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

FORM 10-Q

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

For the Quarterly Period Ended **June 30, 2021**
OR

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

For the transition period from _____ to _____

Commission File Number: 001-14956

Bausch Health Companies Inc.

(Exact name of registrant as specified in its charter)

British Columbia , Canada

(State or other jurisdiction of incorporation or organization)

98-0448205

(I.R.S. Employer Identification No.)

2150 St. Elzéar Blvd. West, Laval, Québec, Canada H7L 4A8

(Address of Principal Executive Offices) (Zip Code)

(514) 744-6792

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

Common shares, no par value — 358,808,755 shares outstanding as of July 29, 2021.

BAUSCH HEALTH COMPANIES INC.
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Introductory Note

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (this “Form 10-Q”) to the “Company”, “we”, “us”, “our” or similar words or phrases are to Bausch Health Companies Inc. and its subsidiaries, taken together. In this Form 10-Q, references to “\$” are to United States (“U.S.”) dollars, references to “€” are to euros and references to “CAD” are to Canadian dollars. Unless otherwise indicated, the statistical and financial data contained in this Form 10-Q are presented as of June 30, 2021.

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; expected research and development (“R&D”) and marketing spend; our expected primary cash and working capital requirements for 2021 and beyond; the Company’s plans for continued improvement in operational efficiency and the anticipated impact of such plans; our liquidity and our ability to satisfy our debt maturities as they become due; our ability to reduce debt levels; our ability to comply with the financial and other covenants contained in our Fourth Amended and Restated Credit and Guaranty Agreement (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, revenues, margins, liquidity and financial condition, the anticipated timing, speed and magnitude of recovery from these COVID-19 pandemic related impacts and the Company’s planned actions and responses to this pandemic; the Company’s plan to separate its eye health business, including the structure and timing of completing such separation transaction; and the proposed initial public offering of the Company’s medical aesthetics business, including the timing of such initial public offering.

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 availability and effectiveness of vaccines for COVID-19, COVID-19 vaccine immunization rates, the emergence of variant strains of COVID-19, the evolving reaction of governments, private sector participants and the public to that pandemic, and the potential effects and economic impact of the pandemic and the reaction to it, the severity,*

duration and future impact of which are highly uncertain and cannot be predicted, and which may have a significant adverse impact on the Company, including but not limited to its supply chain, third-party suppliers, project development timelines, employee base, liquidity, stock price, financial condition 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 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;*
- with respect to the proposed initial public offering of the Company's Solta medical aesthetics business, the risks and uncertainties include, but are not limited to, risks relating to the expected timing of completion of such transaction and the Company's ability to complete such transaction, that market or other conditions are no longer favorable to completing the transaction on a timely basis or at all, the receipt of (or failure to receive) the regulatory approvals required in connection with the transaction and the timing of receipt of such approvals, business disruption during the pendency of or following such transaction, diversion of management time on transaction-related issues, retention of Solta medical aesthetics management team members, the reaction of customers and other parties to such transaction, the impact of such transaction on relationships with customers, suppliers, employees and other business counterparties, and other events that could adversely impact the completion of such transaction, including industry or economic conditions outside of Bausch Health's control. In particular, the Company can offer no assurance that any initial public offering will occur at all, or that any such transaction will occur on the timelines anticipated by the Company;*
- the expense, timing and outcome of legal and governmental proceedings, investigations and information requests relating to, among other matters, our past distribution, marketing, pricing, disclosure and accounting practices (including with respect to our former relationship with Philidor Rx Services, LLC ("Philidor")), including a number of pending non-class securities litigations (including certain pending opt-out actions in the U.S. related to the previously settled securities class action (which remains subject to two objectors' appeals of the Court's final approval order) and certain opt-out actions in Canada relating to the recently settled class action in Canada) 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, 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 equivalent agencies outside of the U.S. and the results thereof;*
- *actions by the FDA or other regulatory authorities with respect to our products or facilities;*
- *our substantial debt (and potential additional future indebtedness) and current and future debt service obligations, our ability to reduce our outstanding debt levels and the resulting impact on our financial condition, cash flows and results of operations;*
- *our ability to comply with the financial and other covenants contained in our Restated Credit Agreement, senior notes indentures, 2023 Revolving Credit Facility (as defined below) and other current or future debt agreements and the limitations, restrictions and prohibitions such covenants impose or may impose on the way we conduct our business, including prohibitions on incurring additional debt if certain financial covenants are not met, limitations on the amount of additional obligations we are able to incur pursuant to other covenants, our ability to draw under our 2023 Revolving Credit Facility and restrictions on our ability to make certain investments and other restricted payments;*
- *any default under the terms of our senior notes indentures or Restated Credit Agreement and our ability, if any, to cure or obtain waivers of such default;*
- *any 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 2021 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 funds 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 stabilize and reposition our Ortho Dermatologics business to generate additional value, including the success of recently launched products and the approval of pipeline products (and the timing of such approvals);*
- *factors impacting our ability to achieve anticipated revenues for our products, including changes in anticipated marketing spend on such products and launch of competing products;*
- *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 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 impact of Brexit and the post-Brexit trade deal between the European Union and the United Kingdom;*
- 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 divestitures of our assets or businesses and our ability to successfully complete any such divestitures on commercially reasonable terms and on a timely basis, or at all, and the impact of any such divestitures on our Company, including the reduction in the size or scope of our business or market share, loss of revenue, any loss on sale, including any resultant impairments of goodwill or other assets, or any adverse tax consequences suffered as a result of any such divestitures;*
- the expense, timing and outcome of pending or future legal and governmental proceedings, arbitrations, investigations, subpoenas, tax and other regulatory audits, examinations, reviews and regulatory proceedings against us or relating to us and settlements thereof;*
- our ability to negotiate the terms of or obtain court approval for the settlement of certain legal and regulatory proceedings;*
- our ability to obtain components, raw materials or finished products supplied by third parties (some of which may be single-sourced) and other manufacturing and related supply difficulties, interruptions and delays;*
- the disruption of delivery of our products and the routine flow of manufactured goods;*

- *economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;*
- *interest rate risks associated with our floating rate debt borrowings;*
- *our ability to effectively distribute our products and the effectiveness and success of our distribution arrangements;*
- *our ability to effectively promote our own products and those of our co-promotion partners;*
- *the success of our fulfillment arrangements with Walgreen Co., including market acceptance of, or market reaction to, such arrangements (including by customers, doctors, patients, PBMs, third-party payors and governmental agencies), and the continued compliance of such arrangements with applicable laws;*
- *our ability to secure and maintain third-party research, development, manufacturing, licensing, marketing or distribution arrangements;*
- *the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits, product liability claims and damages and/or recalls or withdrawals of products from the market;*
- *the mandatory or voluntary recall or withdrawal of our products from the market and the costs associated therewith;*
- *the availability of, and our ability to obtain and maintain, adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third-party insurance or self-insurance;*
- *the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including with respect to approvals by the FDA, Health Canada, European Medicines Agency (“EMA”) and similar agencies in other countries, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;*
- *the results of continuing safety and efficacy studies by industry and government agencies;*
- *the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as other factors impacting the commercial success of our products, which could lead to material impairment charges;*
- *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 businesses and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to the Company or its businesses or products;*
- *the impact of changes in federal laws and policy that may be undertaken under the Biden 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, 2020, filed on February 24, 2021, 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 U.S. Securities and Exchange Commission (“SEC”) and the Canadian Securities Administrators (the “CSA”), as well as our ability to anticipate and manage the risks associated with the foregoing.*

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found in our Annual Report on Form 10-K for the year ended December 31, 2020, filed on February 24, 2021, under Item 1A. “Risk Factors”, under Item 1A. “Risk Factors” of Part II of this Form 10-Q and in the Company’s other filings with the SEC and the CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 642	\$ 605
Restricted cash	1,214	1,211
Trade receivables, net	1,609	1,577
Inventories, net	1,086	1,094
Prepaid expenses and other current assets	899	855
Total current assets	5,450	5,342
Property, plant and equipment, net	1,590	1,567
Intangible assets, net	7,624	8,445
Goodwill	12,527	13,044
Deferred tax assets, net	2,255	2,137
Other non-current assets	596	664
Total assets	<u>\$ 30,042</u>	<u>\$ 31,199</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 442	\$ 337
Accrued and other current liabilities	5,075	4,576
Total current liabilities	5,517	4,913
Acquisition-related contingent consideration	206	216
Non-current portion of long-term debt	23,439	23,925
Deferred tax liabilities, net	516	528
Other non-current liabilities	975	1,012
Total liabilities	<u>30,653</u>	<u>30,594</u>
Commitments and contingencies (Note 18)		
(Deficit) Equity		
Common shares, no par value, unlimited shares authorized, 358,653,899 and 355,422,347 issued and outstanding at June 30, 2021 and December 31, 2020, respectively	10,300	10,227
Additional paid-in capital	413	454
Accumulated deficit	(9,218)	(8,013)
Accumulated other comprehensive loss	(2,182)	(2,133)
Total Bausch Health Companies Inc. shareholders' (deficit) equity	(687)	535
Noncontrolling interest	76	70
Total (deficit) equity	<u>(611)</u>	<u>605</u>
Total liabilities and (deficit) equity	<u>\$ 30,042</u>	<u>\$ 31,199</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues				
Product sales	\$ 2,076	\$ 1,637	\$ 4,079	\$ 3,623
Other revenues	24	27	48	53
	<u>2,100</u>	<u>1,664</u>	<u>4,127</u>	<u>3,676</u>
Expenses				
Cost of goods sold (excluding amortization and impairments of intangible assets)	604	482	1,168	987
Cost of other revenues	8	13	18	27
Selling, general and administrative	685	526	1,291	1,159
Research and development	115	108	227	230
Amortization of intangible assets	360	436	717	872
Goodwill impairments	—	—	469	—
Asset impairments, including loss on assets held for sale	47	1	195	15
Restructuring, integration and separation costs	9	7	21	11
Other expense, net	542	118	512	154
	<u>2,370</u>	<u>1,691</u>	<u>4,618</u>	<u>3,455</u>
Operating (loss) income	(270)	(27)	(491)	221
Interest income	2	2	4	9
Interest expense	(364)	(385)	(732)	(781)
Loss on extinguishment of debt	(45)	(27)	(50)	(51)
Foreign exchange and other	7	—	8	(13)
Loss before benefit from income taxes	(670)	(437)	(1,261)	(615)
Benefit from income taxes	77	112	61	138
Net loss	(593)	(325)	(1,200)	(477)
Net income attributable to noncontrolling interest	(2)	(1)	(5)	(1)
Net loss attributable to Bausch Health Companies Inc.	<u><u>\$ (595)</u></u>	<u><u>\$ (326)</u></u>	<u><u>\$ (1,205)</u></u>	<u><u>\$ (478)</u></u>
Basic and diluted loss per share attributable to Bausch Health Companies Inc.				
	<u><u>\$ (1.66)</u></u>	<u><u>\$ (0.92)</u></u>	<u><u>\$ (3.37)</u></u>	<u><u>\$ (1.35)</u></u>
Basic and diluted weighted-average common shares				
	<u><u>359.1</u></u>	<u><u>355.3</u></u>	<u><u>358.0</u></u>	<u><u>354.3</u></u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	<u>\$ (593)</u>	<u>\$ (325)</u>	<u>\$ (1,200)</u>	<u>\$ (477)</u>
Other comprehensive income (loss)				
Foreign currency translation adjustment	76	54	(48)	(138)
Pension and postretirement benefit plan adjustments, net of income taxes	(1)	4	—	(1)
Other comprehensive income (loss)	<u>75</u>	<u>58</u>	<u>(48)</u>	<u>(139)</u>
Comprehensive loss	(518)	(267)	(1,248)	(616)
Comprehensive (income) loss attributable to noncontrolling interest	<u>(3)</u>	<u>(1)</u>	<u>(6)</u>	<u>1</u>
Comprehensive loss attributable to Bausch Health Companies Inc.	<u><u>\$ (521)</u></u>	<u><u>\$ (268)</u></u>	<u><u>\$ (1,254)</u></u>	<u><u>\$ (615)</u></u>

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

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

Bausch Health Companies Inc. Shareholders' (Deficit) Equity								
	<u>Common Shares</u>		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Bausch Health Companies Inc. Shareholders' (Deficit) Equity	Noncontrolling Interest	Total (Deficit) Equity
	Shares	Amount						
Three Months Ended June 30, 2021								
Balances, April 1, 2021	358.1	\$10,289	\$ 393	\$ (8,623)	\$ (2,256)	\$ (197)	\$ 73	\$ (124)
Common shares issued under share-based compensation plans	0.6	11	(7)	—	—	4	—	4
Share-based compensation	—	—	31	—	—	31	—	31
Employee withholding taxes related to share-based awards	—	—	(4)	—	—	(4)	—	(4)
Net (loss) income	—	—	—	(595)	—	(595)	2	(593)
Other comprehensive income	—	—	—	—	74	74	1	75
Balances, June 30, 2021	<u>358.7</u>	<u>\$10,300</u>	<u>\$ 413</u>	<u>\$ (9,218)</u>	<u>\$ (2,182)</u>	<u>\$ (687)</u>	<u>\$ 76</u>	<u>\$ (611)</u>
Three Months Ended June 30, 2020								
Balances, April 1, 2020	354.6	\$10,209	\$ 396	\$ (7,605)	\$ (2,281)	\$ 719	\$ 71	\$ 790
Common shares issued under share-based compensation plans	0.3	8	(7)	—	—	1	—	1
Share-based compensation	—	—	27	—	—	27	—	27
Employee withholding taxes related to share-based awards	—	—	(5)	—	—	(5)	—	(5)
Net (loss) income	—	—	—	(326)	—	(326)	1	(325)
Other comprehensive income	—	—	—	—	58	58	—	58
Balances, June 30, 2020	<u>354.9</u>	<u>\$10,217</u>	<u>\$ 411</u>	<u>\$ (7,931)</u>	<u>\$ (2,223)</u>	<u>\$ 474</u>	<u>\$ 72</u>	<u>\$ 546</u>
Six Months Ended June 30, 2021								
Balances, January 1, 2021	355.4	\$10,227	\$ 454	\$ (8,013)	\$ (2,133)	\$ 535	\$ 70	\$ 605
Common shares issued under share-based compensation plans	3.3	73	(58)	—	—	15	—	15
Share-based compensation	—	—	62	—	—	62	—	62
Employee withholding taxes related to share-based awards	—	—	(45)	—	—	(45)	—	(45)
Net (loss) income	—	—	—	(1,205)	—	(1,205)	5	(1,200)
Other comprehensive (loss) income	—	—	—	—	(49)	(49)	1	(48)
Balances, June 30, 2021	<u>358.7</u>	<u>\$10,300</u>	<u>\$ 413</u>	<u>\$ (9,218)</u>	<u>\$ (2,182)</u>	<u>\$ (687)</u>	<u>\$ 76</u>	<u>\$ (611)</u>
Six Months Ended June 30, 2020								
Balances, January 1, 2020	352.6	\$10,172	\$ 429	\$ (7,452)	\$ (2,086)	\$ 1,063	\$ 73	\$ 1,136
Effect of application of new accounting standard: financial instruments - credit losses	—	—	—	(1)	—	(1)	—	(1)
Common shares issued under share-based compensation plans	2.3	45	(43)	—	—	2	—	2
Share-based compensation	—	—	54	—	—	54	—	54
Employee withholding taxes related to share-based awards	—	—	(29)	—	—	(29)	—	(29)
Net (loss) income	—	—	—	(478)	—	(478)	1	(477)
Other comprehensive loss	—	—	—	—	(137)	(137)	(2)	(139)
Balances, June 30, 2020	<u>354.9</u>	<u>\$10,217</u>	<u>\$ 411</u>	<u>\$ (7,931)</u>	<u>\$ (2,223)</u>	<u>\$ 474</u>	<u>\$ 72</u>	<u>\$ 546</u>

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

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

	Six Months Ended June 30,	
	2021	2020
Cash Flows From Operating Activities		
Net loss	\$ (1,200)	\$ (477)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	807	961
Amortization and write-off of debt premiums, discounts and issuance costs	25	32
Asset impairments, including loss on assets held for sale	195	15
Goodwill impairments	469	—
Acquisition-related contingent consideration	—	24
Allowances for losses on trade receivable and inventories	35	34
Deferred income taxes	(120)	(194)
Net gain on sale of assets	(23)	(1)
Additions to accrued legal settlements	532	143
Payments of accrued legal settlements	(129)	(34)
Share-based compensation	62	54
Foreign exchange loss	7	11
Gain excluded from hedge effectiveness	(11)	(11)
Loss on extinguishment of debt	50	51
Payments of contingent consideration adjustments, including accretion	(8)	(1)
Other	(24)	(9)
Changes in operating assets and liabilities:		
Trade receivables	(48)	423
Inventories	(47)	(188)
Prepaid expenses and other current assets	21	(16)
Accounts payable, accrued and other liabilities	245	(356)
Net cash provided by operating activities	<u>838</u>	<u>461</u>
Cash Flows From Investing Activities		
Purchases of property, plant and equipment	(128)	(141)
Payments for intangible and other assets	(4)	(2)
Purchases of marketable securities	(11)	(2)
Proceeds from sale of marketable securities	8	6
Proceeds from sale of assets and businesses, net of costs to sell	25	21
Interest settlements from cross-currency swaps	11	11
Net cash used in investing activities	<u>(99)</u>	<u>(107)</u>
Cash Flows From Financing Activities		
Issuance of long-term debt, net of discounts	1,579	1,477
Repayments of long-term debt	(2,100)	(3,062)
Proceeds from the issuances of short-term debt	—	1
Payments of employee withholding taxes related to share-based awards	(45)	(29)
Payments of acquisition-related contingent consideration	(41)	(23)
Payments of financing costs	(38)	(39)
Other	14	1
Net cash used in financing activities	<u>(631)</u>	<u>(1,674)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(6)</u>	<u>(17)</u>
Net increase (decrease) in cash, cash equivalents, restricted cash and cash and cash equivalents held for sale	102	(1,337)
Cash, cash equivalents and restricted cash, beginning of period	1,816	3,244
Cash, cash equivalents, restricted cash and cash and cash equivalents held for sale, end of period	<u>\$ 1,918</u>	<u>\$ 1,907</u>
Cash and cash equivalents	<u>\$ 642</u>	<u>\$ 896</u>
Restricted cash, current	1,214	1,011
Cash and cash equivalents, held for sale	62	—
Cash, cash equivalents, restricted cash and cash and cash equivalents held for sale, end of period	<u>\$ 1,918</u>	<u>\$ 1,907</u>

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

BAUSCH HEALTH COMPANIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying unaudited Consolidated Financial Statements have been prepared by the Company in U.S. dollars and in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting, which do not conform in all respects to the requirements of U.S. GAAP for annual financial statements. Accordingly, these notes to the unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements prepared in accordance with U.S. GAAP that are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the U.S. Securities and Exchange Commission (the "SEC") and the Canadian Securities Administrators on February 24, 2021. The unaudited Consolidated Financial Statements have been prepared using accounting policies that are consistent with the policies used in preparing the Company's audited Consolidated Financial Statements for the year ended December 31, 2020, except for the new accounting guidance adopted during the period. The unaudited Consolidated Financial Statements reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position and results of operations for the interim periods. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

Proposed Separation of Bausch + Lomb Eye Health Business and Proposed Initial Public Offering of Solta Medical Business

On August 6, 2020, the Company announced that it intends to separate its eye health business into an independent publicly traded entity from the remainder of Bausch Health Companies Inc. (the "B+L Separation"). On August 3, 2021, the Company announced its intention to conduct an initial public offering ("IPO") of its medial aesthetics business, Global Solta ("Solta Medical") (the "Solta IPO"). The B+L Separation and the Solta IPO will establish three separate companies that include: (i) a fully integrated eye health company which will consist of the Company's Bausch + Lomb Global Vision Care, Global Surgical, Global Consumer and Global Ophthalmology Rx businesses, (ii) a global provider of medical aesthetics which will consist of the Company's Solta business and (iii) a diversified pharmaceutical company which will include the Company's Salix, International Rx, dentistry, neurology, medical dermatology and generics pharmaceutical businesses. The anticipated B+L Separation and Solta IPO are subject to regulatory approvals and certain conditions, including final approval by the Company's Board of Directors and any shareholder vote requirements that may be applicable. These unaudited Consolidated Financial Statements do not include any adjustments to give effect to either the B+L Separation or the Solta IPO.

As of the date of the issuance of these financial statements, the Company continues to make progress toward internal objectives necessary for the B+L Separation and has been actively addressing the internal organizational design and structure of the new Bausch + Lomb entity which it anticipates having completed by the end of its third quarter of 2021. The Company has begun addressing the internal organizational design and structure of the new Solta Medical entity which it anticipates having completed in late 2021 or early 2022. Management is also exploring various capitalization structures and the form of each transaction in order to achieve the appropriate capitalization and leverage for each of the three entities if and when the proposed transactions are complete.

Impacts of COVID-19 Pandemic

The unprecedented nature of the COVID-19 pandemic has adversely impacted the global economy. The COVID-19 pandemic and the reactions of governments, private sector participants and the public in an effort to contain the spread of the COVID-19 virus and/or address its impacts have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base and transactional activity, facilities closures and production suspensions.

The extent to which these events may continue to impact the Company's business, financial condition, cash flows and results of operations, in particular, will depend on future developments which are highly uncertain and many of which are outside the Company's control. Such developments include the availability and effectiveness of vaccines for the COVID-19 virus, COVID-19 vaccine immunization rates, the ultimate geographic spread and duration of the pandemic, the extent and duration

of a resurgence of the COVID-19 virus and variant strains such as the delta variant, new information concerning the severity of the COVID-19 virus, the effectiveness and intensity of measures to contain the COVID-19 virus and the economic impact of the pandemic and the reactions to it. Such developments, among others, depending on their nature, duration and intensity, could have a significant adverse effect on the Company's business, financial condition, cash flows and results of operations.

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

Use of Estimates

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

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

Principles of Consolidation

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

Reclassifications

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

Changes in Reportable Segments

Commencing in the first quarter of 2021, the Company operates in the following reportable segments: (i) Bausch + Lomb, (ii) Salix, (iii) International Rx, (iv) Ortho Dermatologics and (v) Diversified Products. Prior to the first quarter of 2021, the Company operated in the following reportable segments: (i) Bausch + Lomb/International, (ii) Salix, (iii) Ortho Dermatologics and (iv) Diversified Products. Prior period presentations have been recast to conform to the current segment reporting structure. See Note 19, "SEGMENT INFORMATION" for additional information.

Adoption of New Accounting Guidance

In December 2019, the Financial Accounting Standards Board ("FASB") issued guidance that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance was effective for the Company beginning January 1, 2021. The application of this guidance did not have a material effect on the Company's financial position, results of operations and cash flows.

3. REVENUE RECOGNITION

The Company's revenues are primarily generated from product sales, principally in the therapeutic areas of eye health, GI and dermatology, that consist of: (i) branded pharmaceuticals, (ii) generic and branded generic pharmaceuticals, (iii) OTC products and (iv) medical devices (contact lenses, intraocular lenses, ophthalmic surgical equipment and aesthetics devices). Other revenues include alliance and service revenue from the licensing and co-promotion of products and contract service revenue primarily in the areas of dermatology and topical medication. Contract service revenue is derived primarily from contract manufacturing for third parties and is not material. See Note 19, "SEGMENT INFORMATION" for the disaggregation of revenue which depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by the economic factors of each category of customer contracts.

Product Sales Provisions

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

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

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

The following tables present the activity and ending balances of the Company's variable consideration provisions for the six months ended June 30, 2021 and 2020.

Six Months Ended June 30, 2021

<i>(in millions)</i>	Discounts and Allowances	Returns	Rebates	Chargebacks	Distribution Fees	Total
Reserve balances, January 1, 2021	\$ 190	\$ 575	\$ 779	\$ 184	\$ 85	\$ 1,813
Current period provisions	306	77	1,227	993	110	2,713
Payments and credits	(296)	(119)	(1,025)	(1,012)	(94)	(2,546)
Reserve balances, June 30, 2021	<u>\$ 200</u>	<u>\$ 533</u>	<u>\$ 981</u>	<u>\$ 165</u>	<u>\$ 101</u>	<u>\$ 1,980</u>

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately \$41 million and \$32 million as of June 30, 2021 and January 1, 2021, respectively, which are reflected as a reduction of Trade receivables, net in the Consolidated Balance Sheets. Included as a reduction of Distribution Fees in the table above are price appreciation credits of approximately \$1 million during the six months ended June 30, 2021.

