, regarding Perrigo's ANDA for generic Bryhali® (halobetasol propionate) lotion. The Company remains confident in the strength of the Duobrii® related patents and will vigorously defend its intellectual property.

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

On February 17, 2020, the Company and Alfasigma S.p.A. ("Alfasigma") received a Notice of Paragraph IV Certification from Norwich Pharmaceuticals Inc. ("Norwich"), in which Norwich asserted that the U.S. patents listed in the FDA's Orange

Book for the Company's Xifaxan® tablets, 550 mg, are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of Norwich's generic rifaximin tablets, 550 mg, for which an ANDA has been filed by Norwich. The Company, through its subsidiaries Salix Pharmaceuticals, Inc. and Bausch Health Ireland Limited, holds the New Drug Application for Xifaxan® and owns or exclusively licenses (from Alfasigma) these patents. On March 26, 2020, certain of the Company's subsidiaries and Alfasigma filed suit against Norwich in the U.S. District Court for the District of Delaware (Case No. 20-cv-00430) pursuant to the Hatch-Waxman Act, alleging infringement by Norwich of one or more claims of the Xifaxan® Patents, thereby triggering a 30-month stay of the approval of Norwich's ANDA for rifaximin tablets, 550 mg. Xifaxan® is protected by 23 patents covering the composition of matter and the use of Xifaxan® listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, or the Orange Book. The Company remains confident in the strength of the Xifaxan® patents and will continue to vigorously pursue this matter and defend its intellectual property.

In April 2019, the Company and Alfasigma commenced litigation against Sun Pharmaceutical Industries Ltd. ("Sun"), alleging patent infringement by Sun's filing of its ANDA for Xifaxan® (rifaximin) 200 mg tablets. This suit had been filed following receipt of a Notice of Paragraph IV Certification from Sun, in which Sun had asserted that the U.S. patents listed in the FDA's Orange Book for the Company's Xifaxan® tablets, 200 mg, were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of Sun's generic rifaximin tablets, 200 mg. Subsequently, on August 10, 2020, the Company received an additional Notice of Paragraph IV Certification from Sun, in which Sun asserted that the U.S. patents listed in the FDA's Orange Book for the Company's Xifaxan® tablets, 550 mg, were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of Sun's generic rifaximin tablets, 550 mg, for which an ANDA had been filed by Sun. On September 22, 2020, the Company announced that an agreement had been reached with Sun that resolved the outstanding intellectual property disputes with Sun regarding Xifaxan® (rifaximin) 200 mg and 550 mg tablets. Under the terms of the agreement, the parties agreed to dismiss all litigation related to Xifaxan® (rifaximin) and all intellectual property protecting Xifaxan® (rifaximin) 200 mg and 550 mg tablets will remain intact and enforceable until expiry in July and October 2029, respectively. The agreement also grants Sun a non-exclusive license to the intellectual property relating to Xifaxan® (rifaximin) 200 mg and 550 mg tablets in the United States beginning January 1, 2028 (or earlier under certain circumstances). Under the terms of the agreement, beginning January 1, 2028 (or earlier under certain circumstances), Sun will have the right to market royalty-free generic versions of Xifaxan® (rifaximin) 200 mg and 550 mg tablets, should it receive approval from the FDA on its ANDAs. Sun will be able to commence such marketing earlier if another generic rifaximin product is granted approval and such other generic rifaximin product begins to be sold or distributed in the United States before January 1, 2028.

In addition, patents covering the Company's branded pharmaceutical products may be challenged in proceedings other than court proceedings, including inter partes review ("IPR") at the U.S. Patent & Trademark Office. The proceedings operate under different standards from district court proceedings, and are often completed within 18 months of institution. IPR challenges have been brought against patents covering the Company's branded pharmaceutical products. For example, following Acrux DDS's IPR petition, the U.S. Patent and Trial Appeal Board ("PTAB"), in May 2017, instituted inter partes review for an Orange Book-listed patent covering Julia® and, on June 6, 2018, issued a written determination invalidating such patent. An appeal of this decision was filed on August 7, 2018. On March 13, 2020, the Court of Appeals for the Federal Circuit reversed this decision and remanded the matter back to the PTAB for further proceedings. Julia® continues to be covered by eleven other Orange Book-listed patents owned by the Company and its licensor, which expire in the years 2028 through 2035.

Product Liability

As referenced above, during the three months ended September 30, 2020, there have been no material updates or developments with respect to certain proceedings or actions as described under "Product Liability" in Note 21, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 19, 2020. These matters include:

Shower to Shower® Products Liability Litigation

Since 2016, the Company has been named in a number of product liability lawsuits involving the Shower to Shower® body powder product acquired in September 2012 from Johnson & Johnson; due to dismissals, only twelve (12) of such product liability suits currently remain pending. Potential liability (including its attorneys' fees and costs) arising out of these remaining suits is subject to full indemnification obligations of Johnson & Johnson owed to the Company, and legal fees and costs will be paid by Johnson & Johnson. Ten of these lawsuits filed by individual plaintiffs allege that the use of Shower to Shower® caused the plaintiffs to develop ovarian cancer or mesothelioma. The allegations in these cases include failure to warn, design defect, manufacturing defect, negligence, gross negligence, breach of express and implied warranties, civil conspiracy concert in action, negligent misrepresentation, wrongful death, loss of consortium and/or punitive damages. The damages sought include compensatory damages, including medical expenses, lost wages or earning capacity, loss of consortium and/or compensation for pain and suffering, mental anguish anxiety and discomfort, physical impairment and loss of enjoyment of life. Plaintiffs also seek pre- and post-judgment interest, exemplary and punitive damages, and attorneys'

fees. Additionally, two proposed class actions have been filed in Canada against the Company and various Johnson & Johnson entities (one in the Supreme Court of British Columbia and one in the Superior Court of Quebec), on behalf of persons who have purchased or used Johnson & Johnson's Baby Powder or Shower to Shower®. The class actions allege the use of the product increases certain health risks (British Columbia) or negligence in failing to properly test, failing to warn of health risks, and failing to remove the products from the market in a timely manner (Quebec). The plaintiffs in these actions are seeking awards of general, special, compensatory and punitive damages. In accordance with the indemnification agreement, Johnson & Johnson will continue to vigorously defend the Company in each of the remaining actions that are not voluntarily dismissed or subject to a grant of summary judgment.

General Civil Actions

California Proposition 65 Related Matters

On January 29, 2020, Plaintiff Jan Graham filed a lawsuit (*Graham v. Bausch Health Companies, Inc., et al.*, Case No. 20STCV03578) in Los Angeles County Superior Court against the Company, Bausch Health US and several other manufacturers, distributors and retailers of talcum powder products, alleging violations of California Proposition 65 by manufacturing and distributing talcum powder products containing chemicals listed under the statue, without a compliant warning on the label.

On June 19, 2019, plaintiffs filed a proposed class action in California state court against Bausch Health US and Johnson & Johnson (*Gutierrez, et al. v. Johnson & Johnson, et al.*, Case No. 37-2019-00025810-CU-NP-CTL), asserting claims for purported violations of the California Consumer Legal Remedies Act, False Advertising Law and Unfair Competition Law in connection with their sale of talcum powder products that the plaintiffs allege violated Proposition 65 and/or the California Safe Cosmetics Act. This lawsuit was served on Bausch Health US in June 2019 and was subsequently removed to the United States District Court for the Southern District of California, where it is currently pending. Plaintiffs seek damages, disgorgement of profits, injunctive relief, and reimbursement/restitution. The Company filed a motion to dismiss Plaintiffs' claims, which was granted in April 2020 without prejudice. In May 2020, Plaintiffs filed an amended complaint and in June 2020, filed a motion for leave to amend the complaint further, which was granted. In August 2020, Plaintiffs filed the Fifth Amended Complaint and the Company's motion to dismiss that complaint is pending.

The Company and Bausch Health US dispute the claims against them and intend to defend each of these lawsuits vigorously.

New Mexico Attorney General Consumer Protection Action

The Company and Bausch Health US were named in an action brought by State of New Mexico ex rel. Hector H. Balderas, Attorney General of New Mexico, in the County of Santa Fe New Mexico First Judicial District Court (New Mexico ex rel. Balderas v. Johnson & Johnson, et al., Civil Action No. D-101-CV-2020-00013, filed on January 2, 2020), alleging consumer protection claims against Johnson & Johnson and Johnson & Johnson Consumer Companies, Inc., the Company and Bausch Health US related to Shower to Shower® and its alleged causal link to mesothelioma and other cancers. In April 2020, Bausch Health US filed a motion to dismiss, which in September 2020, the Court granted in part as to the New Mexico Medicaid Fraud Act and New Mexico Fraud Against Taxpayers Act claims and denied as to all other claims. The State of New Mexico brings claims against all defendants under the New Mexico Unfair Practices Act and other common law and equitable causes of action, alleging defendants engaged in wrongful marketing, sale and promotion of talcum powder products. The lawsuit seeks to recover the cost of the talcum powder products as well as the cost of treating asbestos-related cancers allegedly caused by those products. Bausch Health US expects to file its Answer in November 2020.

The Company and Bausch Health US dispute the claims against them and intend to defend each of these lawsuits vigorously.

Other General Civil Actions

As referenced above, during the three months ended September 30, 2020, there have been no material updates or developments with respect to certain proceedings or actions as described under "General Civil Actions" in Note 21, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019), filed with the SEC on February 19, 2020. These matters include:

Doctors Allergy Formula Lawsuit

In April 2018, Doctors Allergy Formula, LLC ("Doctors Allergy"), filed a lawsuit against Bausch Health Americas in the Supreme Court of the State of New York, County of New York, asserting breach of contract and related claims under a 2015 Asset Purchase Agreement, which purports to include milestone payments that Doctors Allergy alleges should have been paid by Bausch Health Americas. Doctors Allergy claims its damages are not less than $23 million. The Company has asserted counterclaims against Doctors Allergy.

Litigation with Former Salix CEO

On January 28, 2019, former Salix Ltd. CEO and director Carolyn Logan filed a lawsuit in the Delaware Court of Chancery, asserting claims for breach of contract and declaratory relief. The lawsuit arises out of the contractual termination of approximately $30 million in unvested equity awards following the determination by the Salix Ltd. Board of Directors that Logan intentionally engaged in wrongdoing that resulted, or would reasonably be expected to result, in material harm to Salix Ltd., or to the business or reputation of Salix Ltd. Logan seeks the restoration of the unvested equity awards and a declaration regarding certain rights related to indemnification.

The Company disputes the claims against it in each of these matters and intends to vigorously defend the matters.

Completed or Dormant Matters

The following matters have concluded, have settled, are the subject of an agreement to settle or have otherwise been closed since July 1, 2020 or the Company anticipates that no further material activity will take place with respect thereto, or the matters have been dormant for several quarters. Due to the closure, settlement, inactivity or change in status of the matters referenced below, these matters will no longer appear in the Company's next public reports and disclosures, unless required. With respect to inactive matters, to the extent material activity takes place in subsequent quarters with respect thereto, the Company will provide updates as required or as deemed appropriate.

SEC Investigation

Beginning in November 2015, the Company received from the staff of the Los Angeles Regional Office of the SEC ("the Staff") subpoenas for documents, as well as various document, testimony and interview requests, related to its investigation of the Company, including requests concerning the Company's former relationship with Philidor Rx Services, LLC ("Philidor"), its accounting practices and policies, its public disclosures and other matters. On March 27, 2020, the Staff issued a Wells Notice informing the Company that they had reached a preliminary determination to recommend that the SEC bring charges against the Company for violating the federal securities laws as a result of SEC filings and other statements made by Valeant and its former executives in 2014-2015 concerning Philidor, as well as other accounting and disclosure matters, including the Company's disclosure of certain price appreciation credits in 2015 - 2016. The Company has entered into a settlement with the SEC that has resolved all allegations by the SEC against the Company. Under the terms of the settlement, the Company neither admitted nor denied the SEC's allegations and agreed to pay a $45 million civil monetary penalty.

AMF Investigation

On April 12, 2016, the Company received a letter from the Autorité des marchés financiers (the "AMF") requesting documents concerning the work of the Company's ad hoc committee of independent directors, the Company's former relationship with Philidor, the Company's accounting practices and policies and other matters. In July 2018, the Company was advised by the AMF that it had issued a formal investigation order against it. On September 30, 2020, the AMF confirmed that it had closed its investigation.

Investigation by the State of Texas

On May 27, 2014, the State of Texas served Bausch & Lomb Incorporated ("B&L Inc.") with a Civil Investigative Demand ("CID") concerning various price reporting matters relating to the State's Medicaid program and the amounts the State paid in reimbursement for B&L products for the period from 1995 to the date of the CID. B&L Inc. and the State agreed to settle the matter for $10 million. The Company made the payment on April 1, 2020. On July 1, 2020, the State moved to dismiss the case by filing a notice that it was taking a nonsuit, with prejudice to refiling, effective immediately.

Investigation by the U.S. Attorney's Office for the District of Massachusetts regarding patient assistance and pricing

In October 2015 and June 2016, the Company received two subpoenas from the U.S. Attorney's Office for the District of Massachusetts, requesting materials including documents and witness interviews with respect to the Company's patient assistance programs and contributions to patient assistance organizations that provide financial assistance to Medicare patients taking products sold by the Company, and the Company's pricing of its products. The Company is cooperating with this investigation. There has been no material activity for several quarters on the part of the Company with respect to this matter nor has the Company had recent contact from the U.S. Attorney's Office for the District of Massachusetts with respect to this matter. The Company cannot predict the outcome or the duration of this investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of this investigation.

Investigation by the U.S. Attorney's Office for the Southern District of New York

In October 2015, the Company received a subpoena from the U.S. Attorney's Office for the Southern District of New York, requesting materials including documents and witness interviews with respect to the Company's patient assistance programs; its former relationship with Philidor and other pharmacies; the Company's accounting treatment for sales by specialty pharmacies; information provided to the Centers for Medicare and Medicaid Services; the Company's pricing (including discounts and rebates), marketing and distribution of its products; the Company's compliance program; and employee compensation. The Company is cooperating with this investigation. There has been no material activity for several quarters on the part of the Company with respect to this matter. The Company cannot predict the outcome or the duration of this investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of this investigation.

19. SEGMENT INFORMATION

Reportable Segments

The Company's Chief Executive Officer ("CEO"), who is the Company's Chief Operating Decision Maker, manages the business through operating and reportable segments consistent with how the Company's CEO: (i) assesses operating performance on a regular basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. The Company operates in the following reportable segments: (i) Bausch + Lomb/International segment, (ii) Salix segment, (iii) Ortho Dermatologics segment and (iv) Diversified Products segment.

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

- ***The Bausch + Lomb/International segment*** consists of: (i) sales in the U.S. of pharmaceutical products, OTC products and medical device products, primarily comprised of Bausch + Lomb products, with a focus on the Vision Care, Surgical, Consumer and Ophthalmology Rx products and (ii) with the exception of sales of Solta products, sales in Canada, Europe, Asia, Australia, Latin America, Africa and the Middle East of branded pharmaceutical products, branded generic pharmaceutical products, OTC products, medical device products and Bausch + Lomb products.
- ***The Salix segment*** consists of sales in the U.S. of GI products.
- ***The Ortho Dermatologics segment*** consists of: (i) sales in the U.S. of Ortho Dermatologics (dermatological) products and (ii) global sales of Solta medical aesthetic devices.
- ***The Diversified Products segment*** consists of sales in the U.S. of: (i) pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) generic products and (iii) dentistry products.

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

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

In connection with the planned separation of its eye-health business into an independent publicly traded entity from the remainder of Bausch Health Companies Inc., the Company has begun addressing the internal organizational design and structure of the new entity, which it anticipates having substantially complete in late 2021. As of the date of the issuance of these financial statements, these matters are in the planning phase. In connection with the Separation, the Company expects to realign and begin managing its operations in a manner consistent with the organizational structure of the two separate entities as proposed by the Separation during the first quarter of 2021. Accordingly, the Company expects to begin reporting its segment results to reflect the proposed realignment of its operating segments on a retrospective basis beginning with its first quarter of 2021.

Segment Revenues and Profits

Segment revenues and profits were as follows:

(in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenues:				
Bausch + Lomb/International	$ 1,169	$ 1,175	$ 3,166	$ 3,501
Salix	496	551	1,377	1,505
Ortho Dermatologics	144	147	393	407
Diversified Products	329	336	878	964
	$ 2,138	$ 2,209	$ 5,814	$ 6,377
Segment profits:				
Bausch + Lomb/International	$ 336	$ 333	$ 830	$ 989
Salix	360	375	968	995
Ortho Dermatologics	70	58	156	156
Diversified Products	248	246	634	714
	1,014	1,012	2,588	2,854
Corporate	(141)	(158)	(442)	(435)
Amortization of intangible assets	(391)	(475)	(1,263)	(1,452)
Asset impairments	(2)	(33)	(17)	(49)
Restructuring, integration and separation costs	(2)	(4)	(13)	(28)
Acquisition-related contingent consideration	(2)	(3)	(26)	(2)
Other expense, net	(16)	(10)	(146)	(15)
Operating income	460	329	681	873
Interest income	2	2	11	9
Interest expense	(374)	(406)	(1,155)	(1,221)
Loss on extinguishment of debt	—	—	(51)	(40)
Foreign exchange and other	(13)	9	(26)	12
Income (loss) before (provision for) benefit from income taxes	$ 75	$ (66)	$ (540)	$ (367)

Revenues by Segment and Product Category

Revenues by segment and product category were as follows:

	Three Months Ended September 30, 2020					Three Months Ended September 30, 2019				
(in millions)	Bausch + Lomb/ International	Salix	Ortho Dermatologics	Diversified Products	Total	Bausch + Lomb/ International	Salix	Ortho Dermatologics	Diversified Products	Total
Pharmaceuticals	$ 200	$ 494	$ 65	$ 217	$ 976	$ 217	$ 551	$ 97	$ 207	$ 1,072
Devices	360	—	72	—	432	375	—	46	—	421
OTC	374	—	—	—	374	371	—	—	—	371
Branded and Other Generics	219	—	—	110	329	197	—	—	119	316
Other revenues	16	2	7	2	27	15	—	4	10	29
	$ 1,169	$ 496	$ 144	$ 329	$ 2,138	$ 1,175	$ 551	$ 147	$ 336	$ 2,209

(in millions)	Nine Months Ended September 30, 2020					Nine Months Ended September 30, 2019				
	Bausch + Lomb/ International	Salix	Ortho Dermatologics	Diversified Products	Total	Bausch + Lomb/ International	Salix	Ortho Dermatologics	Diversified Products	Total
Pharmaceuticals	$ 552	$1,374	$ 213	$ 557	$ 2,696	$ 670	$1,505	$ 265	$ 617	$ 3,057
Devices	921	—	165	—	1,086	1,127	—	130	—	1,257
OTC	1,043	—	—	—	1,043	1,063	—	—	—	1,063
Branded and Other Generics	597	—	—	312	909	582	—	—	332	914
Other revenues	53	3	15	9	80	59	—	12	15	86
	$ 3,166	$1,377	$ 393	$ 878	$ 5,814	$ 3,501	$1,505	$ 407	$ 964	$ 6,377

The top ten products for the nine months ended September 30, 2020 and 2019 represented 41% and 38% of total revenues for the nine months ended September 30, 2020 and 2019, respectively.

Geographic Information

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
U.S. and Puerto Rico	$ 1,301	$ 1,369	$ 3,522	$ 3,851
China	94	85	231	275
Canada	87	85	244	252
Mexico	68	58	157	164
Egypt	59	55	175	157
Poland	57	53	168	168
Japan	57	67	159	181
France	42	45	131	156
Germany	32	33	108	119
Russia	32	47	89	124
Spain	21	18	53	62
United Kingdom	21	28	58	86
Other	267	266	719	782
	$ 2,138	$ 2,209	$ 5,814	$ 6,377

Major Customers

Customers that accounted for 10% or more of total revenues were as follows:

	Nine Months Ended September 30,	
	2020	2019
AmerisourceBergen Corporation	17%	17%
McKesson Corporation (including McKesson Specialty)	17%	17%
Cardinal Health, Inc.	13%	14%

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

INTRODUCTION

Unless the context otherwise indicates, as used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," the terms "we," "us," "our," "the Company," and similar terms refer to Bausch Health Companies Inc. and its subsidiaries. This "Management's Discussion and Analysis of Financial Condition and Results of Operations" has been updated through November 3, 2020 and should be read in conjunction with the unaudited interim Consolidated Financial Statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (this "Form 10-Q"). The matters discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain certain forward-looking statements within the meaning of Section 27A of The Securities Act of 1993, as amended, and Section 21E of The Securities Exchange Act of 1934, as amended, and that may be forward-looking information within the meaning defined under applicable Canadian securities laws (collectively, "Forward-Looking Statements"). See "Forward-Looking Statements" at the end of this discussion.

Our accompanying unaudited interim Consolidated Financial Statements as of September 30, 2020 and for the three and nine months ended September 30, 2020 and 2019 have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the United States Securities and Exchange Commission (the "SEC") for interim financial statements, and should be read in conjunction with our Consolidated Financial Statements for the year ended December 31, 2019, which were included in our Annual Report on Form 10-K filed on February 19, 2020. In our opinion, the unaudited interim Consolidated Financial Statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of the financial condition, results of operations and cash flows for the periods indicated. Additional company information is available on SEDAR at www.sedar.com and on the SEC website at www.sec.gov. All currency amounts are expressed in U.S. dollars, unless otherwise noted.

OVERVIEW

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

Core Businesses

Our strategy is to focus our business on core therapeutic classes that offer attractive growth opportunities. Within our chosen therapeutic classes, we prioritize durable products which we believe have the potential for strong operating margins and evidence of growth opportunities. We believe this strategy has reduced complexity in our operations and maximizes the value of our: (i) eye-health, (ii) GI and (iii) dermatology businesses, which collectively now represent a substantial portion of our revenues. We have found and continue to believe there is significant opportunity in these businesses and we believe our existing portfolio, commercial footprint and pipeline of product development projects position us to successfully compete in these markets and provide us with the greatest opportunity to build value for our shareholders. We identify these businesses as "core", meaning that we believe we are best positioned to grow and develop them.

Reportable Segments and Strategies

Our portfolio of products falls into four operating and reportable segments: (i) Bausch + Lomb/International, (ii) Salix, (iii) Ortho Dermatologics and (iv) Diversified Products.

The Bausch + Lomb/International segment - consists of our Global Bausch + Lomb eye-health business and our International Rx business. Our Global Bausch + Lomb eye-health business includes our Global Vision Care, Global Surgical, Global Consumer and Global Ophthalmology Rx products, which in aggregate accounted for approximately 40%, 42% and 43% of our Company's revenues for the nine months ended September 30, 2020 and the years 2019 and 2018, respectively. Our International Rx business, with the exception of our Solta products, includes sales in Canada, Europe, Asia, Australia, Latin America, Africa and the Middle East of branded pharmaceutical products, branded generic pharmaceutical products and OTC products, which in aggregate accounted for approximately 14%, 13% and 13% of our Company's revenues for the nine months ended September 30, 2020 and the years 2019 and 2018, respectively.

Our Bausch + Lomb business is a fully-integrated eye-health business, which we believe is critical to maintaining and developing our position in the global eye-health market. As a fully integrated eye-health business with a 165-year legacy, Bausch + Lomb has an established line of contact lenses, intraocular lenses and other medical devices, surgical systems and devices, vitamin and mineral supplements, lens care products, prescription eye-medications and other consumer products that positions us to compete in all areas of the eye-health market.

