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.