Six Months Ended June 30, 2020

<i>(in millions)</i>	Discounts and Allowances	Returns	Rebates	Chargebacks	Distribution Fees	Total
Reserve balances, January 1, 2020	\$ 182	\$ 691	\$ 927	\$ 168	\$ 82	\$ 2,050
Current period provisions	293	54	1,018	917	95	2,377
Payments and credits	(316)	(124)	(1,096)	(939)	(111)	(2,586)
Reserve balances, June 30, 2020	<u>\$ 159</u>	<u>\$ 621</u>	<u>\$ 849</u>	<u>\$ 146</u>	<u>\$ 66</u>	<u>\$ 1,841</u>

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately \$32 million and \$29 million as of June 30, 2020 and January 1, 2020, respectively. Included as a reduction of Distribution Fees in the table above are price appreciation credits of approximately \$4 million during the six months ended June 30, 2020.

Contract Assets and Contract Liabilities

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

Allowance for Credit Losses

An allowance is maintained for potential credit losses. The Company estimates the current expected credit loss on its receivables based on various factors, including historical credit loss experience, customer credit worthiness, value of collaterals (if any), and any relevant current and reasonably supportable future economic factors. Additionally, the Company generally estimates the expected credit loss on a pool basis when customers are deemed to have similar risk characteristics. Trade receivable balances are written off against the allowance when it is deemed probable that the trade receivable will not be collected. Trade receivables, net are stated net of certain sales provisions and the allowance for credit losses. The activity in the allowance for credit losses for trade receivables for the six months ended June 30, 2021 and 2020 is as follows.

<i>(in millions)</i>	2021	2020
Balance, beginning of period	\$ 39	\$ 48
Retrospective effect of application of new accounting standard	—	1
Provision	—	6
Write-offs	(1)	(2)
Recoveries	1	1
Foreign exchange and other	—	(2)
Balance, end of period	<u>\$ 39</u>	<u>\$ 52</u>

4. ACQUISITION, LICENSING AGREEMENTS AND ASSETS HELD FOR SALE

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

On September 21, 2020, the Company announced that it had entered into an agreement to acquire an option to purchase all of the ophthalmology assets of Allegro (the "Option"), a privately held biopharmaceutical company focused on the development of therapies that regulate integrin functions for the treatment of ocular diseases. Among the assets to be acquired if the Option was exercised, were 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. During the three months ended September 30, 2020, the Company made and expensed as acquired in-process research and development ("IPR&D") included in Other expense, net, an initial upfront payment of \$10 million to acquire the Option. However, on June 23, 2021, Allegro notified the Company that it did not raise the additional funding required under the option agreement. Pursuant to the terms of the option agreement, the Option thereby terminated, and the Company exercised its right to convert the \$10 million upfront payment into a minor equity interest in Allegro. The Company expects that it will make no additional payments pursuant to this option agreement.

Licensing Agreements

In the normal course of business, the Company may enter into select licensing and collaborative agreements for the commercialization and/or development of unique products. These products are sometimes investigational treatments in early stage development that target unique conditions. The ultimate outcome, including whether the product will be: (i) fully developed, (ii) approved by regulatory agencies, (iii) covered by third-party payors or (iv) profitable for distribution, is highly uncertain. The commitment periods under these agreements vary and include customary termination provisions. Expenses arising from commitments, if any, to fund the development and testing of these products and their promotion are recognized as incurred. Royalties due are recognized when earned and milestone payments are accrued when each milestone has been achieved and payment is probable and can be reasonably estimated.

Assets Held for Sale

On March 31, 2021, the Company announced that it and certain of its affiliates had entered into a definitive agreement to sell all of its equity interests in Amoun Pharmaceutical Company S.A.E. ("Amoun") for total gross consideration of approximately \$740 million (including the assignment to the purchasing entity of an intercompany loan granted by the Company to Amoun), subject to certain adjustments (the "Amoun Sale"). The Amoun Sale closed on July 26, 2021. As part of the Amoun Sale, cash generated by Amoun during the period from the locked-box date of January 1, 2021 through closing was for the benefit of the purchasing entity, subject to working capital during such period. Amoun manufactures, markets and distributes branded generics of human and animal health products. The Amoun business was part of the International Rx

segment (formerly included within the Bausch + Lomb/International segment) and was reclassified as held for sale as of December 31, 2020. As a result of meeting the criteria for held for sale classification, the carrying value of the Amoun business, was adjusted to its estimated fair value, less costs to sell, and the Company recognized an impairment loss of \$96 million during the three months ended December 31, 2020. During the three and six months ended June 30, 2021, the Company recognized additional impairment losses of \$20 million and \$88 million, respectively. The total loss of \$184 million was primarily due to the anticipated release of non-cash cumulative foreign currency translation losses of \$340 million, which were included as part of the carrying value of the Amoun business when measuring for impairment. These losses were reclassified from Accumulated other comprehensive loss to Net loss upon completion of the sale.

Included in the Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020 are the following carrying amounts of the Amoun business' assets and liabilities held for sale.

<i>(in millions)</i>	June 30, 2021	December 31, 2020
Prepaid expenses and other current assets:		
Cash and cash equivalents	\$ 62	\$ —
Trade receivables, net	95	91
Inventories, net	72	63
Prepaid expenses and other current assets	11	8
	<u>\$ 240</u>	<u>\$ 162</u>
Other non-current assets:		
Property, plant and equipment, net	\$ 71	\$ 68
Goodwill and Intangible assets, net	166	245
Deferred tax assets, net	2	2
	<u>\$ 239</u>	<u>\$ 315</u>
Accrued and other current liabilities:		
Accounts payable	\$ 10	\$ 7
Accrued and other current liabilities	24	28
	<u>\$ 34</u>	<u>\$ 35</u>
Other non-current liabilities:		
Deferred tax liabilities, net	\$ 36	\$ 36
Other non-current liabilities	23	21
	<u>\$ 59</u>	<u>\$ 57</u>

5. RESTRUCTURING, INTEGRATION AND SEPARATION COSTS

Restructuring and Integration Costs

The Company evaluates opportunities to improve its operating results and implements cost savings programs to streamline its operations and eliminate redundant processes and expenses. Restructuring and integration costs are expenses associated with the implementation of these cost savings programs and include expenses associated with: (i) reducing headcount, (ii) eliminating real estate costs associated with unused or under-utilized facilities and (iii) implementing contribution margin improvement and other cost reduction initiatives. The liability associated with restructuring and integration costs as of June 30, 2021 was \$17 million.

During the six months ended June 30, 2021, the Company incurred \$6 million of restructuring and integration costs. These costs included: (i) \$5 million of facility closure costs and (ii) \$1 million of severance costs. The Company made payments of \$9 million for the six months ended June 30, 2021.

During the six months ended June 30, 2020, the Company incurred \$11 million of restructuring and integration costs. These costs included: (i) \$6 million of facility closure costs and (ii) \$5 million of severance costs. The Company made payments of \$9 million for the six months ended June 30, 2020.

Separation Costs and Separation-related Costs

The Company has incurred, and will incur, costs associated with activities to effectuate the B+L Separation. These activities include: (i) separating the Bausch + Lomb business from the remainder of the Company and (ii) registering the Bausch + Lomb business as an independent publicly traded entity. Separation costs are incremental costs directly related to the B+L Separation and include, but are not limited to: (i) legal, audit and advisory fees, (ii) talent acquisition costs and (iii) costs associated with establishing a new board of directors and related board committees for the new entity. Included in Restructuring, integration and separation costs for the six months ended June 30, 2021 and 2020 are Separation costs of \$15 million and \$0, respectively.

The Company has also incurred, and will incur, Separation-related costs which are incremental costs indirectly related to the B+L Separation. Separation-related costs include, but are not limited to: (i) IT infrastructure and software licensing costs, (ii) rebranding costs and (iii) costs associated with facility relocation and/or modification. Included in Selling, general and administrative expenses for the six months ended June 30, 2021 and 2020 are Separation-related costs of \$55 million and \$0, respectively.

The Company continues to make progress toward internal objectives necessary for the B+L Separation and the extent and timing of future charges for these costs cannot be reasonably estimated at this time and could be material.

6. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

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

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using discounted cash flow methodologies, pricing models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

<i>(in millions)</i>	June 30, 2021				December 31, 2020			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Assets:								
Cash equivalents	\$ 160	\$ 127	\$ 33	\$ —	\$ 41	\$ 8	\$ 33	\$ —
Restricted cash	\$ 1,214	\$ 1,214	\$ —	\$ —	\$ 1,211	\$ 1,211	\$ —	\$ —
Foreign currency exchange contracts	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ 3	\$ —
Liabilities:								
Acquisition-related contingent consideration	\$ 280	\$ —	\$ —	\$ 280	\$ 328	\$ —	\$ —	\$ 328
Cross-currency swaps	\$ 41	\$ —	\$ 41	\$ —	\$ 70	\$ —	\$ 70	\$ —
Foreign currency exchange contracts	\$ 4	\$ —	\$ 4	\$ —	\$ 11	\$ —	\$ 11	\$ —

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

As of June 30, 2021, Restricted cash includes \$1,210 million of payments into an escrow fund under the terms of a settlement agreement regarding certain U.S. securities litigation (which settlement agreement is subject to two objectors' appeals of the final court approval of the agreement), and is reflected in the Consolidated Balance Sheets at carrying value, which

approximates fair value due to its short-term nature. These payments will remain in escrow until resolution of the appeals of the final court approval of the settlement agreement, as discussed in Note 18, "LEGAL PROCEEDINGS".

There were no transfers into or out of Level 3 during the six months ended June 30, 2021.

Cross-currency Swaps

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

The Company's cross-currency swaps qualify for and have been designated as an accounting hedge of the foreign currency exposure of a net investment in a foreign operation and are remeasured at each reporting date to reflect changes in their fair values. The fair value is determined via a mark-to-market analysis, using observable (Level 2) inputs. These inputs may include: (i) the foreign currency exchange spot rate between the euro and U.S. dollar, (ii) the interest rate yield curves in the euro and U.S. dollar and (iii) the credit risk rating for each applicable counterparty. The net change in fair value of cross-currency swaps is reported as a gain or loss in the Consolidated Statements of Comprehensive Loss as part of Foreign currency translation adjustment to the extent they are effective and remain in Accumulative other comprehensive loss until either the sale or complete, or substantially complete, liquidation of the subsidiary. No portion of the cross-currency swaps were ineffective for the six months ended June 30, 2021 and 2020. The Company uses the spot method of assessing hedge effectiveness. The Company has elected to amortize amounts excluded from the assessment of effectiveness over the term of its cross-currency swaps as Interest expense in the Consolidated Statements of Operations.

The fair value of the Company's cross-currency swaps liability as of June 30, 2021 and December 31, 2020 was \$41 million and \$70 million, respectively. Included in Other non-current liabilities is \$50 million and \$79 million of cross-currency swaps and included in Prepaid expenses and other current assets is \$9 million and \$9 million of earned interest as of June 30, 2021 and December 31, 2020, respectively.

The following table presents the effect of hedging instruments on the Consolidated Statements of Comprehensive Loss and the Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(Loss) Gain recognized in Other comprehensive loss	\$ (12)	\$ (18)	\$ 29	\$ 55
Gain excluded from assessment of hedge effectiveness	\$ 5	\$ 5	\$ 11	\$ 11
Location of gain of excluded component	Interest Expense		Interest Expense	

Interest settlement of the Company's cross-currency swaps occurs in February and August each year. During the six months ended June 30, 2021 and 2020, the Company received \$11 million and \$11 million, respectively, in interest settlements which are reported as investing activities in the Consolidated Statements of Cash Flows.

Foreign Currency Exchange Contracts

In 2020 and 2021, the Company entered into foreign currency exchange contracts. As of June 30, 2021, these contracts had an aggregate outstanding notional amount of \$253 million.

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

The fair value of the Company's foreign currency exchange contracts liability as of June 30, 2021 and December 31, 2020 was \$4 million and \$8 million, respectively. Included in Accrued and other current liabilities are \$4 million and \$11 million and included in Prepaid expenses and other current assets are \$0 and \$3 million of foreign currency exchange contracts as of June 30, 2021 and December 31, 2020, respectively. The net change in fair value was a gain of \$7 million and \$4 million during the three months ended June 30, 2021 and 2020, respectively, and a gain of \$5 million and a loss \$1 million, during the six months ended June 30, 2021 and 2020, respectively. Settlements of the Company's foreign currency exchange contracts are reported as a gain or loss in the Consolidated Statements of Operations as part of Foreign exchange and other and reported as operating activities in the Consolidated Statements of Cash Flows. During the six months ended June 30,

2021 and 2020, the Company reported a realized loss of \$9 million and \$4 million, respectively, related to settlements of the Company's foreign currency exchange contracts.

Acquisition-related Contingent Consideration Obligations

The fair value measurement of contingent consideration obligations arising from business combinations is determined via a probability-weighted discounted cash flow analysis, using unobservable (Level 3) inputs. These inputs may include: (i) the estimated amount and timing of projected cash flows, (ii) the probability of the achievement of the factor(s) on which the contingency is based and (iii) the risk-adjusted discount rate used to present value the probability-weighted cash flows. Significant increases or decreases in any of those inputs in isolation could result in a significantly higher or lower fair value measurement. At June 30, 2021, the fair value measurements of acquisition-related contingent consideration were determined using risk-adjusted discount rates ranging from 6% to 18%, and a weighted average risk-adjusted discount rate of 7%. The weighted average risk-adjusted discount rate was calculated by weighting each contract's relative fair value at June 30, 2021.

The following table presents a reconciliation of contingent consideration obligations measured on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2021 and 2020:

<i>(in millions)</i>	Six Months Ended June 30,	
	2021	2020
Balance, beginning of period	\$ 328	\$ 316
Adjustments to Acquisition-related contingent consideration:		
Accretion for the time value of money	\$ 9	\$ 11
Fair value adjustments due to changes in estimates of other future payments	(9)	13
Acquisition-related contingent consideration	—	24
Payments	(49)	(24)
Foreign currency translation adjustment included in other comprehensive loss	1	—
Balance, end of period	280	316
Current portion included in Accrued and other current liabilities	74	37
Non-current portion	<u>\$ 206</u>	<u>\$ 279</u>

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

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

<i>(in millions)</i>	June 30, 2021				December 31, 2020			
	Carrying Value	Level 1	Level 2	Level 3	Carrying Value	Level 1	Level 2	Level 3
Other non-current assets:								
Non-current assets held for sale	\$ 166	\$ —	\$ —	\$ 166	\$ 245	\$ —	\$ —	\$ 245

Non-current assets held for sale of \$166 million and \$245 million included in the Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020, respectively, were remeasured to their estimated fair values less costs to sell, which utilized Level 3 unobservable inputs. See Note 4, "ACQUISITION, LICENSING AGREEMENTS AND ASSETS HELD FOR SALE", for additional details regarding these assets held for sale.

Fair Value of Long-term Debt

The fair value of long-term debt as of June 30, 2021 and December 31, 2020 was \$23,935 million and \$25,378 million, respectively, and was estimated using the quoted market prices for the same or similar debt issuances (Level 2).

7. INVENTORIES

Inventories, net consist of:

<i>(in millions)</i>	June 30, 2021	December 31, 2020
Raw materials	\$ 293	\$ 286
Work in process	123	143
Finished goods	670	665
	<u>\$ 1,086</u>	<u>\$ 1,094</u>

8. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The major components of intangible assets consist of:

<i>(in millions)</i>	June 30, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairments	Net Carrying Amount
Finite-lived intangible assets:						
Product brands	\$ 20,876	\$ (15,622)	\$ 5,254	\$ 20,890	\$ (14,914)	\$ 5,976
Corporate brands	907	(440)	467	907	(404)	503
Product rights/patents	3,312	(3,122)	190	3,305	(3,055)	250
Partner relationships	166	(166)	—	169	(168)	1
Technology and other	210	(202)	8	210	(200)	10
Total finite-lived intangible assets	<u>25,471</u>	<u>(19,552)</u>	<u>5,919</u>	<u>25,481</u>	<u>(18,741)</u>	<u>6,740</u>
Acquired IPR&D not in service	7	—	7	7	—	7
Bausch + Lomb Trademark	1,698	—	1,698	1,698	—	1,698
	<u>\$ 27,176</u>	<u>\$ (19,552)</u>	<u>\$ 7,624</u>	<u>\$ 27,186</u>	<u>\$ (18,741)</u>	<u>\$ 8,445</u>

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

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

Asset impairments, including loss on assets held for sale for the six months ended June 30, 2020 were \$15 million and include impairments of: (i) \$14 million due to decreases in forecasted sales of a certain product line 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.

Estimated amortization expense of finite-lived intangible assets for the remainder of 2021 and each of the five succeeding years ending December 31 and thereafter is as follows:

<i>(in millions)</i>	Remainder of 2021	2022	2023	2024	2025	2026	Thereafter	Total
Amortization	\$ 660	\$ 1,176	\$ 1,019	\$ 896	\$ 812	\$ 679	\$ 677	\$ 5,919

Goodwill

The changes in the carrying amounts of goodwill during the six months ended June 30, 2021 and the year ended December 31, 2020 were as follows:

<i>(in millions)</i>	Bausch + Lomb/ International	Bausch + Lomb	Salix	International Rx	Ortho Dermatologics	Diversified Products	Total
Balance, January 1, 2020	\$ 5,786	\$ —	\$ 3,159	\$ —	\$ 1,267	\$ 2,914	\$ 13,126
Assets held for sale reclassified to goodwill	18	—	—	—	—	—	18
Goodwill reclassified to assets held for sale (Note 4)	(217)	—	—	—	—	—	(217)
Foreign exchange and other	117	—	—	—	—	—	117
Balance, December 31, 2020	<u>5,704</u>	<u>—</u>	<u>3,159</u>	<u>—</u>	<u>1,267</u>	<u>2,914</u>	<u>13,044</u>
Realignment of segment goodwill	(5,704)	5,395	—	887	—	(578)	—
Impairment	—	—	—	—	(469)	—	(469)
Foreign exchange and other	—	(28)	—	(25)	—	5	(48)
Balance, June 30, 2021	<u>\$ —</u>	<u>\$ 5,367</u>	<u>\$ 3,159</u>	<u>\$ 862</u>	<u>\$ 798</u>	<u>\$ 2,341</u>	<u>\$ 12,527</u>

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

The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants. The Company estimates the fair value of a reporting unit using a discounted cash flow model which utilizes Level 3 unobservable inputs. The discounted cash flow model relies on assumptions regarding revenue growth rates, gross profit, projected working capital needs, selling, general and administrative expenses, research and development expenses, capital expenditures, income tax rates, discount rates and terminal growth rates. To estimate fair value, the Company discounts the forecasted cash flows of each reporting unit. The discount rate the Company uses represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in its reporting unit operations and the rate of return a market participant would expect to earn. The quantitative fair value test is performed utilizing long-term growth rates and discount rates applied to the estimated cash flows in estimation of fair value. To estimate cash flows beyond the final year of its model, the Company estimates a terminal value by applying an in-perpetuity growth assumption and discount factor to determine the reporting unit's terminal value.

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

Goodwill Impairment Assessments

In response to the COVID-19 pandemic, the Company has taken actions to protect its employees, customers and other stakeholders and mitigate the negative impact of the COVID-19 pandemic on its operations and operating results. These and additional actions can increase the costs of doing business during the pandemic and, in the periods that follow, may include the costs of idling and reopening certain facilities in affected areas. Further, social restrictions and other precautionary measures taken by customers, health care patients and consumers in response to the pandemic are expected to impact the timing and amount of revenues during the COVID-19 pandemic.

The negative impacts of the COVID-19 pandemic on the global economy have led to significant volatility in the global equity markets. The Company has been able to continue its operations with limited disruptions and has assessed the potential impact that the COVID-19 pandemic is likely to have on its forecasted cash flows. In performing its assessment, the Company considered the possible effects and outcomes of the COVID-19 pandemic on, among other things, its supply chain, customers and distributors, employee base, product sustainability, research and development activities, product pipeline and consumer demand and related rebates and discounts and has made adjustments, although not considered to be material to its long-term

forecasts used in its previous goodwill impairment assessments, for these and other matters. After completing this assessment, although not completely insulated from the negative effects of the COVID-19 pandemic, the Company believes that its long-term forecasted cash flows, as adjusted for the possible outcome of the COVID-19 pandemic and other matters, do not indicate that the fair value of any reporting unit may be below its carrying value.

During the pandemic, the public has been advised to engage in certain "social restrictions" such as: (i) remaining at home or shelter-in-place, (ii) limiting social interaction, (iii) closing non-essential businesses and (iv) postponing certain surgical and elective medical procedures in order to prioritize/conservate available health care resources. During the three months ended March 31, 2020, these factors negatively impacted, most notably, the revenues of the Company's Vision Care and 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 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 2020 revenues were most negatively impacted during its second quarter by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic. However, as governments began lifting social restrictions, allowing offices of certain health care providers to reopen and certain surgeries and elective medical procedures to proceed, the negative trend in the revenues of certain businesses began to level off and stabilize prior to the third quarter of 2020. Revenues for the three months ended June 30, 2021 and 2020 were \$2,100 million and \$1,664 million, respectively. This increase of \$436 million in revenue represents a continuously improving trend over the decreases in year-over-year revenues for the three-month periods ended June 30, 2020, September 30, 2020 and December 31, 2020 of 23%, 3% and less than 1%, respectively. Presuming there continues to be increased availability of effective vaccines and any further resurgence of the COVID-19 virus, the delta variant and other variant strains thereof do not have a material adverse impact on efforts to contain 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 and anticipates that its revenues will likely return to pre-pandemic levels in 2021. However, the rates of recovery for each business will vary by geography and will be dependent upon, among other things, the availability and effectiveness of vaccines for the COVID-19 virus, COVID-19 vaccine immunization rates, the emergence of variant strains of COVID-19, government responses, rates of economic recovery, precautionary measures taken by patients and customers, the rate at which remaining social restrictions are lifted and once lifted, the presumption that social restrictions will not be materially reenacted in the event of a resurgence of the virus or variant strains thereof and other actions taken in response to the COVID-19 pandemic.

2020 Interim Goodwill Impairment Testing

During the interim periods of 2020, after giving consideration to the nature and timing of the negative impacts of the COVID-19 pandemic on the Company's forecasted cash flows, with the exception of the Ortho Dermatologics reporting unit, no events occurred, or circumstances changed that would indicate that the fair value of any other reporting unit might be below its carrying value and therefore, no impairments were recorded.

During the three months ended March 31, 2020 and June 30, 2020, the operating results for the Ortho Dermatologics reporting unit were less than forecasted primarily due to certain products experiencing longer launch cycles than originally anticipated as a result of the COVID-19 pandemic. The Company revised its long-term forecasts as of March 31, 2020 and as of June 30, 2020 for these matters. Management believed that these events were indicators that there was less headroom as of March 31, 2020 and June 30, 2020 as compared to the headroom calculated on the date Ortho Dermatologics goodwill was previously tested for impairment. Therefore, a quantitative fair value test for impairment to the goodwill of the Ortho Dermatologics reporting unit was performed at March 31, 2020 and at June 30, 2020. Based on the quantitative fair value tests, the fair value of the Ortho Dermatologics reporting unit continued to be greater than its carrying value and as a result there was no impairment to the goodwill of the reporting unit at March 31, 2020 and at June 30, 2020.

2020 Annual Goodwill Impairment Testing

The Company conducted its annual goodwill impairment test as of October 1, 2020 by first assessing qualitative factors. Based on its qualitative assessment as of October 1, 2020, management believed that, with the exception of the Ortho Dermatologics reporting unit, it was more likely than not that the carrying amounts of its reporting units were less than their respective fair values and therefore concluded a quantitative fair value test for those reporting units was not required.

As part of its qualitative assessment of the Ortho Dermatologics reporting unit as of October 1, 2020, the Company considered, among other matters, a range of potential impacts of COVID-19 pandemic related matters and the limited headroom calculated on the date Ortho Dermatologics goodwill was last tested for impairment (June 30, 2020). The

Company believed that these factors may suggest that it is more likely than not that the fair value of the Ortho Dermatologics reporting unit is less than its carrying amount, and therefore a quantitative fair value test was performed for the reporting unit.

The Company performed a quantitative fair value test for the Ortho Dermatologics reporting unit as of October 1, 2020, utilizing a long-term growth rate of 2.0% and a range of discount rates between 9.50% and 9.75%, in estimation of the fair value of this reporting unit. Based on the quantitative fair value test, the fair value of the Ortho Dermatologics reporting unit was approximately 10% greater than its carrying value and as a result there was no impairment to the goodwill of the reporting unit.