As part of our global Bausch + Lomb business strategy, we continually look for key trends in the eye-health market to meet changing consumer/patient needs and identify areas for investment and growth. For instance, one of these trends is the increasing rate of myopia, and importantly, myopia as a potential risk factor for glaucoma, macular degeneration and retinal detachment. We continue to see increased demand for new eye-health products that address conditions brought on by factors, such as increased screen time, lack of outdoor activities and academic pressures, as well as conditions brought on by an aging population for example, as more and more baby-boomers in the U.S. are reaching the age of 65. To supplement our well-established Bausch + Lomb product lines, we continue to identify new products tailored to address these key trends, which we develop internally with our own research and development ("R&D") team to generate organic growth. We also license selective molecules or technology in leveraging our own R&D expertise through development, as well as seek out external product development opportunities. Recent product launches include Biotrue® ONEday daily disposable contact lenses, the next generation of Bausch + Lomb ULTRA® contact lenses, SiHy Daily contact lenses, Lumify® (an eye redness treatment), Vyzulta® (a pressure lowering eye drop for patients with angle glaucoma or ocular hypertension) and Ocuvite® Eye Performance (vitamins to protect the eye from stressors such as sunlight and blue light emitted from digital devices).

The Salix segment - consists of sales in the U.S. of GI products and includes our Xifaxan® product. Our Xifaxan® product accounted for revenues of $1,071 million, $1,452 million and $1,195 million for the nine months ended September 30, 2020 and the years 2019 and 2018, respectively.

As part of our acquisition of Salix Pharmaceuticals, Ltd. in April 2015, we acquired the intellectual property to a number of products that have provided us with year-over-year revenue growth, particularly the intellectual property behind Xifaxan® for, amongst other indications, irritable bowel syndrome with diarrhea ("IBS-D"), and Relistor® for opioid induced constipation. Revenues from our Xifaxan® product increased approximately 22% and 22% in the years 2019 and 2018, respectively. Revenues from our Xifaxan® product were $1,071 million and $1,056 million for the nine months ended September 30, 2020 and 2019, respectively, representing an increase of 1%.

We attribute the growth in our Salix revenues to the investments we have been making since 2017, including: (i) hiring 200 trained and experienced sales force representatives to expand the commercial field force for Xifaxan®, (ii) increasing the focus on the development of next generation formulations of our Salix intellectual property to address new indications, (iii) completing the strategic acquisition of certain assets of Synergy Pharmaceuticals Inc. ("Synergy"), which included the Trulance® product and (iv) increasing the number of sales force representatives for Trulance®. In addition, we have entered into licensing agreements for investigational products, which, once developed and if approved by the U.S. Food and Drug Administration ("FDA"), will be new treatments for certain GI and liver diseases and we anticipate will contribute to the future growth. Each of these opportunities potentially provides us with the ability to expand our GI portfolio and allows us to leverage our existing GI sales force, supply channel and distribution channel.

The Ortho Dermatologics segment - consists of: (i) sales in the U.S. of Ortho Dermatologics (dermatological products) and (ii) global sales of Solta dermatological devices.

The Ortho Dermatologics business is our medical dermatology business dedicated to the treatment of a range of therapeutic areas, including psoriasis, actinic keratosis, acne, atopic dermatitis, onychomycosis and other dermatoses and includes our Arazlo® (launched June 2020), Altreno®, Duobrii®, Bryhali®, Jublia® and Siliq® product lines. As part of our business strategy for the Ortho Dermatologics segment, we have made significant investments to build out our psoriasis, atopic dermatitis and acne product portfolios, which are the markets within dermatology where we see the greatest opportunities, with a focus on topical gel and lotion products over injectable biologics. We continue to support the use of injectable biologics; however, we believe some patients prefer topical products as an alternative to injectable biologics. Further, as topical products can, in many cases, defer the use of injectable biologics that often come with associated risk/benefit profiles, a topical product is usually readily adopted by payors, is less expensive and can be more cost-effective than injectable biologics. Therefore, we believe topical products represent alternative treatments for physicians, payors and patients, and as the preferred choice of treatment, have the potential to drive greater volumes, generate better margins and potentially be a key contributing factor of our Ortho Dermatologics business.

Our Solta business is dedicated to the development of innovative treatment technologies that provide proven and effective medical aesthetic and therapeutic benefits to consumers. Global Solta revenues were $166 million and $130 million for the nine months ended September 30, 2020 and 2019, respectively, and $194 million and $135 million for the years 2019 and 2018, respectively. The increase in revenue is primarily attributable to Next Generation Thermage FLX®, a fourth-generation non-invasive treatment option using a radiofrequency platform designed to optimize key functional characteristics and improve patient outcomes. During 2018 and 2019, Next Generation Thermage FLX® was launched in Hong Kong, Japan, Korea, Taiwan, Philippines, Singapore, Indonesia, Malaysia, China, Thailand, Vietnam, and Australia as part of our Solta medical aesthetic devices portfolio. These launches have been successful as Next Generation Thermage FLX® revenues for nine months ended September 30, 2020 and 2019 were $94 million and $47 million, respectively, and in full-year 2019 were $77 million.

During 2017 through the date of this filing, we have made significant investments to build out our aesthetics, psoriasis and acne product portfolios, which we believe, coupled with our experienced dermatology sales leadership team and the reorganization of our Ortho Dermatologics sales force, will position our Ortho Dermatologics business for future growth.

The Diversified Products segment - consists of sales in the U.S. of: (i) pharmaceutical products in the areas of neurology and certain other therapeutic classes, such as Wellbutrin®, Aplenzin®, Cuprimine®, Ativan® and Migranal®, (ii) generic products, such as Uceris® authorized generic ("AG"), Elidel® AG and Diastat® AG, and (iii) dentistry products, such as Arestin® and NeutraSal®. The Company utilizes the Diversified Products segment to extend the long-term cash flows from a number of assets that are expected to decline over time due to the loss of exclusivity, by launching and selling authorized generic versions of certain branded assets.

For a comprehensive discussion of our business, business strategy, products and other business matters, see Item 1. "Business" included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC and the Canadian Securities Administrators ("CSA") on February 19, 2020.

Our Focus on Value

In 2016, we retained a new executive team which implemented a multi-year plan designed to transform and bring out value in our Company. The multi-year plan increased our focus on, among other factors, our: product portfolio, infrastructure, geographic footprint, capital structure and risk management. Since that time, we have been executing and continue to execute on our commitments to transform the Company and generate value. Under the multi-year plan we have taken the following actions, among others:

- divested non-core assets in order to narrow the Company's activities to our core businesses where we believe we have an existing and sustainable competitive edge and the ability to generate operational efficiencies. To date we received approximately $3,500 million in net proceeds from these divestitures;
- made strategic investments in our core businesses in order to support recent revenue growth and prepare for additional growth opportunities we plan to capitalize on for our core businesses;
- made measurable progress in improving our capital structure as we have repaid over $8,100 million in debt obligations (net of additional borrowings, amounts refinanced and excluding the $1,210 million financing of the U.S. Securities Litigation settlement discussed below) using the proceeds from the divestiture of non-core assets, cash generated from our operations and improved working capital management; and
- resolved many of the Company's legacy litigation matters originating back to 2015 and prior, including the most significant legacy legal matter, the U.S. Securities Litigation settlement discussed below, significantly reducing related possible disruptions and other uncertainties to our operations.

We believe that these and other positive actions we have taken to transform our Company, have properly focused our operations and improved our capital structure, and we also believe that, as a result of such actions, we are now presented with an opportunity to unlock additional value across our portfolio of assets by creating two highly attractive but dissimilar businesses.

Separation of the Bausch + Lomb Eye-Health Business

On August 6, 2020, the Company announced that it intends to separate its eye-health business into an independent publicly traded entity ("Bausch + Lomb") from the remainder of Bausch Health Companies Inc. (the "Separation"). The Separation will establish two separate companies that include:

- a fully integrated, pure play eye-health company built on the iconic Bausch + Lomb brand and long history of innovation; and

- a diversified pharmaceutical company with leading positions in gastroenterology, aesthetics/dermatology, neurology and international pharmaceuticals.

The Bausch + Lomb entity will consist of the Company's Bausch + Lomb Global Vision Care, Global Surgical, Global Consumer and Global Ophthalmic Rx businesses. The remaining pharmaceutical entity will comprise a diversified portfolio of our leading durable brands across the Salix, International Rx, Solta, neurology and medical dermatology businesses. We believe the Separation will unlock value across the two post-separation entities and create two highly attractive but dissimilar businesses.

As separate 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 best manage its respective capital needs. Further, the Separation allows us and the market to compare the operating results of each entity with other “pure play” peer companies. Although management believes the Separation will bring out additional value, there can be no assurance that it will be successful in doing so.

We are in the process of addressing the organization, structure and pro forma capitalizations of the two entities post-separation. Based on our initial assessment, we believe that we will be able to address the organizational matters and regulatory requirements needed to operate the businesses separately and put the Bausch + Lomb business in position to become an independent publicly traded company prior to the end of 2021. Management is also considering the form of the Separation and exploring a number of alternative capitalization structures in order to properly capitalize the entities post-separation and although a public offering of a portion of the Bausch + Lomb business is among the alternate capital structures being considered, this Form 10-Q does not constitute an offer of any securities of Bausch + Lomb for sale. There are considerations, approvals and conditions that will determine the ultimate timing and structure of this transaction, including regulatory approvals, final approval by our board of directors, any shareholder vote requirements that may be applicable, compliance with U.S. and Canadian securities laws and stock exchange rules, receipt of any applicable opinions and/or rulings with respect to the Canadian and U.S. federal income tax treatment of such transaction and determination of the pro forma capitalizations of the two entities. The failure to satisfy all of the required conditions could delay the completion of this transaction for a significant period of time or prevent it from occurring at all. As a result, the information in this Form 10-Q relating to the Separation is preliminary and may change as the transaction progresses and any such change may be material.

Impacts of COVID-19 Pandemic

In December 2019, a novel strain of the coronavirus disease, COVID-19, was identified in Wuhan, China. Since then, COVID-19 has spread to other parts of the world, including the United States, Canada and Europe, and was declared a global pandemic by the World Health Organization (the "WHO") on March 11, 2020. As a global health care company, now more than ever, we remain focused on our mission of helping to improve people’s lives with our health care products.

The unprecedented nature of the COVID-19 pandemic has adversely impacted the global economy. The COVID-19 pandemic and the rapidly evolving reactions of governments, private sector participants and the public in an effort to contain the spread of the COVID-19 virus and/or address its impacts have intensified and have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base and transactional activity, facilities closures and production suspensions. The COVID-19 pandemic has also significantly increased demand for certain goods and services, such as pandemic-related medical services and supplies, alongside decreased demand for others, such as retail, hospitality, elective medical procedures and travel.

As the global economic landscape changes, there is a wide range of possible outcomes regarding the nature and timing of events related to the COVID-19 pandemic, each of which are highly dependent on variables that are difficult to predict. Developments, including the ultimate geographic spread and duration of the pandemic, the extent and duration of a resurgence, if any, new information concerning the severity of the COVID-19 virus, the effectiveness and intensity of measures to contain the COVID-19 virus and the economic impact of the pandemic and the reactions to it, could have a significant adverse effect on our business, development programs, financial condition, cash flows and results of operations. The extent of these developments and the related impacts are highly uncertain and many are outside the Company's control.

To date, the Company has been able to continue its operations with limited disruptions in supply and manufacturing. Although it is difficult to predict the broad macroeconomic effects that the COVID-19 pandemic will have on industries or individual companies, the Company has assessed the possible effects and outcomes of the pandemic on, among other things, its supply chain, customers and distributors, discounts and rebates, employee base, product sustainability, research and development efforts, product pipeline and consumer demand. As a result of our assessment, we immediately initiated profit protection measures to manage and reduce operating expenses and preserve cash during the COVID-19 pandemic. We have also taken actions to manage the level of our investment in support of certain existing products, anticipated launches and the expansion of our sales footprint in Europe. Postponing these investments may impact the extent and timing in achieving our longer-term forecasts for certain business units, however, we believe these actions will not have a material impact on the underlying value of the related businesses or their associated assets.

We are and will continue to closely monitor the impacts of the COVID-19 pandemic and related responses from governments and private sector participants on the Company, our customers, supply chain, third-party suppliers, project development timelines, costs, revenue, margins, liquidity and financial condition and our planned actions and responses to this pandemic.

We believe we have responded quickly to the human and commercial challenges brought on by the COVID-19 pandemic and that our early actions have, so far, enabled us to keep our employees safe and our supply lines largely intact and we believe these actions have laid the foundation for us to work our way through the uncertainties to come. Importantly, we believe that the steps we took over the last several years to manage our capital structure place us in a strong position to maintain sufficient liquidity to continue operations through an extended pandemic and we believe that our businesses will not see their long-term value diminished by this unprecedented situation.

Our Employees

The health and safety of our employees is paramount. Our senior management team meets regularly to assess this ongoing situation and has implemented multiple actions to protect our employees. For essential personnel in our manufacturing and distribution centers, as well as our office-based and sales force employees who have started to re-enter the workplace, we are taking every precaution to ensure that they are working in an environment that is as safe as possible, including following procedures as prescribed by global public health organizations, such as the WHO and U.S. Centers for Disease Control and Prevention.

Our Supply Chain and Manufacturing Facilities

Our objective is to maintain the uninterrupted availability of our products to meet the needs of patients, consumers and our customers. Business continuity plans and site-level biosecurity procedures are in place to ensure the well-being of our employees while we work to maintain the integrity of our supply chain. We have been successful in keeping our manufacturing facilities operational, although, due to shelter-in-place orders, our facilities in Milan and China were forced to temporarily close in March and April. These facilities were closed for only a short period of time and were immediately and continually operational once the shelter-in-place orders in the respective geographies were lifted.

As of the date of this filing, we have not experienced any disruption in our supply chain that would have a material impact on our results or operations. Our global supply chain team worked diligently to stay ahead of the challenges presented by the COVID-19 pandemic once it appeared in Asia. Although we have put in place procedures to mitigate the risks associated with closures and disruptions at our manufacturing facilities, the COVID-19 pandemic has had an impact on our inventory levels and the manner in which we manage our inventories. During the nine months ended September 30, 2020, our inventories increased 11% primarily due to: (i) lower demand across multiple business units due to COVID-19 pandemic related matters, (ii) additional active pharmaceutical ingredients ("API") acquired for our Xifaxan® products from our suppliers in Italy in contemplation of potential supply disruptions in that region, (iii) additional API for our Trulance® products which have longer procurement times and higher costs and (iv) the acquisition of additional quantities of certain products that were at the lower end of their optimal levels at December 31, 2019.

We have dual sources of API and intermediates for many of our products, the availability of which has not had, and at this time we do not expect will have, a material impact on our supply chain. With respect to our largest product, Xifaxan®, as of October 30, 2020, we have over five months' supply of Xifaxan® finished goods on hand and enough API to manufacture another eight months' supply of Xifaxan® finished goods. We also have open orders for API for Xifaxan® that we currently expect will arrive on schedule. However, if we were to experience a lack of availability of API for Xifaxan®, such disruption to our supply chain could have a significant adverse effect on our business, financial condition and results of operations.

We continue to monitor the impacts of the COVID-19 pandemic and take the actions appropriate to regulate our inventories at levels in line with the current supply and demand for our products. Although these actions have been effective at meeting our objectives, we believe our inventory levels will likely remain above our pre-pandemic levels into next year in order to address the range of potential impacts and outcomes of the COVID-19 pandemic. We will continue to monitor our inventories and continue to take the appropriate actions and make the necessary adjustments to maintain the uninterrupted availability of our products to meet the needs of patients, consumers and our customers.

Our Product Pipeline

Our leadership team actively manages the Company's product pipeline to identify what we believe are innovative and realizable projects aligned with our core businesses that are expected to provide incremental and sustainable revenues and growth. During the COVID-19 pandemic, our R&D team remains focused on meeting these objectives in a timely manner; however, there are significant events and circumstances regarding the COVID-19 pandemic that may materially affect our R&D team's ability to do so, many of which are beyond the Company's control.

Due to the challenges of the COVID-19 pandemic, most notably those attributable to "stay at home" and travel restrictions, certain of our R&D activities were forced to pause. Clinical trials that started prior to governmental shutdowns remain enrolled and existing patients are progressing, while new patient enrollments were paused as most trial sites were not able to accept new patients. However, during our third quarter we saw the pace of new patient enrollments in increase, getting close to their pre-COVID-19 pandemic levels in the U.S., and as a result have not had to make material changes to our development timelines.

We continue to monitor the timing and completion of our ongoing and anticipated clinical trial programs. As of the date of this filing, the delays in our clinical trials have not had a material impact on our operating results; however, a resurgence of the virus significant enough to necessitate reenacting certain social restrictions could result in unanticipated delays in our ability to conduct new patient enrollments. Other possible COVID-19 pandemic and resurgence related challenges include, but are not limited to, facility closures, delays by third-party service providers, deferrals of doctor visits, postponement of elective medical procedures and surgeries and changes in prioritization by the FDA and other regulatory authorities. Delays, if any, caused by the COVID-19 pandemic and a possible resurgence of the virus such as these and others will likely adversely affect the timely approval, launch and commercialization and the commercial success of our products, particularly those in early stage clinical trials, which could have a significant adverse effect on our future operating results.

Our Liquidity

Our primary sources of liquidity are our cash and cash equivalents, cash collected from customers, funds as available from our revolving credit facility of $1,225 million due in June 2023 (the “2023 Revolving Credit Facility”), issuances of long-term debt and issuances of equity and equity-linked securities. We believe these sources will be sufficient to meet our current liquidity needs for at least twelve months from the date of issuance of this Form 10-Q. Further, for the nine months ended September 30, 2020 and the years 2019 and 2018, we generated positive cash from operations of $717 million, $1,501 million and $1,501 million, respectively. Should our operating results during the COVID-19 pandemic materially suffer in comparison to our 2019 and 2018 operating results, we believe we would continue to generate sufficient cash flows from operations to meet our obligations in the ordinary course of business.

We have no debt maturities or mandatory amortization payments until 2023. Additionally, we have no outstanding borrowings, $107 million of issued and outstanding letters of credit and remaining availability of $1,118 million under our 2023 Revolving Credit Facility. In the event of a future, unexpected, need for near-term liquidity, our 2023 Revolving Credit Facility would be a source of funding for us. After reviewing the terms of our Restated Credit Agreement and considering a broad range of possible outcomes of the COVID-19 pandemic, we expect that we will have access to capital under our 2023 Revolving Credit Facility across a broad range of scenarios in the event it is required.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Consolidated Financial Statements and “Management's Discussion and Analysis - Liquidity and Capital Resources: Long-term Debt” for additional discussion of these matters.

Our Operating Results

While we are taking actions to mitigate the impact of the COVID-19 pandemic on daily operations, the global response to the pandemic has and is expected to impact our operating results until the impacts of the pandemic subside, the timing of which is uncertain and may be dependent upon, among other matters, the development and distribution of an effective vaccine and/or treatment for the COVID-19 virus. The changing dynamics of the pandemic, related responses from governments and private sector participants and the precautionary measures taken by our customers and the health care patients and consumers we serve, are expected to impact the timing and amount of our revenues.

During the pandemic, the public has been advised to engage in certain "social restrictions" such as: (i) remaining at home or shelter-in-place, (ii) limiting social interaction, (iii) closing non-essential businesses and (iv) postponing certain surgical and elective medical procedures in order to prioritize/conserve available health care resources. During the three months ended March 31, 2020, these factors negatively impacted, most notably, the revenues of the Company's Global Vision Care and Global Surgical businesses in Asia where the COVID-19 pandemic originated. Beginning in March 2020, and throughout most of the second quarter of 2020, the Company experienced steeper declines in these revenues and the revenues of other businesses as social restrictions expanded worldwide, particularly in the U.S. and Europe. Social restrictions negatively impacted the Company's revenues for contact lenses, intraocular lenses, medical devices, surgical systems and certain pre- and post-operative eye-medications of its Global Ophtho Rx business, medical aesthetics and therapeutic products of its Global Solta business, and certain branded pharmaceutical products of its Salix, Ortho Dermatologics and Dentistry businesses, as the offices of many health care providers were closed and certain surgeries and elective medical procedures were deferred.

The Company’s revenues for the nine months ended September 30, 2020 were negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic earlier in the year. However, as

governments began lifting social restrictions, allowing offices of certain health care providers to reopen and certain surgeries and elective medical procedures to proceed, the negative trend in the revenues of certain businesses began to level off and stabilize. Presuming there is no material resurgence of the COVID-19 virus, the Company anticipates an ongoing, gradual global recovery from the macroeconomic and health care impacts of the pandemic that occurred during the first-half of 2020. The Company therefore believes that its revenues for the year 2020 will be most impacted by the COVID-19 pandemic in its second quarter, although the Company experienced additional COVID-19 pandemic related declines in the year-over-year revenues in its third quarter, and expects additional COVID-19 pandemic related declines in the fourth quarter of 2020, in many of its businesses and geographies. Presuming any reenactment of social restrictions is not significant, the Company anticipates that its affected businesses could possibly return to pre-pandemic levels as early as late 2020 or in 2021. However, the rates of recovery for each business will vary by geography and will be dependent upon government responses, rates of economic recovery, precautionary measures taken by patients and customers, the rate at which remaining social restrictions are lifted and once lifted, the presumption that social restrictions will not be materially reenacted in the event of a resurgence of the virus and other actions taken in response to the COVID-19 pandemic.

In the U.S., the recovery is progressing more quickly in our surgical, vision care and ophthalmology businesses, while our consumer business has been less impacted by the COVID-19 pandemic than any of our other business units. Although certain social restrictions were lifted in Europe and Asia during the summer, recovery in these regions has been more gradual, as consumers have been slower to return to their pre-pandemic habits. Further, various geographies are reinstituting lockdowns or partial lockdowns due to a resurgence of the COVID-19 virus. For instance, parts of Europe such as Germany, France, Ireland and England have already announced returns to lockdowns of various lengths and have enacted or are considering enacting other social restrictions. In the U.S., the rise in the number of daily average COVID-19 cases in the second half of October 2020 suggests a possible resurgence in the U.S. which could also lead to lockdowns or other social restrictions.

As we monitor the direction and pace of the recovery in each business and geography, we are also continually monitoring the effectiveness of the profit protection measures we initiated to manage and reduce our operating expenses and preserve cash during the COVID-19 pandemic. These profit protection measures have been successful in expanding the profit margins in many of our businesses during our third quarter as referenced in the discussion of our operating results to follow. As the pace of recovery in each geography accelerates, we will need to allocate more resources to selling and other promotional activities to drive our return to sustainable revenue and profit growth. Therefore, as the recovery continues, we expect our operating expenses to increase in support of our existing products, product launches and products in development and expect to see our operating expenses in the fourth quarter of 2020 exceed our operating expenses in the third quarter of 2020.

We believe our diverse portfolio of durable products and strong brands has served us well through the COVID-19 pandemic and we continue to be well positioned to grow market share and return to growth as the world recovers. However, this remains a very fluid situation and we continue to monitor the effects of the COVID-19 pandemic and the impacts of any resurgence of the COVID-19 virus on our business and primary goals. Given these circumstances, we continue to focus on: (i) revising our go-to-market and sales force strategies to address the changing business dynamics created by the COVID-19 pandemic, (ii) building out our e-commerce presence to enable us to reach customers in new ways, (iii) investing in our key promoted brands and product launches to increase market share, (iv) optimizing our cost structure and (v) looking for key trends in the market to meet changing consumer/patient needs and identify areas for investment and growth. We believe focusing on these priorities will best enable us to effectively manage the changing business dynamics created by the COVID-19 pandemic, best prepare us for a possible resurgence of the virus and return us to growth once the impacts of the COVID-19 pandemic substantially subside.

The changes in our segment revenues and segment profits, including the impacts of COVID-19 pandemic related matters for the three and nine months ended September 30, 2020, are discussed in further detail in the respective subsequent sections " — Reportable Segment Revenues and Profits".