First Quarter 2021 - Realignment of Segments

Commencing in the first quarter of 2021, the Company began operating in the following reportable segments: (i) Bausch + Lomb, (ii) Salix, (iii) International Rx, (iv) Ortho Dermatologics and (v) Diversified Products. The Bausch + Lomb segment consists of the: (i) U.S. Bausch + Lomb and (ii) International Bausch + Lomb reporting units. The Salix segment consists of the Salix reporting unit. The International Rx segment consists of the International Rx reporting unit. The Ortho Dermatologics segment consists of the: (i) Ortho Dermatologics and (ii) Global Solta reporting units. The Diversified Products segment consists of the: (i) Neurology and Other, (ii) Generics and (iii) Dentistry reporting units. This realignment in segment structure resulted in a change in the Company's former International reporting unit, which is now divided between the International Bausch + Lomb reporting unit and International Rx reporting unit. In addition, as part of this realignment of segment structure, certain products historically included in the Generics reporting unit are now included in the U.S. Bausch + Lomb reporting unit. See Note 19, "SEGMENT INFORMATION" for additional information.

As a result of this realignment, goodwill was reassigned to each of the aforementioned reporting units using a relative fair value approach. Goodwill previously reported in the former International reporting unit was reassigned to the International Bausch + Lomb and International Rx reporting units, and a portion of goodwill previously reported in the former Generics reporting unit was reassigned to the U.S. Bausch + Lomb reporting unit.

Immediately prior to the change in reporting units, the Company performed a qualitative fair value assessment for its former: (i) International and (ii) Generics reporting units. Based on the qualitative fair value assessment performed, Management believed that it was more likely than not that the carrying values of its former: (i) International and (ii) Generics reporting units were less than their respective fair values and therefore, concluded a quantitative assessment was not required.

Immediately following the change in reporting units, as a result of the change in composition of the net assets for its current: (i) International Bausch + Lomb, (ii) International Rx and (iii) Generics reporting units, the Company performed a quantitative fair value test. The quantitative fair value test utilized a range of long-term growth rates of 1.0% to 3.0% and a range of discount rates between 11.0% and 12.25%, in estimation of the fair value of the reporting units. After completing the testing, the fair value of each of these reporting units exceeded its carrying value by more than 40%, and, therefore, there was no impairment to goodwill. In addition, as the U.S. Bausch + Lomb reporting unit had a change in composition of its net assets related to certain products historically included in the Generics reporting unit now being included in the U.S. Bausch + Lomb reporting unit, the Company performed a qualitative assessment of this reporting unit. Based on the qualitative fair value assessment performed, Management believed that it was more likely than not that the carrying value of its current U.S. Bausch + Lomb reporting unit was less than its fair value and therefore, concluded a quantitative assessment was not required.

March 31, 2021 Impairment to Goodwill

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

Second Quarter 2021 - Realignment of Bausch + Lomb Reporting Units

Commencing in the second quarter of 2021, the Company changed the way it reviews the financial information of its Bausch + Lomb segment. Beginning in the second quarter of 2021, management no longer reviews the financial information of its Bausch + Lomb segment on a geographic basis, but instead reviews this financial information on a business line basis. This change created a change in the reporting units of the Bausch + Lomb segment. After the change, under its business line view, the Bausch + Lomb segment consists of the global: (i) Vision Care / Consumer Products, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical reporting units. Prior to the second quarter of 2021, under the geographic view, the Bausch + Lomb segment consisted of the former: (i) U.S. Bausch + Lomb and (ii) International Bausch + Lomb reporting units. As a result of this realignment, goodwill was reassigned to each of the aforementioned reporting units using a relative fair value approach. The change in Bausch + Lomb reporting units does not impact the reported revenues and segment profits of the Bausch + Lomb segment for any prior periods.

Immediately prior to the change in its Bausch + Lomb reporting units, the Company performed a qualitative fair value assessment for its former reporting units. Based on the qualitative fair value assessment, management believed that it was more likely than not that the carrying values of its former: (i) U.S. Bausch + Lomb and (ii) International Bausch + Lomb reporting units were less than their respective fair values and, therefore, concluded a quantitative assessment was not required.

As a result of the change in composition of net assets, the Company performed a quantitative fair value test of its new: (i) Vision Care / Consumer Products, (ii) Ophthalmic Pharmaceuticals and (iii) Surgical reporting units immediately following the change in the Bausch + Lomb segment. The quantitative fair value test utilized long-term growth rates of 2.0% and 3.0% and a range of discount rates between 7.0% and 10.0%, in estimation of the fair value of the reporting units. After completing the testing, the fair value of each of these reporting units exceeded its carrying value by more than 45%, and, therefore, there was no impairment to goodwill.

June 30, 2021 Interim Assessment of Goodwill

The Company continues to monitor the market conditions impacting the Ortho Dermatologics reporting unit. The Company's latest forecasts for the Ortho Dermatologics reporting unit include a range of potential outcomes for, among other matters: (i) the impacts of the COVID-19 pandemic on operations, (ii) the impact of the loss of exclusivity of certain products, (iii) the impact of longer launch cycles for certain new products, (iv) progress of its product pipeline and (v) ongoing pricing pressures, which could negatively impact the reporting unit's results over the long term. The changes in the amounts and timing of revenues and expenses in the latest forecast as compared to the forecast used at March 31, 2021 (the last time goodwill of the Ortho Dermatologics reporting unit was tested), were not substantial enough to materially adversely affect the recoverability of the Ortho Dermatologics reporting unit's assets and are not material enough to indicate that the fair value of the Ortho Dermatologics reporting unit might be below its carrying value as last tested at March 31, 2021.

No other events occurred or circumstances changed during the period October 1, 2020 (the last time goodwill was tested for all other reporting units) through June 30, 2021 that would indicate that the fair value of any reporting unit, other than the Ortho Dermatologics reporting unit, might be below its carrying value. If market conditions deteriorate, if the factors and circumstances regarding the COVID-19 pandemic escalate beyond management's current expectations, or if the Company is unable to execute its strategies, it may be necessary to record impairment charges in the future and those charges can be material.

Accumulated goodwill impairment charges through June 30, 2021 were \$4,180 million.

9. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consist of:

<i>(in millions)</i>	June 30, 2021	December 31, 2020
Legal matters and related fees	\$ 2,076	\$ 1,672
Product rebates	940	747
Product returns	533	575
Interest	353	341
Employee compensation and benefit costs	292	316
Income taxes payable	110	158
Other	771	767
	<u>\$ 5,075</u>	<u>\$ 4,576</u>

10. FINANCING ARRANGEMENTS

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

<i>(in millions)</i>	Maturity	June 30, 2021		December 31, 2020	
		Principal Amount	Net of Premiums, Discounts and Issuance Costs	Principal Amount	Net of Premiums, Discounts and Issuance Costs
Senior Secured Credit Facilities:					
2023 Revolving Credit Facility	June 2023	\$ —	\$ —	\$ —	\$ —
June 2025 Term Loan B Facility	June 2025	3,298	3,229	3,298	3,220
November 2025 Term Loan B Facility	November 2025	1,125	1,113	1,125	1,112
Senior Secured Notes:					
7.00% Secured Notes	March 2024	—	—	2,000	1,987
5.50% Secured Notes	November 2025	1,750	1,737	1,750	1,736
5.75% Secured Notes	August 2027	500	494	500	494
4.875% Secured Notes	June 2028	1,600	1,579	—	—
Senior Unsecured Notes:					
6.125%	April 2025	3,150	3,136	3,250	3,234
9.00%	December 2025	1,500	1,480	1,500	1,478
9.25%	April 2026	1,500	1,488	1,500	1,487
8.50%	January 2027	1,750	1,754	1,750	1,755
7.00%	January 2028	750	742	750	742
5.00%	January 2028	1,250	1,237	1,250	1,236
6.25%	February 2029	1,500	1,482	1,500	1,480
5.00%	February 2029	1,000	989	1,000	988
7.25%	May 2029	750	742	750	741
5.25%	January 2030	1,250	1,236	1,250	1,235
5.25%	February 2031	1,000	989	1,000	988
Other	Various	12	12	12	12
Total long-term debt and other		<u>\$ 23,685</u>	<u>23,439</u>	<u>\$ 24,185</u>	<u>23,925</u>
Less: Current portion of long-term debt and other			—		—
Non-current portion of long-term debt			<u>\$ 23,439</u>		<u>\$ 23,925</u>

Covenant Compliance

The Senior Secured Credit Facilities (as defined below) and the indentures governing the Senior Secured Notes and Senior Unsecured Notes contain customary affirmative and negative covenants and specified events of default. These affirmative

and negative covenants include, among other things, and subject to certain qualifications and exceptions, covenants that restrict the Company's ability and the ability of its subsidiaries to: incur or guarantee additional indebtedness; create or permit liens on assets; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; make certain investments and other restricted payments; engage in mergers, acquisitions, consolidations and amalgamations; transfer and sell certain assets; and engage in transactions with affiliates. As of June 30, 2021, the amount available for restricted payments under the "builder basket" in the Company's most restrictive indentures (as defined by those indentures) was approximately \$13,300 million (although such availability is subject to the Company's compliance with a 2.00:1.00 fixed charge coverage ratio). The 2023 Revolving Credit Facility (as defined below) also contains a financial maintenance covenant that requires the Company to maintain a first lien net leverage ratio of not greater than 4.00:1.00. The financial maintenance covenant may be waived or amended without the consent of the term loan facility lenders and contains a customary term loan facility standstill.

As of June 30, 2021, the Company was in compliance with its financial maintenance covenant related to its debt obligations. The Company, based on its current forecast for the next twelve months from the date of issuance of these financial statements, expects to remain in compliance with its financial maintenance covenant and meet its debt service obligations over that same period.

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

Senior Secured Credit Facilities

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

Current Description of Senior Secured Credit Facilities

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

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

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

Subject to certain exceptions and customary baskets set forth in the Restated Credit Agreement, the Company is required to make mandatory prepayments of the loans under the Senior Secured Credit Facilities under certain circumstances, including from: (i) 100% of the net cash proceeds of insurance and condemnation proceeds for property or asset losses (subject to reinvestment rights and net proceeds threshold), (ii) 100% of the net cash proceeds from the incurrence of debt (other than permitted debt as described in the Restated Credit Agreement), (iii) 50% of Excess Cash Flow (as defined in the Restated

Credit Agreement) subject to decrease based on leverage ratios and subject to a threshold amount and (iv) 100% of net cash proceeds from asset sales (subject to reinvestment rights). These mandatory prepayments may be used to satisfy future amortization.

The applicable interest rate margins for the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility are 2.00% and 1.75%, respectively, with respect to base rate and prime rate borrowings and 3.00% and 2.75%, respectively, with respect to eurocurrency rate and BA rate borrowings. As of June 30, 2021, 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 3.09% and 2.84% 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 June 30, 2021, the aggregate remaining mandatory quarterly amortization payments for the Senior Secured Credit Facilities were \$405 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 June 30, 2021, the stated rate of interest on the 2023 Revolving Credit Facility was 3.09% per annum. As of June 30, 2021, the Company had no outstanding borrowings, \$53 million of issued and outstanding letters of credit and remaining availability of \$1,172 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.

4.875% Senior Secured Notes due 2028 - June 2021 Refinancing Transactions

On June 8, 2021, the Company issued \$1,600 million aggregate principal amount of 4.875% Senior Secured Notes due June 2028 (the "June 2028 Secured Notes") in a private placement. The proceeds and cash on hand were used to: (i) repurchase a portion and redeem the remainder of \$1,600 million of 7.00% Senior Secured Notes due 2024 (the "March 2024 Secured Notes"), representing the remaining outstanding principal balance of the March 2024 Secured Notes and (ii) pay all fees and expenses associated with these transactions (collectively, the "June 2021 Refinancing Transactions"). The June 2021 Refinancing Transactions were accounted for as an extinguishment of debt and the Company incurred a loss on

extinguishment of debt of \$38 million representing the difference between the amount paid to settle the extinguished debt and the extinguished debt's carrying value. Interest on the June 2028 Secured Notes is payable semi-annually in arrears on each June 1 and December 1.

The June 2028 Secured Notes are redeemable at the option of the Company, in whole or in part, at any time on or after June 1, 2024, at the redemption prices set forth in the June 2028 Secured Notes indenture. The Company may redeem some or all of the June 2028 Secured Notes prior to June 1, 2024 at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of the redemption plus a "make-whole" premium. In addition, at any time prior to June 1, 2024, the Company may redeem up to 40% of the aggregate principal amount of the June 2028 Secured Notes using the net proceeds of certain equity offerings at the redemption price set forth in the June 2028 Secured Notes indenture.

Senior Unsecured Notes

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

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

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

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

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

5.00% Senior Unsecured Notes due 2029 and 5.25% Senior Unsecured Notes due 2031 – December 2020 Refinancing Transactions

On December 3, 2020, the Company issued \$1,000 million aggregate principal amount of 5.00% Senior Unsecured Notes due February 2029 (the "5.00% February 2029 Unsecured Notes") and \$1,000 million aggregate principal amount of 5.25% Senior Unsecured Notes due February 2031 (the "February 2031 Unsecured Notes") in a private placement. The aggregate proceeds and cash on hand were used to repurchase the remaining outstanding principal amounts of: (i) €1,500 million of 4.50% Senior Unsecured Notes due 2023 (the "Euro Notes"), (ii) \$233 million of 5.50% Senior Unsecured Notes due 2023 (the "March 2023 Unsecured Notes") and (iii) pay all fees and expenses associated with these transactions (collectively, the "December 2020 Refinancing Transactions"). The December 2020 Refinancing Transactions were accounted for as an extinguishment of debt, and the Company incurred a loss on extinguishment of debt of \$7 million representing the difference between the amount paid to settle the extinguished debt and the extinguished debt's carrying value. The 5.00% February 2029 Unsecured Notes accrue interest at the rate of 5.00% per year, payable semi-annually in arrears on each of February 15 and August 15. The February 2031 Unsecured Notes accrue interest at the rate of 5.25% per year, payable semi-annually in arrears on each of February 15 and August 15.

The Company may redeem all or a portion of the 5.00% February 2029 Unsecured Notes at any time prior to February 15, 2024, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, plus a “make-whole” premium. In addition, at any time prior to February 15, 2024, the Company may redeem up to 40% of the aggregate principal amount of the outstanding 5.00% February 2029 Unsecured Notes with the net proceeds of certain equity offerings at the redemption price set forth in the 5.00% February 2029 Unsecured Notes indenture. On or after February 15, 2024, the Company may redeem all or a portion of the 5.00% February 2029 Unsecured Notes at the applicable redemption prices set forth in the 5.00% February 2029 Unsecured Notes indenture, plus accrued and unpaid interest to, but not including, the date of redemption.

The Company may redeem all or a portion of the February 2031 Unsecured Notes at any time prior to February 15, 2026, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, plus a “make-whole” premium. In addition, at any time prior to February 15, 2024, the Company may redeem up to 40% of the aggregate principal amount of the outstanding February 2031 Unsecured Notes with the net proceeds of certain equity offerings at the redemption price set forth in the February 2031 Unsecured Notes indenture. On or after February 15, 2026, the Company may redeem all or a portion of the February 2031 Unsecured Notes at the applicable redemption prices set forth in the February 2031 Unsecured Notes indenture, plus accrued and unpaid interest to, but not including, the date of redemption.

Weighted Average Stated Rate of Interest

The weighted average stated rate of interest for the Company's outstanding debt obligations as of June 30, 2021 and December 31, 2020 was 5.85% and 6.02%, respectively.

Maturities and Mandatory Payments

Maturities and mandatory payments of debt obligations for the remainder of 2021, the five succeeding years ending December 31 and thereafter are as follows:

<i>(in millions)</i>	
Remainder of 2021	\$ —
2022	—
2023	—
2024	291
2025	10,532
2026	1,500
Thereafter	11,362
Total debt obligations	23,685
Unamortized premiums, discounts and issuance costs	(246)
Total long-term debt and other	<u>\$ 23,439</u>

On July 30, 2021 and August 3, 2021, the Company made aggregate payments of \$600 million, to repay \$469 million of its June 2025 Term Loan B Facility and \$131 million of its November 2025 Term Loan B Facility, using the net proceeds from the Amoun Sale and cash on hand. On August 2, 2021, the Company redeemed \$150 million aggregate principal amount of outstanding 6.125% Senior Notes due 2025 using cash on hand, reducing the maturities due in 2025 in the table above. On August 3, 2021, the Company announced it will redeem an additional \$350 million in aggregate principal amount of its outstanding 6.125% Senior Notes due 2025 using cash on hand in September 2021.

11. PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS

The Company sponsors defined benefit plans and a participatory defined benefit postretirement medical and life insurance plan, which covers certain U.S. employees and employees in certain other countries. Net periodic (benefit) cost for the Company's defined benefit pension plans and postretirement benefit plan for the six months ended June 30, 2021 and 2020 consists of:

<i>(in millions)</i>	Pension Benefit Plans				Postretirement Benefit Plan	
	U.S. Plan		Non-U.S. Plans		2021	2020
	2021	2020	2021	2020		
Service cost	\$ —	\$ —	\$ 2	\$ 1	\$ —	\$ —
Interest cost	2	3	1	2	—	—
Expected return on plan assets	(5)	(6)	(3)	(2)	—	—
Amortization of prior service credit and other	—	—	—	—	(1)	(1)
Amortization of net loss	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —
Net periodic (benefit) cost	<u>\$ (3)</u>	<u>\$ (3)</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ (1)</u>

12. SHARE-BASED COMPENSATION

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

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

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

Approximately 11,543,000 common shares were available for future grants as of June 30, 2021. The Company uses reserved and unissued common shares to satisfy its obligations under its share-based compensation plans.

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

The following table summarizes the components and classification of share-based compensation expense related to stock options and RSUs for the three and six months ended June 30, 2021 and 2020:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options	\$ 3	\$ 4	\$ 7	\$ 8
RSUs	28	23	55	46
	<u>\$ 31</u>	<u>\$ 27</u>	<u>\$ 62</u>	<u>\$ 54</u>
Research and development expenses	\$ 2	\$ 3	\$ 5	\$ 6
Selling, general and administrative expenses	29	24	57	48
	<u>\$ 31</u>	<u>\$ 27</u>	<u>\$ 62</u>	<u>\$ 54</u>

Share-based awards granted for the six months ended June 30, 2021 and 2020 consist of:

	2021	2020
Stock options		
Granted	1,466,000	2,269,000
Weighted-average exercise price	\$ 32.52	\$ 24.74
Weighted-average grant date fair value	\$ 11.18	\$ 6.60
Time-based RSUs		
Granted	2,861,000	2,839,000
Weighted-average grant date fair value	\$ 32.26	\$ 22.58
TSR performance-based RSUs		
Granted	400,000	425,000
Weighted-average grant date fair value	\$ 56.04	\$ 26.13
ROTC performance-based RSUs		
Granted	413,000	472,000
Weighted-average grant date fair value	\$ 31.72	\$ 27.05
B+L Separation performance-based RSUs		
Granted	132,000	—
Weighted-average grant date fair value	\$ 32.56	\$ —

As of June 30, 2021, the remaining unrecognized compensation expense related to all outstanding non-vested stock options, time-based RSUs and performance-based RSUs amounted to \$169 million, which will be amortized over a weighted-average period of 1.80 years.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of:

<i>(in millions)</i>	June 30, 2021	December 31, 2020
Foreign currency translation adjustment	\$ (2,126)	\$ (2,077)
Pension and postretirement benefit plan adjustments, net of income taxes	(56)	(56)
	<u>\$ (2,182)</u>	<u>\$ (2,133)</u>

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

During the six months ended June 30, 2021, amounts reclassified from Accumulated other comprehensive loss into the Company's operating results were not material.

14. RESEARCH AND DEVELOPMENT

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

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Product related research and development	\$ 109	\$ 100	\$ 214	\$ 214
Quality assurance	6	8	13	16
	<u>\$ 115</u>	<u>\$ 108</u>	<u>\$ 227</u>	<u>\$ 230</u>

15. OTHER EXPENSE, NET

Other expense, net consists of:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Litigation and other matters	\$ 532	\$ 100	\$ 532	\$ 123
Acquisition-related contingent consideration	9	11	—	24
Net gain on sale of assets	—	—	(23)	(1)
Acquired in-process research and development costs	1	7	3	8
	<u>\$ 542</u>	<u>\$ 118</u>	<u>\$ 512</u>	<u>\$ 154</u>

For the three and six months ended June 30, 2020, Litigation and other matters includes adjustments related to the investigation of the Company by the SEC respecting the Company's former relationship with Philidor Rx Services, LLC ("Philidor"), its accounting practices and policies, its public disclosures and other matters (which investigation has now been settled) (the "SEC Investigation") and the U.S. Securities Litigation and the Canadian Securities Litigation and related opt-outs of each. Litigation and other matters also includes an insurance recovery claim related to a certain litigation matter. See Note 18, "LEGAL PROCEEDINGS" for further details regarding certain of these and other litigation matters.

For the six months ended June 30, 2021, Net gain on sale of assets includes \$25 million related to the achievement of a milestone related to a certain product.

16. INCOME TAXES

For interim financial statement purposes, U.S. GAAP income tax expense/benefit related to ordinary income is determined by applying an estimated annual effective income tax rate against a company's ordinary income. Income tax expense/benefit related to items not characterized as ordinary income is recognized as a discrete item when incurred. The estimation of the Company's income tax provision requires the use of management forecasts and other estimates, application of statutory

income tax rates, and an evaluation of valuation allowances. The Company's estimated annual effective income tax rate may be revised, if necessary, in each interim period.

Benefit from income taxes for the six months ended June 30, 2021 was \$61 million and included: (i) \$50 million of income tax benefit for the Company's ordinary loss for the six months ended June 30, 2021 and (ii) \$11 million of net income tax benefit for discrete items, which includes: (a) \$54 million of net income tax benefit associated with certain legal settlements, (b) a \$46 million tax provision related to potential and recognized withholding tax on intercompany dividends, (c) a \$7 million tax benefit related to a deduction for stock compensation and (d) a \$4 million tax provision associated with the filing of certain tax returns.

Benefit from income taxes for the six months ended June 30, 2020 was \$138 million and included: (i) \$99 million of net income tax benefit for discrete items, which includes: (a) \$64 million in net tax benefits related to the release of a valuation allowance, (b) \$12 million in tax benefits recognized for changes in uncertain tax positions, (c) a \$17 million tax benefit associated with a change in New Jersey law, (d) a \$4 million tax benefit related to a deduction for stock compensation and (e) \$2 million of net tax expense associated with filing certain tax returns and (ii) \$39 million of income tax benefit for the Company's ordinary loss for the six months ended June 30, 2020.

The Company records a valuation allowance against its deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized. When the Company establishes or reduces the valuation allowance against its deferred tax assets, the provision for income taxes will increase or decrease, respectively, in the period such determination is made except that, as a result of the 2018 adoption of guidance regarding intra-entity transfers, any change in valuation allowance surrounding the adoption of the intra-entity transfer resulting from this adoption was recorded within equity. The valuation allowance against deferred tax assets was \$2,272 million and \$2,252 million as of June 30, 2021 and December 31, 2020, respectively. The increase was primarily due to loss in Canada. The Company will continue to assess the need for a valuation allowance on a go-forward basis.

On July 1, 2021, the G20 and Organisation for Economic Co-operation and Development ("OECD") inclusive framework on Base Erosion and Profit Shifting ("BEPS") (the "Inclusive Framework") published a statement on the key components of a two-pillar plan on global tax reform, which has now been agreed to by 131 OECD members. Under pillar one, the principle that the 'largest and most profitable' businesses will need to reallocate a share of global residual profit to market countries has been confirmed for businesses with global turnover above €20 billion and a profit margin above 10%. Under pillar two, the Inclusive Framework has agreed with the G7 that a global minimum tax should be at least 15%, calculated on a country-by-country basis. Notably for the Company, the countries which have not yet agreed to the Inclusive Framework include Ireland and Hungary. The Company will continue to monitor the updates and agreements made within the Inclusive Framework and expects that the impact of this plan will be material for the Company.

As of June 30, 2021 and December 31, 2020, the Company had \$1,118 million and \$1,025 million of unrecognized tax benefits, which included \$52 million and \$49 million of interest and penalties, respectively. Of the total unrecognized tax benefits as of June 30, 2021, \$542 million would reduce the Company's effective tax rate, if recognized. The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits at June 30, 2021 could decrease by approximately \$198 million in the next 12 months as a result of the resolution of certain tax audits and other events.

The Company continues to be under examination by the Canada Revenue Agency. The Company's position as of June 30, 2021 with regard to proposed audit adjustments was updated to reflect an updated assessment received for 2014 which would primarily result in a loss of tax attributes that are subject to a full valuation allowance.

In the U.S., the 2014 tax year remains open to the extent of a 2017 capital loss carried back to that year. The IRS is continuing their examination of the Company's annual tax filings for 2015 and 2016 and the Company's short period tax return for the period ended September 8, 2017, which was filed as a result of the Company's internal restructuring efforts during 2017. At this time, the Company expects to receive a proposed adjustment disallowing a significant capital loss in 2017. The Company believes it will sustain its deduction and no income tax provision has been recorded.

The Company's U.S. affiliates remain under examination for various state tax audits in the U.S. for years 2015 through 2018.

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

The Company's subsidiaries in Australia are under audit by the Australian Tax Office for various years beginning in 2011 through 2017. At this time, the Company does not expect that proposed adjustments, if any, would be material to the Company's Consolidated Financial Statements.

Certain affiliates of the Company in regions outside of Canada, the U.S., Germany and Australia are currently under examination by relevant taxing authorities, and all necessary accruals have been recorded, including uncertain tax benefits.

At this time, the Company does not expect that proposed adjustments, if any, would be material to the Company's Consolidated Financial Statements.

17. LOSS PER SHARE

Loss per share attributable to Bausch Health Companies Inc. were calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>(in millions, except per share amounts)</i>				
Net loss attributable to Bausch Health Companies Inc.	\$ (595)	\$ (326)	\$ (1,205)	\$ (478)
Basic and diluted weighted-average common shares	359.1	355.3	358.0	354.3
Basic and diluted loss per share attributable to Bausch Health Companies Inc.	\$ (1.66)	\$ (0.92)	\$ (3.37)	\$ (1.35)

During the three and six months ended June 30, 2021 and 2020, all potential common shares issuable for stock options and RSUs were excluded from the calculation of diluted loss per share, as the effect of including them would have been anti-dilutive. The dilutive effect of potential common shares issuable for stock options and RSUs on the weighted-average number of common shares outstanding would have been approximately 4,558,000 and 1,998,000 common shares for the three months ended June 30, 2021 and 2020, respectively, and approximately 5,608,000 and 3,602,000 common shares for the six months ended June 30, 2021 and 2020, respectively.

During the three and six months ended June 30, 2021, time-based RSUs, performance-based RSUs and stock options to purchase approximately 3,929,000 and 4,110,000 common shares, respectively, were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive under the treasury stock method. During the three and six months ended June 30, 2020, time-based RSUs, performance-based RSUs and stock options to purchase approximately 11,777,000 and 10,882,000 common shares, respectively, were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive under the treasury stock method.

18. LEGAL PROCEEDINGS

From time to time, the Company becomes involved in various legal and administrative proceedings, which include product liability, intellectual property, commercial, tax, antitrust, governmental and regulatory investigations, related private litigation and ordinary course employment-related issues. From time to time, the Company also initiates actions or files counterclaims. The Company could be subject to counterclaims or other suits in response to actions it may initiate. The Company believes that the prosecution of these actions and counterclaims is important to preserve and protect the Company, its reputation and its assets. Certain of these proceedings and actions are described in Note 20, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC and the CSA on February 24, 2021. Except as described below, there have been no material updates or developments with respect to any such proceedings or actions during the six months ended June 30, 2021.

On a quarterly basis, the Company evaluates developments in legal proceedings, potential settlements and other matters that could increase or decrease the amount of the liability accrued. As of June 30, 2021, the Company's Consolidated Balance Sheets includes accrued current loss contingencies of \$2,076 million related to matters which are both probable and reasonably estimable. For all other matters, unless otherwise indicated, the Company cannot reasonably predict the outcome of these legal proceedings, nor can it estimate the amount of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on the Company's business, financial condition and results of operations, and could cause the market value of its common shares and/or debt securities to decline.

Governmental and Regulatory Inquiries

As referenced above, during the three months ended June 30, 2021, there have been no material updates or developments with respect to certain other proceedings or actions as described under "Governmental and Regulatory Inquiries" in Note 20, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021. These matters include:

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

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

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

Securities and RICO Class Actions and Related Matters

U.S. Securities Litigation - Opt-Out Litigation

On December 16, 2019, the Company announced that it had agreed to settle, subject to final court approval, the consolidated securities class action filed in the U.S. District Court for the District of New Jersey (In re Valeant Pharmaceuticals International, Inc. Securities Litigation, Case No. 15-cv-07658). On January 31, 2021, the District Court issued an order granting final approval of this settlement. On February 4, 2021, Timber Hill LLC filed a notice of appeal of the Court's final approval order, which overruled its objections to the allocation of settlement proceeds as between common stock and options. On March 1, 2021, Cathy Lochridge filed a notice of appeal of the Court's final approval order, which overruled her objections as to the attorneys' fees awarded to class counsel.

In October 2015, four putative securities class actions were filed in the U.S. District Court for the District of New Jersey against the Company and certain current or former officers and directors. The allegations related to, among other things, allegedly false and misleading statements and/or failures to disclose information about the Company's business and prospects, including relating to drug pricing, the Company's use of specialty pharmacies, and the Company's relationship with Philidor. On May 31, 2016, the court entered an order consolidating the four actions under the caption In re Valeant Pharmaceuticals International, Inc. Securities Litigation, Case No. 15-cv-07658. On December 16, 2019, the Company, the current or former officers and directors, ValueAct, and the underwriters announced that they agreed to resolve the securities action for \$1,210 million, subject to final court approval. This settlement received final approval from the court on January 31, 2021 and 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. The settlement remains subject to appeals of the final court approval (as such appeals are further described above). In order to qualify for a settlement payment all persons and entities that purchased or otherwise acquired the Company securities during the class period must have submitted a proof of claim and release form by May 6, 2020. The settlement payments have been paid into an escrow account in accordance with the payment schedule outlined in the settlement agreement. These payments will remain in escrow until resolution of the appeals of the final court approval of the settlement agreement. The opt-out litigations discussed below remain ongoing.

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

In addition to the consolidated putative class action, thirty-seven groups of individual investors in the Company's stock and debt securities have chosen to opt out of the consolidated putative class action and filed securities actions in the U.S. District Court for the District of New Jersey against the Company and certain current or former officers and directors. These actions were captioned previously in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed on February 24, 2021. Sixteen of the thirty-seven opt-out actions have been dismissed; and the total number of remaining opt-out actions pending in the District of New Jersey is twenty-one actions.

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

Appeals for the Third Circuit. On June 16, 2021, the Court of Appeals granted plaintiffs' appeal in the Aly action. This action has been remanded to the District Court. On June 19, 2020, the Court entered stipulations of voluntary dismissal in the Catalyst, Mississippi, Connecticut, and Delaware actions. On July 13, 2020, the Court entered a stipulation of voluntary dismissal in the NYCERS action. On December 30, 2020, the Court entered a stipulation of voluntary dismissal in the BlueMountain action. On February 18, 2021, and March 10, 2021, the Court entered stipulations of voluntary dismissal in the T. Rowe, BloombergSen, Principal Funds, Pentwater, Lord Abbett, Equity Trustees, and UC Regents actions. On April 30, 2021, the Court entered a stipulation of voluntary dismissal in the Florida SBA action. On July 20, 2021, the Court entered a stipulation of voluntary dismissal in the Janus action.

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

Canadian Securities Litigation

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

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

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

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

On August 4, 2020, the Company entered into a settlement agreement with the plaintiffs in Catucci, on behalf of the class, pursuant to which it agreed to resolve the Catucci action for the amount of CAD 94,000,000 plus payment of an additional amount to cover notice and settlement administration costs and disbursements. As part of the settlement, the Company and the other defendants admitted no liability as to the claims against it and deny all allegations of wrongdoing. Court approval of the settlement was granted after a hearing on November 16, 2020. The Catucci action has now been dismissed against the Company, its current and former directors and officers, its underwriters and its insurers.

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

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

On February 3, 2020, the Quebec Superior Court granted the applications of CalSTRS and BlackRock for leave to pursue their respective actions asserting claims under the Quebec Securities Act. On June 16, 2020, the Quebec Court of Appeal granted the defendants leave to appeal that decision. The appeal is scheduled to be heard on September 29, 2021.

On October 8 and 9, 2020, respectively, CalSTRS amended its proceedings to, among other things, include a new alleged misrepresentation concerning the accounting treatment of "price appreciation credits" in respect of Glumetza[®] during the

period covered by the claims. A hearing was held on February 17, 2021 with respect to whether CalSTRS would be permitted to file the proposed amended proceedings. On June 9, 2021, the Quebec Superior Court granted the Company's application to strike the new allegations from its Quebec Securities Act claim, but permitted the amendments to its claim under the Quebec Civil Code.

On March 17, 2021, four additional opt-outs from the Catucci class issued a Statement of Claim in the Ontario Superior Court of Justice. That proceeding is captioned *The Bank of Korea et al. v. Valeant Pharmaceuticals International Inc. et al.* (Court File No. 21-006589666-0000). In addition, these plaintiffs also served and filed a motion for leave to pursue claims under the Ontario Securities Act. The allegations in this proceeding are similar to those made by the plaintiffs in the Catucci class action and the plaintiffs in the opt-out actions described above.

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

RICO Class Actions

Between May 27, 2016 and September 16, 2016, three actions were filed in the U.S. District Court for the District of New Jersey against the Company and various third-parties (these actions were subsequently consolidated), alleging claims under the federal Racketeer Influenced Corrupt Organizations Act ("RICO") on behalf of a putative class of certain third-party payors that paid claims submitted by Philidor for certain Company-branded drugs between January 2, 2013 and November 9, 2015. The consolidated complaint alleges, among other things, that the defendants committed predicate acts of mail and wire fraud by submitting or causing to be submitted prescription reimbursement requests that misstated or omitted facts regarding: (1) the identity and licensing status of the dispensing pharmacy; (2) the resubmission of previously denied claims; (3) patient co-pay waivers; (4) the availability of generic alternatives; and (5) the insured's consent to renew the prescription. The complaint further alleges that these acts constitute a pattern of racketeering or a racketeering conspiracy in violation of the RICO statute and caused plaintiffs and the putative class unspecified damages, which may be trebled under the RICO statute. The parties have reached an agreement in principle to resolve the consolidated putative class action that is subject to additional documentation and, thereafter, subject to court approval.

Insurance Coverage Lawsuit

On December 7, 2017, the Company filed a lawsuit against its insurance companies that issued insurance policies covering claims made against the Company, its subsidiaries, and its directors and officers during two distinct policy periods, (i) 2013-14 and (ii) 2015-16. The lawsuit is currently pending in the United States District Court for the District of New Jersey (*Valeant Pharmaceuticals International, Inc., et al. v. AIG Insurance Company of Canada, et al.*; 3:18-CV-00493). In the lawsuit, the Company seeks coverage for: (i) the costs of defending and resolving claims brought by former shareholders and debtholders of Allergan, Inc. in *In re Allergan, Inc. Proxy Violation Securities Litigation* and *Timber Hill LLC*, individually and on behalf of all others similarly situated v. *Pershing Square Capital Management, L.P., et al.* (the "Allergan Securities Litigation") (under the 2013-2014 coverage period), and (ii) costs incurred and to be incurred in connection with the securities class actions and opt-out cases described in this section and the SEC Investigation and certain of the other investigations described under "Complete or Inactive Matters" in Note 20, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021 and under "Governmental and Regulatory Inquiries" and "Complete or Inactive Matters" in Note 21, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 19, 2020 (under the 2015-2016 coverage period).

On July 20, 2021, the Company entered into settlement agreements with the insurers in the 2015-2016 coverage period in which the Company agreed to resolve its claims for insurance coverage in connection with the U.S. Securities Litigation and the Canadian Securities Litigation and related opt-out litigation and related investigations matters described above. On that same day, the Company entered into settlement agreements with two of its insurers in the 2013-2014 coverage period in which the Company agreed to resolve its claims against those two insurers only for insurance coverage in connection with the Allergan Securities Litigation. As a result of all of the settlement agreements entered into with the insurers on July 20, 2021, the Company will receive an aggregate sum of \$213 million. The Company's insurance claims with respect to the Allergan Securities Litigation against the remaining insurers in the 2013-2014 coverage period remain pending.

Hound Partners Lawsuit

In October 2018, Hound Partners Offshore Fund, LP, Hound Partners Long Master, LP, and Hound Partners Concentrated Master, LP, filed a lawsuit against the Company in the Superior Court of New Jersey Law Division/Mercer County that asserts claims for common law fraud, negligent misrepresentation, and violations of the New Jersey Racketeer Influenced and Corrupt Organizations Act. The Company disputes the claims and intends to vigorously defend this matter.

Other Securities and RICO Class Actions and Related Matters

As referenced above, during the three months ended June 30, 2021, there have been no material updates or developments with respect to certain other proceedings or actions as described under “Securities and RICO Class Actions and Related Matters” in Note 20, “LEGAL PROCEEDINGS,” to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021. Such matters include:

Derivative Lawsuits

On September 10, 2019 and September 13, 2019, two alleged stockholders filed derivative lawsuits purportedly on behalf of the Company against former Company board members and executives. On March 7, 2020, a consolidated amended derivative complaint was filed, captioned *In re Bausch Health Companies Inc. F/K/A/ Valeant Pharmaceuticals International, Inc. Stockholder Derivative Litigation* (Case No. 19-cv-17833).

Plaintiffs assert claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment related to, among other things, allegedly false and misleading statements and/or failures to disclose information about the Company's business and prospects, including relating to drug pricing, the Company's use of specialty pharmacies, and the Company's relationship with Philidor. The consolidated complaint also asserts a claim for contribution and indemnification by the Defendants for any liability the Company ultimately faces as a result of the conduct alleged in the complaint. The claims alleged in these cases are based on the same purported conduct that is at issue in *In re Valeant Pharmaceuticals International, Inc. Securities Litigation*, all of which occurred prior to 2017. On April 21, 2020, the Defendants filed a motion to dismiss the consolidated amended complaint. Briefing on this motion concluded on August 3, 2020. On November 24, 2020, the Special Master appointed by the Court issued a report recommending that the motion to dismiss be granted in full. While a final decision is still pending with the Court, Plaintiffs are not contesting the dismissal in full. The Company disputes these claims and intends to defend itself vigorously.

Antitrust

Glumetza Antitrust Litigation

Between August 2019 and July 2020, eight (8) putative antitrust class actions and four (4) non-class complaints naming the Company, Salix Pharmaceuticals, Ltd., Salix Pharmaceuticals, Inc., and Santarus, Inc. (for purposes of this subsection, collectively, the “Company”), among other defendants, were filed or transferred to the Northern District of California. Three (3) of the class actions were filed by plaintiffs seeking to represent a class of direct purchasers. The purported classes of direct purchasers filed a consolidated first amended complaint and a motion for class certification in April 2020. The court certified a direct purchaser class in August 2020. The putative class action complaints filed by end payer purchasers have all been voluntarily dismissed. Three (3) of the non-class complaints were filed by direct purchasers. The fourth non-class complaint, asserting claims based on both direct and indirect purchases, was filed by an insurer plaintiff in July 2020 and subsequently amended in September 2020. In December 2020, the court denied the Company's motion to dismiss as to the insurer plaintiff's direct claims but dismissed the insurer plaintiff's indirect claims. On February 2, 2021, the insurer plaintiff's motion for leave to amend its complaint was denied.

These actions, five (5) of which remain pending, have been consolidated and coordinated in *In re Glumetza Antitrust Litigation*, Case No. 3:19-cv-05822-WHA (the “*In re Glumetza Antitrust Litigation*”). The lawsuits allege that a 2012 settlement of a patent litigation regarding Glumetza[®] delayed generic entry in exchange for an agreement not to launch an authorized generic of Glumetza[®] or grant any other company a license to do so. The complaints allege that the settlement agreement resulted in higher prices for Glumetza[®] and its generic equivalent both prior to and after generic entry. Both the class and non-class plaintiffs seek damages under federal antitrust laws for claims based on direct purchases. All Plaintiffs filed a motion for partial summary judgment, whereas defendants have filed a motion for summary judgment as to all claims. On May 6, 2021, all summary judgment motions were denied.

On February 8, 2021, the insurer plaintiff filed an action asserting state law claims in the Superior Court of Alameda County, California against the Company and others (the “State Court Action”). Defendants' demurrer to all causes of action in the State Court Action will be heard on August 25, 2021.

On July 26, 2021, the Company reached an agreement in principle to resolve the class plaintiffs' claims for \$300 million, subject to a final settlement agreement and, thereafter, court approval. The settlement will resolve and discharge all claims against the Company by members of the class. On August 1, 2021, the Company also reached an agreement in principle to resolve the non-class plaintiffs' direct claims, described above, subject to a final settlement agreement, for additional consideration. As part of the settlements in principle, the Company admitted no liability as to the claims against it and denied all allegations of wrongdoing. The opt-out actions of the insurer plaintiff, described above, remain ongoing.

The court has set a trial in the *In re Glumetza Antitrust Litigation* to begin in October 2021.

The Company disputes these claims and intends to vigorously defend these matters.

Generic Pricing Antitrust Litigation

The Company's subsidiaries, Oceanside Pharmaceuticals, Inc. ("Oceanside"), Bausch Health US, LLC (formerly Valeant Pharmaceuticals North America LLC) ("Bausch Health US"), and Bausch Health Americas, Inc. (formerly Valeant Pharmaceuticals International) ("Bausch Health Americas") (for the purposes of this paragraph, collectively, the "Company"), are defendants in multidistrict antitrust litigation ("MDL") entitled *In re: Generic Pharmaceuticals Pricing Antitrust Litigation*, pending in the United States District Court for the Eastern District of Pennsylvania (MDL 2724, 16-MD-2724). The lawsuits seek damages under federal and state antitrust laws, state consumer protection and unjust enrichment laws and allege that the Company's subsidiaries entered into a conspiracy to fix, stabilize, and raise prices, rig bids and engage in market and customer allocation for generic pharmaceuticals. The lawsuits, which have been brought as putative class actions by direct purchasers, end payers, and indirect resellers, and as direct actions by direct purchasers, end payers, insurers, States, and various Counties, Cities, and Towns, have been consolidated into the MDL. There are also additional, separate complaints which have been consolidated in the same MDL that do not name the Company or any of its subsidiaries as a defendant. There are two cases pending in the Court of Common Pleas of Philadelphia County against the Company and other defendants related to the multidistrict litigation, but no complaint has been filed in either case and the cases have been put in deferred status. The Company disputes the claims against it and continues to defend itself vigorously.

Additionally, Bausch Health Companies Inc. and certain U.S. and Canadian subsidiaries (for the purposes of this paragraph, collectively "the Company") have been named as defendants in a proposed class proceeding entitled *Kathryn Eaton v. Teva Canada Limited, et al.* in the Federal Court in Toronto, Ontario, Canada (Court File No. T-607-20). The plaintiff seeks to certify a proposed class action on behalf of persons in Canada who purchased generic drugs in the private sector, alleging that the Company and other defendants violated the Competition Act by conspiring to allocate the market, fix prices, and maintain the supply of generic drugs, and seeking damages under federal law. The proposed class action contains similar allegations to the *In re: Generic Pharmaceuticals Pricing Antitrust Litigation* pending in the United States Court for the Eastern District of Pennsylvania. The Company disputes the claims against it and will defend itself vigorously.

Intellectual Property

Patent Litigation/Paragraph IV Matters

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

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

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

On February 17, 2020, the Company and Alfasigma S.p.A. ("Alfasigma") received a Notice of Paragraph IV Certification from Norwich Pharmaceuticals Inc. ("Norwich"), in which Norwich asserted that the U.S. patents listed in the FDA's Orange Book for the Company's Xifaxan[®] tablets, 550 mg, are either invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of Norwich's generic rifaximin tablets, 550 mg, for which an ANDA has been filed by Norwich. The Company, through its subsidiaries Salix Pharmaceuticals, Inc. and Bausch Health Ireland Limited, holds the New Drug Application for Xifaxan[®] and owns or exclusively licenses (from Alfasigma) these patents. On March 26, 2020, certain of the Company's subsidiaries and Alfasigma filed suit against Norwich in the U.S. District Court for the District of Delaware (Case No. 20-cv-00430) pursuant to the Hatch-Waxman Act, alleging infringement by Norwich of one or more claims of the Xifaxan[®] Patents, thereby triggering a 30-month stay of the approval of Norwich's ANDA for rifaximin tablets, 550 mg. Xifaxan[®] is protected by 26 patents covering the composition of matter and the use of Xifaxan[®] listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, or the Orange Book. The Company remains confident in the strength of the Xifaxan[®] patents and will continue to vigorously pursue this matter and defend its intellectual property.

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

In addition, patents covering the Company's branded pharmaceutical products may be challenged in proceedings other than court proceedings, including inter partes review ("IPR") at the U.S. Patent & Trademark Office. The proceedings operate under different standards from district court proceedings, and are often completed within 18 months of institution. IPR challenges have been brought against patents covering the Company's branded pharmaceutical products. For example, following Acrux DDS's IPR petition, the U.S. Patent and Trial Appeal Board ("PTAB"), in May 2017, instituted inter partes review for an Orange Book-listed patent covering Jublia[®] (U.S. Patent No. 7,214,506 (the "'506 Patent'")) and, on June 6, 2018, issued a written determination invalidating such patent. An appeal of this decision was filed on August 7, 2018. On March 13, 2020, the Court of Appeals for the Federal Circuit reversed this decision and remanded the matter back to the PTAB for further proceedings. As a result of a settlement, a joint motion to terminate the proceedings was filed on November 12, 2020 and, on January 8, 2021, the PTAB granted this motion. The '506 Patent, therefore, remains valid and enforceable and expires in 2026. Jublia[®] is covered by fourteen Orange Book-listed patents owned by the Company or its licensor, which expire in the years 2028 through 2035. In August and September 2018, the Company received notices of the filing of a number of ANDAs with paragraph IV certification, and has timely filed patent infringement suits against these ANDA filers, and, in addition, the Company has also commenced certain patent infringement proceedings in Canada against three separate defendants. All cases in Canada regarding Jublia[®] have been settled and all but one case in the U.S. regarding Jublia[®] has been settled.

Product Liability

As referenced above, during the three months ended June 30, 2021, there have been no material updates or developments with respect to certain proceedings or actions as described under "Product Liability" in Note 20, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021. These matters include:

Shower to Shower[®] Products Liability Litigation

Since 2016, the Company has been named in a number of product liability lawsuits involving the Shower to Shower[®] body powder product acquired in September 2012 from Johnson & Johnson; due to dismissals, thirty (30) of such product liability suits currently remain pending. Potential liability (including its attorneys' fees and costs) arising out of these remaining suits

is subject to full indemnification obligations of Johnson & Johnson owed to the Company, and legal fees and costs will be paid by Johnson & Johnson. Twenty-eight (28) of these lawsuits filed by individual plaintiffs allege that the use of Shower to Shower[®] caused the plaintiffs to develop ovarian cancer, mesothelioma or breast cancer. The allegations in these cases include failure to warn, design defect, manufacturing defect, negligence, gross negligence, breach of express and implied warranties, civil conspiracy concert in action, negligent misrepresentation, wrongful death, loss of consortium and/or punitive damages. The damages sought include compensatory damages, including medical expenses, lost wages or earning capacity, loss of consortium and/or compensation for pain and suffering, mental anguish anxiety and discomfort, physical impairment and loss of enjoyment of life. Plaintiffs also seek pre- and post-judgment interest, exemplary and punitive damages, and attorneys' fees. Additionally, two proposed class actions have been filed in Canada against the Company and various Johnson & Johnson entities (one in the Supreme Court of British Columbia and one in the Superior Court of Quebec), on behalf of persons who have purchased or used Johnson & Johnson's Baby Powder or Shower to Shower[®]. The class actions allege the use of the product increases certain health risks (British Columbia) or negligence in failing to properly test, failing to warn of health risks, and failing to remove the products from the market in a timely manner (Quebec). The plaintiffs in these actions are seeking awards of general, special, compensatory and punitive damages. On November 17, 2020, the British Columbia court issued a judgment declining to certify a class as to the Company or Shower to Shower[®], and at this time no appeal of that judgment has been filed. In accordance with the indemnification agreement, Johnson & Johnson will continue to vigorously defend the Company in each of the remaining actions that are not voluntarily dismissed or subject to a grant of summary judgment.

General Civil Actions

California Proposition 65 Related Matters

On January 29, 2020, Plaintiff Jan Graham filed a lawsuit (*Graham v. Bausch Health Companies, Inc., et al.*, Case No. 20STCV03578) in Los Angeles County Superior Court against the Company, Bausch Health US and several other manufacturers, distributors and retailers of talcum powder products, alleging violations of California Proposition 65 by manufacturing and distributing talcum powder products containing chemicals listed under the statute, without a compliant warning on the label. On January 29, 2021, certain defendants including the Company and Bausch Health US filed a Motion for Summary Judgment or in the Alternative Motion for Summary Adjudication, which was granted with prejudice on May 26, 2021; Plaintiff waived the right to appeal.