Although not completely insulated from the negative effects of the COVID-19 pandemic, the Company believes that its long-term forecasted cash flows, as adjusted for the possible outcome of the COVID-19 pandemic and other matters, do not indicate that the fair value of any reporting unit may be below its carrying value. However, if market conditions further deteriorate, if the factors and circumstances regarding the COVID-19 pandemic escalate beyond management's expectations, or if the Company is unable to execute its strategies, it may be necessary to record impairment charges in the future and those charges can be material.

Business Strategy

Our Focus on Core Businesses

In order to continue to focus on our core businesses where we believe there is potential for strong operating margins and evidence of growth opportunities, we have: (i) directed capital allocation to drive growth within our core businesses, (ii) made measurable progress in effectively managing our capital structure, (iii) increased our efforts to improve patient access and (iv) continued to invest in sustainable growth drivers to position us for long-term growth.

Direct Capital Allocation to Drive Growth Within Our Core Businesses

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

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. Recently, we have entered into transactions that, although not immediately impactful to our operating results, are expected to be accretive to our bottom line in future years and contribute to our long-term growth strategies.

In September 2020, we entered into an agreement which provides the Company an option to acquire all ophthalmology assets of Allegro Ophthalmics, LLC ("Allegro") (the "Option"), a privately held biopharmaceutical company focused on the development of therapies that regulate integrin functions for the treatment of ocular diseases. Among the assets to be acquired, if the Option is exercised, is the worldwide rights to risuteganib (Luminate®), Allegro's lead investigational compound in retina, which is believed to simultaneously act on the angiogenic, inflammatory and mitochondrial metabolic pathways implicated in diseases such as intermediate dry Age-related Macular Degeneration ("AMD"). A U.S. Phase 2a study with risuteganib in intermediate dry AMD met its primary endpoint of vision recovery and Phase 3 testing is in the planning stages. We believe the addition of the ophthalmic assets of Allegro would significantly enhance our comprehensive portfolio of products for AMD and if approved, risuteganib may be the first treatment indicated to help reverse vision loss due to dry AMD and address a significant unmet medical need affecting millions of people globally.

In March 2019, we completed the acquisition of certain assets of Synergy whereby we acquired the worldwide rights to the Trulance® (plecanatide) product, a once-daily tablet for adults with chronic idiopathic constipation, or CIC and irritable bowel syndrome with constipation, or IBS-C. We believe that the Trulance® product complements our existing Salix products and allows us to effectively leverage our existing GI sales force.

In February 2019, we acquired the U.S. rights to EM-100 (an investigational preservative-free formulation eye drop) from Eton Pharmaceuticals, Inc. On September 25, 2020, the Company announced that the FDA had approved Alaway® Preservative Free (ketotifen fumarate) ophthalmic solution, 0.035%, antihistamine eye drops (EM-100) as the first over-the-counter (OTC) preservative-free formulation eye drop approved to temporarily relieve itchy eyes due to pollen, ragweed, grass, animal hair and dander. Alaway® Preservative Free is expected to complement our broad range of Bausch + Lomb integrated eye-health products.

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

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

Internal R&D Projects - Our R&D organization focuses on the development of products through clinical trials. As of December 31, 2019, approximately 1,400 dedicated R&D and quality assurance employees in 23 R&D facilities were involved in our R&D efforts internally.

We have approximately 175 projects in our global pipeline. Certain core R&D projects that have received a significant portion of our R&D investment in current and prior periods are listed below. However, due to the challenges of the COVID-19 pandemic, most notably those attributable to "stay at home" and travel restrictions, certain of our R&D activities were forced to pause. Clinical trials that started prior to governmental shutdowns remain enrolled and existing patients are progressing, while new patient enrollments were paused as most trial sites were not able to accept new patients. However, during our third quarter we saw the pace of new patient enrollments in increase, getting close to their pre-COVID-19 pandemic levels in the U.S., and as a result have not had to make material changes to our development timelines.

We continue to monitor the timing and completion of our ongoing and anticipated clinical trial programs. As of the date of this filing, the delays in our clinical trials have not had a material impact on our operating results; however, a resurgence of the virus significant enough to necessitate reenacting certain social restrictions could result in unanticipated delays in our ability to conduct new patient enrollments. Other possible COVID-19 pandemic and resurgence related challenges include, but are not limited to, facility closures, delays by third-party service providers, deferrals of doctor visits, postponement of elective medical procedures and surgeries and changes in prioritization by the FDA and other regulatory authorities. Delays, if any, caused by the COVID-19 pandemic and a possible resurgence of the virus such as these and others will likely adversely affect the timely approval, launch and commercialization and the commercial success of our products, particularly those in early stage clinical trials. As a result, our estimates regarding the timing and success of our R&D efforts (some of which are set out below), including as it relates to study initiation, enrollment and completion, availability of study results, regulatory submissions, regulatory approvals and commercial launches, may change.

- Dermatology - In June 2019, we launched Duobrii®, the first and only topical lotion that contains a unique combination of halobetasol propionate and tazarotene for the treatment of plaque psoriasis in adults. Halobetasol propionate and tazarotene are each approved to treat plaque psoriasis when used separately, but the duration of halobetasol propionate is limited by FDA labeling constraints and the use of tazarotene can be limited due to tolerability concerns. However, the combination of these ingredients in Duobrii®, with a dual mechanism of action, allows for expanded duration of use, with reduced adverse events.

- Bausch + Lomb - SiHy Daily is a silicone hydrogel daily disposable contact lens designed to provide clear vision throughout the day. In September 2018, we launched this product in Japan under the branded name SiHy Daily AQUALOX™. In August 2020, we launched this product in the U.S. under the branded name Bausch + Lomb Infuse™ SiHy Daily Disposable contact lens. This product has also received regulatory approval for Canada, Australia, New Zealand and Hong Kong where it will be branded as Ultra® ONE DAY SiHy Daily Disposable contact lens.

- Dermatology - Internal Development Project ("IDP") 126 is an acne product with a fixed combination of benzoyl peroxide, clindamycin phosphate and adapalene. Phase 3 clinical studies initiated in December 2019 were paused due to COVID-19 pandemic related factors, but resumed in June 2020 and are currently ongoing.

- Bausch + Lomb - Lumify® (brimonidine tartrate ophthalmic solution, 0.025%) is an OTC eye drop developed as an ocular redness reliever. We have several line extensions under development and expect Phase 3 clinical studies to commence in 2021.

- Gastrointestinal - Top line results from a Phase 2 study for the treatment of overt hepatic encephalopathy with a new formulation of rifaximin showed a treatment benefit. Patients receiving 40 mg twice daily showed a statistically significant separation from placebo. The top line results from this Phase 2 study will help inform further research on potential new indications for rifaximin using this formulation, including the treatment of sickle cell anemia where we expect our clinical trials to commence 2021.

- Gastrointestinal - We are preparing to initiate a Phase 2 study to evaluate rifaximin for the treatment of small intestinal bacterial overgrowth or SIBO. New patient enrollments were paused due to COVID-19 pandemic related factors and are expected to commence once clinical sites are activated. We anticipate clinical trials to commence in the second half of 2021.

- Gastrointestinal - We have entered into a collaboration with Cedars Sinai Medical Center to evaluate a new formulation of rifaximin for the treatment of IBS. Studies to support this research program were paused due to COVID-19 pandemic related factors and are expected to resume before the end of 2020.

- Dermatology - IDP-120 is an acne product with a fixed combination of mutually incompatible ingredients: benzoyl peroxide and tretinoin. Phase 3 clinical studies have been completed and met the primary endpoints.

- Dermatology - Arazlo® (tazarotene) Lotion, 0.045% (formerly IDP-123) is an acne product containing lower concentration of tazarotene in a lotion form to help reduce irritation while maintaining efficacy and was launched in June 2020.

- Gastrointestinal - Our partner Alfasigma S.p.A. ("Alfasigma") is initiating a Phase 2/3 study for the treatment of postoperative Crohns disease using a novel rifaximin extended release formulation. The Phase 2/3 study was paused due to COVID-19 pandemic related factors and is expected to resume once the relevant clinical sites reopen. We anticipate clinical trials to commence in the third quarter of 2021.

- Gastrointestinal - We are developing a probiotic supplement to address gastrointestinal disturbances. Clinical trial is completed and a full data set is available. We launched this product in October 2020.

- Dermatology - IDP-124 is a topical lotion product designed to treat moderate to severe atopic dermatitis, with pimecrolimus. Phase 3 clinical studies have been completed with one of the two studies meeting the primary endpoint. We are currently evaluating the next steps for this program.

- Bausch + Lomb - Biotrue® ONEday for Astigmatism is a daily disposable contact lens for astigmatic patients. The Biotrue® ONEday contact lens incorporates Surface Active Technology™ to provide a dehydration barrier. The Biotrue® ONEday for Astigmatism also includes evolved peri-ballast geometry to deliver stability and comfort for the astigmatic patient. We launched this product in December 2016 and launched an extended power range and further extended power ranges in 2017, 2018, 2019 and July 2020.

- Bausch + Lomb - We are developing a new Ophthalmic Viscosurgical Device ("OVD") product, with a formulation to protect corneal endothelium during phacoemulsification process during a cataract surgery and to help chamber maintenance and lubrication during interocular lens delivery. In January 2020, we commenced an FDA clinical study for cohesive OVD which was paused due to COVID-19 pandemic related factors and is expected to resume once the relevant clinical sites reopen. In April 2020, we filed a Premarket Approval application for the dispersive OVD with the FDA.

- Bausch + Lomb - In April 2019, we launched Lotemax® SM (loteprednol etabonate ophthalmic gel) 0.38%, a new formulation for the treatment of post-operative inflammation and pain following ocular surgery. Lotemax® SM is the lowest concentrated loteprednol ophthalmic corticosteroid indicated for the treatment of post-operative inflammation and pain following ocular surgery in the U.S.

- Bausch + Lomb - enVista® Trifocal intraocular lens is an innovative lens design. We initiated an investigative device exemption study for this product in May 2018 and initiated a Phase 2 study in October 2019.

- Bausch + Lomb - We are developing a preloaded intraocular lens injector platform for enVista interocular lens. We have received approvals from the European Union and Canada and received FDA clearance for the injector. We launched this platform in October 2020.

- Bausch + Lomb - We are developing an extended depth of focus intraocular lens, the timing and completion of which has been delayed due to COVID-19 pandemic related matters. Once developed and if approved, we anticipate that this product could be launched in the second half of 2021.

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

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

- Bausch + Lomb - Renu® Advanced Multi-Purpose Solution (“MPS”) contains a triple disinfectant system that kills 99.9% of germs and has a dual surfactant system that provides up to 20 hours of moisture. Renu® Advanced MPS is FDA cleared with indications for use to condition, clean, remove protein, disinfectant, rinse and store soft contact lenses including those composed of silicone hydrogels. Renu® Advanced MPS has gained regulatory approvals in Korea, India, Mexico, Indonesia, Malaysia, Singapore and, during the second quarter of 2020, the European Union.

- Bausch + Lomb - Custom soft contact lens (Ultra Buttons) is a latheable silicone hydrogel button for custom soft specialty lenses including: Sphere, Toric, Multifocal, Toric Multifocal and irregular corneas. If approved by the FDA, we expect to launch in the fourth quarter of 2021.

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

- Bausch + Lomb - In March 2019, we launched Tangible® Hydra-PEG®, a high-water polymer coating that is bonded to the surface of a contact lens and designed to address contact lens discomfort and dry eye. Tangible® Hydra-PEG® coating technology in combination with our Boston® materials and Zenlens™ family of scleral lenses will help eye care professionals provide a better lens wearing experience for their patients with challenging vision needs.

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

In the normal course of business, the Company will enter into select licensing and collaborative agreements for the commercialization and/or development of unique products 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, (iii) covered by third-party payors or (iv) profitable for distribution is highly uncertain. Under certain agreements, the Company may be required to make payments contingent upon the achievement of specific developmental, regulatory, or commercial milestones.

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

In December 2019, we announced that we had acquired an exclusive license from Novaliq GmbH for the commercialization and development in the U.S. and Canada of the investigational treatment NOV03 (perfluorohexyloctane), a first-in-class investigational drug with a novel mechanism of action to treat Dry Eye Disease ("DED") associated with Meibomian gland dysfunction ("MGD"). Enrollment for the initial Phase 3 study has commenced and we expect to initiate a second Phase 3 study for this product in the fourth quarter of 2020. If approved by the FDA, we believe the addition of this investigational treatment for DED will help build upon our strong portfolio of integrated eye-health products.

In October 2019, we acquired an exclusive license from Clearside Biomedical, Inc. ("Clearside") for the commercialization and development of Xipere™ (triamcinolone acetonide suprachoroidal injectable suspension) in the U.S. and Canada. Xipere™ is a proprietary suspension of the corticosteroid triamcinolone acetonide formulated for suprachoroidal administration via Clearside's proprietary SCS Microinjector™ that is being investigated as a targeted treatment of macular edema associated with uveitis. We are working closely with Clearside on the resubmission of the New Drug Application for Xipere™ to the FDA.

In April 2019, we entered into two licensing agreements which present us with unique developmental opportunities to address unmet needs of individuals suffering with certain GI and liver diseases. The first of these two licensing agreements is with the University of California for certain intellectual property relating to an investigational compound targeting the pituitary adenylate cyclase receptor 1 in non-alcoholic fatty liver disease (“NAFLD”), nonalcoholic steatohepatitis (“NASH”) and other GI and liver diseases. The second is an exclusive licensing agreement with Mitsubishi Tanabe Pharma Corporation to develop and commercialize MT-1303 (amiselimod), a late-stage oral compound that targets the sphingosine 1-phosphate receptor that plays a role in autoimmune diseases, such as inflammatory bowel disease and ulcerative colitis. We have completed a thorough QTC study, which evaluated the cardiac safety profile of the compound. Topline results were positive and we expect to initiate a Phase 2 study in the first half of 2021.

Strategic Investments in our Infrastructure - In support of our core businesses, we have and continue to make strategic investments in our infrastructure, the most significant of which are at our Waterford facility in Ireland, our Rochester facility in New York and our Lynchburg facility in Virginia.

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

To address the expected global demand for our Bausch + Lomb ULTRA® contact lens, in December 2017, we completed a multi-year, $200 million strategic upgrade to our Rochester facility. The upgrade increased production capacity in support of our Bausch + Lomb Ultra® and SiHy Daily AQUALOX™ product lines and better supports the production of

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

To address the expected global demand for our SiHy Daily disposable contact lenses, in November 2018, we initiated $300 million of additional expansion projects to add multiple production lines to our Rochester and Waterford facilities. SiHy Daily disposable contact lenses launched in the U.S. in September 2020.

To further help us meet the anticipated demand of our contact lenses, in 2020, we initiated an expansion of the Company's Lynchburg distribution center. The new facility is expected to create new jobs over the next five years and expand the overall site to 190,000 square feet, which will provide distribution capabilities for medical devices, primarily contact lens products, and be the main point of distribution in the U.S.

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

Effectively Managing Our Capital Structure

We continue to effectively manage our capital structure by: (i) reducing our debt through repayments, (ii) extending the maturities of debt through refinancing and (iii) improving our credit ratings.

Debt Repayments - Excluding the impact of the $1,210 million financing of the U.S. Securities Litigation settlement discussed below, we have been able to repay (net of additional borrowings) over $8,100 million of long-term debt during the period January 1, 2016 through the date of this filing using the net cash proceeds from divestitures of non-core assets, cash generated from operations and cash generated from tighter working capital management. In addition, on October 29, 2020, the Company issued an unconditional notice of redemption to redeem: (i) $99 million of 5.875% Senior Unsecured Notes due 2023 (the "May 2023 Unsecured Notes") and (ii) $51 million of March 2023 Unsecured Notes, on November 30, 2020. This payment will fully repay the May 2023 Unsecured Notes and reduce our remaining amount of 2023 unsecured bonds.

2017 Refinancing Transactions - In March, October, November and December 2017, we accessed the credit markets and completed a series of transactions, whereby we extended approximately $9,500 million in aggregate maturities of certain debt obligations due to mature in April 2018 through April 2022, out to March 2022 through December 2025. As part of these transactions, we also extended commitments under our revolving credit facility, originally set to expire in April 2018, out to April 2020.

2018 Refinancing Transactions - In March, June and November 2018, we accessed the credit markets and completed a series of transactions, whereby we extended approximately $8,300 million in aggregate maturities of certain debt obligations due to mature in March 2020 through July 2022, out to June 2025 through January 2027. As part of these transactions, we obtained less stringent loan financial maintenance covenants under our Senior Secured Credit Facilities and extended commitments under our revolving credit facility by more than three years by replacing our then-existing revolving credit facility, set to expire in April 2020 with our 2023 Revolving Credit Facility of $1,225 million due in June 2023.

2019 Refinancing Transactions - In March, May and December 2019, we accessed the credit markets and completed a series of transactions, whereby, we extended approximately $4,200 million in aggregate maturities of certain debt obligations due to mature in December 2021 through May 2023, out to January 2027 through January 2030.

Financing of Litigation Settlement - In December 2019, we announced that we had agreed to resolve the putative securities class action litigation in the U.S. (the "U.S. Securities Litigation") for $1,210 million, subject to final court approval. As part of the settlement, the Company and the other settling defendants admitted no liability as to the claims against it and deny all allegations of wrongdoing. This settlement, once approved by the court, will resolve and discharge all claims against the Company in the class action, and as a result will resolve the most significant of the Company's remaining legacy legal matters and eliminate a material uncertainty regarding our Company.

To finance the settlement of the U.S. Securities Litigation and extend certain debt maturities, on December 30, 2019, we accessed the credit markets and issued: (i) $1,250 million aggregate principal amount of 5.00% Senior Unsecured Notes due January 2028 (the "5.00% January 2028 Unsecured Notes") and (ii) $1,250 million aggregate principal amount of 5.25% Senior Unsecured Notes due January 2030 (the "January 2030 Unsecured Notes") in a private placement. The proceeds and cash on hand were used to: (i) redeem $1,240 million of May 2023 Unsecured Notes on January 16, 2020, (ii) finance amounts owed under the Company's $1,210 million settlement agreement relating to the U.S. Securities Litigation (which is subject to final court approval), $1,010 million of which was paid into an escrow fund in accordance with the related settlement agreement and included in our Restricted cash balance as of September 30, 2020, and (iii) pay all fees and expenses associated with these transactions (collectively, the "December 2019 Financing and Refinancing Transactions"). In October 2020, we paid an additional $100 million into the escrow fund relating to the U.S. Securities Litigation settlement. Through this financing, we have in effect extended the payments of the pending litigation settlement of $1,210 million out to 2028 and 2030, without negatively impacting our working capital available for operations.

2020 Refinancing Transactions - In May 2020, we accessed the credit markets and completed a series of transactions, whereby, we extended $1,250 million in aggregate maturities of certain debt obligations due to mature in March 2022 and $250 million in aggregate amortization payments due in March 2022 through December 2022, out to February 2029. In addition to extending $1,500 million in payments due 2022 to February 2029, the refinancing replaced secured debt of $1,500 million with unsecured debt. This provides us with more secured capacity if the market for unsecured debt in the future is less favorable. Further, by replacing the secured debt with unsecured debt we now have additional room under the debt maintenance covenant of our 2023 Revolving Credit Facility that requires us to maintain a first lien net leverage ratio of not greater than 4.00 to 1.00.

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Consolidated Financial Statements for the details of our debt portfolio as of September 30, 2020 and December 31, 2019.

The debt repayments and refinancing transactions outlined above have allowed us to: (i) improve our credit ratings, (ii) finance amounts owed under the Company's recently announced $1,210 million settlement agreement relating to the U.S. Securities Litigation (which is subject to final court approval) without negatively impacting our working capital available for operations, (iii) extend maturities of certain debt obligations due out to the year 2025 and beyond and (iv) satisfy all debt maturities and mandatory amortization payments until 2023.

Our prepayment of debt and refinancing transactions over the last four years translate into lower repayments of principal over the next four years, which, in turn, we believe will permit more cash flows to be directed toward developing our core assets, identifying new product opportunities and repaying additional debt amounts. The mandatory scheduled principal repayments of our debt obligations as of September 30, 2020, were as follows:

(in millions)

2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
$ —	$ —	$ —	$ 2,404	$ 2,303	$10,632	$ 1,500	$ 2,250	$ 2,012	$ 2,250	$ 1,250	$24,601

In addition, as a result of the changes in our debt portfolio, approximately 80% of our debt is fixed rate debt as of September 30, 2020, as compared to approximately 60% as of January 1, 2016. The weighted average stated interest rate of the Company's outstanding debt as of September 30, 2020 was 5.94% as compared to 6.21% as of December 31, 2019, resulting in lower cash interest payments in future periods.

We continue to monitor our capital structure and to evaluate other opportunities to simplify our business and improve our capital structure, giving us the ability to better focus on our core businesses. While we anticipate focusing any future divestiture activities on non-core assets, consistent with our duties to our shareholders and other stakeholders, we will consider dispositions in core areas that we believe represent attractive opportunities for the Company. Also, the Company regularly evaluates market conditions, its liquidity profile and various financing alternatives for opportunities to enhance its capital structure. If the Company determines that conditions are favorable, the Company may refinance or repurchase existing debt or issue additional debt, equity or equity-linked securities.

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

Improve Patient Access

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

Patient Access and Pricing Committee - In 2016, we formed the Patient Access and Pricing Committee which is responsible for setting, changing and monitoring the pricing of our products and evaluating contract arrangements that determine the placement of our products on drug formularies. The Patient Access and Pricing Committee considers new to market product pricing, price changes and their impact across channels on patient accessibility and affordability. The Patient Access and Pricing Committee remains committed to limiting the average annual price increase for our branded prescription pharmaceutical products to no greater than single digits and has reaffirmed this commitment for 2020. These pricing changes and programs could affect the average realized pricing for our products and may have a significant impact on our company revenue and profit.

Cash-pay Prescription Program - In February 2019, we launched Dermatology.com, a cash-pay product acquisition program offering certain branded Ortho Dermatologics products directly to patients. In March 2020, the name Dermatology.com was removed as the cash-pay product program name, with the name Dermatology.com limited to only online usage, including future digital teledermatology and e-commerce offerings. The cash-pay program is designed to

address the affordability and availability of certain branded dermatology products, when insurers and pharmacy benefit managers are no longer offering those branded prescription pharmaceutical products under their designated pharmacy benefit offerings.

Walgreens Fulfillment Arrangements - In the beginning of 2016, we launched a brand fulfillment arrangement with Walgreen Co. ("Walgreens"). Under the terms of the brand fulfillment arrangement, as amended in July 2019, we made certain dermatology and ophthalmology products available to eligible patients through patient access and co-pay assistance programs at Walgreens U.S. retail pharmacy locations, as well as participating independent retail pharmacies. Our products available under this fulfillment agreement include certain Ortho Dermatologics products, including our Duobrii®, Bryhali®, Arazlo®, Jublia®, Luzu®, Retin-A Micro® Gel and Onexton® and select branded prescription pharmaceutical products included in our cash-pay prescription program, and certain ophthalmology products, including our Vyzulta®, Besivance®, Lotemax®, Alrex®, Prolensa®, Bepreve® and Zylet® products.

Business Trends

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

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

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

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

Invest in our Eye-Health Business - As part of our Global Bausch + Lomb business strategy, we continually look for key trends in the eye-health market to meet changing consumer/patient needs and identify areas for investment to extend our market share through new launches and effective pricing.