On June 19, 2019, plaintiffs filed a proposed class action in California state court against Bausch Health US and Johnson & Johnson (*Gutierrez, et al. v. Johnson & Johnson, et al.*, Case No. 37-2019-00025810-CU-NP-CTL), asserting claims for purported violations of the California Consumer Legal Remedies Act, False Advertising Law and Unfair Competition Law in connection with their sale of talcum powder products that the plaintiffs allege violated Proposition 65 and/or the California Safe Cosmetics Act. This lawsuit was served on Bausch Health US in June 2019 and was subsequently removed to the United States District Court for the Southern District of California, where it is currently pending. Plaintiffs seek damages, disgorgement of profits, injunctive relief, and reimbursement/restitution. The Company filed a motion to dismiss Plaintiffs' claims, which was granted in April 2020 without prejudice. In May 2020, Plaintiffs filed an amended complaint and in June 2020, filed a motion for leave to amend the complaint further, which was granted. In August 2020, Plaintiffs filed the Fifth Amended Complaint. On January 22, 2021, the Court granted the motion to dismiss with prejudice. On February 19, 2021, Plaintiffs filed a Notice of Appeal with the Ninth Circuit Court of Appeals. On July 1, 2021, Appellants (Plaintiffs) filed their opening brief, Appellees' response briefs are currently due September 1, 2021.

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

Doctors Allergy Formula Lawsuit

In April 2018, Doctors Allergy Formula, LLC ("Doctors Allergy"), filed a lawsuit against Bausch Health Americas in the Supreme Court of the State of New York, County of New York, asserting breach of contract and related claims under a 2015 Asset Purchase Agreement, which purports to include milestone payments that Doctors Allergy alleges should have been paid by Bausch Health Americas. Doctors Allergy claims its damages are not less than \$23 million. The Company has asserted counterclaims against Doctors Allergy. The Company filed a motion seeking an order granting the Company summary judgment on its counterclaims against Plaintiff and dismissing Plaintiff's claims against the Company. The motion was fully briefed as of May 2021 and remains pending.

Other General Civil Actions

As referenced above, during the three months ended June 30, 2021, there have been no material updates or developments with respect to certain proceedings or actions as described under "General Civil Actions" in Note 20, "LEGAL PROCEEDINGS," to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 24, 2021. These matters include:

The Company and Bausch Health US were named in an action brought by State of New Mexico ex rel. Hector H. Balderas, Attorney General of New Mexico, in the County of Santa Fe New Mexico First Judicial District Court (New Mexico ex rel. Balderas v. Johnson & Johnson, et al., Civil Action No. D-101-CV-2020-00013, filed on January 2, 2020), alleging consumer protection claims against Johnson & Johnson and Johnson & Johnson Consumer Companies, Inc., the Company and Bausch Health US related to Shower to Shower[®] and its alleged causal link to mesothelioma and other cancers. In April 2020, Bausch Health US filed a motion to dismiss, which in September 2020, the Court granted in part as to the New Mexico Medicaid Fraud Act and New Mexico Fraud Against Taxpayers Act claims and denied as to all other claims. The State of New Mexico brings claims against all defendants under the New Mexico Unfair Practices Act and other common law and equitable causes of action, alleging defendants engaged in wrongful marketing, sale and promotion of talcum powder products. The lawsuit seeks to recover the cost of the talcum powder products as well as the cost of treating asbestos-related cancers allegedly caused by those products. Bausch Health US filed its Answer on November 16, 2020. On December 30, 2020, Johnson & Johnson filed a Motion for Partial Judgment on the Pleadings and on January 4, 2021, Bausch Health US filed a joinder to that motion, which was denied on March 8, 2021.

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

Litigation with Former Salix CEO

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

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

19. SEGMENT INFORMATION

Reportable Segments

In connection with the planned separation of its eye health business into an independent publicly traded entity from the remainder of Bausch Health Companies Inc., the Company has begun managing its operations in a manner consistent with the organizational structure of the separate entities as proposed by the B+L Separation. As a result, during the first quarter of 2021, the Company's Chief Executive Officer ("CEO"), who is the Company's Chief Operating Decision Maker, commenced managing the business differently through changes in its operating and reportable segments, which necessitated a realignment of the Company's historical segment structure. This realignment is consistent with how the Company's CEO currently: (i) assesses operating performance on a regular basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. Pursuant to these changes, effective in the first quarter of 2021, the Company operates in the following reportable segments: (i) Bausch + Lomb, (ii) Salix, (iii) International Rx, (iv) Ortho Dermatologics and (v) Diversified Products. In addition, as part of this realignment of segment structure, certain products historically included in certain segments are now included in their new respective segments based on the organizational structure of the two separate entities as proposed by the B+L Separation. Prior period presentation of segment revenues and segment profits has been recast to conform to the current segment reporting structure.

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

- **The Bausch + Lomb segment** consists of global sales of Bausch + Lomb Vision Care, Consumer, Surgical and Ophthalmology Rx products.
- **The Salix segment** consists of sales in the U.S. of GI products.
- **The International Rx segment** consists of sales, with the exception of sales of Bausch + Lomb products and Solta medical aesthetic devices, outside the U.S. and Puerto Rico of branded pharmaceutical products, branded generic pharmaceutical products and OTC 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 and Other expense, net, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance.

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

Segment Revenues and Profits

Segment revenues and profits were as follows:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Bausch + Lomb	\$ 934	\$ 677	\$ 1,815	\$ 1,552
Salix	516	404	988	881
International Rx	313	249	619	540
Ortho Dermatologics	137	117	278	248
Diversified Products	200	217	427	455
	<u>\$ 2,100</u>	<u>\$ 1,664</u>	<u>\$ 4,127</u>	<u>\$ 3,676</u>
Segment profits:				
Bausch + Lomb	\$ 213	\$ 124	\$ 452	\$ 387
Salix	370	289	697	608
International Rx	103	75	212	173
Ortho Dermatologics	61	38	131	85
Diversified Products	140	154	311	321
	887	680	1,803	1,574
Corporate	(199)	(145)	(380)	(301)
Amortization of intangible assets	(360)	(436)	(717)	(872)
Goodwill impairments	—	—	(469)	—
Asset impairments	(47)	(1)	(195)	(15)
Restructuring, integration and separation costs	(9)	(7)	(21)	(11)
Other expense, net	(542)	(118)	(512)	(154)
Operating (loss) income	(270)	(27)	(491)	221
Interest income	2	2	4	9
Interest expense	(364)	(385)	(732)	(781)
Loss on extinguishment of debt	(45)	(27)	(50)	(51)
Foreign exchange and other	7	—	8	(13)
Loss before benefit from income taxes	<u>\$ (670)</u>	<u>\$ (437)</u>	<u>\$ (1,261)</u>	<u>\$ (615)</u>

Revenues by Segment and Product Category

Revenues by segment and product category were as follows:

<i>(in millions)</i>	Bausch + Lomb	Salix	International Rx	Ortho Dermatologics	Diversified Products	Total
Three Months Ended June 30, 2021						
Pharmaceuticals	\$ 134	\$ 514	\$ 67	\$ 59	\$ 164	\$ 938
Devices	397	—	—	73	—	470
OTC	329	—	32	—	2	363
Branded and Other Generics	68	—	206	—	31	305
Other revenues	6	2	8	5	3	24
	<u>\$ 934</u>	<u>\$ 516</u>	<u>\$ 313</u>	<u>\$ 137</u>	<u>\$ 200</u>	<u>\$ 2,100</u>
Three Months Ended June 30, 2020						
Pharmaceuticals	\$ 96	\$ 403	\$ 55	\$ 70	\$ 161	\$ 785
Devices	220	—	—	42	—	262
OTC	295	—	20	—	2	317
Branded and Other Generics	57	—	161	—	55	273
Other revenues	9	1	13	5	(1)	27
	<u>\$ 677</u>	<u>\$ 404</u>	<u>\$ 249</u>	<u>\$ 117</u>	<u>\$ 217</u>	<u>\$ 1,664</u>
Six Months Ended June 30, 2021						
Pharmaceuticals	\$ 259	\$ 984	\$ 126	\$ 124	\$ 341	\$ 1,834
Devices	779	—	—	145	—	924
OTC	645	—	57	—	4	706
Branded and Other Generics	119	—	418	—	78	615
Other revenues	13	4	18	9	4	48
	<u>\$ 1,815</u>	<u>\$ 988</u>	<u>\$ 619</u>	<u>\$ 278</u>	<u>\$ 427</u>	<u>\$ 4,127</u>
Six Months Ended June 30, 2020						
Pharmaceuticals	\$ 234	\$ 880	\$ 121	\$ 146	\$ 343	\$ 1,724
Devices	561	—	—	93	—	654
OTC	616	—	46	—	4	666
Branded and Other Generics	125	—	349	—	105	579
Other revenues	16	1	24	9	3	53
	<u>\$ 1,552</u>	<u>\$ 881</u>	<u>\$ 540</u>	<u>\$ 248</u>	<u>\$ 455</u>	<u>\$ 3,676</u>

The top ten products for the six months ended June 30, 2021 and 2020 represented 40% and 40% of total revenues for the six months ended June 30, 2021 and 2020, respectively.

Geographic Information

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

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
U.S. and Puerto Rico	\$ 1,216	\$ 1,009	\$ 2,378	\$ 2,221
China	119	79	229	137
Canada	87	67	163	157
Egypt	68	58	134	116
Poland	71	37	133	111
Mexico	56	48	125	89
Japan	55	48	115	102
France	56	42	110	89
Germany	28	32	70	76
Russia	33	24	64	57
United Kingdom	27	14	52	37
Spain	23	12	42	32
South Korea	20	16	40	33
Other	241	178	472	419
	<u>\$ 2,100</u>	<u>\$ 1,664</u>	<u>\$ 4,127</u>	<u>\$ 3,676</u>

Major Customers

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

	Six Months Ended June 30,	
	2021	2020
AmerisourceBergen Corporation	17%	18%
McKesson Corporation (including McKesson Specialty)	16%	17%
Cardinal Health, Inc.	12%	13%

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

INTRODUCTION

Unless the context otherwise indicates, as used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," the terms "we," "us," "our," "the Company," and similar terms refer to Bausch Health Companies Inc. and its subsidiaries. This "Management's Discussion and Analysis of Financial Condition and Results of Operations" has been updated through August 3, 2021 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 June 30, 2021 (this "Form 10-Q"). The matters discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain certain forward-looking statements within the meaning of Section 27A of The Securities Act of 1933, as amended, and Section 21E of The Securities Exchange Act of 1934, as amended, and that may be forward-looking information within the meaning defined under applicable Canadian securities laws (collectively, "Forward-Looking Statements"). See "Forward-Looking Statements" at the end of this discussion.

Our accompanying unaudited interim Consolidated Financial Statements as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 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, 2020, which were included in our Annual Report on Form 10-K filed on February 24, 2021. 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

As discussed further below, on August 6, 2020, the Company announced that it intends to separate its eye health business into an independent publicly traded entity from the remainder of Bausch Health Companies Inc. (the "B+L Separation"). In connection with the planned separation of its eye health business into an independent publicly traded entity from the remainder of Bausch Health Companies Inc., the Company has begun managing its operations in a manner consistent with the organizational structure of the separate entities as proposed by the B+L Separation. As a result, during the first quarter of 2021, the Company's Chief Executive Officer ("CEO"), who is the Company's Chief Operating Decision Maker, commenced managing the business differently through changes in its operating and reportable segments, which necessitated a realignment of the Company's historical segment structure. This realignment is consistent with how the Company's CEO currently: (i) assesses operating performance on a regular basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. Pursuant to these changes, effective in the first quarter of 2021, the Company operates in the following reportable segments: (i) Bausch + Lomb, (ii) Salix, (iii) International Rx, (iv) Ortho Dermatologics and (v) Diversified Products. In addition, as part of this realignment of segment structure, certain products historically included in certain segments are now included in their new respective segments based on the organizational structure of the two separate entities as proposed by the B+L Separation. Prior period presentation of segment revenues and segment profits has been recast to conform to the current segment reporting structure.

The Bausch + Lomb segment - consists of our Global Bausch + Lomb eye health business which includes our Global Vision Care, Global Surgical, Global Consumer and Global Ophthalmology Rx products, which in aggregate accounted for approximately 44%, 42% and 44% of our Company's revenues for the six months ended June 30, 2021 and the years 2020 and 2019, 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 legacy over 165 years, Bausch + Lomb has an established line of contact lenses, intraocular lenses and other medical devices, surgical systems and devices, vitamin and mineral supplements, lens care products, prescription eye-medications and other consumer products that positions us to compete in all areas of the eye health market.

As part of our global Bausch + Lomb business strategy, we continually look for key trends in the eye health market to meet changing consumer/patient needs and identify areas for investment 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. Recent product launches include Biotrue[®] ONeday daily disposable contact lenses, the next generation of Bausch + Lomb ULTRA[®] contact lenses, SiHy Daily contact lenses (branded as AQUALOX[™] ONE DAY in Japan, Bausch + Lomb INFUSE[™] SiHy Daily Disposable in the U.S. and Bausch + Lomb Ultra[®] ONE DAY in Australia, Hong Kong and Canada), Lumify[®] (an eye redness treatment), Vyzulta[®] (a pressure lowering eye drop for patients with angle glaucoma or ocular hypertension), Ocuvite[®] Eye Performance (vitamins to protect the eye from stressors such as sunlight and blue light emitted from digital devices), and SimplifEYE[™] (preloaded intraocular lens injector platform for enVista intraocular lens).

We also license selective molecules or technology in leveraging our own R&D expertise through development, as well as seek out external product development opportunities. Examples of this include the acquired global exclusive license for a myopia control contact lens design developed by BHVI, which we plan to pair with our leading contact lens technologies to develop potential contact lens treatments designed to slow the progression of myopia in children, and the acquired exclusive licenses for the commercialization and development in the U.S. and Canada of: (i) a microdose formulation of atropine ophthalmic solution, which is being investigated for the reduction of pediatric myopia progression in children ages 3-12; (ii) Xipere[™] which, if approved by the U.S. Food and Drug Administration ("FDA"), will be the first treatment for patients suffering from macular edema associated with uveitis; and (iii) NOV03, an investigational drug with a novel mechanism of action to treat Dry Eye Disease ("DED") associated with Meibomian gland dysfunction ("MGD"). We also acquired the U.S. rights to EM-100, which was recently launched as Alaway[®] Preservative-Free and is the first OTC preservative-free formulation eye drop for the temporary relief of itchy eyes due to pollen, ragweed, grass, animal hair and dander in adults and children 3 years of age and older. We believe investments in these investigational treatments, if approved by the FDA, will complement, and help build upon, our strong portfolio of integrated eye health products.

The Salix segment - consists of sales in the U.S. of GI products, which in aggregate accounted for approximately 24%, 24% and 23% of our Company's revenues for the six months ended June 30, 2021 and the years 2020 and 2019, respectively. The Salix segment includes our Xifaxan[®] product which accounted for approximately 19%, 18% and 17% of our Company's revenues for the six months ended June 30, 2021 and the years 2020 and 2019, respectively.

We have been making investments in our Salix business 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 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 International Rx segment - consists of sales, other than sales of our Bausch + Lomb products and Solta aesthetic medical devices, 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 15%, 15% and 13% of our Company's revenues for the six months ended June 30, 2021 and the years 2020 and 2019, respectively. Principal products within our International Rx segment include Bisocard[®], Thrombo ASS[®], Contrave[®] / Mysimba[®], Jublia[®], Ivexterm[®] and Espaven[®].

The Ortho Dermatologics segment - consists of: (i) sales in the U.S. of Ortho Dermatologics (dermatological products) and (ii) global sales of Solta aesthetic medical devices. Revenues from the Ortho Dermatologics segment accounted for approximately 7% of our Company's revenues for the six months ended June 30, 2021 and the years 2020 and 2019.

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. As part of our business strategy for the Ortho Dermatologics business, 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 \$145 million, \$93 million, \$253 million and \$194 million for the six months ended June 30, 2021 and 2020 and the years 2020 and 2019, 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 device portfolio. These launches have been successful as Next Generation Thermage FLX[®] revenues were \$73 million, \$53 million, \$142 million and \$77 million for the six months ended June 30, 2021 and 2020 and the years 2020 and 2019, respectively. We expect additional launches of Next Generation Thermage FLX[®] in Europe in the near term, paced by country-specific regulatory registrations.

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, Migranal[®] AG and Diastat[®] AG, and (iii) dentistry products, such as Arestin[®] and NeutraSal[®]. Revenues from our Diversified Products segment accounted for approximately 10%, 12% and 13% of our Company's revenues for the six months ended June 30, 2021 and the years 2020 and 2019, respectively. 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, 2020, filed with the SEC and the Canadian Securities Administrators ("CSA") on February 24, 2021.

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 \$4,100 million in net proceeds from these divestitures and includes the sale of Amoun Pharmaceutical Company S.A.E. ("Amoun"), as discussed below, which we divested in July 2021;
- made strategic investments in our core businesses in order to support recent revenue growth and prepare for additional growth opportunities we plan to capitalize on for our core businesses;
- made measurable progress in improving our capital structure as we have repaid approximately \$9,900 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) during the period January 1, 2016 through the date of this filing, using the proceeds from the divestiture of non-core assets, cash generated from our operations and improved working capital management. This includes approximately \$1,250 million of repayments during 2021 using cash on hand, cash generated from operations and a portion of the proceeds from the Amoun Sale (as defined below); 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.

Proposed Separation of the Bausch + Lomb Eye Health Business and Proposed IPO of Solta Medical Business

On August 6, 2020, we announced that we intend to separate our eye health business into an independent publicly traded entity, Bausch + Lomb, from the remainder of Bausch Health Companies Inc. The Bausch + Lomb entity will consist of the Company's Bausch + Lomb Global Vision Care, Global Consumer, Global Surgical and Global Ophthalmology Rx businesses. We remain committed to this plan and continue to believe this is an opportunity to unlock additional value across our portfolio of assets.

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

We also previously stated that all options for achieving the appropriate capitalization and leverage for these entities post-separation were being considered. Management continues to consider alternative means of achieving these outcomes, including dispositions in our business that we believe represent attractive opportunities for the Company and are in line with our plan of separation. This informed our decision to divest Amoun on July 26, 2021 and, as discussed below, use the net proceeds to repay certain debt obligations. It has also informed, in part, our decision to pursue an initial public offering of our Solta medical aesthetic business (“Solta Medical”) (the “Solta IPO”), which we publicly announced on August 3, 2021. We believe that the Solta IPO will enable us to further repay certain of our debt obligations. However, we also believe that the Solta IPO will allow us to unlock the value of this high-growth business and give us ownership of a valuable financial asset that would compare more favorably to other medical aesthetic companies.

We intend to use the proceeds from the B+L Separation and the Solta IPO to repay, to the extent possible, a portion of our existing debt, thereby improving our capitalization and leverage. We believe the B+L Separation and the Solta IPO provides us with an attractive opportunity for liquidity to support the appropriate capitalization and leverage of the Bausch + Lomb entity, the Solta Medical entity and the remainder of Bausch Health Companies Inc., which we refer to as “Bausch Pharma” and will assume a new name upon completion of the B+L Separation. However, management continues to consider the forms of the B+L Separation and the Solta IPO and exploring a number of alternative capitalization structures in order to properly capitalize the three entities.

The B+L Separation and the Solta IPO will establish three separate companies that include:

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

We believe these transactions will create three 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 better manage its respective capital needs. Further, these transactions allow us and the market to compare the operating results of each entity with other “pure play” peer companies. Although management believes these transactions will bring out additional value, there can be no assurance that either the B+L Separation or the Solta IPO will be successful in doing so.

We continue to work actively to support the internal organizational design and structure of Bausch + Lomb. Based on our assessment, we believe that there is a clear path to addressing these internal operational matters by the end of the third

quarter of 2021. We have also begun the process of addressing the organization design and structure of the Solta Medical entity post-separation.

As of the date of this filing, the determination of the capitalization of the three entities is evolving, and we do not have a definitive timetable to finalize the respective capital structures. Although a public offering of a portion of the Bausch + Lomb and/or the Solta Medical businesses are among the alternate capital structures being considered, this Form 10-Q does not constitute an offer of any securities of the Bausch + Lomb or Solta Medical entities for sale.

In addition to the capitalization and leverage ratios of each entity, there are considerations, approvals and conditions, including market conditions, that will determine the ultimate timing and structure of these transactions, 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 three entities. The failure to satisfy all of the required conditions could delay the completion of these transactions for a significant period of time or prevent them from occurring at all. In addition to our internal organization and structure work, we will need to complete a number of additional steps that will depend on the ultimate structure of the transactions (in addition to obtaining the regulatory approvals and satisfying the conditions described above) before we can complete the B+L Separation and/or the Solta IPO. As a result, there can be no assurance as to the timing of the completion of both or either of these transactions or their terms, and the information in this Form 10-Q relating to each transaction is preliminary and may change as the transactions progress and any such changes and their impact on the Company, or any of the companies that result from the consummation of any of these transactions, may be material.

See Item 1A. "Risk Factors — Risk Relating to the Separation" of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC and the CSA on February 24, 2021 for additional risks relating to the B+L Separation. See Item 1A. "Risk Factors — Risk Relating to the Proposed IPO of the Solta Medical Aesthetics Business" of this Form 10-Q for additional risks relating to the Solta IPO.

Divest Assets to Improve Our Capital Structure and Simplify Our Business

In order to better focus on our core businesses, we continue to evaluate opportunities to simplify our operations and improve our capital structure, including dispositions of various assets. For example, on March 31, 2021, we announced the sale of Amoun for total gross consideration of approximately \$740 million, subject to certain adjustments (the "Amoun Sale"). Amoun manufactures, markets and distributes branded generics of human and animal health products. The Amoun business was part of the International Rx segment (formerly included within the Bausch + Lomb/International segment). The Amoun Sale closed on July 26, 2021. Revenues associated with Amoun were \$118 million, \$247 million, \$220 million and \$183 million for the six months ended June 30, 2021 and the years 2020, 2019 and 2018, respectively. On July 30, 2021 and August 3, 2021, the Company made aggregate payments of \$600 million, to repay \$469 million of its June 2025 Term Loan B Facility and \$131 million of its November 2025 Term Loan B Facility, using the net proceeds from the Amoun Sale and cash on hand.

We are actively considering further dispositions of various assets in line with this strategy. While we anticipate that any future divestiture activities will be 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. See Note 4, "ACQUISITION, LICENSING AGREEMENTS AND ASSETS HELD FOR SALE" to our unaudited interim Consolidated Financial Statements for additional information.

Impacts of COVID-19 Pandemic

The unprecedented nature of the COVID-19 pandemic has adversely impacted the global economy. The COVID-19 pandemic and the reactions of governments, private sector participants and the public in an effort to contain the spread of the COVID-19 virus and/or address its impacts have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base and transactional activity, facilities closures and production suspensions. We believe we responded quickly to these and other human and commercial challenges brought on by the COVID-19 pandemic and that our actions allowed us to: (i) maintain a reliable supply of our products, (ii) protect the health, safety and well-being of our employees, (iii) reduce operating expenses and preserve cash through profit protection measures initiated in response to the COVID-19 pandemic, (iv) limit the disruptions to our product development pipeline and (v) ensure affordability of and access to our products. We will continue to 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.

Our Operating Results

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/conservate available health care resources. During the three months ended March 31, 2020, these factors negatively impacted, most notably, the revenues of the Company's Vision Care and 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 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.

Our 2020 revenues were most negatively impacted during our second quarter by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic. However, as governments began lifting social restrictions, allowing offices of certain health care providers to reopen and certain surgeries and elective medical procedures to proceed, the negative trend in the revenues of certain businesses began to level off and stabilize prior to our third quarter of 2020. After the launch of effective vaccines in December 2020, infection rates began to decline in 2021 signaling the beginning of a potential recovery from the COVID-19 pandemic.

Our revenues were \$2,100 million for the three months ended June 30, 2021, as compared to \$1,664 million for the three months ended June 30, 2020, a year-over-year increase of \$436 million, or 26%, and primarily reflects the positive impacts from the recovery from the COVID-19 pandemic. In the U.S., the recovery in our GI, surgical, vision care, ophthalmology and dentistry businesses continues to progress, as offices of certain health care providers have reopened and most surgeries and elective medical procedures proceed, while our U.S. consumer and Solta medical aesthetics businesses had been less impacted by the COVID-19 pandemic. The recovery of our businesses in China seems to be further along than the rest of our business in Asia, as the revenues of many of our businesses in China have returned to their pre-pandemic levels. Although certain social restrictions were lifted in Europe during the summer of 2020, recovery in this region has been more gradual, as consumers have been slower to return to their pre-pandemic habits. Further, various geographies reinstated lockdowns or partial lockdowns as needed in response to resurgence of the original COVID-19 virus and as variant strains, such as the delta variant were identified. For instance, parts of Europe, such as England, Germany, France and Ireland, and parts of Canada, parts of Southeast Asia and Japan returned to lockdowns of various lengths and enacted or are still considering enacting other social restrictions. During the first half of 2021, the daily average number of new COVID-19 cases in the U.S. declined and vaccinations in certain U.S. geographies reached sufficiently high levels such that many government and social restrictions were lifted. However variant strains of the virus, particularly the delta variant, have been identified in the U.S. and a portion of the country's residents have demonstrated reluctance to get vaccinated. Further, for various logistical, regulatory, economical, governmental and/or other availability factors, certain geographies outside the U.S. have limited access to effective vaccines allowing the spread of the original virus and variant strains such as the delta variant, to develop. These factors are challenges to achieving herd immunity in the U.S. and globally and could lead to a resurgence and new lockdowns or other social restrictions globally.

Presuming there continues to be increased availability of effective vaccines and any resurgence of the COVID-19 virus and variant strains such as the delta variant do not have a material adverse impact on efforts to contain the COVID-19 virus, the Company anticipates an ongoing, gradual global recovery from the significant macroeconomic and health care impacts of the pandemic. However, the rates of recovery for each business will vary by geography and will be dependent upon, among other things, the availability and effectiveness of vaccines for the COVID-19 virus and variant strains thereof, government responses, rates of economic recovery, precautionary measures taken by patients and customers, the rate at which remaining social restrictions are lifted and once lifted, the presumption that social restrictions will not be materially reenacted in the event of a resurgence of the virus or variant strains thereof and other actions taken in response to the COVID-19 pandemic.

At the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in 2021. However, as our revenues were most negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic during our second quarter of 2020, we expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the six months ended June 30, 2021.

Although we put in place procedures to mitigate the risks associated with closures and disruptions at our manufacturing facilities, the COVID-19 pandemic temporarily impacted the manner in which we managed our inventories and inventory levels. The negative impact of the COVID-19 pandemic on the demand for many of our products necessitated that we, among other things, shorten production runs to reduce inventories and mitigate inventory losses. The shorter production runs, the costs associated with idling certain facilities during government mandated lockdowns and the costs of the precautionary measures taken at our manufacturing facilities in response to the COVID-19 pandemic resulted in manufacturing variances,

which temporarily depressed our contribution margins in 2020. However, in 2021, as demand increased and our retailers and distributors replenished their inventories, the pressures on our manufacturing processes during 2020 have been alleviated and we have avoided many of the COVID-19 pandemic induced manufacturing variances during the six months ended June 30, 2021. We expect that these factors will continue to provide favorable year-over-year comparisons in our contribution margins through the remainder of 2021 only.

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 were successful in expanding the profit margins in many of our businesses, as referenced in the discussion of our operating results below. In 2021, we began allocating more resources to selling and other promotional activities in support of our existing products, product launches and products in development. Should the pace of recovery in each geography accelerate, we expect to allocate more resources to these activities to drive our return to sustainable revenue and profit growth. As a result, if the recovery continues, we expect to see our operating expenses in 2021 exceed our operating expenses in 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 situation remains very fluid and we continue to monitor the availability and effectiveness of vaccines and any resurgence of the COVID-19 virus, the delta variant and other variant strains thereof on our operations, businesses 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 any variant strains thereof and return us to growth during the recovery from 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 six months ended June 30, 2021, are discussed in further detail in the respective subsequent section “— Reportable Segment Revenues and Profits”.

For a further discussion of these and other COVID-19 related risks, see Item 1A. "Risk Factors— Risk Relating to COVID-19" of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC and the CSA on February 24, 2021.

Focus on Core Businesses

In order to continue to focus on our core businesses 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 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 order to drive growth of the Trulance[®] product, we have increased the number of sales force representatives for the Trulance[®] product. This has been successful as Trulance[®] revenues were \$49 million and \$36 million for the six months ended June 30, 2021 and 2020, respectively.

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 OTC preservative-free formulation eye drop approved to temporarily relieve itchy eyes due to pollen, ragweed, grass, animal hair and dander. Alaway® Preservative Free was launched in February 2021 and is expected to complement our broad range of Bausch + Lomb integrated eye health products.

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 those assets were 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 AMD. During the three months ended September 30, 2020, we made and expensed an initial upfront payment of \$10 million to acquire the Option. However, on June 23, 2021, we were notified by Allegro that it did not raise the additional funding required under the option agreement. Pursuant to the terms of the option agreement, the Option thereby terminated, and we exercised our right to convert the \$10 million upfront payment into a minor equity interest in Allegro. We expect that we will make no additional payments pursuant to this option agreement.

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.

Our internal R&D organization focuses on the development of products through clinical trials. As of December 31, 2020, approximately 1,300 dedicated R&D and quality assurance employees in 23 R&D facilities were involved in our R&D efforts internally.

We have approximately 200 projects in our global pipeline. Certain core internal R&D projects that have received a significant portion of our R&D investment in current and prior periods are listed below. However, due to the challenges of the COVID-19 pandemic, most notably those attributable to "stay at home" orders and travel restrictions, certain of our R&D activities were forced to pause in 2020. Clinical trials that started prior to governmental shutdowns remained enrolled and existing patients have progressed, while new patient enrollments were paused as most trial sites were not able to accept new patients. However, during our third quarter of 2020, we saw the pace of new patient enrollments increase, and, although certain of our projects are moving slower than we would like due to the impacts of the COVID-19 pandemic, through the date of this filing we have not had to make changes to our development timelines that would have a material impact on our current or future operating results.

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 or variant strains thereof 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.

Bausch + Lomb

- SiHy Daily - A silicone hydrogel daily disposable contact lens designed to provide clear vision throughout the day. In September 2018, we launched SiHy Daily in Japan under the branded name AQUALOX™ ONE DAY. In August 2020, we launched SiHy Daily in the U.S. under the branded name Bausch + Lomb INFUSE™ SiHy Daily Disposable contact lens. In the fourth quarter of 2020, SiHy Daily was launched in Australia, Hong Kong and Canada under the branded name Bausch + Lomb Ultra® ONE DAY. SiHy Daily has also received regulatory approval for New Zealand, South Korea, Singapore and Malaysia, where it will be branded as Bausch + Lomb Ultra® ONE DAY.

- Lumify® (brimonidine tartrate ophthalmic solution, 0.025%) - An OTC eye drop developed as an ocular redness reliever. We launched this product in the U.S. in May 2018. Currently, we have several line extensions under development and expect Phase 3 clinical studies to commence in 2021.
- Biotrue® ONEday for Astigmatism - A daily disposable contact lens for astigmatic patients. The Biotrue® ONEday contact lens incorporates Surface Active Technology™ to provide a dehydration barrier. The Biotrue® ONEday for Astigmatism also includes evolved peri-ballast geometry to deliver stability and comfort for the astigmatic patient. We launched this product in December 2016 and launched an extended power range and further extended power ranges in each of the years 2017 through 2020.
- New Ophthalmic Viscosurgical Device ("OVD") product - A formulation to protect corneal endothelium during phacoemulsification process during a cataract surgery and to help chamber maintenance and lubrication during intraocular lens delivery. In January 2020, we commenced an FDA clinical study for the cohesive OVD product which has now achieved its enrollment target, despite COVID-19-related slowdowns, and we expect results in the fourth quarter of 2021. In addition, in March 2021, we received Premarket Approval from the FDA for Clearvisc™ dispersive OVD, which we launched in June 2021.
- enVista® Trifocal intraocular lens - An innovative lens design. We initiated an investigational device exemption study for this product in May 2018 and initiated the last phase of this three-phase study in the fourth quarter of 2020.
- SimplifEYE™ preloaded intraocular lens injector platform for enVista intraocular lens - We have received approvals from the European Union and Canada and received FDA clearance for the injector and launched this platform in October 2020.
- Extended depth of focus intraocular lens - Currently under development, however, the timing and completion of which has been delayed due to COVID-19 pandemic related matters. Once development is completed, and if approved, we anticipate that this product could be launched in the first half of 2022.
- Bausch + Lomb ULTRA® monthly silicone hydrogel lens - Specifically designed to address the lifestyle and vision needs of patients with MoistureSeal® technology which maintains 95% of contact lens moisture for a full 16 hours. In the second quarter of 2020, Bausch + Lomb ULTRA® received a seven day extended wear indication approval from the European Union and received regulatory approval from the National Medical Products Administration in China.
- Bausch + Lomb ULTRA® Multifocal for Astigmatism contact lens - The first and only multifocal toric lens available as a standard offering in the eye care professional's fit set. The new monthly silicone hydrogel lens, which was specifically designed to address the lifestyle and vision needs of patients with both astigmatism and presbyopia, combines the Company's unique 3-Zone Progressive™ multifocal design with the stability of its OpticAlign® toric with MoistureSeal® technology to provide eye care professionals and their patients an advanced contact lens technology that offers the convenience of same-day fitting during the initial lens exam. Bausch + Lomb ULTRA® Multifocal for Astigmatism was launched in June 2019 and received European Union regulatory approval in the second quarter of 2020.
- 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.
- Custom soft contact lens (Ultra Buttons) - A latheable silicone hydrogel button for custom soft specialty lenses including; Sphere, Toric, Multifocal, Toric Multifocal and irregular corneas. This project has been placed on hold as we reprioritize other projects in our pipeline.
- Zen™ Multifocal Scleral Lens for presbyopia - In January 2019, we launched this product exclusively available with Zenlens™ and Zen™ RC scleral lenses and will allow eye care professionals to fit presbyopic patients with regular and irregular corneas and those with ocular surface disease, such as dry eye. The Zen™ Multifocal Scleral Lens incorporates decentered optics, enabling the near power to be positioned over the visual axis.
- Tangible® Hydra-PEG® - A high-water polymer coating that is bonded to the surface of a contact lens and designed to address contact lens discomfort and dry eye. We launched this product in March 2019. Tangible® Hydra-PEG® coating technology in combination with our Boston® materials and Zenlens™ family of scleral lenses will help eye care professionals provide a better lens wearing experience for their patients with challenging vision needs.

Gastrointestinal

- Rifaximin - Top line results from a Phase 2 study for the treatment of overt hepatic encephalopathy with a new formulation (SSD IR) of rifaximin showed a treatment benefit. Patients receiving 40 mg twice daily showed a statistically significant separation from placebo. The top line results from this Phase 2 study will help inform further research on potential new indications for rifaximin; this will include the commencement of a Phase 3 study (RED-C) in 2021 to seek an indication for the prevention of the first episode of Hepatic Encephalopathy.
- Rifaximin - Rifaximin recently received orphan drug designation for sickle cell anemia. A novel dosage formulation is planned to be studied for the treatment of sickle cell anemia and clinical trials are expected to commence in the second half of 2021.
- Rifaximin - Development of a fit for purpose Patient Reported Outcomes tool for small intestinal bacterial overgrowth, or "SIBO", is continuing in 2021.
- Rifaximin - We have entered into an agreement with Cedars Sinai Medical Center to evaluate a new formulation of rifaximin for the treatment of IBS-D. Two preclinical studies have been completed. A Proof of Concept study that was paused due to COVID-19 pandemic related factors has recommenced and is fully enrolled.
- Rifaximin - Our partner Alfisigma S.p.A. ("Alfisigma") was previously planning a Phase 2/3 study for the treatment of post-operative Crohn's disease using a novel rifaximin extended release formulation. However, poor enrollment rates in similar trials and clinical requirements imposed by the FDA were deemed too challenging to the potential success of the program and as a result the program has been terminated.
- Envive™ - In October 2020, we launched, on a limited basis, a probiotic supplement that was developed to address gastrointestinal disturbances. In April 2021, we expanded the launch to additional territories in the U.S.
- Amiselimod (S1P modulator) - We commenced a Phase 2 study during the first half of 2021 to evaluate Amiselimod (S1P modulator) for the treatment of mild to moderate ulcerative colitis.

Dermatology

- Arazlo® (tazarotene) Lotion, 0.045% (formerly Internal Development Project ("IDP")-123) - In June 2020, we launched this acne product containing lower concentration of tazarotene in a lotion form to help reduce irritation while maintaining efficacy.
- IDP-120 - An acne product with a fixed combination of mutually incompatible ingredients: benzoyl peroxide and tretinoin. Phase 3 clinical studies have been completed and met the primary endpoints. We are currently evaluating next steps for this project.
- IDP-126 - An acne product with a fixed combination of benzoyl peroxide, clindamycin phosphate and adapalene. Phase 3 clinical studies initiated in December 2019 were paused due to COVID-19 pandemic related factors, but resumed in June 2020. The first Phase 3 study has been completed, and the second Phase 3 study showed statistically significant topline results. We anticipate filing an NDA in the second half of 2022.
- Clear + Brilliant® Touch - Next generation Clear + Brilliant® laser that is designed to deliver a customized and more comprehensive treatment protocol by providing patients of all ages and skin types the benefits of two wavelengths. This product was launched in the U.S. in March 2021.

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 or other regulators, (iii) covered by third-party payors or (iv) profitable for distribution is highly uncertain. Under certain agreements, the Company may be required to make payments contingent upon the achievement of specific developmental, regulatory, or commercial milestones.

In October 2020, we announced that we had entered into two exclusive license agreements which present us with unique developmental opportunities to address the unmet need of treatment for myopia in children. The first of these two licensing agreements is with Eyenovia, Inc. for the development and commercialization in the United States and Canada of an

investigational microdose formulation of atropine ophthalmic solution, which is being investigated for the reduction of pediatric myopia progression, also known as nearsightedness, in children ages 3-12. We expect to complete enrollment for a Phase 3 study during the second half of 2022. 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 DED associated with MGD. In an Open Label Safety study, NOV03 has achieved its enrollment target. In April 2021, we announced statistically significant topline data from the first of two Phase 3 studies and anticipate the readout of topline results from the second Phase 3 study during the second half of 2021 and anticipate filing an NDA in 2022. 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. In June 2021, the FDA accepted the resubmitted NDA for Xipere™ and assigned a Prescription Drug User Fee Act date of October 30, 2021.

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 commenced a Phase 2 study in the first half of 2021.

Strategic Investments in our Infrastructure

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

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

To address the expected global demand for our Bausch + Lomb ULTRA® range of contact lenses, in December 2017, we completed a multi-year, \$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 projects to add multiple production lines to our Rochester and Waterford facilities. These production lines have recently been completed and we expect to start production of our latest contact lenses, Bausch + Lomb INFUSE® and ULTRA ONE DAY®, at these facilities by the end of 2021.

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 for these products in the U.S. This expansion program is expected to be completed in the first half of 2022.

In July 2021, we announced plans to invest an additional \$90 million to increase capacity at our Waterford facility to meet the expected demand for our Biotrue® ONEday range of daily disposable contact lenses. The new production lines are expected to be completed in 2023.

If completed as planned, the recently announced expansion of our Waterford facility will be the fifth major expansion of our Bausch + Lomb manufacturing facilities in support of our efforts to increase market share in the contact lens market in the seven years ending 2023. We believe the investments in our Waterford, Rochester and Lynchburg facilities and related expansion of labor forces further demonstrates the growth potential we see in our Bausch + Lomb products and our eye health business.

Effectively Managing Our Capital Structure

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 repaid (net of additional borrowings) approximately \$9,900 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. This includes approximately \$1,250 million of repayments during 2021 using cash on hand, cash generated from operations and a portion of the proceeds from the Amoun Sale.

2020 Refinancing Transactions - In May and December 2020, we accessed the credit markets and completed a series of transactions, whereby we extended \$3,250 million in aggregate maturities of certain debt obligations due to mature in 2022 and 2023 out to 2029 through 2031 and \$250 million in aggregate amortization payments due in 2022 out to 2029 (the "2020 Refinancing Transactions"). In addition to extending \$3,500 million in payments due in 2022 and 2023 to 2029 through 2031, the 2020 Refinancing Transactions replaced secured debt of \$1,500 million with unsecured debt. This provides us with more secured debt capacity under our Restated Credit Agreement and existing indentures if the market for unsecured debt in the future is less favorable. Further, by replacing \$1,500 million of 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. The 2020 Refinancing Transactions also repaid in full €1,500 million of debt denominated in euros, thereby reducing our exposure to fluctuations in the value of the euro.

2021 Refinancing Transactions - In June 2021, we accessed the credit markets and completed a transaction, whereby we: (i) extended \$1,600 million in aggregate maturities of certain debt obligations due to mature in 2024 out to 2028 and (ii) refinanced \$1,600 million in aggregate of existing 7.00% Senior Secured Notes due 2024 with \$1,600 million in aggregate of 4.875% Senior Secured Notes due 2028 (the "2021 Refinancing Transactions").

See Note 10, "FINANCING ARRANGEMENTS" to our unaudited interim Consolidated Financial Statements for the details of our debt portfolio as of June 30, 2021 and December 31, 2020.

The debt repayments and refinancing transactions outlined above have allowed us to: (i) improve our credit ratings, (ii) extend maturities of certain debt obligations due in 2022 through 2024 out to the years 2029 through 2031, (iii) satisfy all debt mandatory amortization payments and maturities until 2025 and (iv) reduce our exposure to fluctuations in the value of the euro.

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 June 30, 2021, were as follows:

(in millions)

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
\$ —	\$ —	\$ —	\$ 291	\$ 10,532	\$ 1,500	\$ 2,250	\$ 3,612	\$ 3,250	\$ 1,250	\$ 1,000	\$ 23,685

The weighted average stated interest rate of the Company's outstanding debt as of June 30, 2021 was 5.85% as compared to 6.02% as of December 31, 2020.

On July 30, 2021 and August 3, 2021, the Company made aggregate payments of \$600 million, to repay \$469 million of its June 2025 Term Loan B Facility and \$131 million of its November 2025 Term Loan B Facility, using the net proceeds from the Amoun Sale and cash on hand. On August 2, 2021, the Company redeemed \$150 million aggregate principal amount of outstanding 6.125% Senior Notes due 2025 using cash on hand. These payments satisfy in full the \$291 million of mandatory repayments in 2024, the \$114 million of remaining mandatory repayments in 2025 and also reduces certain maturities due in 2025. As a result of these payments, there are no maturities due until 2025. The following table gives effect to these repayments and shows our mandatory scheduled principal repayments of our debt obligations as of August 3, 2021:

(in millions)

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
\$ —	\$ —	\$ —	\$ —	\$10,073	\$ 1,500	\$ 2,250	\$ 3,612	\$ 3,250	\$ 1,250	\$ 1,000	\$22,935

Additionally, on August 3, 2021, we announced we will redeem an additional \$350 million in aggregate principal amount of our outstanding 6.125% Senior Notes due 2025 using cash on hand in September 2021, which has not been reflected in the table above.

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 2021. 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.

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

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

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

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

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

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

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 (branded as AQUALOX[™] ONE DAY in Japan, Bausch + Lomb INFUSE[™] SiHy Daily Disposable in the U.S. and Bausch + Lomb Ultra[®] ONE DAY in Australia, Hong Kong and Canada), Lumify[®] (an eye redness treatment), Vyzulta[®] (a pressure lowering eye drop for patients with angle glaucoma or ocular hypertension), Ocuville[®] Eye Performance (vitamins to protect the eye from stressors such as sunlight and blue light emitted from digital devices) and SimplifEYE[™] (preloaded intraocular lens injector platform for enVista intraocular lens).

We also license selective molecules or technology in leveraging our own R&D expertise through development, as well as seek out external product development opportunities. As previously discussed, we acquired a global exclusive license for a myopia control contact lens design developed by BHVI, which we plan to pair with our leading contact lens technologies to develop potential contact lens treatments designed to slow the progression of myopia in children, and exclusive licenses for the commercialization and development in the U.S. and Canada of: 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 launched as Alaway[®] Preservative-Free and is the first OTC preservative-free formulation eye drop for the temporary relief of itchy eyes due to pollen, ragweed, grass, animal hair, and dander in adults and children 3 years of age and older. We believe investments in these investigational treatments, if approved by the FDA, will complement, and help build upon, our strong portfolio of integrated eye health products.

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

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

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 through 2020, which was evident by our growth in Salix revenues of 22% when comparing 2020 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 2%, 22% and 22% in 2020, 2019 and 2018, 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.

Reposition the Ortho Dermatologics Business to Generate Additional Value - In 2018, we realigned our Solta medical aesthetics business and combined it with our medical dermatology business, creating a complete dermatology portfolio. We continue to make investments in our Solta portfolio and anticipate building out our Solta sales force, particularly in Europe, to address the growing demand. Our Ortho Dermatologics business continues to work towards improving the treatment options for medical dermatology patients needing topical acne and psoriasis products. We are exploring additional strategic e-commerce and partnership expansion opportunities which can enable increased accessibility for patients and we continue to invest in our on-market products and evaluate various opportunities for our key pipeline products.

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) building on our legacy brands to improve and meet today’s physician relevance and customer service, (ii) appointing new leadership, (iii) making key investments in our core medical device and dermatological products portfolios, (iv) optimizing our go to market strategy by building on our relationships with prescribers of our products to balance our sales portfolio with the business' profitability, (v) refocusing our operational and promotional resources and (vi) improving patient access to our Ortho Dermatologics products through our cash-pay prescription program previously discussed.

During the three months ended March 31, 2021, we identified recent launches of certain Ortho Dermatologics products which are not going to achieve their trajectories as forecasted once the social restrictions associated with the COVID-19 pandemic began to ease in the U.S. and offices of health care professionals could reopen. In addition, insurance coverage pressures within the U.S. continued to persist limiting patient access to topical acne and psoriasis products. In light of these developments, during the first quarter of 2021, the Company began taking steps to: (i) redirect its R&D spend to eliminate projects it has identified as high cost and high risk, (ii) redirect a portion of its marketing and product development outside the U.S. to geographies where there is better patient access and (iii) reduce its cost structure to be more competitive.

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 were \$73 million, \$53 million, \$142 million and \$77 million for the six months ended June 30, 2021 and 2020 and the years 2020 and 2019, respectively. We expect additional launches of Next Generation Thermage FLX[®] in Europe in the near term, paced by country-specific regulatory registrations.

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

Acne - In support of our established acne product portfolio, we have developed and launched several products, which 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 a unique acne project in our pipeline that, if approved by the FDA, we believe will further innovate and advance the treatment of acne.

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.

U.S. Tax Reform

On April 7, 2021, U.S. President Joseph Biden proposed changes to the U.S. tax system. The Proposals under discussion include changes to the U.S. corporate tax system that would increase U.S. corporate tax rates, impose a corporate minimum book tax and double the tax rate on and make other tax changes to Global Intangible Low Tax Income earned by foreign subsidiaries. Also, under consideration is a replacement of Base Erosion and Anti-Abuse Tax ("BEAT") with Stopping Harmful Inversions and Ending Low-Tax Developments ("SHIELD") rules which would deny deductions for certain related-party payments made to low-tax jurisdictions. While it is expected that a tax reform bill will be introduced in the House of Representatives in the near term, many aspects of the current proposals are unclear or undeveloped. We are unable to predict which, if any, U.S. tax reform proposals will be enacted into law, and what effects any enacted legislation might have on our liability for U.S. corporate tax. However, it is possible that the enactment of changes in the U.S. corporate tax system could have a material adverse effect on our liability for U.S. corporate tax and our consolidated effective tax rate.

Global Minimum Corporate Tax Rate

As part of its agenda, the Biden Administration is working to reach an agreement with other world leaders to establish a global minimum corporate tax rate, which would mean that no matter where companies are based, they would pay at least a certain amount in corporate taxes. In early June 2021, the G7 finance ministers met and came to an agreement on the concept of a minimum corporate tax rate. Subsequently, a global corporate tax rate of at least 15% was agreed upon by 131 countries representing more than 90% of global GDP (according to the Organisation for Economic Co-operation and Development), although certain countries such as Ireland, Hungary and Estonia have so far refused to sign up for the minimum tax, creating a potential roadblock because of the need for unanimity on tax issues within the European Union. We are unable to predict what, if any, global minimum corporate tax rate proposal will be enacted into law, and what effects any enacted legislation might have on our liability for corporate tax. However, it is possible that enactment of a global minimum corporate tax rate could have a material adverse effect on our liability for corporate taxes and our consolidated effective tax rate.

Health Care Reform

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

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

For 2020 and 2019, we incurred costs of \$21 million and \$20 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 2020 and 2019, we also incurred costs of \$131 million and \$137 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”).

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 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 and the recent change in administration. There is no assurance that any replacement or administrative modifications of the ACA will not adversely affect our business and financial results, particularly if the replacing legislation reduces incentives for employer-sponsored insurance coverage, and we cannot predict how future federal or state legislative or administrative changes relating to the reform will affect our business.

In 2019, the U.S. 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 prior administration, at this time, studies to evaluate the related costs and benefits, evaluate the reasonableness of the logistics, and measure the public reaction of such a plan have not been performed. While we do not believe this will have a significant impact on our future cash flows, we cannot provide assurance as to the ultimate context, timing, effect or impact of such a plan.