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

We also license selective molecules or technology in leveraging our own R&D expertise through development, as well as seek out external product development opportunities. As previously discussed, we acquired exclusive licenses for a myopia control contact lens design developed by BHVI which we plan to pair with our leading contact lens technologies to develop potential contact lens treatments designed to slow the progression of myopia in children and for the commercialization and development in the U.S. and Canada for: a microdose formulation of atropine ophthalmic solution, which is being investigated for the reduction of pediatric myopia progression in children ages 3-12; Xipere™ which, if approved by the FDA, will be the first treatment for patients suffering from macular edema associated with uveitis; and NOV03, an investigational drug with a novel mechanism of action to treat DED associated with MGD. We also acquired the U.S. rights to EM-100, which was recently approved by the FDA as Alaway® Preservative-Free and is the first OTC preservative-free formulation eye drop for the temporary relief of itchy eyes due to pollen, ragweed, grass, animal hair, and dander in adults and children 3 years of age and older. Recently, we entered into an agreement which provides the Company an option to acquire all ophthalmology assets of Allegro, including risuteganib (Luminate®), an investigational compound in retina, which is believed to simultaneously act on the angiogenic, inflammatory and mitochondrial metabolic pathways implicated in diseases such as intermediate dry AMD. A U.S. Phase 2a study with risuteganib in intermediate dry AMD met its primary endpoint of vision recovery and Phase 3 testing is in the planning stages. We believe investments in these investigational treatments, if approved by the FDA, will complement, and help build upon, our strong portfolio of integrated eye-health products.

As previously discussed, we have also made strategic investments in our infrastructure, the most significant of which are at our Waterford facility in Ireland to meet the forecasted demand for our Biotrue® ONEday lenses, our Rochester facility in New York to address the expected global demand for our Bausch + Lomb ULTRA® contact lens and our Lynchburg facility in Virginia to be main point of distribution in the U.S. During late 2018, we began investing in additional expansion projects at the Waterford and Rochester facilities in order to address the expected global demand for our SiHy Daily disposable contact lenses, which we launched in the U.S. on August 2020, under the branded name Bausch + Lomb Infuse™ SiHy Daily Disposable contact lens.

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

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

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

This initiative provided us with positive results, as we experienced consistent growth in demand for our GI products throughout 2017 and 2018, which was evident by our growth in Salix revenues of 12% in 2018 when compared to 2017. These results encouraged us to seek out ways to bring out further value through leveraging our existing sales force and, in the later portion of 2018 and in 2019, we identified and executed on certain opportunities which we describe below.

Strategic Acquisition - As previously discussed, in March 2019, we completed the acquisition of certain assets of Synergy, whereby we acquired the worldwide rights to the Trulance® product, a once-daily tablet for adults with chronic idiopathic constipation, or CIC and irritable bowel syndrome with constipation, or IBS-C. We believe that the Trulance® product complements our existing Salix products and allows us to effectively leverage our existing GI sales force.

Licensing Arrangements - As previously discussed, in April 2019, we entered into two licensing agreements. The first is for certain intellectual property relating to an investigational compound targeting the pituitary adenylate cyclase receptor 1 in NAFLD, NASH and other GI and liver diseases. The second is to develop and commercialize MT-1303 (amiselimod), a late-stage oral compound that targets the sphingosine 1-phosphate receptor that plays a role in autoimmune diseases, such as inflammatory bowel disease and ulcerative colitis. These licenses present unique developmental opportunities to address unmet needs of individuals suffering with certain GI and liver diseases and if developed and approved by the FDA, will allow us to further utilize our existing sales force and infrastructure to extend our market share in the future and create value.

Investment in Next Generation Formulations - Revenues from our Xifaxan® product increased approximately 22%, 22% and 11% in 2019, 2018 and 2017, respectively. In order to extend growth in Xifaxan®, we continue to directly invest in next generation formulations of Xifaxan® and rifaximin, the principal semi-synthetic antibiotic used in our Xifaxan® product. In addition to one R&D program in progress, we have three other R&D programs planned for next generation formulations of Xifaxan® (rifaximin) which address new indications.

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

Position the Ortho Dermatologics Business for Growth - In 2018, we realigned our Solta aesthetics business and combined it with our medical dermatology business creating a complete dermatology portfolio. In support of the complete dermatology portfolio, we have taken and are taking a number of actions that we believe will help our efforts to stabilize our dermatology business. These actions include: (i) rebranding our dermatology business including our aesthetics business, (ii) recruiting a new experienced leadership team, (iii) making significant investment in our core medical device and dermatological products portfolios, (iv) right sizing and reorganizing our dermatology sales force across roughly 195 sales territories, as we work to rebuild relationships with prescribers of our products and (v) improving patient access to our Ortho Dermatologics products through our cash-pay prescription program previously discussed.

Investment in Our Core Dermatology Portfolio - We have made significant investments to build out our aesthetics, psoriasis and acne product portfolios, which are the markets within dermatology where we see the greatest opportunities to extend our market share.

Aesthetics - In 2017, we launched our Next Generation Thermage FLX® product in the U.S., a fourth-generation non-invasive treatment option using a radiofrequency platform designed to optimize key functional characteristics and improve patient outcomes. During 2018 and 2019, Next Generation Thermage FLX® was launched in Hong Kong, Japan, Korea, Taiwan, Philippines, Singapore, Indonesia, Malaysia, China, Thailand, Vietnam, and Australia as part of our Solta medical aesthetic devices portfolio. These launches have been successful as Next Generation Thermage FLX® revenues for nine months ended September 30, 2020 and 2019 were $94 million and $47 million, respectively, and in full-year 2019 were $77 million.

Psoriasis - As the number of reported cases of psoriasis in the U.S. has increased, we believe there is a need to make further investments in this market in order to maximize our opportunity and supplement our current psoriasis product portfolio. We have filed NDAs for several new topical psoriasis products, launched Duobrii® in June 2019 and launched Bryhali® in November 2018. We expect that Duobrii® and Bryhali® will align well with our existing topical portfolio of psoriasis treatments and, supplemented by our injectable biologic products, such as Siliq®, will provide a diverse choice of psoriasis treatments to doctors and patients. In July 2017, we launched Siliq®, an IL-17 receptor blocker monoclonal antibody biologic for treatment of moderate-to-severe plaque psoriasis, which we estimate to be an over $5,000 million market in the U.S. (Siliq® has a Black Box Warning for the risks in patients with a history of suicidal thoughts or behavior and was approved with a Risk Evaluation and Mitigation Strategy involving a one-time enrollment for physicians and one-time informed consent for patients).

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

Bolstered by new product launches in our aesthetics, psoriasis and acne product lines and the potential of other products under development, our experienced dermatology sales leadership team, our sales force and our cash-pay prescription program, we believe we have set the groundwork to position the Ortho Dermatologics business for future growth.

Health Care Reform

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

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

For 2019 and 2018, we incurred costs of $20 million and $36 million, respectively, related to the annual fee assessed on prescription drug manufacturers and importers that sell branded prescription drugs to specified U.S. government programs (e.g., Medicare and Medicaid). For 2019 and 2018, we also incurred costs of $137 million and $90 million, respectively, on Medicare Part D utilization incurred by beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e., the "donut hole").

On July 28, 2014, the U.S. Internal Revenue Service issued final regulations related to the branded pharmaceutical drug annual fee pursuant to the ACA. Under the final regulations, an entity's obligation to pay the annual fee is triggered by qualifying sales in the current year, rather than the liability being triggered upon the first qualifying sale of the following year. We adopted this guidance in the third quarter of 2014, and it did not have a material impact on our financial position or results of operations.

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

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

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

In 2019, the Government of Canada (Health Canada) published in the Canadian Gazette the new pricing regulation for patented drugs. These regulations will become effective on January 1, 2021. The draft application guidelines are available with the final guidelines to be published in 2020. The new regulations will change the mechanics of establishing the pricing for products submitted for approval after August 21, 2019; they will also require full transparency of discounts agreed with provincial bodies; and finally, will change the number and composition of reference countries used to determine if a drug's price is excessive. While we do not believe this will have a significant impact on our future cash flows, we cannot provide assurance as to the ultimate content, timing, effect or impact of such regulations.

In July 2020, U.S. President Donald Trump signed four Executive Orders related to drug pricing, including orders addressing: (i) Part D rebate reform, (ii) the provision of deeply discounted insulin and/or an EpiPen to patients of Federally Qualified Health Centers, (iii) drug importation from Canada and (iv) most favored nation pricing for Medicare. We are currently reviewing those Executive Orders, the impact of which is uncertain at this time.

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

Generic Competition and Loss of Exclusivity

Certain of our products face the expiration of their patent or regulatory exclusivity in 2020 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 2020 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 loss of exclusivity or entry of a generic competitor. Where we have the rights, we may elect to launch

an authorized generic of such product (either ourselves or through a third-party) prior to, upon or following generic entry, which may mitigate the anticipated decrease in product sales; however, even with launch of an authorized generic, the decline in product sales of such product would still be expected to be significant, and the effect on our future revenues could be material.

A number of our products already face generic competition. Prior to and during 2020, in the U.S., these products include, among others, Ammonul®, Apriso®, Benzaclin®, Bupap®, Cuprimine®, Edecrin®, Elidel®, Glumetza®, Istalol®, Isuprel®, Locoid® Lotion, Lotemax® Suspension, Mephyton®, Migranal®, MoviPrep®, Nitropress®, Solodyn®, Syprine®, Uceris® Tablet, Virazole®, Wellbutrin XL®, Xenazine®, Zegerid® and Zovirax® cream. In Canada, these products include, among others, Glumetza®, Wellbutrin® XL and Zovirax® ointment.

2019 LOE Branded Products - Branded products that began facing generic competition in the U.S. during 2019 include, Apriso®, Cuprimine®, Lotemax® Suspension, Solodyn® and Zovirax® cream. In aggregate, these products accounted for 3% of our total revenues in 2019. While certain of these products have already begun experiencing an adverse impact on volume and/or pricing as a result of the entry into the market of generic competition, we are unable to predict the complete magnitude or timing of this impact.

2020 through 2024 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 loss of exclusivity and/or generic competition in the U.S. during the years 2020 through 2024. These products and year of expected loss of exclusivity include, but are not limited to, Clindagel® (2020), Lotemax® Gel (2021), Noritate® (2020), Targretin® Gel (2022), Xerese® (2022) and certain other products that are subject to settlement agreements which could impact their exclusivity during the years 2020 through 2024. In aggregate, these products accounted for 3% of our total revenues in 2019. These dates may change based on, among other things, successful challenge to our patents, settlement of existing or future patent litigation and at-risk generic launches. We believe the entry into the market of generic competition generally would have an adverse impact on the volume and/or pricing of the affected products, however we are unable to predict the magnitude or timing of this impact.

2021 OTC Product Patent Expiry - PreserVision® AREDS and PreserVision® AREDS 2 are OTC eye vitamin formulas for those with moderate-to-advanced age-related macular degeneration. PreserVision® products accounted for 2% of our total revenues in 2019. The PreserVision® formulation patent expires in 2021, but patents covering methods of using the formulation remain in force until 2026. While the Company cannot predict the magnitude or timing of the impact from its patent expiry, this is an OTC product and thus, the impact is not expected to be as significant as the loss of exclusivity of a branded pharmaceutical product.

In addition, for a number of our products (including Uceris®, Relistor®, Plenvu®, Xifaxan® 550mg, Bryhali®, Duobrii® and Jublia®, in the U.S. and Jublia® in Canada), we have commenced (or anticipate commencing) and have (or may have) ongoing infringement proceedings against potential generic competitors in the U.S. and Canada. If we are not successful in these proceedings, we may face increased generic competition for these products.

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

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

Duobrii® Lotion (Perrigo) - On July 23, 2020, the Company received a Notice of Paragraph IV Certification from Perrigo, in which Perrigo asserted that certain U.S. patents, each of which is listed in the FDA's Orange Book for Duobrii® (halobetasol propionate and tazarotine) lotion, are either invalid, unenforceable and/or will not be infringed by the

commercial manufacture, use or sale of Perrigo's generic lotion, for which an ANDA has been filed by Perrigo. On August 28, 2020, the Company filed suit against Perrigo pursuant to the Hatch-Waxman Act, alleging infringement by Perrigo of one or more claims of the Duobrii® Patents, thereby triggering a 30-month stay of the approval of the Perrigo ANDA. On September 3, 2020, this action was consolidated with the action between the Company and Perrigo described above, regarding Perrigo's ANDA for generic Bryhali® (halobetasol propionate) lotion. We remain confident in the strength of the Duobrii® related patents and will vigorously defend our intellectual property.

Xifaxan® 550mg Patent Litigation (Actavis) - On March 23, 2016, the Company initiated litigation against Actavis Laboratories FL, Inc.'s ("Actavis"), which alleged infringement by Actavis of one or more claims of each of the Xifaxan® patents. On September 12, 2018, we announced that we had reached an agreement with Actavis that resolved the existing litigation and eliminated the pending challenges to our intellectual property protecting Xifaxan® (rifaximin) 550 mg tablets. As part of the agreement, the parties agreed to dismiss all litigation related to Xifaxan® (rifaximin), Actavis acknowledged the validity of the licensed patents for Xifaxan® (rifaximin) 550 mg tablets and all intellectual property protecting Xifaxan® (rifaximin) 550 mg tablets will remain intact and enforceable until expiry in 2029. The agreement also grants Actavis a non-exclusive license to the intellectual property relating to Xifaxan® (rifaximin) 550 mg tablets in the United States beginning January 1, 2028 (or earlier under certain circumstances). The Company will not make any financial payments or other transfers of value as part of the agreement. In addition, under the terms of the agreement, beginning January 1, 2028 (or earlier under certain circumstances), Actavis will have the option to: (1) market a royalty-free generic version of Xifaxan® tablets, 550 mg, should it receive approval from the FDA on its ANDA, or (2) market an authorized generic version of Xifaxan® tablets, 550 mg, in which case, we will receive a share of the economics from Actavis on its sales of such an authorized generic. Actavis will be able to commence such marketing earlier if another generic rifaximin product is granted approval and such other generic rifaximin product begins to be sold or distributed before January 1, 2028.

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

Xifaxan® 550mg Patent Litigation (Norwich) - On March 26, 2020, the Company and its licensor Alfasigma filed suit against Norwich Pharmaceuticals Inc. ("Norwich"), alleging infringement by Norwich of one or more claims of the 23 Xifaxan® Patents by Norwich's filing of its ANDA for Xifaxan® (rifaximin) 550 mg tablets. Xifaxan® is protected by 23 patents covering the composition of matter and the use of Xifaxan® listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, or the Orange Book. The Company remains confident in the strength of the Xifaxan® patents and will continue to vigorously pursue this matter and defend its intellectual property.

Xifaxan® 200mg and 550mg Patent Litigation (Sun) - In April 2019, the Company and its licensor, Alfasigma, commenced litigation against Sun Pharmaceutical Industries Ltd. ("Sun"), alleging patent infringement by Sun's filing of its ANDA for Xifaxan® (rifaximin) 200 mg tablets. This suit had been filed following receipt of a Notice of Paragraph IV Certification from Sun, in which Sun asserted that the U.S. patents listed in the FDA's Orange Book for the Company's Xifaxan® tablets, 200 mg, were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of Sun's generic rifaximin tablets, 200 mg. Subsequently, on August 10, 2020, the Company received an additional Notice of Paragraph IV Certification from Sun, in which Sun asserted that the U.S. patents listed in the FDA's Orange Book for the Company's Xifaxan® tablets, 550 mg, were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of Sun's generic rifaximin tablets, 550 mg, for which an ANDA had been filed by Sun. On September 22, 2020, the Company announced that an agreement had been reached with Sun that resolved the outstanding intellectual property disputes with Sun regarding Xifaxan® (rifaximin) 200 mg and 550 mg tablets. Under the terms of the agreement, the parties agreed to dismiss all litigation related to Xifaxan® (rifaximin) and all intellectual property protecting Xifaxan® (rifaximin) 200 mg and 550 mg tablets will remain intact and enforceable until expiry in July and October 2029, respectively. The agreement also grants Sun a non-exclusive license to the intellectual property relating to Xifaxan® (rifaximin) 200 mg and 550 mg tablets in the United States beginning January 1, 2028 (or earlier under certain circumstances). Under the terms of the agreement, beginning January 1, 2028 (or earlier under certain circumstances), Sun

will have the right to market royalty-free generic versions of Xifaxan® (rifaximin) 200 mg and 550 mg tablets, should it receive approval from the FDA on its ANDAs. Sun will be able to commence such marketing earlier if another generic rifaximin product is granted approval and such other generic rifaximin product begins to be sold or distributed in the United States before January 1, 2028.

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

Generic Competition to Uceris® - In July 2018, a generic competitor launched a product which will directly compete with our Uceris® Tablet product. As disclosed in our prior filings, the Company initiated various infringement proceedings against this generic competitor. The Court construed the claims of the asserted patents on August 2, 2019 and, on October 24, 2019, the Company agreed to a judgment that the asserted patents did not cover the generic tablets under the Court's claim construction, while reserving its right to appeal the claim construction. On November 22, 2019, the Company filed a Notice of Appeal with respect to the claim construction in the Court of Appeals for the Federal Circuit. The appeal is pending. The Company continues to believe that its Uceris® Tablet-related patents are enforceable and is proceeding with an appeal; however, the ultimate outcome of the matter is not predictable. The ultimate impact of this generic competitor on our future revenues cannot be predicted; however, Uceris® Tablet revenues for the nine months ended September 30, 2020 and 2019 were approximately $8 million and $17 million, respectively, and for the years 2019, 2018 and 2017 were approximately $20 million, $84 million and $134 million, respectively.

Generic Competition to Jublia® - On June 6, 2018, the U.S. Patent and Trial Appeal Board ("PTAB") completed its inter partes review for an Orange Book-listed patent covering Jublia® and issued a written determination invalidating such patent. On March 13, 2020, the Court of Appeals for the Federal Circuit reversed this decision and remanded the matter back to the PTAB for further proceedings. Jublia® revenues for the nine months ended September 30, 2020 and 2019 were approximately $88 million and $81 million, respectively, and for the full years 2019, 2018 and 2017 were approximately $110 million, $89 million and $96 million, respectively. The Company continues to believe that the Jublia® related patent is valid and enforceable, but the ultimate outcome of this matter is not predictable. Jublia® continues to be covered by eleven remaining Orange Book-listed patents owned by the Company or its licensor, which expire in the years 2028 through 2035. In August and September 2018, we received notices of the filing of a number of ANDAs with paragraph IV certification, and have timely filed patent infringement suits against these ANDA filers, and, in addition, we have also commenced certain patent infringement proceedings in Canada against two separate defendants.

See Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements elsewhere in this Form 10-Q, as well as Note 21, "LEGAL PROCEEDINGS" of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC and the CSA on February 19, 2020 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 what we believe are the proper projects to pursue. Innovative and realizable projects aligned with our core businesses that are expected to provide incremental and sustainable revenues and growth into the future. We believe that our current pipeline is strong enough to meet these objectives and provide future sources of revenues, in our core businesses, sufficient enough to sustain our growth and corporate health as other products in our established portfolio face generic competition and lose momentum.

We believe that we have a well-established product portfolio that is diversified within our core businesses. We also believe that we have a robust pipeline that not only provides for the next generation of our existing products, but also brings new solutions into the market.

See Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC and the CSA on February 19, 2020 for additional information on our competition risks.

Regulatory Matters

In the normal course of business, our products, devices and facilities are the subject of ongoing oversight and review by regulatory and governmental agencies, including general, for cause and pre-approval inspections by the relevant competent authorities where we have business operations. Through the date of this filing, all of our global operations and facilities have

the relevant operational good manufacturing practices certificates and all Company products and operating sites are in good compliance standing with all relevant notified bodies and global health authorities. Further, all sites under FDA jurisdiction are rated as either No Action Indicated (where there was no Form 483 observation) or Voluntary Action Indicated ("VAI") (where there was a Form 483 with one or more observations). In the case of VAI inspection outcomes, the FDA has accepted our responses to the issues cited, which will be verified when the agency makes its next inspection of those specific facilities. A Form 483 is issued at the end of each inspection when FDA investigators have observed any condition that in their judgment may constitute violations of current good manufacturing practices.

SELECTED FINANCIAL INFORMATION

The following table provides selected unaudited financial information for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions, except per share data)	2020	2019	Change	2020	2019	Change
Revenues	$ 2,138	$ 2,209	$ (71)	$ 5,814	$ 6,377	$ (563)
Operating income	$ 460	$ 329	$ 131	$ 681	$ 873	$ (192)
Income (loss) before income taxes	$ 75	$ (66)	$ 141	$ (540)	$ (367)	$ (173)
Net income (loss) attributable to Bausch Health Companies Inc.	$ 71	$ (49)	$ 120	$ (407)	$ (272)	$ (135)
Earnings (loss) per share attributable to Bausch Health Companies Inc.						
Basic	$ 0.20	$ (0.14)	$ 0.34	$ (1.15)	$ (0.77)	$ (0.38)
Diluted	$ 0.20	$ (0.14)	$ 0.34	$ (1.15)	$ (0.77)	$ (0.38)

Financial Performance

Summary of the Three Months Ended September 30, 2020 Compared to the Three Months Ended September 30, 2019

Revenue for the three months ended September 30, 2020 and 2019 was $2,138 million and $2,209 million, respectively, a decrease of $71 million, or 3%. The decrease was due to: (i) a decrease in net average realized pricing, (ii) lower volumes driven by social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, and the impact of the loss of exclusivity of certain products, (iii) the unfavorable effect of foreign currencies, primarily in Latin America, and (iv) the impact of divestitures and discontinuations.

Operating income for the three months ended September 30, 2020 and 2019 was $460 million and $329 million, respectively, an increase in our operating results of $131 million and reflects, among other factors:

- a decrease in contribution (Product sales revenue less Cost of goods sold, excluding amortization and impairments of intangible assets) of $76 million primarily due to: (i) the decrease in revenues, as discussed above, and (ii) higher manufacturing variances primarily due to the impacts of the COVID-19 pandemic. The decrease was partially offset by third-party royalty costs;
- a decrease in Selling, general and administrative expenses ("SG&A") of $76 million primarily attributable to: (i) the impacts of social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, and (ii) profit protection measures taken to manage and reduce operating expenses during the COVID-19 pandemic;
- a decrease in R&D of $20 million primarily attributable to social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed;
- a decrease in Amortization of intangible assets of $84 million primarily attributable to fully amortized intangible assets no longer being amortized in 2020;
- a decrease in Asset impairments of $31 million, primarily related to impairments during the three months ended September 30, 2019 related to: (i) a certain product line as a result of changes to its forecasted sales due to generic competition and (ii) impairments related to assets being classified as held for sale; and
- an increase in Other expense, net of $6 million, primarily attributable to a $10 million upfront payment for acquired in-process research and development ("IPR&D") costs.

Operating income for the three months ended September 30, 2020 and 2019 was $460 million and $329 million and included non-cash charges for Depreciation and amortization of intangible assets of $436 million and $520 million, Asset impairments of $2 million and $33 million and Share-based compensation of $27 million and $26 million, respectively.

Income before income taxes for the three months ended September 30, 2020 was $75 million as compared to a Loss before income taxes for the three months ended September 30, 2019 of $66 million, a favorable change of $141 million. The favorable change in our Income before income taxes is primarily attributable to: (i) the increase in our operating results of $131 million, as previously discussed, and (ii) the decrease in Interest expense of $32 million and was partially offset by an unfavorable net change in Foreign exchange and other of $22 million.

Net income attributable to Bausch Health Companies Inc. for the three months ended September 30, 2020 was $71 million as compared to a Net loss attributable to Bausch Health Companies Inc. of $49 million for the three months ended September 30, 2019, an increase in our results of $120 million. The increase in our results was due to the favorable change in our Income before income taxes of $141 million, as previously discussed, offset by the unfavorable change in our Provision for income taxes of $23 million.

Summary of the Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

Revenue for the nine months ended September 30, 2020 and 2019 was $5,814 million and $6,377 million, respectively, a decrease of $563 million, or 9%. The decrease was due to: (i) lower volumes driven by social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, and the impact of the loss of exclusivity of certain products, (ii) higher sales deductions, (iii) the unfavorable effect of foreign currencies, primarily in Latin America and Europe, and (iv) the impact of divestitures and discontinuations. These decreases in our revenues were partially offset by: (i) higher gross selling prices and (ii) the incremental sales of our Trulance® product, which we added to our portfolio in March 2019 as part of the acquisition of certain assets of Synergy.

Operating income for the nine months ended September 30, 2020 and 2019 was $681 million and $873 million, respectively, a decrease in our operating results of $192 million and reflects, among other factors:

- a decrease in contribution of $447 million primarily due to: (i) the decrease in revenues, as previously discussed, and (ii) higher manufacturing variances primarily due to the impacts of the COVID-19 pandemic. The decrease was partially offset by third-party royalty costs;
- a decrease in SG&A of $155 million primarily attributable to: (i) the impacts of social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, and (ii) profit protection measures taken to manage and reduce operating expenses during the COVID-19 pandemic;
- a decrease in R&D of $24 million primarily attributable to social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed;
- a decrease in Amortization of intangible assets of $189 million primarily attributable to fully amortized intangible assets no longer being amortized in 2020;
- a decrease in Asset impairments of $32 million, primarily related to impairments during the nine months ended September 30, 2019 related to: (i) certain product lines as a result of changes to forecasted sales due to generic competition and other factors and (ii) impairments related to assets being classified as held for sale; and
- an increase in Other expense, net of $131 million primarily attributable to: (i) adjustments related to the settlements of certain litigation matters during the nine months ended September 30, 2020 and (ii) a $10 million upfront payment for IPR&D costs.

Operating income for the nine months ended September 30, 2020 and 2019 was $681 million and $873 million, respectively, and included non-cash charges for Depreciation and amortization of intangible assets of $1,397 million and $1,583 million, Asset impairments of $17 million and $49 million and Share-based compensation of $81 million and $77 million, respectively.

Our Loss before income taxes for the nine months ended September 30, 2020 and 2019 was $540 million and $367 million, respectively, an increase of $173 million. The increase in our Loss before income taxes is primarily attributable to: (i) the decrease in our operating results of $192 million, as previously discussed, (ii) the unfavorable change in Foreign exchange and other of $38 million and (iii) an increase in Loss on extinguishment of debt of $11 million. The increase in our Loss before income taxes was partially offset by a decrease in Interest expense of $66 million.

Net loss attributable to Bausch Health Companies Inc. for the nine months ended September 30, 2020 and 2019 was $407 million and $272 million, respectively, a decrease in our results of $135 million. The decrease in our results was

primarily due to the increase in our Loss before income taxes of $173 million, as previously discussed, partially offset by the increase in Benefit from income taxes of $32 million.

RESULTS OF OPERATIONS

Our unaudited operating results for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Revenues						
Product sales	$ 2,111	$ 2,180	$ (69)	$ 5,734	$ 6,291	$ (557)
Other revenues	27	29	(2)	80	86	(6)
	2,138	2,209	(71)	5,814	6,377	(563)
Expenses						
Cost of goods sold (excluding amortization and impairments of intangible assets)	578	571	7	1,565	1,675	(110)
Cost of other revenues	12	13	(1)	39	40	(1)
Selling, general and administrative	572	648	(76)	1,731	1,886	(155)
Research and development	103	123	(20)	333	357	(24)
Amortization of intangible assets	391	475	(84)	1,263	1,452	(189)
Asset impairments	2	33	(31)	17	49	(32)
Restructuring, integration and separation costs	2	4	(2)	13	28	(15)
Acquisition-related contingent consideration	2	3	(1)	26	2	24
Other expense, net	16	10	6	146	15	131
	1,678	1,880	(202)	5,133	5,504	(371)
Operating income	460	329	131	681	873	(192)
Interest income	2	2	—	11	9	2
Interest expense	(374)	(406)	32	(1,155)	(1,221)	66
Loss on extinguishment of debt	—	—	—	(51)	(40)	(11)
Foreign exchange and other	(13)	9	(22)	(26)	12	(38)
Income (loss) before (provision for) benefit from income taxes	75	(66)	141	(540)	(367)	(173)
(Provision for) benefit from income taxes	(5)	18	(23)	133	101	32
Net income (loss)	70	(48)	118	(407)	(266)	(141)
Net loss (income) attributable to noncontrolling interest	1	(1)	2	—	(6)	6
Net income (loss) attributable to Bausch Health Companies Inc.	$ 71	$ (49)	$ 120	$ (407)	$ (272)	$ (135)

Three Months Ended September 30, 2020 Compared to the Three Months Ended September 30, 2019

Revenues

The Company's revenues are primarily generated from product sales, principally 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.

Our revenues were $2,138 million and $2,209 million for the three months ended September 30, 2020 and 2019, respectively, a decrease of $71 million, or 3%. The decrease was primarily driven by: (i) a decrease in net average realized pricing of $33 million primarily in our Salix and Ortho Dermatologics segments, (ii) lower volumes of $28 million primarily in our Diversified Products segment primarily due to social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, (iii) the unfavorable effect of foreign currencies of $6 million primarily in Latin America and (iv) the impact of divestitures and discontinuations of $4 million. The decrease in net average realizable pricing reflects, among other things, the impact of the 2019 favorable returns provision adjustment related to past sales on branded and generic products.

As previously discussed, our revenues have been negatively impacted by social restrictions and other precautionary measures taken in response to the COVID-19 pandemic. However, as governments began lifting social restrictions, the negative trend in the revenues of certain of our businesses began to level off and stabilize prior to our third quarter. Presuming there is no material resurgence of the spread of the COVID-19 virus, we anticipate an ongoing, gradual global recovery from the macroeconomic and health care impacts of the pandemic that occurred during the first-half of 2020. We therefore believe that our revenues for the year 2020 will be most impacted by the COVID-19 pandemic in our second

quarter, although we experienced some COVID-19 pandemic related declines in the year-over-year revenues in our third quarter, and we expect additional COVID-19 pandemic related declines in the fourth quarter of 2020, in certain of our businesses and geographies. Presuming any reenactment of social restrictions is not significant, we anticipate that our affected businesses could possibly return to pre-pandemic levels as early as late 2020 or in 2021. However, the rates of recovery for each business will vary by geography and will be dependent upon government responses, rates of economic recovery, precautionary measures taken by patients and customers, the rate at which remaining social restrictions are lifted and once lifted, the presumption that social restrictions will not be materially reenacted in the event of a resurgence of the virus and other actions taken in response to the COVID-19 pandemic.

The changes in our segment revenues and segment profits, including the impacts of COVID-19 pandemic related matters for the three and nine months ended September 30, 2020, are discussed in further detail in the respective subsequent sections " — Reportable Segment Revenues and Profits".

Cash Discounts and Allowances, Chargebacks and Distribution Fees

As is customary in the pharmaceutical industry, gross product sales are subject to a variety of deductions in arriving at net product sales. Provisions for these deductions are recognized concurrently with the recognition of gross product sales. These provisions include cash discounts and allowances, chargebacks, and distribution fees, which are paid or credited to direct customers, as well as rebates and returns, which can be paid or credited to direct and indirect customers. As more fully discussed in Note 3, "REVENUE RECOGNITION" to our unaudited interim Consolidated Financial Statements, the Company continually monitors the provisions for these deductions and evaluates the estimates used as additional information becomes available. Price appreciation credits are generated when we increase a product's wholesaler acquisition cost ("WAC") under our contracts with certain wholesalers. Under such contracts, we are entitled to credits from such wholesalers for the impact of that WAC increase on inventory on hand at the wholesalers. In wholesaler contracts, such credits are offset against the total distribution service fees we pay on all of our products to each such wholesaler. In addition, some payor contracts require discounting if a price increase or series of price increases in a contract period exceeds a negotiated threshold. Provision balances relating to amounts payable to direct customers are netted against trade receivables and balances relating to indirect customers are included in accrued liabilities.

We actively manage these offerings, focusing on the incremental costs of our patient assistance programs, the level of discounting to non-retail accounts and identifying opportunities to minimize product returns. We also concentrate on managing our relationships with our payors and wholesalers, reviewing the ranges of our offerings and being disciplined as to the amount and type of incentives we negotiate. Provisions recorded to reduce gross product sales to net product sales and revenues for the three months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,			
	2020		2019	
(in millions)	Amount	Pct.	Amount	Pct.
Gross product sales	$ 3,431	100.0 %	$ 3,428	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	164	4.8 %	179	5.2 %
Returns	17	0.5 %	(28)	(0.8)%
Rebates	569	16.6 %	550	16.1 %
Chargebacks	516	15.0 %	495	14.4 %
Distribution fees	54	1.6 %	52	1.5 %
Total provisions	1,320	38.5 %	1,248	36.4 %
Net product sales	2,111	61.5 %	2,180	63.6 %
Other revenues	27		29	
Revenues	$ 2,138		$ 2,209	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 38.5% and 36.4% for the three months ended September 30, 2020 and 2019, respectively, an increase of 2.1 percentage points and includes:

- discounts and allowances as a percentage of gross product sales was lower primarily due to lower discount rates for certain generic products, such as Migranal® AG, Elidel® AG and Uceris® AG, and was partially offset by: (i) a higher discount rate for Glumetza® AG and other products and (ii) the impact of the release the generic Apriso® AG (December 2019);

- returns as a percentage of gross product sales was higher and reflects a lower adjustment in 2020 as compared to 2019 for improving sales return experience. Over the last several years, the Company increased its focus on maximizing operational efficiencies and continues to take actions to reduce product returns, including but not limited to: (i) monitoring and reducing customer inventory levels, (ii) instituting disciplined pricing policies and (iii) improving contracting. These actions have had the effect of improving sales return experience, primarily related to branded and generic products. Included in the product returns provision for the three months ended September 30, 2020 and 2019, are reductions in variable consideration for sales returns related to past sales of approximately $38 million and $80 million, respectively. See Note 3, "REVENUE RECOGNITION" to our unaudited interim Consolidated Financial Statements regarding further details related to product sales provisions;

- rebates as a percentage of gross product sales were higher primarily due to an increase in gross product sales of certain branded products with higher rebate rates such as Jublia®, Trulance® and Xifaxan®, partially offset by: (i) the impact of decreases in gross product sales for products that carry higher contractual rebates and co-pay assistance programs, including the impact of incremental rebates from contractual price increase limitations for promoted products, such as Apriso® as a result of its generic release and (ii) lower rebate rates for branded products such as Wellbutrin® and Siliq®;

- chargebacks as a percentage of gross product sales were higher primarily due to the impact of: (i) higher product sales and higher chargeback rates for certain branded products such as Glumetza® SLX and Xifaxan® and (ii) the impact of the release the generic Apriso® AG (December 2019). The higher chargebacks as a percentage of gross product sales were partially offset by the impact of lower gross product sales of: (i) certain generic products, such as Targretin® AG, Ofloxacin and Cardizem® AG and (ii) certain branded products, such as Nifedical® and Apriso® as a result of its generic release; and

- distribution service fees as a percentage of gross product sales were higher primarily due to the impact of higher gross product sales for products which carry higher distribution service fee rates such as our Glumetza® SLX, Xifaxan®, Trulance® and Jublia® products and was partially offset by the impact of lower gross product sales of our branded product Apriso® as a result of its generic release. Price appreciation credits are offset against the distribution service fees we pay wholesalers. No price appreciation credits were provided during the three months ended September 30, 2020 and 2019.

Expenses

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

Cost of goods sold primarily includes: manufacturing and packaging; the cost of products we purchase from third parties; royalty payments we make to third parties; depreciation of manufacturing facilities and equipment; and lower of cost or market adjustments to inventories. Cost of goods sold excludes the amortization and impairments of intangible assets.

Cost of goods sold was $578 million and $571 million for the three months ended September 30, 2020 and 2019, respectively, an increase of $7 million, or 1%. The increase was primarily driven by: (i) higher manufacturing variances primarily due to the impacts of the COVID-19 pandemic and (ii) changes in product mix. The increase was partially offset by: (i) lower third-party royalty costs and (ii) lower volumes, as previously discussed.

Cost of goods sold as a percentage of product sales revenue was 27.4% and 26.2% for the three months ended September 30, 2020 and 2019, respectively, an increase of 1.2 percentage points. Costs of goods sold as a percentage of Product sales revenue was unfavorably impacted as a result of: (i) changes in product mix, (ii) lower average net selling prices and (iii) higher manufacturing variances primarily due to the impacts of the COVID-19 pandemic. These factors were partially offset by lower third-party royalty costs.

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.

SG&A expenses were $572 million and $648 million for the three months ended September 30, 2020 and 2019, respectively, a decrease of $76 million, or 12%. The decrease was primarily attributable to: (i) the impacts of social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, and (ii) profit protection measures taken to manage and reduce operating expenses during the COVID-19 pandemic and resulted in decreases in: (a) selling expenses, (b) advertising and promotion expenses and (c) compensation expense. Also, SG&A

expenses for the three months ended September 30, 2019 included a charge associated with the termination of a certain co-promotional agreement. These decreases in SG&A expenses were offset partially by higher professional fees.

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 $103 million and $123 million for the three months ended September 30, 2020 and 2019, respectively, a decrease of $20 million, or 16%. R&D expenses as a percentage of Product sales were approximately 5% and 6% for the three months ended September 30, 2020 and 2019, respectively, a decrease of 1 percentage point.

As previously discussed, during our second quarter of 2020, certain of our R&D activities were limited and others, including new patient enrollments in clinical trials, were temporarily paused as most trial sites due to government mandated shutdowns were not able to accept new patients. However, during our third quarter of 2020, many of these trial sites began to reopen and we saw the pace of new patient enrollments increasing, getting close to their pre-COVID-19 levels in the U.S. As of the date of this filing, we have not had to make material changes to our development timelines and the pause in our clinical trials have not had a material impact on our operating results; however, a resurgence of the virus could result in unanticipated delays in our ability to conduct new patient enrollments and create other delays which could have a significant adverse effect on our future operating results.

Amortization of Intangible Assets

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

Amortization of intangible assets was $391 million and $475 million for the three months ended September 30, 2020 and 2019, respectively, a decrease of $84 million. The decrease was primarily attributable to fully amortized intangible assets no longer being amortized in 2020.

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

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 Statement of Operations. The Company continues to monitor the recoverability of its finite-lived intangible assets and tests the intangible assets for impairment if indicators of impairment are present.

Asset impairments were $2 million and $33 million for the three months ended September 30, 2020 and 2019, respectively, a decrease of $31 million. Asset impairments for the three months ended September 30, 2020 include impairments of $2 million reflecting a decrease in forecasted sales of a certain product line. Asset impairments for the three months ended September 30, 2019 include impairments of: (i) $25 million, in aggregate, reflecting decreases in forecasted sales of certain product lines due to generic competition and other factors and (ii) $8 million related to assets being classified as held for sale.

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

Restructuring, Integration and Separation Costs

Restructuring, integration and separation costs were $2 million and $4 million for the three months ended September 30, 2020 and 2019, respectively, a decrease of $2 million.

Restructuring and integration costs

The Company evaluates opportunities to improve its operating results and implements cost savings programs to streamline its operations and eliminate redundant processes and expenses. Restructuring and integration costs 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 $1 million and $4 million and included: (i) $1 million and $3 million of facility closure costs and (ii) $0 and $1 million of severance costs for the three months ended September 30, 2020 and 2019, respectively. The Company continues to evaluate opportunities to streamline its operations and identify additional cost savings globally. Although a specific plan does not exist at this time, the Company may identify and take additional exit and cost-rationalization restructuring actions in the future, the costs of which could be material.

Separation costs

The Company has incurred, and will incur, costs associated with activities to effectuate the Separation. These activities include: (i) separating the eye-health business from the remainder of the Company and (ii) registering the eye-health business as an independent publicly traded entity. Separation costs are incremental costs directly related to the Separation and include, but are not limited to: (i) legal, audit and advisory fees, (ii) employee hiring, relocation and travel costs and (iii) costs associated with establishing a new board of directors and audit committee. Separation costs were $1 million for the three months ended September 30, 2020. The Company is in the planning phase of the Separation and the extent and timing of future charges for these costs cannot be reasonably estimated at this time and could be material.

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

Acquisition-Related Contingent Consideration

Acquisition-related contingent consideration primarily consists of potential milestone payments and royalty obligations associated with businesses and assets we acquired in the past. These obligations are recorded in the Consolidated Balance Sheets at their estimated fair values at the acquisition date, 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 is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in fair value measurement accounting.

Acquisition-related contingent consideration was a loss of $2 million for the three months ended September 30, 2020, and included accretion for the time value of money of $6 million, partially offset by net fair value adjustments of $4 million. Acquisition-related contingent consideration was a loss of $3 million for the three months ended September 30, 2019, and included accretion for the time value of money of $5 million, partially offset by net fair value adjustments of $2 million.

Other Expense, Net

Other expense, net for the three months ended September 30, 2020 and 2019 consists of the following:

	Three Months Ended September 30,	
(in millions)	**2020**	**2019**
Net gain on sale of assets	$ —	$ (1)
Acquired in-process research and development costs	12	1
Litigation and other matters	4	9
Other, net	—	1
	$ 16	$ 10

For the three months ended September 30, 2020, Acquired in process research and development costs includes the $10 million upfront payment for the Option to acquire all ophthalmology assets of Allegro as previously discussed. See Note 4, "ACQUISITION, LICENSING AGREEMENTS AND ASSETS HELD FOR SALE" to our unaudited interim Consolidated Financial Statements for further details.

Non-Operating Income and Expense

Interest Expense

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

Interest expense was $374 million and $406 million, and included non-cash amortization and write-offs of debt premiums, discounts and deferred issuance costs of $13 million and $17 million, for the three months ended September 30, 2020 and 2019, respectively. Interest expense for the three months ended September 30, 2020 decreased $32 million, or 8%, as compared to the three months ended September 30, 2019, primarily due to: (i) a lower weighted average stated rate of interest, partially offset by higher outstanding principal balances, and (ii) a benefit related to the Company's cross-currency swaps. The weighted average stated rate of interest as of September 30, 2020 and 2019 was 5.94% and 6.39%, respectively.

As previously discussed, on December 30, 2019, we accessed the credit markets to finance amounts owed under the Company's $1,210 million settlement agreement relating to the U.S. Securities Litigation (which is subject to final court approval). Although that financing increased our outstanding principal balances, it had the effect of extending the payment terms of the pending settlement of $1,210 million out to 2028 and 2030 without negatively impacting our working capital available for operations.

Foreign Exchange and Other

Foreign exchange and other primarily includes: (i) translation gains/losses on intercompany loans and third-party liabilities and (ii) the gain/loss due to foreign currency exchange contracts. Foreign exchange and other was a loss of $13 million and a gain of $9 million for the three months ended September 30, 2020 and 2019, respectively, an unfavorable net change of $22 million.

Income Taxes

Provision for income taxes was $5 million for the three months ended September 30, 2020 as compared to a Benefit from income taxes of $18 million for the three months ended September 30, 2019 an unfavorable change of $23 million. Our effective income tax rate for the three months ended September 30, 2020 and 2019 differs from the statutory Canadian income tax rate primarily due to: (i) the recording of valuation allowance on entities for which no tax benefit of losses is expected, (ii) the tax benefit generated from our annualized mix of earnings by jurisdiction and (iii) the discrete treatment of certain tax matters, primarily related to: (a) tax law changes, (b) adjustments for book to income tax return provisions and (c) changes in uncertain tax positions.

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

Reportable Segment Revenues and Profits

Our portfolio of products falls into four operating and reportable segments: (i) Bausch + Lomb/International, (ii) Salix, (iii) Ortho Dermatologics and (iv) Diversified Products.

The following is a brief description of our segments:

- ***The Bausch + Lomb/International segment*** consists of: (i) sales in the U.S. of pharmaceutical products, OTC products and medical device products, primarily comprised of Bausch + Lomb products, with a focus on the Vision Care, Surgical, Consumer and Ophthalmology Rx products and (ii) with the exception of sales of Solta products, sales in Canada, Europe, Asia, Australia, Latin America, Africa and the Middle East of branded pharmaceutical products, branded generic pharmaceutical products, OTC products, medical device products and Bausch + Lomb products.
- ***The Salix segment*** consists of sales in the U.S. of GI products.
- ***The Ortho Dermatologics segment*** consists of: (i) sales in the U.S. of Ortho Dermatologics (dermatological) products and (ii) global sales of Solta medical aesthetic devices.
- ***The Diversified Products segment*** consists of sales in the U.S. of: (i) pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) generic products and (iii) dentistry products.

Segment profit is based on operating income after the elimination of intercompany transactions. Certain costs, such as Amortization of intangible assets, Asset impairments, Acquired in-process research and development costs, Restructuring, integration and separation costs, Acquisition-related contingent consideration costs and Other expense (income), net, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance. See Note 19, "SEGMENT INFORMATION" to our unaudited interim Consolidated Financial Statements for a 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 period-over-period changes in segment revenues for the three months ended September 30, 2020 and 2019. The following table also presents segment profits, segment profits as a percentage of segment revenues and the period-over-period changes in segment profits for the three months ended September 30, 2020 and 2019.

	Three Months Ended September 30,					
	2020		2019		Change	
(in millions)	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Bausch + Lomb/International	$ 1,169	55 %	$ 1,175	53 %	$ (6)	(1)%
Salix	496	23 %	551	25 %	(55)	(10)%
Ortho Dermatologics	144	7 %	147	7 %	(3)	(2)%
Diversified Products	329	15 %	336	15 %	(7)	(2)%
Total revenues	$ 2,138	100 %	$ 2,209	100 %	$ (71)	(3)%
Segment Profits / Segment Profit Margins						
Bausch + Lomb/International	$ 336	29 %	$ 333	28 %	$ 3	1 %
Salix	360	73 %	375	68 %	(15)	(4)%
Ortho Dermatologics	70	49 %	58	39 %	12	21 %
Diversified Products	248	75 %	246	73 %	2	1 %
Total segment profits	$ 1,014	47 %	$ 1,012	46 %	$ 2	— %

Organic Revenues and Organic Growth Rates (non-GAAP)

Organic growth, a non-GAAP metric, is defined as a change on a period-over-period basis in revenues on a constant currency basis (if applicable) excluding the impact of recent acquisitions, divestitures and discontinuations. Organic revenue growth (non-GAAP) is growth in GAAP Revenue (its most directly comparable GAAP financial measure), adjusted for certain items, of businesses that have been owned for one or more years. Organic revenue (non-GAAP) is impacted by changes in product volumes and price. The price component is made up of two key drivers: (i) changes in product gross selling price and (ii) changes in sales deductions. The Company uses organic revenue (non-GAAP) and organic revenue growth (non-GAAP) to assess performance of its reportable segments, and the Company in total, without the impact of foreign currency exchange fluctuations and recent acquisitions, divestitures and product discontinuations. The Company believes that such measures are useful to investors as they provide a supplemental period-to-period comparison.

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

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

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

The following table presents a reconciliation of GAAP revenues to organic revenues (non-GAAP) and the period-over-period changes in organic revenue (Non-GAAP) for the three months ended September 30, 2020 and 2019 by segment.

(in millions)	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019			Change in Organic Revenue	
	Revenue as Reported	Changes in Exchange Rates	Organic Revenue (Non-GAAP)	Revenue as Reported	Divestitures and Discontinuations	Organic Revenue (Non-GAAP)	Amount	Pct.
Bausch + Lomb/International	$ 1,169	$ 7	$ 1,176	$ 1,175	$ (3)	$ 1,172	$ 4	— %
Salix	496	—	496	551	—	551	(55)	(10)%
Ortho Dermatologics	144	(1)	143	147	—	147	(4)	(3)%
Diversified Products	329	—	329	336	(1)	335	(6)	(2)%
Total	$ 2,138	$ 6	$ 2,144	$ 2,209	$ (4)	$ 2,205	$ (61)	(3)%

Bausch + Lomb/International Segment:

Bausch + Lomb/International Segment Revenue

The Bausch + Lomb/International segment has a diversified product line with no single product group representing 10% or more of its product sales. The Bausch + Lomb/International segment revenue was $1,169 million and $1,175 million for the three months ended September 30, 2020 and 2019, respectively, a decrease of $6 million, or 1%. The decrease was primarily attributable to: (i) the unfavorable effect of foreign currencies of $7 million, primarily in Latin America, and (ii) the impact of divestitures and discontinuations of $3 million, related to the divestiture and discontinuance of several products. These decreases were partially offset by an increase in average net realized pricing of $4 million.