In 2019, the Government of Canada (Health Canada) published in the Canada Gazette the new pricing regulation for patented drugs. These regulations will become effective on January 1, 2022. 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, as additional facts materialize, we cannot provide assurance as to the ultimate content, timing, effect or impact of such regulations.

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

priority, and some have introduced proposals that seek to address drug pricing. We are currently reviewing those Executive Orders and the Most Favored Nation Model, the impact of which is uncertain at this time.

In addition, as part of a series of drug pricing-related rules issued by the Trump Administration, in December 2020, the Center for Medicare & Medicaid Services issued a Final Rule that makes significant modifications to the Medicaid Drug Rebate Program regulations in several areas, including with respect to the definition of key terms “line extension” and “new formulation” and best price (BP) reporting relating to certain value-based purchasing (VBP) arrangements (which take effect on January 1, 2022) and the price reporting treatment of manufacturer-sponsored patient benefit programs (which take effect on January 1, 2023). We are currently reviewing the Final Rule, 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 2021 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 2021 or in later years. Following a loss of exclusivity (“LOE”) of and/or generic competition for a product, we would anticipate that product sales for such product would decrease significantly shortly following the LOE or entry of a generic competitor. Where we have the rights, we may elect to launch an authorized generic of such product (either ourselves or through a third-party) prior to, upon or following generic entry, which may mitigate the anticipated decrease in product sales; however, even with launch of an authorized generic, the decline in product sales of such product would still be expected to be significant, and the effect on our future revenues could be material.

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

2020 LOE Branded Products - Branded products that began facing generic competition in the U.S. during 2020 include, Migranal[®], MoviPrep[®] and certain other products. In aggregate, these products accounted for less than 1% of our total revenues in 2020. 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.

2021 LOE Branded Products - Branded products that began facing generic competition in the U.S. during 2021 included Lotemax[®] Gel and Bepreve[®]. These products accounted for less than 1% of our total revenues in 2020. We believe the entry into the market of generic competition generally would have an adverse impact on the volume and/or pricing of the affected products, however we are unable to predict the magnitude or timing of this impact.

2021 through 2025 LOE Branded Products - Based on current patent expiration dates, settlement agreements and/or competitive information, we have identified branded products that we believe could begin facing potential LOE and/or generic competition in the U.S. during the years 2021 through 2025. These products and year of expected LOE include, but are not limited to, Clindagel[®] (2021), Noritate[®] (2021), Targretin[®] Gel (2022), Xerese[®] (2022) and certain other products that are subject to settlement agreements which could impact their exclusivity during the years 2021 through 2025. In aggregate, these products accounted for 2% of our total revenues in 2020. 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 3% of our total

revenues in 2020. The PreserVision® U.S. formulation patent expired in March 2021, but a patent covering methods of using the formulation remains 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 LOE of a branded pharmaceutical product.

In addition, for a number of our products (including Plenvu®, Xifaxan® 550mg, Bryhali®, Duobrii®, Uceris®, Trulance® and Jublia® in the U.S.), we have commenced (or anticipate commencing) and have (or may have) ongoing infringement proceedings against potential generic competitors in the U.S. 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® 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 U.S. before January 1, 2028. The Company did not make any financial payments or other transfers of value as part of this agreement with Sandoz.

Xifaxan[®] 550mg Patent Litigation (Norwich) - On March 26, 2020, the Company and its licensor Alfasigma filed suit against Norwich Pharmaceuticals Inc. (“Norwich”), alleging infringement by Norwich of one or more claims of the 23 Xifaxan[®] patents by Norwich’s filing of its ANDA for Xifaxan[®] (rifaximin) 550 mg tablets. On November 13, 2020, an additional three patents alleged to be infringed by Norwich were added to the suit. Xifaxan[®] 550mg is protected by 26 patents covering the composition of matter and the use of Xifaxan[®] listed in the FDA’s Approved Drug Products with Therapeutic Equivalence Evaluations, or the Orange Book. 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 U.S. beginning January 1, 2028 (or earlier under certain circumstances). Under the terms of the agreement, beginning January 1, 2028 (or earlier under certain circumstances), Sun will have the right to market royalty-free generic versions of Xifaxan[®] (rifaximin) 200 mg and 550 mg tablets, should it receive approval from the FDA on its ANDAs. Sun will be able to commence such marketing earlier if another generic rifaximin product is granted approval and such other generic rifaximin product begins to be sold or distributed in the U.S. before January 1, 2028.

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

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

Generic Competition to Uceris[®] - In July 2018, a generic competitor launched a product which will directly compete with our Uceris[®] Tablet product. As disclosed in our prior filings, the Company initiated various infringement proceedings against this generic competitor. The Court construed the claims of the asserted patents on August 2, 2019 and, on October 24, 2019, the Company agreed to a judgment that the asserted patents did not cover the generic tablets under the Court’s claim construction, while reserving its right to appeal the claim construction. On November 22, 2019, the Company filed a Notice of Appeal with respect to the claim construction in the Court of Appeals for the Federal Circuit. On December 18, 2020, the Court of Appeals for the Federal Circuit affirmed the District Court’s claim construction. The ultimate impact of this generic

competitor on our future revenues cannot be predicted; however, Uceris[®] Tablet revenues for the six months ended June 30, 2021 and 2020 were approximately \$5 million and \$5 million, respectively, and for the years 2020, 2019 and 2018 were approximately \$15 million, \$20 million and \$84 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[®] (U.S. Patent No 7,214,506 (the “506 Patent”)) and issued a written determination invalidating such patent. On March 13, 2020, the Court of Appeals for the Federal Circuit reversed this decision and remanded the matter back to the PTAB for further proceedings. As a result of a settlement, a joint motion to terminate the proceedings was filed on November 12, 2020 and, on January 8, 2021, the PTAB granted this motion. The ‘506 Patent, therefore, remains valid and enforceable and expires in 2026. Jublia[®] revenues for the six months ended June 30, 2021 and 2020 were approximately \$50 million and \$55 million, respectively, and for the years 2020, 2019 and 2018 were approximately \$111 million, \$110 million and \$89 million, respectively. Jublia[®] is covered by fourteen additional Orange Book-listed patents owned by the Company or its licensor, which expire in the years 2028 through 2035. In August and September 2018, the Company received notices of the filing of a number of ANDAs with paragraph IV certification, and has timely filed patent infringement suits against these ANDA filers, and, in addition, the Company has also commenced certain patent infringement proceedings in Canada against three separate defendants. All cases in Canada regarding Jublia[®] have been settled and all but one case in the U.S. regarding Jublia[®] has been settled.

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, 2020, filed with the SEC and the CSA on February 24, 2021 for further details regarding certain infringement proceedings.

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

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

See Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC and the CSA on February 24, 2021 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 but one of our 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. At this time, one site is awaiting FDA review to our responses to a recently issued Form 483 with one deficiency observation. 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.

FINANCIAL PERFORMANCE HIGHLIGHTS

The following table provides selected unaudited financial information for the three and six months ended June 30, 2021 and 2020:

<i>(in millions, except per share data)</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Revenues	\$ 2,100	\$ 1,664	\$ 436	\$ 4,127	\$ 3,676	\$ 451
Operating (loss) income	\$ (270)	\$ (27)	\$ (243)	\$ (491)	\$ 221	\$ (712)
Loss before income taxes	\$ (670)	\$ (437)	\$ (233)	\$ (1,261)	\$ (615)	\$ (646)
Net loss attributable to Bausch Health Companies Inc.	\$ (595)	\$ (326)	\$ (269)	\$ (1,205)	\$ (478)	\$ (727)
Basic and diluted loss per share attributable to Bausch Health Companies Inc.	\$ (1.66)	\$ (0.92)	\$ (0.74)	\$ (3.37)	\$ (1.35)	\$ (2.02)

Financial Performance

Summary of the Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

Revenue for the three months ended June 30, 2021 and 2020 was \$2,100 million and \$1,664 million, respectively, an increase of \$436 million, or 26%. The increase was primarily due to: (i) the net increase in volumes across all our segments and (ii) the favorable impact of foreign currencies, primarily in Europe, Asia and Canada. These increases were partially offset by: (i) a decrease in net realized pricing and (ii) the impact of divestitures and discontinuations. The net increase in volumes was primarily due to the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, partially offset by the impact of the loss of exclusivity of certain products.

Operating loss for the three months ended June 30, 2021 and 2020 was \$270 million and \$27 million, respectively, a decrease in our operating results of \$243 million and reflects, among other factors:

- an increase in contribution (Product sales revenue less Cost of goods sold, excluding amortization and impairments of intangible assets) of \$317 million primarily due to: (i) the increase in volumes, as previously discussed, (ii) the favorable impact of foreign currencies and (iii) lower manufacturing variances, partially offset by the decrease in net realized pricing;
- an increase in Selling, general and administrative expenses (“SG&A”) of \$159 million primarily attributable to: (i) the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, (ii) Separation-related costs incurred in 2021 and (iii) the impact of foreign currencies;
- an increase in R&D of \$7 million primarily attributable to the non-recurrence of the temporary suspension in certain R&D activities and clinical trials in 2020 due to social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed partially offset by the impact of rebalancing our portfolio within the Ortho Dermatologics business;
- a decrease in Amortization of intangible assets of \$76 million primarily attributable to fully amortized intangible assets no longer being amortized in 2021;
- an increase in Asset impairments, including loss on assets held for sale of \$46 million, primarily attributable to: (i) higher impairments to certain products and (ii) additional losses during the three months ended June 30, 2021 related to assets classified as held for sale; and
- an increase in Other expense, net of \$424 million, primarily attributable to higher adjustments related to the settlements of certain litigation matters during the three months ended June 30, 2021.

Operating loss for the three months ended June 30, 2021 and 2020 was \$270 million and \$27 million, and included non-cash charges for Depreciation and amortization of intangible assets of \$404 million and \$480 million, Asset impairments, including loss on assets held for sale of \$47 million and \$1 million and Share-based compensation of \$31 million and \$27 million, respectively.

Loss before income taxes for the three months ended June 30, 2021 and 2020 was \$670 million and \$437 million, respectively, an unfavorable change of \$233 million. The unfavorable change in our Loss before income taxes is primarily attributable to: (i) the decrease in our operating results of \$243 million, as previously discussed and (ii) an increase in Loss on extinguishment of debt of \$18 million, partially offset by: (i) a decrease in Interest expense of \$21 million and (ii) a favorable net change in Foreign exchange and other of \$7 million.

Net loss attributable to Bausch Health Companies Inc. for the three months ended June 30, 2021 and 2020 was \$595 million and \$326 million, respectively, a decrease in our results of \$269 million. The decrease in our results was primarily due to the decrease in our Loss before income taxes of \$233 million, as previously discussed, and the unfavorable change in income taxes of \$35 million.

Summary of the Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

Revenue for the six months ended June 30, 2021 and 2020 was \$4,127 million and \$3,676 million, respectively, an increase of \$451 million, or 12%. The increase was primarily due to: (i) the net increase in volumes and (ii) the favorable impact of foreign currencies, primarily in Europe, Asia and Canada. These increases were partially offset by: (i) a decrease in net realized pricing and (ii) the impact of divestitures and discontinuations. The net increase in volumes was primarily due to the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, primarily during the three months ended June 30, 2021, partially offset by the impact of the loss of exclusivity of certain products.

Operating loss for the six months ended June 30, 2021 was \$491 million and Operating income for the six months ended June 30, 2020 was \$221 million, a decrease in our operating results of \$712 million and reflects, among other factors:

- an increase in contribution of \$275 million primarily due to: (i) the increase in volumes, as previously discussed, and (ii) the favorable impact of foreign currencies, partially offset by the decrease in net realized pricing;
- an increase in SG&A of \$132 million primarily attributable to: (i) the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, (ii) Separation-related costs incurred in 2021 and (iii) the impact of foreign currencies;
- a decrease in R&D of \$3 million primarily attributable to the rebalancing of our portfolio within the Ortho Dermatologics business partially offset by the non-recurrence of the temporary suspension in certain R&D activities and clinical trials in 2020;
- a decrease in Amortization of intangible assets of \$155 million primarily attributable to fully amortized intangible assets no longer being amortized in 2021;
- an increase in Goodwill impairments of \$469 million related to the impairment to the goodwill of the Ortho Dermatologics reporting unit during the three months ended March 31, 2021 as a result of revised forecasts due to: (i) certain products that continued to experience longer launch cycles than originally anticipated, in part due to COVID-19 pandemic factors, and (ii) other changes to its product pipeline;
- an increase in Asset impairments, including loss on assets held for sale of \$180 million, primarily related to impairments during the six months ended June 30, 2020 related to: (i) certain product lines as a result of changes to forecasted sales due to generic competition and other factors and (ii) additional losses during the six months ended June 30, 2021 related to assets classified as held for sale; and
- an increase in Other expense, net of \$358 million primarily attributable to higher adjustments related to the settlements of certain litigation matters during the six months ended June 30, 2021, partially offset by: (i) a decrease in Acquisition-related contingent consideration and (ii) an increase in Net gain on sale of assets.

Operating loss for the six months ended June 30, 2021 was \$491 million and Operating income for the six months ended June 30, 2020 was \$221 million and included non-cash charges for Depreciation and amortization of intangible assets of \$807 million and \$961 million, Asset impairments of \$195 million and \$15 million, Goodwill impairments of \$469 million and \$0, and Share-based compensation of \$62 million and \$54 million, respectively.

Our Loss before income taxes for the six months ended June 30, 2021 and 2020 was \$1,261 million and \$615 million, respectively, an increase of \$646 million. The increase in our Loss before income taxes is primarily attributable to the decrease in our operating results of \$712 million, as previously discussed, partially offset by: (i) a decrease in Interest expense of \$49 million, (ii) the favorable change in Foreign exchange and other of \$21 million and (iii) a decrease in Loss on extinguishment of debt of \$1 million.

Net loss attributable to Bausch Health Companies Inc. for the six months ended June 30, 2021 and 2020 was \$1,205 million and \$478 million, respectively, a decrease in our results of \$727 million. The decrease in our results was primarily due to: (i) the increase in our Loss before income taxes of \$646 million, as previously discussed and (ii) a decrease in Benefit from income taxes of \$77 million.

RESULTS OF OPERATIONS

Our unaudited operating results for the three and six months ended June 30, 2021 and 2020 were as follows:

<i>(in millions)</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Revenues						
Product sales	\$ 2,076	\$ 1,637	\$ 439	\$ 4,079	\$ 3,623	\$ 456
Other revenues	24	27	(3)	48	53	(5)
	<u>2,100</u>	<u>1,664</u>	<u>436</u>	<u>4,127</u>	<u>3,676</u>	<u>451</u>
Expenses						
Cost of goods sold (excluding amortization and impairments of intangible assets)	604	482	122	1,168	987	181
Cost of other revenues	8	13	(5)	18	27	(9)
Selling, general and administrative	685	526	159	1,291	1,159	132
Research and development	115	108	7	227	230	(3)
Amortization of intangible assets	360	436	(76)	717	872	(155)
Goodwill impairments	—	—	—	469	—	469
Asset impairments, including loss on assets held for sale	47	1	46	195	15	180
Restructuring, integration and separation costs	9	7	2	21	11	10
Other expense, net	542	118	424	512	154	358
	<u>2,370</u>	<u>1,691</u>	<u>679</u>	<u>4,618</u>	<u>3,455</u>	<u>1,163</u>
Operating (loss) income	(270)	(27)	(243)	(491)	221	(712)
Interest income	2	2	—	4	9	(5)
Interest expense	(364)	(385)	21	(732)	(781)	49
Loss on extinguishment of debt	(45)	(27)	(18)	(50)	(51)	1
Foreign exchange and other	7	—	7	8	(13)	21
Loss before benefit from income taxes	(670)	(437)	(233)	(1,261)	(615)	(646)
Benefit from income taxes	77	112	(35)	61	138	(77)
Net loss	(593)	(325)	(268)	(1,200)	(477)	(723)
Net income attributable to noncontrolling interest	(2)	(1)	(1)	(5)	(1)	(4)
Net loss attributable to Bausch Health Companies Inc.	<u>\$ (595)</u>	<u>\$ (326)</u>	<u>\$ (269)</u>	<u>\$ (1,205)</u>	<u>\$ (478)</u>	<u>\$ (727)</u>

Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

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 \$2,100 million and \$1,664 million for the three months ended June 30, 2021 and 2020, respectively, an increase of \$436 million, or 26%. The increase was due to: (i) the net increase in volumes of \$433 million primarily in our Bausch + Lomb and Salix segments, partially offset by the impacts of a quality issue at a third-party supplier, as discussed below, and (ii) the favorable impact of foreign currencies of \$60 million, primarily in Europe, Asia and Canada. These increases were partially offset by: (i) a decrease in net realized pricing of \$53 million, primarily in our Bausch + Lomb and Diversified Products segments and (ii) the impact of divestitures and discontinuations of \$4 million. The net increase in volumes was primarily due to the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, partially offset by the impact of the loss of exclusivity of certain products primarily in our Diversified Products segment.

Our 2020 revenues were most negatively impacted during our second quarter by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic. Our revenues for the three months ended June 30, 2021, 2020 and 2019 were \$2,100 million, \$1,664 million and \$2,152 million, respectively. This trend in our quarterly revenues reflects the significant impacts that the COVID-19 pandemic had on our second quarter revenues in 2020. However, as governments began lifting social restrictions, allowing offices of certain health care providers to reopen and certain

surgeries and elective medical procedures to proceed, the negative trend in the revenues of certain businesses began to level off and stabilize prior to our third quarter of 2020.

The year-over-year increases in our revenues for the three month periods ended June 30, 2021 and March 31, 2021 of 26% and 1%, respectively, represents a continuously improving trend over the decreases in our year-over-year revenues for the three-month periods ended June 30, 2020, September 30, 2020 and December 31, 2020 of 23%, 3% and less than 1%, respectively. At the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in 2021. However, as our revenues were most negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic during our second quarter of 2020, we expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the six months ended June 30, 2021.

The changes in our segment revenues and segment profits, including the impacts of COVID-19 pandemic related matters for the three and six months ended June 30, 2021, are discussed in further detail in the respective subsequent section “— Reportable Segment Revenues and Profits”.

Cash Discounts and Allowances, Chargebacks and Distribution Fees

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

We actively manage these offerings, focusing on the incremental costs of our patient assistance programs, the level of discounting to non-retail accounts and identifying opportunities to minimize product returns. We also concentrate on managing our relationships with our payors and wholesalers, reviewing the ranges of our offerings and being disciplined as to the amount and type of incentives we negotiate. Provisions recorded to reduce gross product sales to net product sales and revenues for the three months ended June 30, 2021 and 2020 were as follows:

<i>(in millions)</i>	Three Months Ended June 30,			
	2021		2020	
	Amount	Pct.	Amount	Pct.
Gross product sales	\$ 3,489	100.0 %	\$ 2,677	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	159	4.6 %	137	5.1 %
Returns	43	1.2 %	12	0.4 %
Rebates	625	17.9 %	416	15.5 %
Chargebacks	531	15.2 %	433	16.2 %
Distribution fees	55	1.6 %	42	1.6 %
Total provisions	1,413	40.5 %	1,040	38.8 %
Net product sales	2,076	59.5 %	1,637	61.2 %
Other revenues	24		27	
Revenues	\$ 2,100		\$ 1,664	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 40.5% and 38.8% for the three months ended June 30, 2021 and 2020, respectively, an increase of 1.7 percentage points and includes:

- discounts and allowances as a percentage of gross product sales was lower primarily due to lower gross product sales and lower discount rates for certain generic products, such as Migranal[®] AG;

- returns as a percentage of gross product sales was higher primarily due to: (i) adjustments in 2020 to the return reserves to reflect actual return experience for certain products and (ii) the recall of certain Consumer products as a result of a quality issue at a third-party supplier, as discussed below;
- rebates as a percentage of gross product sales were higher primarily due to: (i) an increase in gross product sales of certain branded products with higher rebate rates such as Xifaxan[®], Prolensa[®] and Elidel[®] and (ii) an increase in rebates due to the launch of Arazlo[®] (June 2020) and was partially offset by lower rebate rates for branded products such as Apriso[®], Aplenzin[®] and Glumetza[®] SLX;
- chargebacks as a percentage of gross product sales were lower primarily due to the impact of lower chargeback rates for certain products with higher gross product sales such as Wellbutrin[®] and Xifaxan[®] partially offset by increased gross product sales and higher chargeback rates for certain products such as Glumetza[®] SLX, Syprine[®] AG and Mysoline[®] AG; and
- distribution service fees as a percentage of gross product sales were unchanged. No price appreciation credits were provided for the three months ended June 30, 2021 and 2020.

Expenses

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

Cost of goods sold primarily includes: manufacturing and packaging; the cost of products we purchase from third parties; royalty payments we make to third parties; depreciation of manufacturing facilities and equipment; and lower of cost or market adjustments to inventories. Cost of goods sold typically vary between periods as a result of product mix, volume, royalties, changes in foreign currency and inflation. Cost of goods sold excludes the amortization and impairments of intangible assets.

Cost of goods sold was \$604 million and \$482 million for the three months ended June 30, 2021 and 2020, respectively, an increase of \$122 million, or 25%. The increase was primarily driven by: (i) the net increase in volumes, as previously discussed and (ii) the unfavorable impact of foreign currencies, partially offset by lower manufacturing variances. The lower manufacturing variances were primarily due to the non-recurrence of certain variances driven by the impacts of the COVID-19 pandemic in 2020, as previously discussed, partially offset by: (i) charges related to a quality issue at a third-party supplier, as discussed below, and (ii) inflationary pressures related to certain manufacturing costs, as discussed below.

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

As the recovery from the COVID-19 pandemic begins and businesses reopen, many companies are reporting unexpected price increases for certain costs, such as labor, materials, shipping and utilities. The increased costs have resulted in additional manufacturing variances and have had a negative impact on our contribution margins during the six months ended June 30, 2021. Through the date of this filing, we are unable to determine if these inflationary factors are transitory or should be expected over a long term.

Cost of goods sold as a percentage of product sales revenue were 29.1% and 29.4% for the three months ended June 30, 2021 and 2020, respectively, a decrease of 0.3 percentage points. Costs of goods sold as a percentage of Product sales revenue was favorably impacted by lower manufacturing variances, previously discussed, partially offset by the decrease in net realized pricing, as previously discussed.

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. Also included in SG&A expenses for the three and six months ended June 30, 2021 are Separation-related costs. The Company has incurred, and will incur, Separation-related costs which are incremental costs indirectly related to the B+L 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.

SG&A expenses were \$685 million and \$526 million for the three months ended June 30, 2021 and 2020, respectively, an increase of \$159 million, or 30%. The increase was primarily attributable to: (i) the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, (ii) Separation-related costs incurred during the three months ended June 30, 2021 of \$35 million and (iii) the impact of foreign currencies.

During 2020, the Company took certain profit protection measures to manage and reduce operating expenses during the COVID-19 pandemic, which resulted in year-over-year increases primarily in selling expenses and advertising and promotion expenses. These profit protection measures were successful in expanding the profit margins in many of our businesses as previously discussed. As the pace of recovery in each geography accelerates, we expect to allocate more resources to selling and other promotional activities to drive our return to sustainable revenue and profit growth. Therefore, if the recovery continues, we expect our operating expenses to increase in support of our existing products, product launches and products in development and as a result expect to see our operating expenses for the remainder of 2021 to exceed our operating expenses in 2020 for the same period.

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 \$115 million and \$108 million for the three months ended June 30, 2021 and 2020, respectively, an increase of \$7 million, or 6%. The increase was primarily attributable to the non-recurrence of the temporary suspension in certain R&D activities and clinical trials in 2020 due to social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed, partially offset by the impact of rebalancing our portfolio within the Ortho Dermatologics business. R&D expenses as a percentage of Product sales were approximately 6% and 7% for the three months ended June 30, 2021 and 2020, respectively.

In 2020, certain of our R&D activities were limited and others, including new patient enrollments in clinical trials, were temporarily paused primarily during our second quarter, as most trial sites were not able to accept new patients due to government-mandated shutdowns. However, during our third quarter of 2020, many of these trial sites began to reopen and we saw the pace of new patient enrollments increase, although at this time certain of our projects are moving slower than we would like due to the impacts of the COVID-19 pandemic. As of the date of this filing, we have not had to make material changes to our development timelines and the pause in our clinical trials has not had a material impact on our operating results; however, a resurgence of 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 \$360 million and \$436 million for the three months ended June 30, 2021 and 2020, respectively, a decrease of \$76 million. The decrease was primarily attributable to fully amortized intangible assets no longer being amortized in 2021.