The volumes of our Bausch + Lomb/International segment were relatively unchanged for the three months ended September 30, 2020 compared to the three months ended September 30, 2019, as increases in U.S. volumes were offset by decreases in international volumes. In the U.S. the increase was driven by our U.S. Vision Care and U.S. Consumer businesses and were only partially offset by decreases in our U.S. Ophtho business. Internationally the decrease was driven across all of our international eye-health businesses and was partially offset by increases in the volumes of our International pharmaceuticals business. During the first and second quarter, volumes for our Bausch + Lomb/International segment were negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed. However, as governments began lifting social restrictions, the negative trend in the revenues of these businesses began to level off and stabilize prior to our third quarter. Presuming there is no material resurgence of the spread of the COVID-19 virus, we anticipate an ongoing, gradual global recovery from the macroeconomic and healthcare impacts of the pandemic that occurred during the first-half of 2020. We therefore believe that our revenues for the year 2020 will be most impacted by the COVID-19 pandemic in our second quarter. Although we experienced additional COVID-19 pandemic related declines in year-over-year revenues in certain geographies during our third quarter, presuming any reenactment of social restrictions is not significant, we anticipate that our affected businesses could possibly return to pre-pandemic levels as early as late 2020 or in 2021.

Bausch + Lomb/International Segment Profit

The Bausch + Lomb/International segment profit for three months ended September 30, 2020 and 2019 was $336 million and $333 million, respectively, an increase of $3 million, or 1%. The increase was primarily driven by decreases in SG&A expenses partially offset by the decrease in contribution as a result of social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed.

Salix Segment:

Salix Segment Revenue

The Salix segment includes the Xifaxan® product line, which accounted for 77% and 72% of the Salix segment product sales and 18% of the Company's product sales for both the three months ended September 30, 2020 and 2019. No other single product group represents 10% or more of the Salix segment product sales. Salix segment revenue for the three months ended September 30, 2020 and 2019 was $496 million and $551 million, respectively, a decrease of $55 million, or 10%. The decrease is a result of decreases in: (i) average realized pricing of $43 million and (ii) volume of $12 million. The decrease in average realized pricing was primarily attributable to higher sales deductions, primarily for Glumetza® SLX. The decrease in volumes was primarily due to: (i) the impact of generic competition as certain products, such as Apriso®, lost exclusivity and (ii) social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed.

Salix Segment Profit

The Salix segment profit for the three months ended September 30, 2020 and 2019 was $360 million and $375 million, respectively, a decrease of $15 million, or 4%. The decrease was primarily driven by the decrease in contribution as a result of the decrease in revenue, as previously discussed, partially offset by decreases in SG&A expenses due to: (i) COVID-19 pandemic related matters, as previously discussed, and (ii) a charge associated with the termination of a certain co-promotional agreement during the three months ended September 30, 2019.

Ortho Dermatologics Segment:

Ortho Dermatologics Segment Revenue

The Ortho Dermatologics segment revenue for the three months ended September 30, 2020 and 2019 was $144 million and $147 million, respectively, a decrease of $3 million, or 2%. The decrease is a result of a decrease in average realized pricing of $23 million, as a result of higher sales deductions in our medical dermatology products, partially offset by: (i) an increase in volume of $19 million and (ii) the favorable effect of foreign currencies of $1 million. The increase in volume is primarily due to increased demand of Thermage FLX® partially offset by: (i) the impact of generic competition as certain products, such as Elidel®, Solodyn® and Zovirax® lost exclusivity and (ii) the impacts of social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed.

Ortho Dermatologics Segment Profit

The Ortho Dermatologics segment profit for the three months ended September 30, 2020 and 2019 was $70 million and $58 million, respectively, an increase of $12 million, or 21%. The increase was primarily driven by decreases in: (i) selling expenses and (ii) R&D expenses due to COVID-19 pandemic related matters, as previously discussed.

Diversified Products Segment:

Diversified Products Segment Revenue

The following table displays the Diversified Products segment revenue by product and product revenues as a percentage of segment revenue for the three months ended September 30, 2020 and 2019.

	Three Months Ended September 30,					
	2020		2019		Change	
(in millions)	Amount	Pct.	Amount	Pct.	Amount	Pct.
Wellbutrin® Franchise	$ 81	25 %	$ 64	19 %	$ 17	27 %
Aplenzin®	26	8 %	22	7 %	4	18 %
Ativan® Franchise	22	7 %	9	3 %	13	144 %
Arestin®	17	5 %	22	7 %	(5)	(23)%
Neo/Poly/HC Otic	15	5 %	5	1 %	10	200 %
Pepcid®	11	3 %	—	— %	11	— %
Tobramycin/Dexamethasone	8	2 %	7	2 %	1	14 %
Diastat® Franchise	8	2 %	12	4 %	(4)	(33)%
Mysoline®	8	2 %	4	1 %	4	100 %
Xenazine® Franchise	7	2 %	11	3 %	(4)	(36)%
Other product revenues	124	38 %	170	50 %	(46)	(27)%
Other revenues	2	1 %	10	3 %	(8)	(80)%
Total Diversified Products revenues	$ 329	100 %	$ 336	100 %	$ (7)	(2)%

The Diversified Products segment revenue for the three months ended September 30, 2020 and 2019 was $329 million and $336 million, respectively, a decrease of $7 million, or 2%. The decrease was primarily driven by: (i) a decrease in volume of $35 million and (ii) the impact of divestitures and discontinuations of $1 million, partially offset by an increase in average realized pricing of $29 million, primarily attributable to lower sales deductions. The decrease in volume was primarily attributable to: (i) the impact of generic competition as certain products in our Neurology and Other business, such as Migranal®, Isuprel®, Cuprimine®, Syprine® and Xenazine®, lost exclusivity and (ii) the postponement of certain surgeries and elective medical procedures in response to the COVID-19 pandemic primarily impacting our Dentistry business.

Diversified Products Segment Profit

The Diversified Products segment profit for three months ended September 30, 2020 and 2019 was $248 million and $246 million, respectively, an increase of $2 million, or 1%.

Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

Revenues

Our revenue was $5,814 million and $6,377 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $563 million, or 9%. The decrease was primarily driven by: (i) lower volumes of $495 million primarily in our Bausch + Lomb/International and Diversified Products segments primarily due to social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, (ii) higher sales deductions of $183 million primarily in our Salix segment and includes the unfavorable impact of the 2019 favorable returns provision adjustment related to past sales on branded and generic products, (iii) the unfavorable effect of foreign currencies of $51 million primarily in Latin America and Europe and (iv) the impact of divestitures and discontinuations of $15 million. The decreases in our revenues were partially offset by: (i) higher gross selling prices of $168 million primarily in our Salix and Bausch + Lomb/International segments and (ii) the incremental product sales of our Trulance® product, which we added to our portfolio in March 2019 as part of the acquisition of certain assets of Synergy of $13 million.

As previously discussed, our revenues have been negatively impacted by social restrictions and other precautionary measures taken in response to the COVID-19 pandemic. However, as governments began lifting social restrictions, the negative trend in the revenues of certain of our businesses began to level off and stabilize prior to our third quarter. Presuming there is no material resurgence of the spread of the COVID-19 virus, we anticipate an ongoing, gradual global recovery from the macroeconomic and health care impacts of the pandemic that occurred during the first-half of 2020. We therefore believe that our revenues for the year 2020 will be most impacted by the COVID-19 pandemic in our second quarter, although we experienced some COVID-19 pandemic related declines in the year-over-year revenues in our third quarter, and we expect additional COVID-19 pandemic related declines in the fourth quarter of 2020, in certain of our businesses and geographies. Presuming any reenactment of social restrictions is not significant, we anticipate that our affected businesses could possibly return to pre-pandemic levels as early as late 2020 or in 2021. However, the rates of recovery for each business will vary by geography and will be dependent upon government responses, rates of economic recovery, precautionary measures taken by patients and customers, the rate at which remaining social restrictions are lifted and once lifted, the presumption that social restrictions will not be materially reenacted in the event of a resurgence of the virus and other actions taken in response to the COVID-19 pandemic.

The changes in our segment revenues and segment profits, including the impacts of COVID-19 pandemic related matters for the three and nine months ended September 30, 2020, are discussed in further detail in the respective subsequent sections " — Reportable Segment Revenues and Profits".

Cash Discounts and Allowances, Chargebacks and Distribution Fees

Provisions recorded to reduce gross product sales to net product sales and revenues for the nine months ended September 30, 2020 and 2019 were as follows:

	Nine Months Ended September 30,			
	2020		2019	
(in millions)	Amount	Pct.	Amount	Pct.
Gross product sales	$ 9,431	100.0 %	$ 10,151	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	457	4.8 %	585	5.8 %
Returns	71	0.8 %	50	0.5 %
Rebates	1,587	16.8 %	1,650	16.2 %
Chargebacks	1,433	15.2 %	1,425	14.0 %
Distribution fees	149	1.6 %	150	1.5 %
Total provisions	3,697	39.2 %	3,860	38.0 %
Net product sales	5,734	60.8 %	6,291	62.0 %
Other revenues	80		86	
Revenues	$ 5,814		$ 6,377	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 39.2% and 38.0% for the nine months ended September 30, 2020 and 2019, respectively, an increase of 1.2 percentage points and includes:

- discounts and allowances as a percentage of gross product sales was lower primarily due to lower discount rates for certain generic products, such as Glumetza® AG, Migranal® AG and Syprine® AG, partially offset by the impact of the release of the generic Apriso® AG (December 2019);

- returns as a percentage of gross product sales was higher and reflects a lower adjustment in 2020 as compared to 2019 for improving sales return experience. Over the last several years, the Company increased its focus on maximizing operational efficiencies and continues to take actions to reduce product returns, including but not limited to: (i) monitoring and reducing customer inventory levels, (ii) instituting disciplined pricing policies and (iii) improving contracting. These actions have had the effect of improving sales return experience, primarily related to branded and generic products. Included in the product sales return provisions for the nine months ended September 30, 2020 and 2019 are reductions in variable consideration for sales returns related to past sales of approximately $38 million and $80 million, during the three months ended September 30, 2020 and 2019, respectively. See Note 3, "REVENUE RECOGNITION" to our unaudited interim Consolidated Financial Statements regarding further details related to product sales provisions;

- rebates as a percentage of gross product sales were higher primarily due the impact of: (i) increases in gross product sales for products that carry higher contractual rebates and co-pay assistance programs, including the impact of incremental rebates from contractual price increase limitations for promoted products, such as Xifaxan® and Julbia®, (ii) sales of our Trulance® product, which we added to our portfolio in March 2019 as part of the acquisition of certain assets of Synergy, and (iii) rebates associated with our Duobrii® product launched in June 2019, partially offset by decreases in gross product sales for products which carry higher rebate rates, such as Apriso® as a result of its generic release, Lotemax® Suspension and Lotemax® Gel;

- chargebacks as a percentage of gross product sales were higher primarily due to the impact of: (i) higher chargeback rates and gross product sales for Glumetza® SLX, Xifaxan® and Nifediac® and (ii) the release of the generic Apriso® AG (December 2019). The higher chargebacks as a percentage of gross product sales were partially offset by the impact of lower gross product sales of: (i) certain generic products, such as Glumetza® AG, Targretin® AG, Syprine® AG and Ofloxacin and (ii) the branded product Nifedical®; and

- distribution service fees as a percentage of gross product sales were higher due to the impact of: (i) higher sales of a limited number of branded products, such as Xifaxan®, (ii) higher gross product sales and higher distribution service fee rates associated with our Glumetza® SLX and Wellbutrin® products and (iii) sales of our Trulance® product, which we added to our portfolio in March 2019 as part of the acquisition of certain assets of Synergy. The higher distribution service fees as a percentage of gross product sales were partially offset by the impact of lower gross product sales of certain branded products, such as Apriso® as a result of its generic release. Price appreciation credits are offset against the distribution service fees we pay wholesalers and were $4 million and $0 for the nine months ended September 30, 2020 and 2019, respectively.

Expenses

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

Cost of goods sold was $1,565 million and $1,675 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $110 million, or 7%. The decrease was primarily driven by: (i) lower volumes, as previously discussed, (ii) lower third-party royalty costs and (iii) the favorable impact of foreign currencies. The decrease was partially offset by: (i) higher manufacturing variances primarily due to the impacts of the COVID-19 pandemic and (ii) changes in product mix.

Cost of goods sold as a percentage of product sales revenue was 27.3% and 26.6% for the nine months ended September 30, 2020 and 2019, respectively, an increase of 0.7 percentage points. Costs of goods sold as a percentage of Product sales revenue was unfavorably impacted as a result of: (i) changes in product mix and (ii) higher manufacturing variances primarily due to the impacts of the COVID-19 pandemic. These factors were partially offset by lower third-party royalty costs.

Selling, General and Administrative Expenses

SG&A expenses were $1,731 million and $1,886 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $155 million, or 8%. The decrease was primarily attributable to: (i) the impacts of social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, and (ii)

profit protection measures taken to manage and reduce operating expenses during the COVID-19 pandemic and resulted in decreases in: (a) advertising and promotion expenses and (b) selling expenses. Also, SG&A expenses for the nine months ended September 30, 2019 included a charge associated with the termination of a certain co-promotional agreement.

Research and Development

R&D expenses were $333 million and $357 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $24 million, or 7%. R&D expenses as a percentage of Product sales were approximately 6% and 6% for the nine months ended September 30, 2020 and 2019, respectively.

As previously discussed, during our second quarter of 2020, certain of our R&D activities were limited and others, including new patient enrollments in clinical trials, were temporarily paused as most trial sites due to government mandated shutdowns were not able to accept new patients. However, during our third quarter of 2020, many of these trial sites began to reopen and we saw the pace of new patient enrollments increasing, getting close to their pre-COVID-19 levels in the U.S. As of the date of this filing, we have not had to make material changes to our development timelines and the pause in our clinical trials have not had a material impact on our operating results; however, a resurgence of the virus could result in unanticipated delays in our ability to conduct new patient enrollments and create other delays which could have a significant adverse effect on our future operating results.

Amortization of Intangible Assets

Amortization of intangible assets was $1,263 million and $1,452 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $189 million, or 13%. The decrease was primarily attributable to fully amortized intangible assets no longer being amortized in 2020. Management continually assesses the useful lives related to the Company's long-lived assets to reflect the most current assumptions.

Asset Impairments

Asset impairments were $17 million and $49 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $32 million. Asset impairments for the nine months ended September 30, 2020 include impairments of: (i) $16 million, in aggregate, due to decreases in forecasted sales of a certain product lines and (ii) $1 million, in aggregate, related to the discontinuance of certain product lines not aligned with the focus of the Company's core businesses. Asset impairments for the nine months ended September 30, 2019 include impairments of: (i) $38 million reflecting decreases in forecasted sales of certain product lines due to generic competition and other factors, (ii) $8 million related to assets being classified as held for sale and (iii) $3 million, in aggregate, related to certain product/patent assets associated with the discontinuance of specific product lines not aligned with the focus of the Company's core businesses.

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

Restructuring, Integration and Separation Costs

Restructuring, integration and separation costs were $13 million and $28 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $15 million.

Restructuring and integration costs

Restructuring and integration costs were $12 million and $28 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $16 million. During the nine months ended September 30, 2020 these costs included: (i) $7 million of facility closure costs and (ii) $5 million of severance costs. During the nine months ended September 30, 2019, these costs included: (i) $11 million of severance and other costs associated with the acquisition of certain assets of Synergy, (ii) $9 million of facility closure costs and (iii) $8 million of other severance costs. 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

In connection with the Separation, we incurred separation costs of $1 million for the nine months ended September 30, 2020.

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

Acquisition-Related Contingent Consideration

Acquisition-related contingent consideration was a loss of $26 million for the nine months ended September 30, 2020 and included: (i) accretion for the time value of money of $17 million and (ii) net fair value adjustments of $9 million. Acquisition-related contingent consideration was a loss of $2 million for the nine months ended September 30, 2019, and included accretion for the time value of money of $16 million, partially offset by net fair value adjustments of $14 million.

See Note 6, "FAIR VALUE MEASUREMENTS" to our unaudited interim Consolidated Financial Statements for further details.

Other Expense, Net

Other expense, net for the nine months ended September 30, 2020 and 2019 consists of the following:

	Nine Months Ended September 30,	
(in millions)	**2020**	**2019**
Net gain on sale of assets	$ (1)	$ (10)
Acquired in-process research and development costs	20	9
Acquisition-related costs	—	8
Litigation and other matters	127	12
Other, net	—	(4)
	$ 146	$ 15

For the nine months ended September 30, 2020, Litigation and other matters includes adjustments related to the U.S. Securities Litigation, the SEC Investigation and the Canadian Securities Litigation and related opt-outs. Litigation and other matters also includes an insurance recovery related to a certain litigation matter. See Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements for further details regarding this and other litigation matters. For the nine months ended September 30, 2020, Acquired in process research and development costs includes the $10 million upfront payment for the Option to acquire all ophthalmology assets of Allegro, as previously discussed. See Note 4, "ACQUISITION, LICENSING AGREEMENTS AND ASSETS HELD FOR SALE" to our unaudited interim Consolidated Financial Statements for further details.

Non-Operating Income and Expense

Interest Expense

Interest expense was $1,155 million and $1,221 million and included non-cash amortization and write-offs of debt premiums, discounts and deferred issuance costs of $45 million and $49 million for the nine months ended September 30, 2020 and 2019, respectively. Interest expense decreased $66 million, or 5%, primarily due to: (i) a lower weighted average interest rate, partially offset by higher outstanding principal balances, and (ii) a benefit related to the Company's cross-currency swaps. The weighted average stated rate of interest as of September 30, 2020 and 2019 was 5.94% and 6.39%, respectively.

As previously discussed, on December 30, 2019, we accessed the credit markets to finance amounts owed under the Company's $1,210 million settlement agreement relating to the U.S. Securities Litigation (which is subject to final court approval). Although that financing increased our outstanding principal balances, it had the effect of extending the payment terms of the pending settlement of $1,210 million out to 2028 and 2030 without negatively impacting our working capital available for operations.

Loss on Extinguishment of Debt

Loss on extinguishment of debt represents the differences between the amounts paid to settle extinguished debts and the carrying value of the related extinguished debt. Loss on extinguishment of debt was $51 million and $40 million for the nine months ended September 30, 2020 and 2019, respectively, primarily associated with a series of transactions which allowed us to refinance portions of our debt arrangements.

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

Foreign Exchange and Other

Foreign exchange and other was a loss of $26 million and a gain of $12 million for the nine months ended September 30, 2020 and 2019, respectively, an unfavorable net change of $38 million primarily due to: (i) translation gains/losses on intercompany loans and third-party liabilities and (ii) the gain/loss due to foreign currency exchange contracts.

Income Taxes

Benefit from income taxes was $133 million and $101 million for the nine months ended September 30, 2020 and 2019, respectively, an increase of $32 million. Our effective income tax rate for the nine months ended September 30, 2020 and 2019 differs from the statutory Canadian income tax rate primarily due to: (i) the recording of valuation allowance on entities for which no tax benefit of losses is expected, (ii) the tax benefit generated from our annualized mix of earnings by jurisdiction and (iii) the discrete treatment of certain tax matters, primarily related to: (a) the release of a valuation allowance, (b) tax law changes, (c) adjustments for book to income tax return provisions and (d) changes in uncertain tax positions.

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

Reportable Segment Revenues and Profits

The following table presents segment revenues, segment revenues as a percentage of total revenues, and the year-over-year changes in segment revenues for the nine months ended September 30, 2020 and 2019. The following table also presents segment profits, segment profits as a percentage of segment revenues and the year-over-year changes in segment profits for the nine months ended September 30, 2020 and 2019.

	Nine Months Ended September 30,					
	2020		2019		Change	
(in millions)	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Bausch + Lomb/International	$ 3,166	54 %	$ 3,501	55 %	$ (335)	(10)%
Salix	1,377	24 %	1,505	24 %	(128)	(9)%
Ortho Dermatologics	393	7 %	407	6 %	(14)	(3)%
Diversified Products	878	15 %	964	15 %	(86)	(9)%
Total revenues	$ 5,814	100 %	$ 6,377	100 %	$ (563)	(9)%
Segment Profits / Segment Profit Margins						
Bausch + Lomb/International	$ 830	26 %	$ 989	28 %	$ (159)	(16)%
Salix	968	70 %	995	66 %	(27)	(3)%
Ortho Dermatologics	156	40 %	156	38 %	—	— %
Diversified Products	634	72 %	714	74 %	(80)	(11)%
Total segment profits	$ 2,588	45 %	$ 2,854	45 %	$ (266)	(9)%

The following table presents organic revenue (non-GAAP) and the year-over-year changes in organic revenue (non-GAAP) for the nine months ended September 30, 2020 and 2019 by segment. Organic revenues (non-GAAP) and organic growth (non-GAAP) rates are defined in the previous section titled “Reportable Segment Revenues and Profits”.

	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2019			Change in Organic Revenue	
(in millions)	Revenue as Reported	Changes in Exchange Rates	Acquisition	Organic Revenue (Non-GAAP)	Revenue as Reported	Divestitures and Discontinuations	Organic Revenue (Non-GAAP)	Amount	Pct.
Bausch + Lomb/International	$ 3,166	$ 51	$ —	$ 3,217	$ 3,501	$ (14)	$ 3,487	$ (270)	(8)%
Salix	1,377	—	(13)	1,364	1,505	—	1,505	(141)	(9)%
Ortho Dermatologics	393	—	—	393	407	—	407	(14)	(3)%
Diversified Products	878	—	—	878	964	(1)	963	(85)	(9)%
Total	$ 5,814	$ 51	$ (13)	$ 5,852	$ 6,377	$ (15)	$ 6,362	$ (510)	(8)%

Bausch + Lomb/International Segment:

Bausch + Lomb/International Segment Revenue

The Bausch + Lomb/International segment revenue was $3,166 million and $3,501 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $335 million, or 10%. The decrease was primarily attributable to: (i) a decrease in volume of $312 million, as discussed below, (ii) the unfavorable effect of foreign currencies of $51 million, primarily in Latin America and Europe and (iii) the impact of divestitures and discontinuations of $14 million. These decreases were partially offset by an increase in average realized pricing of $42 million, primarily driven by our Global Consumer and International Rx businesses.

The volumes of our Bausch + Lomb/International segment were negatively impacted, primarily in Europe, Asia and the U.S., by social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed. The postponement of certain surgical and elective medical procedures related to the COVID-19 pandemic, and associated declines in pre- and post-operative prescriptions, negatively impacted the volumes of our Global Ophthalmology and Global Surgical businesses. The reduction in the consumption of contact lenses worldwide due to limited social interactions and in some regions government recommended use of frames, negatively impacted the volumes of our Global Vision Care business. During our first quarter, certain customers engaged in "pantry-loading" which along with stay-at-home orders, negatively impacted the volumes of our Global Consumer business for our second quarter. However, as governments began lifting social restrictions, the negative trend in the revenues of these businesses began to level off and stabilize prior to our third quarter. Presuming there is no material resurgence of the spread of the COVID-19 virus, we anticipate an ongoing, gradual global recovery from the macroeconomic and healthcare impacts of the pandemic that occurred during the first-half of 2020. We therefore believe that our revenues for the year 2020 will be most impacted by the COVID-19 pandemic in our second quarter. Although we experienced additional COVID-19 pandemic related declines in year-over-year revenues in certain geographies during our third quarter, presuming any reenactment of social restrictions is not significant, we anticipate that our affected businesses could possibly return to pre-pandemic levels as early as late 2020 or in 2021.

Bausch + Lomb/International Segment Profit

The Bausch + Lomb/International segment profit for the nine months ended September 30, 2020 and 2019 was $830 million and $989 million, respectively, a decrease of $159 million, or 16%. The decrease was primarily driven by the decrease in contribution as a result of social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, partially offset by lower SG&A expenses.

Salix Segment:

Salix Segment Revenue

The Salix segment includes the Xifaxan® product line, which accounted for 78% and 70% of the Salix segment product sales and 19% and 17% of the Company's product sales for the nine months ended September 30, 2020 and 2019, respectively. No other single product group represents 10% or more of the Salix segment product sales. The Salix segment revenue for the nine months ended September 30, 2020 and 2019 was $1,377 million and $1,505 million, respectively, a decrease of $128 million, or 9%. The decrease includes: (i) a decrease in average realized pricing of $91 million, primarily attributable to higher sales deductions for Glumetza® SLX partially offset by higher gross selling prices for Xifaxan®, and (ii) a decrease in volume of $50 million primarily attributable to the decrease in demand for Apriso® due to loss of exclusivity. The decrease in revenue was partially offset by sales of our Trulance® product, which we added to our portfolio in March 2019 as part of the acquisition of certain assets of Synergy of $13 million.

Salix Segment Profit

The Salix segment profit for the nine months ended September 30, 2020 and 2019 was $968 million and $995 million, respectively, a decrease of $27 million, or 3%. The decrease was primarily driven by the decrease in contribution as a result of the decrease in revenue, as previously discussed, partially offset by: (i) decreases in SG&A expenses due to: (a) COVID-19 pandemic related matters, as previously discussed, and (b) a charge associated with the termination of a certain co-promotional agreement during the three months ended September 30, 2019 and (ii) the contribution from the sales of our Trulance® product, which we added to our portfolio in March 2019 as part of the acquisition of certain assets of Synergy.

Ortho Dermatologics Segment:

Ortho Dermatologics Segment Revenue

The Ortho Dermatologics segment revenue for the nine months ended September 30, 2020 and 2019 was $393 million and $407 million, respectively, a decrease of $14 million, or 3%. The decrease was primarily attributable to a decrease in average realized pricing of $20 million partially offset by an increase in volume of $6 million. The decrease in average realized pricing was the result of higher sales deductions in our medical dermatology products. The increase in volume was primarily due to increased demand of Thermage FLX® and was partially offset by the impact of generic competition as certain products, such as Elidel®, Zovirax® and Solodyn®, lost exclusivity.

Ortho Dermatologics Segment Profit

The Ortho Dermatologics segment profit for the nine months ended September 30, 2020 and 2019 was $156 million and $156 million, respectively. Segment profit was flat due to the decrease in contribution as a result of the decrease in revenue, as previously discussed, being offset by a decreases in: (i) selling expenses and (ii) R&D expenses.

Diversified Products Segment:

Diversified Products Segment Revenue

The following table displays the Diversified Products segment revenue by product and product revenues as a percentage of segment revenue for the nine months ended September 30, 2020 and 2019.

	Nine Months Ended September 30,					
	2020		2019		Change	
(in millions)	Amount	Pct.	Amount	Pct.	Amount	Pct.
Wellbutrin® Franchise	$ 204	23 %	$ 183	19 %	$ 21	11 %
Aplenzin®	75	9 %	59	6 %	16	27 %
Arestin®	42	5 %	64	7 %	(22)	(34)%
Ativan® Franchise	37	4 %	34	4 %	3	9 %
Neo/Poly/HC Otic	31	4 %	17	2 %	14	82 %
Tobramycin/Dexamethasone	27	3 %	23	2 %	4	17 %
Xenazine® Franchise	23	3 %	29	3 %	(6)	(21)%
Diastat® Franchise	22	3 %	25	3 %	(3)	(12)%
Migranal® Franchise	20	2 %	40	4 %	(20)	(50)%
Pepcid®	19	2 %	1	— %	18	1,800 %
Other product revenues	369	41 %	474	48 %	(105)	(22)%
Other revenues	9	1 %	15	2 %	(6)	(40)%
Total Diversified Products revenues	$ 878	100 %	$ 964	100 %	$ (86)	(9)%

The Diversified Products segment revenue for the nine months ended September 30, 2020 and 2019 was $878 million and $964 million, respectively, a decrease of $86 million, or 9%. The decrease was primarily driven by: (i) a decrease in volume of $139 million and (ii) the impact of divestitures and discontinuations of $1 million. The decrease was partially offset by an increase in average realized pricing of $54 million due to lower sales deductions and higher gross selling prices. The decrease in volume was primarily attributable to: (i) the impact of generic competition as certain products in our Neurology and Other business, such as Cuprimine®, Migranal®, Syprine®, Isuprel® and Xenazine®, lost exclusivity and (ii) the postponement of certain surgeries and elective medical procedures in response to the COVID-19 pandemic primarily impacting our Dentistry business.

Diversified Products Segment Profit

The Diversified Products segment profit for the nine months ended September 30, 2020 and 2019 was $634 million and $714 million, respectively, a decrease of $80 million, or 11% and was primarily driven by the decrease in revenue, as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Nine Months Ended September 30,		
(in millions)	2020	2019	Change
Net loss	$ (407)	$ (266)	$ (141)
Adjustments to reconcile net loss to net cash provided by operating activities	1,510	1,645	(135)
Cash provided by operating activities before changes in operating assets and liabilities	1,103	1,379	(276)
Changes in operating assets and liabilities	(386)	(112)	(274)
Net cash provided by operating activities	717	1,267	(550)
Net cash used in investing activities	(177)	(334)	157
Net cash used in financing activities	(1,791)	(812)	(979)
Effect of exchange rate on cash and cash equivalents	(5)	(17)	12
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,256)	104	(1,360)
Cash, cash equivalents and restricted cash, beginning of period	3,244	723	2,521
Cash, cash equivalents and restricted cash, end of period	$ 1,988	$ 827	$ 1,161

Operating Activities

Net cash provided by operating activities was $717 million and $1,267 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease of $550 million. The decrease was attributable to net decreases in Cash provided by operating activities before changes in operating assets and liabilities and Changes in operating assets and liabilities.

Cash provided by operating activities before changes in operating assets and liabilities for the nine months ended September 30, 2020 and 2019 was $1,103 million and $1,379 million, respectively, a decrease in cash of $276 million. The decrease is primarily attributable to: (i) the negative impacts to our operating results associated with the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, (ii) higher payments of legal settlements in 2020 as compared to 2019 of $78 million and (iii) the upfront payment in September 2020 for the option to acquire all ophthalmology assets of Allegro of $10 million, previously discussed.

Changes in operating assets and liabilities resulted in a net decrease in cash of $386 million and $112 million for the nine months ended September 30, 2020 and 2019, respectively, a decrease in cash of $274 million. During the nine months ended September 30, 2020, Changes in operating assets and liabilities was negatively impacted by: (i) the timing of other payments in the ordinary course of business of $345 million and (ii) an increase in inventories of $178 million and was partially offset by: (i) an increase in accrued interest due to timing of payments of $70 million and (ii) the collection of trade receivables of $67 million. During the nine months ended September 30, 2019, Changes in operating assets and liabilities was negatively impacted by: (i) an increase in inventories of $205 million and (ii) the timing of other payments in the ordinary course of business of $132 million and was partially offset by: (i) an increase in accrued interest due to timing of payments of $115 million and (ii) the collection of trade receivables of $110 million. Pursuant to our credit agreements, a greater portion of our cash interest is scheduled for payment in our second and fourth quarters as opposed to our first and third quarters.

Investing Activities

Net cash used in investing activities was $177 million for the nine months ended September 30, 2020 and was driven by Purchases of property, plant and equipment of $222 million offset by: (i) Interest settlements from cross-currency swaps of $23 million and (ii) Proceeds from sale of assets and businesses, net of costs to sell of $21 million primarily related to the receipt of a milestone payment associated with a prior year divestiture.

Net cash used in investing activities was $334 million for the nine months ended September 30, 2019 and was driven by: (i) Purchases of property, plant and equipment of $192 million and (ii) Acquisition of businesses, net of cash acquired of $180 million related to the acquisition of certain assets of Synergy. Net cash used in investing activities was partially offset by Proceeds from sale of assets and businesses, net of costs to sell of $44 million, primarily related to the receipt of a milestone payment associated with a prior year divestiture.

Financing Activities

Net cash used in financing activities was $1,791 million for the nine months ended September 30, 2020 and was primarily driven by repayments of long-term debt, net of issuances and related discounts, of $1,686 million. These repayments include $1,240 million of May 2023 Unsecured Notes, which was previously financed as part of the December 2019 Financing and Refinancing Transactions.

Net cash used in financing activities was $812 million for the nine months ended September 30, 2019 and was primarily driven by repayments of long-term debt, net of issuances and related discounts, of $718 million.

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

Liquidity and Debt

Future Sources of Liquidity

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

The Company regularly evaluates market conditions, its liquidity profile, and various financing alternatives for opportunities to enhance its capital structure. If opportunities are favorable, the Company may refinance or repurchase existing debt or issue equity or equity-linked securities. We believe our existing cash and cash generated from operations will be sufficient to service our debt obligations through 2022.

Long-term Debt

Long-term debt, net of unamortized premiums, discounts and issuance costs was $24,343 million and $25,895 million as of September 30, 2020 and December 31, 2019, respectively. Aggregate contractual principal amounts due under our debt obligations were $24,601 million and $26,188 million as of September 30, 2020 and December 31, 2019, respectively, a decrease of $1,587 million during the nine months ended September 30, 2020. The decrease was primarily driven by net debt repayments previously discussed under "Cash Flows - Financing Activities".

Our prepayment and refinancings of debt over the last four years translate into lower repayments of principal over the next four years, which, in turn, we believe will permit more cash flows to be directed toward developing our core assets, identifying new product opportunities and repaying additional debt amounts. The mandatory scheduled principal repayments of our debt obligations as of September 30, 2020, were as follows:

(in millions)

2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
$ —	$ —	$ —	2,404	$ 2,303	$ 10,632	$ 1,500	$ 2,250	$ 2,012	$ 2,250	$ 1,250	$ 24,601

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited Consolidated Financial Statements and “Management's Discussion and Analysis - Liquidity and Capital Resources: Long-term Debt” for further details.

Senior Secured Credit Facilities

On June 1, 2018, the Company and certain of its subsidiaries as guarantors entered into the “Senior Secured Credit Facilities” under the Company’s Fourth Amended and Restated Credit and Guaranty Agreement, as amended by the First Incremental Amendment to the Restated Credit Agreement, dated as of November 27, 2018, and as further amended (the “Restated Credit Agreement”) with a syndicate of financial institutions and investors as lenders. The Restated Credit Agreement provides for a revolving credit facility of $1,225 million, which matures on the earlier of June 1, 2023 and the date that is 91 calendar days prior to the scheduled maturity of indebtedness for borrowed money of the Company and Bausch Health Americas, Inc. ("BHA") in an aggregate principal amount in excess of $1,000 million (the "2023 Revolving Credit Facility") and term loan facilities of original principal amounts of $4,565 million and $1,500 million, maturing in June 2025 (the “June 2025 Term Loan B Facility”) and November 2025 (the "November 2025 Term Loan B Facility"), respectively. Both the Company and BHA are borrowers under the 2023 Revolving Credit Facility, borrowings under which may be made in U.S. dollars, Canadian dollars or euros.

Current Description of Senior Secured Credit Facilities

Borrowings under the Senior Secured Credit Facilities in U.S. dollars bear interest at a rate per annum equal to, at the Company's option, either: (i) a base rate determined by reference to the highest of: (a) the prime rate (as defined in the Restated Credit Agreement), (b) the federal funds effective rate plus 1/2 of 1.00% or (c) the eurocurrency rate (as defined in the Restated Credit Agreement) for a period of one month plus 1.00% (or if such eurocurrency rate shall not be ascertainable, 1.00%) or (ii) a eurocurrency rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs (provided however, that the eurocurrency rate shall at no time be less than 0.00% per annum), in each case plus an applicable margin.

Borrowings under the 2023 Revolving Credit Facility in euros bear interest at a eurocurrency rate determined by reference to the costs of funds for euro deposits for the interest period relevant to such borrowing (provided however, that the eurocurrency rate shall at no time be less than 0.00% per annum), plus an applicable margin.

Borrowings under the 2023 Revolving Credit Facility in Canadian dollars bear interest at a rate per annum equal to, at the Company's option, either: (i) a prime rate determined by reference to the higher of: (a) the rate of interest last quoted by The Wall Street Journal as the “Canadian Prime Rate” or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Bank of Canada as its prime rate and (b) the 1 month BA rate (as defined below) calculated daily plus 1.00% (provided however, that the prime rate shall at no time be less than 0.00%) or (ii) the bankers’ acceptance rate for Canadian dollar deposits in the Toronto interbank market (the “BA rate”) for the interest period relevant to such borrowing (provided however, that the BA rate shall at no time be less than 0.00% per annum), in each case plus an applicable margin.

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

The applicable interest rate margins for the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility are 2.00% and 1.75%, respectively, with respect to base rate and prime rate borrowings and 3.00% and 2.75%, respectively, with respect to eurocurrency rate and BA rate borrowings.

As of September 30, 2020, the stated rates of interest on the Company’s borrowings under the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility were 3.15% and 2.90% per annum, respectively.

The amortization rate for both the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility is 5.00% per annum. The Company may direct that prepayments be applied to such amortization payments in order of maturity. As of September 30, 2020, the aggregate remaining mandatory quarterly amortization payments for the Senior Secured Credit Facilities were $680 million through November 1, 2025.

The applicable interest rate margins for borrowings under the 2023 Revolving Credit Facility are 1.50%-2.00% with respect to base rate or prime rate borrowings and 2.50%-3.00% with respect to eurocurrency rate or BA rate borrowings. As of September 30, 2020, the stated rate of interest on the 2023 Revolving Credit Facility was 3.15% per annum. As of September 30, 2020, the Company had no outstanding borrowings, $107 million of issued and outstanding letters of credit and remaining availability of $1,118 million under its 2023 Revolving Credit Facility. In addition, the Company is required to pay commitment fees of 0.25%-0.50% per annum with respect to the unutilized commitments under the 2023 Revolving Credit Facility, payable quarterly in arrears. The Company also is required to pay: (i) letter of credit fees on the maximum amount available to be drawn under all outstanding letters of credit in an amount equal to the applicable margin on eurocurrency rate borrowings under the 2023 Revolving Credit Facility on a per annum basis, payable quarterly in arrears, (ii) customary fronting fees for the issuance of letters of credit and (iii) agency fees.

The Restated Credit Agreement permits the incurrence of incremental credit facility borrowings up to the greater of $1,000 million and 28.5% of Consolidated Adjusted EBITDA (as defined in the Restated Credit Agreement), subject to customary terms and conditions, as well as the incurrence of additional incremental credit facility borrowings subject to a secured leverage ratio of not greater than 3.50:1.00, and, in the case of unsecured debt, a total leverage ratio of not greater than 6.50:1.00 or an interest coverage ratio of not less than 2.00:1.00.

Senior Secured Notes

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

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

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

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 Senior Secured Credit Facilities. The Senior Unsecured Notes issued by BHA are senior unsecured obligations of BHA and are jointly and severally guaranteed on a senior unsecured basis by the Company and each of its subsidiaries (other than BHA) that is a guarantor under the Senior Secured Credit Facilities. Future subsidiaries of the Company and BHA, if any, may be required to guarantee the Senior Unsecured Notes. On a non-consolidated basis, the non-guarantor subsidiaries had total assets of $2,552 million and total liabilities of $1,036 million as of September 30, 2020, and revenues of $981 million and operating income of $51 million for the nine months ended September 30, 2020.

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

6.25% Senior Secured Notes Due February 2029 - May 2020 Refinancing Transactions

On May 26, 2020, the Company issued $1,500 million aggregate principal amount of 6.25% Senior Unsecured Notes due February 2029 (the "February 2029 Unsecured Notes") in a private placement. The proceeds and cash on hand were used to: (i) repurchase $1,250 million of 6.50% Senior Secured Notes due March 2022, (ii) prepay $303 million of mandatory amortization scheduled for payment in 2022 under the Company's June 2025 and November 2025 Term Loan B Facilities and (iii) pay all fees and expenses associated with these transactions (collectively, the "May 2020 Refinancing Transactions").

Interest on the February 2029 Unsecured Notes is payable semi-annually in arrears on each February 15 and August 15. We may redeem some or all of the February 2029 Unsecured Notes at any time on or after February 15, 2024, at the redemption prices set forth in the indenture. In addition, we may redeem some or all of the February 2029 Unsecured Notes prior to February 15, 2024, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of redemption plus a "make-whole" premium. Prior to August 15, 2023, we may redeem up to 40% of the aggregate principal amount of the February 2029 Unsecured Notes using the proceeds of certain equity offerings at the redemption price set forth in the indenture.

Covenant Compliance

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

Notes and holders of our Senior Unsecured Notes may impose additional operating and financial restrictions on us as a condition to granting any such waiver.

Since 2017 through the date of this filing, the Company completed several actions which included using cash flows from operations to repay debt and refinancing debt with near-term maturities. These actions have reduced the Company's debt balance and positively affected the Company's ability to comply with the financial maintenance covenant. As of September 30, 2020, the Company was in compliance with its financial maintenance covenant related to its outstanding debt. The Company, based on its current forecast as adjusted for the potential impacts of the COVID-19 pandemic, expects to remain in compliance with the financial maintenance covenant and meet its debt service obligations for at least the twelve months following the date of issuance of this Form 10-Q.

The Company continues to take steps to improve its operating results to ensure continual compliance with its financial maintenance covenant and take other actions to reduce its debt levels to align with the Company's long-term strategy. The Company may consider taking other actions, including divesting other businesses, refinancing debt and issuing equity or equity-linked securities as deemed appropriate, to provide additional coverage in complying with the financial maintenance covenant and meeting its debt service obligations.

On August 6, 2020, the Company announced that it intends to separate its eye-health business into an independent publicly traded entity ("Bausch + Lomb") from the remainder of Bausch Health. Management is in the initial phase of planning the Separation and is still assessing the overall capitalization structure.

Weighted Average Interest Rate

The weighted average stated rate of interest of the Company's outstanding debt as of September 30, 2020 and December 31, 2019 was 5.94% and 6.21%, respectively.

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

Credit Ratings

As of November 3, 2020, 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	Corporate Rating	Senior Secured Rating	Senior Unsecured Rating	Outlook
Moody's	B2	Ba2	B3	Stable
Standard & Poor's	B+	BB	B	Stable
Fitch	B	BB	B	Stable

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.

Future Cash Requirements

A substantial portion of our cash requirements for the remainder of 2020 are for debt service. Our other future cash requirements relate to working capital, capital expenditures, business development transactions (contingent consideration), restructuring and integration, benefit obligations and litigation settlements. In addition, we may use cash to enter into licensing arrangements and/or to make strategic acquisitions.

In addition to our working capital requirements, as of September 30, 2020, we expect our primary cash requirements during the remainder of 2020 to be as follows:

- *Debt service*—We expect to make interest payments of approximately $393 million during the remainder of 2020. In addition, on October 29, 2020, the Company issued an unconditional notice of redemption to redeem: (i) $99 million of May 2023 Unsecured Notes and (ii) $51 million of March 2023 Unsecured Notes, on November 30, 2020. As a result of prepayments and a series of refinancing transactions we have reduced and extended the maturities of a substantial portion of our long-term debt. We have no debt maturities or mandatory amortization payments due until 2023. We may elect to make additional principal payments under certain circumstances. Further, in the ordinary course of business, we may borrow and repay amounts under our 2023 Revolving Credit Facility to meet business needs;

- *IT Infrastructure Investment*—We expect to make payments of approximately $8 million for licensing, maintenance and other costs associated with our IT infrastructure improvement projects during the remainder of 2020;

- *Capital expenditures*—We expect to make payments of approximately $50 million for property, plant and equipment during the remainder of 2020;

- *Contingent consideration payments*—We expect to make contingent consideration and other approval/sales-based milestone payments of approximately $13 million during the remainder of 2020;

- *Restructuring, integration and other transaction payments*—We expect to make payments of approximately $5 million during the remainder of 2020 for employee separation costs and lease termination obligations associated with restructuring and integration actions and other transactions we have taken through September 30, 2020;

- *Benefit obligations*—We expect to make payments under our pension and postretirement obligations of approximately $4 million during the remainder of 2020; and

- *U.S. Securities Litigation Settlement*—As more fully discussed in Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements, in December 2019, we announced that we had agreed to resolve the U.S. Securities Litigation for $1,210 million, subject to final court approval. Once approved by the court, the settlement will resolve and discharge all claims against the Company in the class action. As part of the settlement, the Company and the other settling defendants admitted no liability as to the claims against it and deny all allegations of wrongdoing. This settlement, once approved by the court, will resolve the most significant of the Company's remaining legacy legal matters and eliminate a material uncertainty regarding our Company. As of September 30, 2020, Restricted cash includes $1,010 million of payments into an escrow fund under the terms of a settlement agreement regarding the U.S. Securities Litigation. An additional $100 million was paid into this escrow fund during October 2020. On January 27, 2020, the court preliminarily approved the settlement. A final settlement approval hearing was held on May 27, 2020, and the settlement remains subject to final court approval. The balance of the settlement will be paid in accordance with the payment schedule outlined in the settlement agreement.

Costs of Separation

As previously discussed, with the goal of unlocking additional Company value, on August 6, 2020, the Company announced that it intends to separate its eye-health business into an independent publicly traded entity. The Company has incurred, and will incur, costs associated with activities to effectuate the Separation. These activities include: (i) separating the eye-health business from the remainder of the Company and (ii) registering the eye-health business as an independent publicly traded entity. Separation costs are incremental costs directly related to the Separation and include, but are not limited to: (i) legal, audit and advisory fees, (ii) employee hiring, relocation and travel costs and (iii) costs associated with establishing a new board of directors and audit committee. The Company has also incurred, and will incur, separation-related costs which are incremental costs indirectly related to the Separation. Separation-related costs include, but are not limited to: (i) IT infrastructure and software licensing costs, (ii) rebranding costs and (iii) costs associated with facility relocation and/or modification. As of the date of this filing, we are in the planning phase of the Separation and future payments for separation costs and separation-related costs cannot be reasonably estimated at this time and could be material.

Future Cost Savings Programs

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

Acquisition of All Ophthalmology Assets of Allegro

As previously discussed, on September 21, 2020, we announced that we entered into an agreement which provides us an option to acquire all ophthalmology assets of Allegro. Among the assets to be acquired, if the Option is exercised, is the worldwide rights to risuteganib (Luminate®), Allegro's lead investigational compound in retina, which is believed to simultaneously act on the angiogenic, inflammatory and mitochondrial metabolic pathways implicated in diseases such as intermediate dry Age-related Macular Degeneration ("AMD"). A U.S. Phase 2a study with risuteganib in intermediate dry AMD met its primary endpoint of vision recovery and Phase 3 testing is in the planning stages. Aggregate payments under the Option are up to $50 million and include an upfront payment of $10 million and a second payment of $40 million should Allegro raise additional funding. During the three months ended September 30, 2020, we made and expensed the upfront payment of $10 million as acquired IPR&D. If the Option is exercised, additional payments to acquire all of the ophthalmology assets of Allegro will be due over time.

Future Litigation Payments

In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations, charges and proceedings. See Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements. Our ability to successfully defend the Company against pending and future litigation may impact future cash flows.

Future Licensing Payments

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

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

We have no off-balance sheet arrangements that have a material current effect or that are reasonably likely to have a material effect on our results of operations, financial condition, capital expenditures, liquidity, or capital resources. The following table summarizes our contractual obligations related to our long-term debt, including interest, as of September 30, 2020:

(in millions)	Total	Remainder of 2020	2021	2022 and 2023	2024 and 2025	Thereafter
Long-term debt obligations, including interest	$ 33,187	$ 393	$ 1,466	$ 5,299	$ 15,313	$ 10,716

There have been no other material changes to the contractual obligations disclosed in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Off-Balance Sheet Arrangements and Contractual Obligations” included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC and the CSA on February 19, 2020.

OUTSTANDING SHARE DATA

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

At October 29, 2020, we had 355,151,002 issued and outstanding common shares. In addition, as of October 29, 2020, we had outstanding 9,038,478 stock options and 5,620,525 time-based restricted share units that each represent the right of a holder to receive one of the Company’s common shares, and 2,266,024 performance-based restricted share units that represent the right of a holder to receive a number of the Company's common shares up to a specified maximum. A maximum of 4,261,273 common shares could be issued upon vesting of the performance-based restricted share units outstanding.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those policies and estimates that are most important and material to the preparation of our Consolidated Financial Statements, and which require management’s most subjective and complex judgment due to the need to select policies from among alternatives available, and to make estimates about matters that are inherently uncertain. Management has reassessed the critical accounting policies and estimates as disclosed in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC and the CSA on February 19, 2020, and determined that there were no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2020, except for: (i) estimates and assumptions regarding the nature, timing and extent that the COVID-19 pandemic will possibly have on the Company's operations and cash flows as discussed in Note 2, "SIGNIFICANT ACCOUNTING POLICIES" to our unaudited interim Consolidated Financial Statements, (ii) the impact that the COVID-19 pandemic has on the Company’s assessment of goodwill as discussed in Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements and (iii) recently adopted accounting guidance as discussed in Note 2, "SIGNIFICANT ACCOUNTING POLICIES" to our unaudited interim Consolidated Financial Statements.

NEW ACCOUNTING STANDARDS

Adoption of New Accounting Guidance

Information regarding recently issued accounting guidance is contained in Note 2, "SIGNIFICANT ACCOUNTING POLICIES" of notes to the unaudited interim Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

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

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

These forward-looking statements relate to, among other things: our business strategy, business plans and prospects and forecasts and changes thereto; product pipeline, prospective products and product approvals, product development and future performance and results of current and anticipated products; anticipated revenues for our products; anticipated growth in our Ortho Dermatologics business; expected R&D and marketing spend; our expected primary cash and working capital requirements for 2020 and beyond; the Company's plans for continued improvement in operational efficiency and the anticipated impact of such plans; our liquidity and our ability to satisfy our debt maturities as they become due; our ability to reduce debt levels; our ability to meet the financial and other covenants contained in our Fourth Amended and Restated Credit and Guaranty Agreement (the "Restated Credit Agreement"), and senior notes indentures; the impact of our distribution, fulfillment and other third-party arrangements; proposed pricing actions; exposure to foreign currency exchange rate changes and interest rate changes; the outcome of contingencies, such as litigation, subpoenas, investigations, reviews, audits and regulatory proceedings; the anticipated impact of the adoption of new accounting standards; general market conditions; our expectations regarding our financial performance, including revenues, expenses, gross margins and income taxes; our impairment assessments, including the assumptions used therein and the results thereof; the anticipated impact of the evolving COVID-19 pandemic and related responses from governments and private sector participants on the Company, its supply chain, third-party suppliers, project development timelines, costs, revenue, margins, liquidity and financial condition, the anticipated timing, speed and magnitude of recovery from these COVID-19 pandemic related impacts and the Company’s planned actions and responses to this pandemic; and the Company’s plan to separate its eye-health business, including the structure and timing of completing such separation transaction.

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

- the risks and uncertainties caused by or relating to the evolving COVID-19 pandemic, the fear of that pandemic, the rapidly evolving reaction of governments, private sector participants and the public to that pandemic and the potential effects and economic impact of the pandemic and the reaction to it, the severity, duration and future impact of which are highly uncertain and cannot be predicted, and which may have a significant adverse impact on the Company, including but not limited to its supply chain, third-party suppliers, project development timelines, employee base, liquidity, stock price, financial condition and costs (which may increase) and revenue and margins (both of which may decrease);
- with respect to the proposed separation of the Company’s eye-health business, the risks and uncertainties include, but are not limited to, the expected benefits and costs of the separation transaction, the expected timing of completion of the separation transaction and its terms, the Company’s ability to complete the separation transaction

considering the various conditions to the completion of the separation transaction (some of which are outside the Company's control, including conditions related to regulatory matters and a possible shareholder vote, if applicable), that market or other conditions are no longer favorable to completing the transaction, that any shareholder, stock exchange, regulatory or other approval (if required) is not obtained on the terms or timelines anticipated or at all, business disruption during the pendency of or following the separation transaction, diversion of management time on the separation transaction-related issues, retention of existing management team members, the reaction of customers and other parties to the separation transaction, the qualification of the separation transaction as a tax-free transaction for Canadian and/or U.S. federal income tax purposes (including whether or not an advance ruling from either or both of the Canada Revenue Agency and the Internal Revenue Service will be sought or obtained), potential dissynergy costs resulting from the separation transaction, the impact of the separation transaction on relationships with customers, suppliers, employees and other business counterparties, general economic conditions, conditions in the markets the Company is engaged in, behavior of customers, suppliers and competitors, technological developments, as well as legal and regulatory rules affecting the Company's business;

- the expense, timing and outcome of legal and governmental proceedings, investigations and information requests relating to, among other matters, our past distribution, marketing, pricing, disclosure and accounting practices (including with respect to our former relationship with Philidor Rx Services, LLC ("Philidor")), including pending investigations by the U.S. Attorney's Office for the District of Massachusetts and the U.S. Attorney's Office for the Southern District of New York, the investigation order issued by the Company from the Autorité des marchés financiers (the "AMF") (the Company's principal securities regulator in Canada), a number of pending non-class securities litigations (including certain pending opt-out actions in the U.S. related to the recently settled securities class action, (which is subject to final court approval, and remains subject to the risk and uncertainty that the U.S. District Court for the District of New Jersey may not approve the $1,210 million settlement agreement)) and certain opt-out actions in Canada relating to the recently settled class action in Canada (which is subject to court approval) and purported class actions under the federal RICO statute and other claims, investigations or proceedings that may be initiated or that may be asserted;

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

- the past and ongoing scrutiny of our legacy business practices, including with respect to pricing (including the investigations by the U.S. Attorney's Offices for the District of Massachusetts and the Southern District of New York), and any pricing controls or price adjustments that may be sought or imposed on our products as a result thereof;

- pricing decisions that we have implemented, or may in the future elect to implement, such as the Patient Access and Pricing Committee's commitment that the average annual price increase for our branded prescription pharmaceutical products will be set at no greater than single digits, or any future pricing actions we may take following review by our Patient Access and Pricing Committee (which is responsible for the pricing of our drugs);

- legislative or policy efforts, including those that may be introduced and passed by the U.S. Congress, designed to reduce patient out-of-pocket costs for medicines, which could result in new mandatory rebates and discounts or other pricing restrictions, controls or regulations (including mandatory price reductions);

- ongoing oversight and review of our products and facilities by regulatory and governmental agencies, including periodic audits by the U.S. Food and Drug Administration (the "FDA") and the results thereof;

- actions by the FDA or other regulatory authorities with respect to our products or facilities;

- our substantial debt (and potential additional future indebtedness) and current and future debt service obligations, our ability to reduce our outstanding debt levels and the resulting impact on our financial condition, cash flows and results of operations;

- our ability to meet the financial and other covenants contained in our Restated Credit Agreement, senior notes indentures, 2023 Revolving Credit Facility and other current or future debt agreements and the limitations, restrictions and prohibitions such covenants impose or may impose on the way we conduct our business, including prohibitions on incurring additional debt if certain financial covenants are not met, limitations on the amount of additional obligations we are able to incur pursuant to other covenants, our ability to draw under our 2023 Revolving Credit Facility and restrictions on our ability to make certain investments and other restricted payments;

- any default under the terms of our senior notes indentures or Restated Credit Agreement and our ability, if any, to cure or obtain waivers of such default;
- any delay in the filing of any future financial statements or other filings and any default under the terms of our senior notes indentures or Restated Credit Agreement as a result of such delays;
- any downgrade by rating agencies in our credit ratings, which may impact, among other things, our ability to raise debt and the cost of capital for additional debt issuances;
- any reductions in, or changes in the assumptions used in, our forecasts for fiscal year 2020 or beyond, including as a result of the impacts of the COVID-19 pandemic on our business and operations, which could lead to, among other things: (i) a failure to meet the financial and/or other covenants contained in our Restated Credit Agreement and/or senior notes indentures and/or (ii) impairment in the goodwill associated with certain of our reporting units or impairment charges related to certain of our products or other intangible assets, which impairments could be material;
- changes in the assumptions used in connection with our impairment analyses or assessments, which would lead to a change in such impairment analyses and assessments and which could result in an impairment in the goodwill associated with any of our reporting units or impairment charges related to certain of our products or other intangible assets;
- the uncertainties associated with the acquisition and launch of new products, including, but not limited to, our ability to provide the time, resources, expertise and costs required for the commercial launch of new products, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing, which could lead to material impairment charges;
- our ability or inability to extend the profitable life of our products, including through line extensions and other life-cycle programs;
- our ability to retain, motivate and recruit executives and other key employees;
- our ability to implement effective succession planning for our executives and key employees;
- factors impacting our ability to achieve anticipated growth in our Ortho Dermatologics business, including the success of recently launched products (such as Arazlo®, Bryhali® and Duobrii®), the ability to successfully implement and operate our new cash-pay prescription program for certain of our Ortho Dermatologics branded products, and the ability of such program to achieve the anticipated goals respecting patient access and fulfillment, the approval of pending and pipeline products (and the timing of such approvals), expected geographic expansion, changes in estimates on market potential for dermatology products and continued investment in and success of our sales force;
- factors impacting our ability to achieve anticipated revenues for our products, including changes in anticipated marketing spend on such products and launch of competing products;
- the challenges and difficulties associated with managing a large complex business, which has, in the past, grown rapidly;
- our ability to compete against companies that are larger and have greater financial, technical and human resources than we do, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by our competitors;
- our ability to effectively operate and grow our businesses in light of the challenges that the Company has faced and market conditions, including with respect to its substantial debt, pending investigations and legal proceedings, scrutiny of our past pricing and other practices, limitations on the way we conduct business imposed by the covenants contained in our Restated Credit Agreement, senior notes indentures and the agreements governing our other indebtedness, and the impacts of the COVID-19 pandemic;
- the extent to which our products are reimbursed by government authorities, pharmacy benefit managers ("PBMs") and other third-party payors; the impact our distribution, pricing and other practices (including as it relates to our current relationship with Walgreen Co. ("Walgreens")) may have on the decisions of such government authorities, PBMs and other third-party payors to reimburse our products; and the impact of obtaining or maintaining such reimbursement on the price and sales of our products;
- the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price and sales of our products in connection therewith;

- the consolidation of wholesalers, retail drug chains and other customer groups and the impact of such industry consolidation on our business;
- our eligibility for benefits under tax treaties and the continued availability of low effective tax rates for the business profits of certain of our subsidiaries;
- the actions of our third-party partners or service providers of research, development, manufacturing, marketing, distribution or other services, including their compliance with applicable laws and contracts, which actions may be beyond our control or influence, and the impact of such actions on our Company, including the impact to the Company of our former relationship with Philidor and any alleged legal or contractual non-compliance by Philidor;
- the risks associated with the international scope of our operations, including our presence in emerging markets and the challenges we face when entering and operating in new and different geographic markets (including the challenges created by new and different regulatory regimes in such countries and the need to comply with applicable anti-bribery and economic sanctions laws and regulations);
- adverse global economic conditions and credit markets and foreign currency exchange uncertainty and volatility in certain of the countries in which we do business;
- the impact of the United States-Mexico-Canada Agreement ("USMCA") and any potential changes to other trade agreements;
- the final outcome and impact of Brexit negotiations;
- the trade conflict between the United States and China;
- our ability to obtain, maintain and license sufficient intellectual property rights over our products and enforce and defend against challenges to such intellectual property (such as in connection with the filing by Norwich Pharmaceuticals Inc. ("Norwich") of its Abbreviated New Drug Application ("ANDA") for Xifaxan® (rifaximin) 550 mg tablets and the Company's related lawsuit filed against Norwich in connection therewith);
- the introduction of generic, biosimilar or other competitors of our branded products and other products, including the introduction of products that compete against our products that do not have patent or data exclusivity rights;
- our ability to identify, finance, acquire, close and integrate acquisition targets successfully and on a timely basis and the difficulties, challenges, time and resources associated with the integration of acquired companies, businesses and products;
- any additional divestitures of our assets or businesses and our ability to successfully complete any such divestitures on commercially reasonable terms and on a timely basis, or at all, and the impact of any such divestitures on our Company, including the reduction in the size or scope of our business or market share, loss of revenue, any loss on sale, including any resultant impairments of goodwill or other assets, or any adverse tax consequences suffered as a result of any such divestitures;
- the expense, timing and outcome of pending or future legal and governmental proceedings, arbitrations, investigations, subpoenas, tax and other regulatory audits, examinations, reviews and regulatory proceedings against us or relating to us and settlements thereof;
- our ability to negotiate the terms of or obtain court approval for the settlement of certain legal and regulatory proceedings;
- our ability to obtain components, raw materials or finished products supplied by third parties (some of which may be single-sourced) and other manufacturing and related supply difficulties, interruptions and delays;
- the disruption of delivery of our products and the routine flow of manufactured goods;
- economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;
- interest rate risks associated with our floating rate debt borrowings;
- our ability to effectively distribute our products and the effectiveness and success of our distribution arrangements, including the impact of our arrangements with Walgreens;
- our ability to effectively promote our own products and those of our co-promotion partners;

- the success of our fulfillment arrangements with Walgreens, including market acceptance of, or market reaction to, such arrangements (including by customers, doctors, patients, PBMs, third-party payors and governmental agencies), and the continued compliance of such arrangements with applicable laws;
- the acceptance and success of our new cash-pay prescription program for certain of our Ortho Dermatologics branded products;
- our ability to secure and maintain third-party research, development, manufacturing, licensing, marketing or distribution arrangements;
- the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits, product liability claims and damages and/or recalls or withdrawals of products from the market;
- the mandatory or voluntary recall or withdrawal of our products from the market and the costs associated therewith;
- the availability of, and our ability to obtain and maintain, adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third-party insurance or self-insurance;
- the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including with respect to approvals by the FDA, Health Canada and similar agencies in other countries, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;
- the results of continuing safety and efficacy studies by industry and government agencies;
- the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as other factors impacting the commercial success of our products, which could lead to material impairment charges;
- the results of management reviews of our research and development portfolio (including following the receipt of clinical results or feedback from the FDA or other regulatory authorities), which could result in terminations of specific projects which, in turn, could lead to material impairment charges;
- the seasonality of sales of certain of our products;
- declines in the pricing and sales volume of certain of our products that are distributed or marketed by third parties, over which we have no or limited control;
- compliance by the Company or our third-party partners and service providers (over whom we may have limited influence), or the failure of our Company or these third parties to comply, with health care "fraud and abuse" laws and other extensive regulation of our marketing, promotional and business practices (including with respect to pricing), worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act), worldwide economic sanctions and/or export laws, worldwide environmental laws and regulation and privacy and security regulations;
- the impacts of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the "Health Care Reform Act") and potential amendment thereof and other legislative and regulatory health care reforms in the countries in which we operate, including with respect to recent government inquiries on pricing;
- the impact of any changes in or reforms to the legislation, laws, rules, regulation and guidance that apply to the Company and its business and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to the Company or its businesses or products;
- the impact of changes in federal laws and policy that may be undertaken following the election of the next administration;
- illegal distribution or sale of counterfeit versions of our products;
- interruptions, breakdowns or breaches in our information technology systems; and
- risks in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020, risks in Item 1A. "Risk Factors" of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, filed on May 7, 2020, risks in Item 1A. "Risk Factors" of Part II of this

Form 10-Q and risks detailed from time to time in our other filings with the SEC and the Canadian Securities Administrators (the "CSA"), as well as our ability to anticipate and manage the risks associated with the foregoing.

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found in our Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020, under Item 1A. "Risk Factors", in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, filed on May 7, 2020, under Item 1A. "Risk Factors" of Part II, under Item 1A. "Risk Factors" of Part II of this Form 10-Q and in the Company's other filings with the SEC and the CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Other than as indicated below under "— Interest Rate Risk", and under 1A. "Risk Factors" of Part II of this Form 10-Q, there have been no material changes to our exposures to market risks as disclosed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures About Market Risks" included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC and the CSA on February 19, 2020.

Interest Rate Risk

As of September 30, 2020, we had $18,145 million and $4,698 million principal amount of issued fixed rate debt and variable rate debt, respectively, that requires U.S. dollar repayment, as well as €1,500 million principal amount of issued fixed rate debt that requires repayment in euros. The estimated fair value of our issued fixed rate debt as of September 30, 2020, including the foreign currency-denominated debt, was $20,667 million. If interest rates were to increase by 100 basis-points, the fair value of our issued fixed rate debt would decrease by approximately $569 million. If interest rates were to decrease by 100 basis-points, the fair value of our issued fixed rate debt would increase by approximately $396 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, based on 3-month LIBOR, would have an annualized pre-tax effect of approximately $47 million in our Consolidated Statements of Operations and Cash Flows, based on current outstanding borrowings and effective interest rates on our variable rate debt. While our variable-rate debt may impact earnings and cash flows as interest rates change, it is not subject to changes in fair value.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2020. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information concerning legal proceedings, reference is made to Note 18, "LEGAL PROCEEDINGS" of notes to the unaudited interim Consolidated Financial Statements included elsewhere in this Form 10-Q.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors as disclosed in Item 1A. “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC and the CSA on February 19, 2020, as supplemented by risk factors disclosed in Item 1A. “Risk Factors” of Part II of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, filed with the SEC and CSA on May 7, 2020.

Risk Relating to the Separation

Our plan to separate our eye-health business into an independent publicly traded entity from the remainder of the Company is subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated timeline, or at all, and will involve significant time, expense, and distraction, which could disrupt or have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common shares and/or debt securities to decline.

On August 6, 2020, we announced that we intend to separate our eye-health business into an independent publicly traded entity from the remainder of Bausch Health Companies Inc. (the “Separation”). The Separation will establish two separate companies that include: (i) a fully integrated eye-health company which will consist of our Bausch + Lomb Global Vision Care, Global Surgical, Global Consumer and Global Ophthalmic Rx businesses and (ii) a diversified pharmaceutical company which will include our Salix, International Rx, Solta, neurology and medical dermatology pharmaceutical businesses. The anticipated Separation is subject to regulatory approvals and certain conditions, including final approval by the Company’s Board of Directors, any shareholder vote requirements that may be applicable, compliance with (including completion of all necessary filings required by) U.S. and Canadian securities laws and stock exchange rules, receipt of any applicable opinions and/or rulings with respect to the Canadian and U.S. federal income tax treatment of the Separation and determination of the pro forma capitalizations of the two separate companies. The failure to satisfy all of the required conditions could delay the completion of the Separation for a significant period of time or prevent it from occurring at all.

Unanticipated developments, including changes in market conditions, possible delays in obtaining any necessary shareholder, stock exchange, regulatory or other approval or the failure to obtain any such approvals, possible delays in obtaining any required tax opinions or rulings or the failure to obtain any such tax opinions or rulings, negotiating challenges, the uncertainty of the financial markets, changes in the law, and other challenges in executing the Separation, could delay or prevent the completion of the Separation, or cause the Separation to occur on terms or conditions that are different or less favorable than expected. Any changes to the Separation or delay in completing the Separation could cause us not to realize some or all of the expected benefits, or realize them on a different timeline than expected. Further, our Board of Directors could decide, either because of a failure of conditions or because of market or other factors, to abandon the Separation. No assurance can be given as to whether and when the Separation will occur or whether the Separation will achieve the benefits we expect.

Executing the Separation will require significant resources, time and attention from our senior management and employees, which could cause distractions and divert attention and resources away from other projects and the day-to-day operation of our business. We may also experience increased difficulties in attracting, retaining, and motivating management and employees during the pendency of the Separation and following its completion. The Separation, whether or not completed, may also have an adverse impact on our relationships with our customers, suppliers and other business counterparties.

We have already incurred expenses in connection with the Separation, and expect that the process of completing the Separation will be time-consuming and involve significant additional costs and expenses, which may not yield a discernible benefit if the Separation is not completed. In addition, if the Separation is not completed, we will still be required to pay certain costs and expenses incurred in connection therewith, such as legal, accounting, and other professional and advisory fees. Furthermore, the Separation, if completed, may result in potential dissynergy costs, which may be greater than we anticipate and/or may be significant.

Any of the above factors could cause the Separation (or the failure to consummate the Separation) to have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common shares and/or debt securities to decline.

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

There were no sales of equity securities by the Company during the three months ended September 30, 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Executive Officer Severance Arrangement

The Talent and Compensation Committee of the Board of Directors approved an update effective January 1, 2021 to the cash severance payment for which our Executive Officers are eligible, excluding our Chairman and CEO whose employment agreement remains unchanged. In connection with a qualifying termination of employment, the cash severance payment for which they are eligible will be equal to one and a half times the sum of annual base salary and annual target incentive.

All other terms and conditions under each Executive Officer's employment agreement remain unchanged. This provision was approved effective through December 31, 2023.

Bausch + Lomb Separation Bonus Opportunity

The Talent and Compensation Committee of the Board of Directors approved a performance-based Separation bonus program for a limited number of key senior leaders. For any payment to be made, this program requires the achievement of pre-determined milestones related to the recently announced Separation transaction. The aggregate target opportunity for eligible executive officers is $3,000,000.

Payment will be made in cash, with 50% conditioned upon the successful operational separation of the two companies and the remaining 50% conditioned upon the successful close of the Separation transaction.

Any payment not made prior to a participant's termination of employment, except in limited circumstances, will be forfeited.

Item 6. Exhibits

31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certificate of the Chief Executive Officer of Bausch Health Companies Inc. pursuant to 18 U.S.C. § 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certificate of the Chief Financial Officer of Bausch Health Companies Inc. pursuant to 18 U.S.C. § 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* Filed herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bausch Health Companies Inc.
(Registrant)

Date: November 3, 2020

/s/ JOSEPH C. PAPA

Joseph C. Papa
Chief Executive Officer
(Principal Executive Officer and Chairman of the Board)

Date: November 3, 2020

/s/ PAUL S. HERENDEEN

Paul S. Herendeen
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description
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* Filed herewith.

† Management contract or compensatory plan or arrangement.

Exhibit 31.1

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

I, Joseph C. Papa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bausch Health Companies Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 3, 2020

/s/ JOSEPH C. PAPA

Joseph C. Papa

Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Paul S. Herendeen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bausch Health Companies Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 3, 2020

/s/ PAUL S. HERENDEEN

Paul S. Herendeen

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

Exhibit 32.1

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

I, Joseph C. Papa, Chairman of the Board and Chief Executive Officer of Bausch Health Companies Inc. (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2020

/s/ JOSEPH C. PAPA

Joseph C. Papa

Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

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

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

Exhibit 32.2

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

I, Paul S. Herendeen, Executive Vice-President and Chief Financial Officer of Bausch Health Companies Inc. (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2020

/s/ PAUL S. HERENDEEN

Paul S. Herendeen

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

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

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