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, including loss on assets held for sale

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

Asset impairments, including loss on assets held for sale were \$47 million and \$1 million for the three months ended June 30, 2021 and 2020, respectively, an increase of \$46 million. Asset impairments, including loss on assets held for sale for the three months ended June 30, 2021 were \$47 million and include: (i) impairments of \$25 million due to decreases in forecasted sales of a certain product line in our Diversified Products segment, (ii) an adjustment of \$20 million to the loss of assets held for sale in connection with the Amoun Sale and (iii) impairments of \$2 million, in aggregate, related to the discontinuance of certain product lines.

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

Restructuring, Integration and Separation Costs

Restructuring, integration and separation costs were \$9 million and \$7 million for the three months ended June 30, 2021 and 2020, respectively, an increase 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 \$3 million and \$7 million for the three months ended June 30, 2021 and 2020, 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 B+L Separation. These activities include: (i) separating the Bausch + Lomb business from the remainder of the Company and (ii) registering the Bausch + Lomb business as an independent publicly traded entity. Separation costs are incremental costs directly related to the B+L Separation and include, but are not limited to: (i) legal, audit and advisory fees, (ii) talent acquisition costs and (iii) costs associated with establishing a new board of directors and related board committees for the new entity. Separation costs were \$6 million and \$0 for the three months ended June 30, 2021 and 2020, respectively. The Company continues to make progress toward internal objectives necessary for the B+L 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.

Other Expense, Net

Other expense, net for the three months ended June 30, 2021 and 2020 consists of the following:

<i>(in millions)</i>	Three Months Ended June 30,	
	2021	2020
Litigation and other matters	\$ 532	\$ 100
Acquisition-related contingent consideration	9	11
Acquired in-process research and development costs	1	7
	<u>\$ 542</u>	<u>\$ 118</u>

For the three months ended June 30, 2020, Litigation and other matters includes adjustments related to the investigation of the Company by the SEC respecting the Company's former relationship with Philidor, its accounting practices and policies, its public disclosures and other matters (which investigation has now been settled) (the "SEC Investigation") and the U.S. Securities Litigation and the Canadian Securities Litigation and related opt-outs of each. Litigation and other matters for the three months ended June 30, 2020 also includes an insurance recovery claim related to a certain litigation matter. See Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements for further details regarding certain of these and other litigation matters.

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 \$364 million and \$385 million, and included non-cash amortization and write-offs of debt premiums, discounts and deferred issuance costs of \$12 million and \$17 million, for the three months ended June 30, 2021 and 2020, respectively. Interest expense for the three months ended June 30, 2021 decreased \$21 million, or 5%, as compared to the three months ended June 30, 2020, primarily due to lower outstanding principal balances. The weighted average stated rate of interest as of June 30, 2021 and 2020 was 5.85% and 5.95%, respectively.

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

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 \$45 million and \$27 million for the three months ended June 30, 2021 and 2020, respectively, primarily associated with the 2021 Refinancing Transactions and the 2020 Refinancing Transactions, respectively, as previously discussed.

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

Foreign Exchange and Other

Foreign exchange and other primarily includes: (i) translation gains/losses on intercompany loans and third-party liabilities and (ii) the gain/loss due to foreign currency exchange contracts. Foreign exchange and other was a gain of \$7 million and \$0 for the three months ended June 30, 2021 and 2020, respectively, a favorable net change of \$7 million.

Income Taxes

Benefit from income taxes was \$77 million and \$112 million for the three months ended June 30, 2021 and 2020, respectively, an unfavorable change of \$35 million.

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

Our effective income tax rate for the three months ended June 30, 2020 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

In connection with the planned separation of its eye health business into an independent publicly traded entity from the remainder of Bausch Health Companies Inc., the Company has begun managing its operations in a manner consistent with the organizational structure of the separate entities as proposed by the B+L Separation. As a result, during the first quarter of

2021, the Company's CEO, who is the Company's Chief Operating Decision Maker, commenced managing the business differently through changes in its operating and reportable segments, which necessitated a realignment of the Company's historical segment structure. This realignment is consistent with how the Company's CEO currently: (i) assesses operating performance on a regular basis, (ii) makes resource allocation decisions and (iii) designates responsibilities of his direct reports. Pursuant to these changes, effective in the first quarter of 2021, the Company operates in the following reportable segments: (i) Bausch + Lomb, (ii) Salix, (iii) International Rx, (iv) Ortho Dermatologics and (v) Diversified Products. In addition, as part of this realignment of segment structure, certain products historically included in certain segments are now included in their new respective segments based on the organizational structure of the two separate entities as proposed by the B+L Separation. Prior period presentation of segment revenues and segment profits has been recast to conform to the current segment reporting structure.

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

- **The Bausch + Lomb segment** consists of global sales of Bausch + Lomb Vision Care, Consumer, Surgical and Ophthalmology Rx products.
- **The Salix segment** consists of sales in the U.S. of GI products.
- **The International Rx segment** consists of sales, with the exception of sales of Bausch + Lomb products and Solta medical aesthetic devices, outside the U.S. and Puerto Rico of branded pharmaceutical products, branded generic pharmaceutical products and OTC 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 and Other expense, net, are not included in the measure of segment profit, as management excludes these items in assessing segment financial performance. See Note 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 June 30, 2021 and 2020. The following table also presents segment profits, segment profits as a percentage of segment revenues and the period-over-period changes in segment profits for the three months ended June 30, 2021 and 2020.

<i>(in millions)</i>	Three Months Ended June 30,					
	2021		2020		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Bausch + Lomb	\$ 934	44 %	\$ 677	41 %	\$ 257	38 %
Salix	516	24 %	404	24 %	112	28 %
International Rx	313	15 %	249	15 %	64	26 %
Ortho Dermatologics	137	7 %	117	7 %	20	17 %
Diversified Products	200	10 %	217	13 %	(17)	(8)%
Total revenues	<u>\$ 2,100</u>	<u>100 %</u>	<u>\$ 1,664</u>	<u>100 %</u>	<u>\$ 436</u>	<u>26 %</u>
Segment Profits / Segment Profit Margins						
Bausch + Lomb	\$ 213	23 %	\$ 124	18 %	\$ 89	72 %
Salix	370	72 %	289	72 %	81	28 %
International Rx	103	33 %	75	30 %	28	37 %
Ortho Dermatologics	61	45 %	38	32 %	23	61 %
Diversified Products	140	70 %	154	71 %	(14)	(9)%
Total segment profits	<u>\$ 887</u>	<u>42 %</u>	<u>\$ 680</u>	<u>41 %</u>	<u>\$ 207</u>	<u>30 %</u>

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. There were no acquisitions during the twelve month period ended June 30, 2021.

The following table presents a reconciliation of GAAP revenues to organic revenues (non-GAAP) and the period-over-period changes in organic revenue (Non-GAAP) for the three months ended June 30, 2021 and 2020 by segment.

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020			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.
<i>(in millions)</i>								
Bausch + Lomb	\$ 934	\$ (33)	\$ 901	\$ 677	\$ (2)	\$ 675	\$ 226	33 %
Salix	516	—	516	404	—	404	112	28 %
International Rx	313	(23)	290	249	(1)	248	42	17 %
Ortho Dermatologics	137	(4)	133	117	—	117	16	14 %
Diversified Products	200	—	200	217	(1)	216	(16)	(7)%
Total	<u>\$ 2,100</u>	<u>\$ (60)</u>	<u>\$ 2,040</u>	<u>\$ 1,664</u>	<u>\$ (4)</u>	<u>\$ 1,660</u>	<u>\$ 380</u>	<u>23 %</u>

Bausch + Lomb Segment:

Bausch + Lomb Segment Revenue

The Bausch + Lomb segment has a diversified product line with no single product group representing 10% or more of its product sales. The Bausch + Lomb segment revenue was \$934 million and \$677 million for the three months ended June 30, 2021 and 2020, respectively, an increase of \$257 million, or 38%. The increase was primarily attributable to: (i) an increase in volumes across all our Bausch + Lomb businesses of \$243 million primarily due to the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, partially offset by the impacts of a third-party supplier quality issue on the revenues of certain Consumer products, as previously discussed, and (ii) the favorable impact of foreign currencies of \$33 million, primarily in Europe and Asia. These increases were partially offset by: (i) a decrease in net realized pricing of \$17 million primarily due to higher sales deductions in our Ophthalmology business and (ii) the impact of divestitures and discontinuations of \$2 million, related to several products. The net increase in volumes was most notable in our Surgical and Vision Care businesses, and geographically can primarily be attributable to increases in the U.S., Europe and Asia.

During 2020, the volumes of our Bausch + Lomb segment were most negatively impacted by the COVID-19 pandemic during our second quarter. During 2020, 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 Ophthalmology and Surgical businesses while 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 Vision Care business. During our first quarter of 2020, certain customers engaged in "pantry-loading", which, positively impacted the volumes of our Consumer business during that quarter but negatively impacted the volumes of our Consumer business for our second quarter of 2020. 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 and continued into our fourth quarter of 2020 and first quarter of 2021.

Although we experienced COVID-19 pandemic related declines in year-over-year revenues in certain products and geographies in 2021, total Bausch + Lomb segment revenues for the three months ended June 30, 2021 and March 31, 2021 increased 38% and 1%, respectively, when compared to the three months ended June 30, 2020 and March 31, 2020. At the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in 2021. However, as our revenues were most negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic during our second quarter of 2020, we expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the three months ended June 30, 2021.

Bausch + Lomb Segment Profit

The Bausch + Lomb segment profit for the three months ended June 30, 2021 and 2020 was \$213 million and \$124 million, respectively, an increase of \$89 million, or 72%. The increase was primarily driven by the increase in contribution primarily attributable to: (i) the net increase in revenues, as previously discussed, and (ii) lower manufacturing variances, partially offset by higher royalties. The increase in contribution was partially offset by: (i) the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, which resulted in year-over-year increases primarily in selling expenses and advertising and promotion expenses and (ii) the non-recurrence of the temporary suspension in certain R&D activities and clinical trials in 2020 due to social restrictions and other precautionary measures taken in response to the COVID-19 pandemic, as previously discussed.

The lower manufacturing variances were primarily due to the non-recurrence of certain variances driven by the impacts of the COVID-19 pandemic in 2020, as previously discussed, partially offset by: (i) charges related to a quality issue at a third-party supplier, previously discussed, and (ii) inflationary pressures related to certain manufacturing costs, previously discussed.

Salix Segment:

Salix Segment Revenue

The Salix segment includes our Xifaxan[®] product line. Revenues from our Xifaxan[®] products were \$402 million, \$315 million and \$356 million for the three months ended June 30, 2021, 2020 and 2019, respectively. No other single product group represents 10% or more of the Salix segment product sales. Salix segment revenue for the three months ended June 30, 2021 and 2020 was \$516 million and \$404 million, respectively, an increase of \$112 million, or 28%. The increase is primarily driven by: (i) an increase in volumes of \$103 million primarily attributable to our Xifaxan[®] product and the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, and (ii) an increase in net realized pricing of \$9 million primarily attributable to higher net realized pricing for our Trulance[®] and Apriso[®] products.

Although we experienced COVID-19 pandemic related declines in year-over-year revenues in certain products during 2021, year-over-year Salix segment revenues for the three months ended June 30, 2021 increased 28% and the decrease in year-over-year Salix segment revenues for the three months ended March 31, 2021 of 1% is not material. At the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in 2021. However, as our revenues were most negatively impacted by the social restrictions and other precautionary measures taken in response to the

COVID-19 pandemic during our second quarter of 2020, we expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the three months ended June 30, 2021.

Salix Segment Profit

The Salix segment profit for the three months ended June 30, 2021 and 2020 was \$370 million and \$289 million, respectively, an increase of \$81 million, or 28%. The increase was primarily driven by an increase in contribution primarily attributable to the net increase in revenues, as previously discussed, partially offset by the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, which resulted in year-over-year increases primarily in selling expenses and advertising and promotion expenses.

International Rx Segment:

International Rx Segment Revenue

The International Rx segment has a diversified product line with no single product group representing 10% or more of its product sales. The International Rx segment revenue was \$313 million and \$249 million for the three months ended June 30, 2021 and 2020, respectively, an increase of \$64 million, or 26%. The increase was primarily attributable to: (i) an increase in volumes of \$48 million, primarily in Poland and (ii) the favorable impact of foreign currencies of \$23 million, primarily in Europe and Asia. These increases were partially offset by: (i) a decrease in net realized pricing of \$6 million and (ii) the impact of divestitures and discontinuations of \$1 million. The increase in volumes is primarily due to the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, partially offset by the impact of the loss of exclusivity for certain products.

Although we experienced COVID-19 pandemic related declines in year-over-year revenues in certain products and geographies in 2021, total International Rx segment revenues for the three months ended June 30, 2021 and March 31, 2021 increased 26% and 5%, respectively, when compared to the three months ended June 30, 2020 and March 31, 2020. At the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in most geographies in 2021. However, as our revenues were most negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic during our second quarter of 2020, we expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the three months ended June 30, 2021.

International Rx Segment Profit

The International Rx segment profit for the three months ended June 30, 2021 and 2020 was \$103 million and \$75 million, respectively, an increase of \$28 million, or 37%. The increase was primarily driven by an increase in contribution primarily attributable to: (i) the net increase in revenues, as previously discussed, and (ii) lower manufacturing variances. The increase in contribution was partially offset by the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, which resulted in year-over-year increases primarily in selling expenses and advertising and promotion expenses.

Ortho Dermatologics Segment:

Ortho Dermatologics Segment Revenue

The Ortho Dermatologics segment includes the Thermage[®] and Jublia[®] product lines, which accounted for approximately 41% and 11% of the Ortho Dermatologics segment revenues for the three months ended June 30, 2021, respectively. No other single product group represents 10% or more of the Ortho Dermatologics segment revenues. The Ortho Dermatologics segment revenue for the three months ended June 30, 2021 and 2020 was \$137 million and \$117 million, respectively, an increase of \$20 million, or 17%. The increase is a result of: (i) an increase in volume of \$34 million and (ii) the favorable impact of foreign currencies of \$4 million. The increases were partially offset by a decrease in net realized pricing of \$18 million, as a result of higher sales deductions in our medical dermatology products. The increase in volume is primarily due to increased demand of Thermage FLX[®], partially offset by the impact of generic competition as certain medical dermatology products, such as Elidel[®], lost exclusivity.

Ortho Dermatologics Segment Profit

The Ortho Dermatologics segment profit for the three months ended June 30, 2021 and 2020 was \$61 million and \$38 million, respectively, an increase of \$23 million, or 61%. The increase was primarily driven by: (i) an increase in contribution primarily attributable to: (a) the net increase in revenues, as previously discussed, and (b) lower manufacturing variances and (ii) a decrease in R&D expenses due to the impact of rebalancing our portfolio within the Ortho Dermatologics business.

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 June 30, 2021 and 2020.

<i>(in millions)</i>	Three Months Ended June 30,					
	2021		2020		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Wellbutrin [®] Franchise	\$ 63	32 %	\$ 65	30 %	\$ (2)	(3)%
Aplenzin [®]	26	13 %	23	11 %	3	13 %
Arestin [®]	23	12 %	6	3 %	17	283 %
Ativan [®] Franchise	13	7 %	7	3 %	6	86 %
Xenazine [®] Franchise	6	3 %	8	4 %	(2)	(25)%
Diastat [®] Franchise	6	3 %	3	1 %	3	100 %
Mysoline [®] Franchise	6	3 %	5	2 %	1	20 %
Ammonul [®]	5	3 %	1	— %	4	400 %
Uceris [®] AG	5	3 %	3	1 %	2	67 %
Cardizem [®] Franchise	4	2 %	4	2 %	—	— %
Other product revenues	40	17 %	93	43 %	(53)	(57)%
Other revenues	3	2 %	(1)	— %	4	(400)%
Total Diversified Products revenues	\$ 200	100 %	\$ 217	100 %	\$ (17)	(8)%

The Diversified Products segment revenue for the three months ended June 30, 2021 and 2020 was \$200 million and \$217 million, respectively, a decrease of \$17 million, or 8%. The decrease was primarily driven by a decrease in net realized pricing of \$21 million, primarily in our Generics business, partially offset by an increase in volume of \$5 million. The increase in volume was primarily attributable the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, particularly within our Dentistry business, partially offset by the impact of generic competition as certain products in our Neurology and Other business, such as Migranal[®], Cuprimine[®], Syprine[®], Mephyton[®] and Xenazine[®], lost exclusivity.

Diversified Products Segment Profit

The Diversified Products segment profit for the three months ended June 30, 2021 and 2020 was \$140 million and \$154 million, respectively, a decrease of \$14 million, or 9%. The decrease was primarily driven by a decrease in contribution primarily attributable to the net decrease in revenues, as previously discussed, offset by a decrease in royalties.

Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

Revenues

Our revenue was \$4,127 million and \$3,676 million for the six months ended June 30, 2021 and 2020, respectively, an increase of \$451 million, or 12%. The increase was due to: (i) the net increase in volumes of \$415 million primarily in our Bausch + Lomb, Salix, International Rx and Ortho Dermatologics segments and (ii) the favorable impact of foreign currencies of \$93 million primarily in Europe, Asia and Canada. These increases were partially offset by: (i) a decrease in net realized pricing of \$43 million primarily due to higher sales deductions in our Ortho Dermatologics and U.S. Ophthalmology businesses and (ii) the impact of divestitures and discontinuations of \$14 million. The net increase in volumes was primarily due to the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, partially offset by: (i) the impacts of a third-party supplier quality issue on the revenues of certain Consumer products, as previously discussed, and (ii) the impact of the loss of exclusivity of certain products primarily in our Diversified Products segment.

As previously discussed, at the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in 2021. However, our revenues were most negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic during our second quarter of 2020, and we therefore

expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the six months ended June 30, 2021.

The changes in our segment revenues and segment profits, including the impacts of COVID-19 pandemic related matters for the three and six months ended June 30, 2021, are discussed in further detail in the respective subsequent section “— Reportable Segment Revenues and Profits”.

Cash Discounts and Allowances, Chargebacks and Distribution Fees

Provisions recorded to reduce gross product sales to net product sales and revenues for the six months ended June 30, 2021 and 2020 were as follows:

<i>(in millions)</i>	Six Months Ended June 30,			
	2021		2020	
	Amount	Pct.	Amount	Pct.
Gross product sales	\$ 6,792	100.0 %	\$ 6,000	100.0 %
Provisions to reduce gross product sales to net product sales				
Discounts and allowances	306	4.5 %	293	4.9 %
Returns	77	1.1 %	54	0.9 %
Rebates	1,227	18.1 %	1,018	17.0 %
Chargebacks	993	14.6 %	917	15.2 %
Distribution fees	110	1.6 %	95	1.6 %
Total provisions	2,713	39.9 %	2,377	39.6 %
Net product sales	4,079	60.1 %	3,623	60.4 %
Other revenues	48		53	
Revenues	<u>\$ 4,127</u>		<u>\$ 3,676</u>	

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 39.9% and 39.6% for the six months ended June 30, 2021 and 2020, respectively, an increase of 0.3 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, Timoptic[®] AG, Diastat[®] AG and Apriso[®] AG;
- returns as a percentage of gross product sales was higher due to: (i) adjustments in 2020 to the return reserves to reflect actual return experience for certain products and (ii) the recall of certain Consumer products as a result of a quality issue at a third-party supplier, as previously discussed, partially offset by lower return experience for a limited number of products;
- rebates as a percentage of gross product sales were higher primarily due the impact of: (i) an increase in gross product sales of certain branded products with higher rebate rates, such as Xifaxan[®], Jublia[®], and Prolensa[®] and (ii) an increase in rebates due to the launch of Arazlo[®] (June 2020) and was partially offset by lower gross product sales and lower rebate rates for branded products such as Apriso[®], Wellbutrin[®], Duobrii[®] and Siliq[®];
- chargebacks as a percentage of gross product sales were lower primarily due to the impact of lower chargeback rates for Wellbutrin[®] and Xifaxan[®] and certain other products and partially offset by higher chargeback rates and gross product sales for Glumetza[®] SLX, Syprine[®] AG, Mysoline[®] and certain other products; and
- distribution service fees as a percentage of gross product sales were unchanged. Price appreciation credits were offset against the distribution service fees we paid wholesalers and were \$1 million and \$4 million for the six months ended June 30, 2021 and 2020, respectively.

Expenses

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

Cost of goods sold was \$1,168 million and \$987 million for the six months ended June 30, 2021 and 2020, respectively, an increase of \$181 million, or 18%. The increase was primarily driven by: (i) the net increase in volumes, as previously discussed, and (ii) the unfavorable impact of foreign currencies. Manufacturing variances were unchanged for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020, as the benefits from the non-recurrence of certain variances driven by the impacts of the COVID-19 pandemic in 2020, as previously discussed, were offset by: (i)

charges related to a quality issue at a third-party supplier, as previously discussed, and (ii) inflationary pressures related to certain manufacturing costs, as previously discussed.

Cost of goods sold as a percentage of product sales revenue was 28.6% and 27.2% for the six months ended June 30, 2021 and 2020, respectively, an increase of 1.4 percentage points. Costs of goods sold as a percentage of Product sales revenue was unfavorably impacted by the decrease in net realized pricing, as previously discussed.

Selling, General and Administrative Expenses

SG&A expenses were \$1,291 million and \$1,159 million for the six months ended June 30, 2021 and 2020, respectively, an increase of \$132 million, or 11%. The increase was primarily attributable to: (i) the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, (ii) Separation-related costs during the six months ended June 30, 2021 of \$55 million and (iii) the impact of foreign currencies.

Research and Development

R&D expenses were \$227 million and \$230 million for the six months ended June 30, 2021 and 2020, respectively, a decrease of \$3 million, or 1%. R&D expenses as a percentage of Product sales were approximately 6% and 6% for the six months ended June 30, 2021 and 2020, respectively.

In 2020, certain of our R&D activities were limited and others, including new patient enrollments in clinical trials, were temporarily paused primarily during our second quarter, as most trial sites were not able to accept new patients due to government-mandated shutdowns. However, during our third quarter of 2020, many of these trial sites began to reopen and we saw the pace of new patient enrollments increase, although at this time certain of our projects are moving slower than we would like due to the impacts of the COVID-19 pandemic. As of the date of this filing, we have not had to make material changes to our development timelines and the pause in our clinical trials has not had a material impact on our operating results; however, a resurgence of 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 \$717 million and \$872 million for the six months ended June 30, 2021 and 2020, respectively, a decrease of \$155 million, or 18%. The decrease was primarily attributable to fully amortized intangible assets no longer being amortized in 2021.

Goodwill Impairments

Goodwill impairments were \$469 million and \$0 for the six months ended June 30, 2021 and 2020, respectively. During the three months ended March 31, 2021, management identified launches of certain Ortho Dermatologics products which were not going to achieve their trajectories as forecasted once the social restrictions associated with the COVID-19 pandemic began to ease in the U.S. and offices of health care professionals could reopen. In addition, insurance coverage pressures within the U.S. continued to persist limiting patient access to topical acne and psoriasis products. In light of these developments, during the first quarter of 2021 the Company began taking steps to: (i) redirect its R&D spend to eliminate projects it has identified as high cost and high risk, (ii) redirect a portion of its marketing and product development outside the U.S. to geographies where there is better patient access and (iii) reduce its cost structure to be more competitive. As result, during the three months ended March 31, 2021, the Company revised its long-term forecasts for the Ortho Dermatologics reporting unit. Management believed that these events were indicators that there is less headroom as of March 31, 2021 as compared to the headroom calculated on the date goodwill was last tested for impairment (October 1, 2020). Therefore, a quantitative fair value test for the Ortho Dermatologics reporting unit was performed. The quantitative fair value test utilized the Company's most recent cash flow projections as revised in the first quarter of 2021 to reflect the business changes previously discussed, including a range of potential outcomes, along with a long-term growth rate of 1.0% and a range of discount rates between 9.0% and 10.0%. Based on the quantitative fair value test, the carrying value of the Ortho Dermatologics reporting unit exceeded its fair value at March 31, 2021, and the Company recognized a goodwill impairment of \$469 million.

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

Asset Impairments

Asset impairments, including loss on assets held for sale were \$195 million and \$15 million for the six months ended June 30, 2021 and 2020, respectively, an increase of \$180 million. Asset impairments, including loss on assets held for sale for the six months ended June 30, 2021 includes: (i) impairments of \$96 million, in aggregate, due to decreases in forecasted

sales of certain product lines, (ii) an adjustment of \$88 million to the loss on assets held for sale in connection with the Amoun Sale and (iii) impairments of \$11 million, in aggregate, related to the discontinuance of certain product lines. Asset impairments, including loss on assets held for sale for the six months ended June 30, 2020 include impairments of: (i) \$14 million due to decreases in forecasted sales of a certain product line 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.

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 \$21 million and \$11 million for the six months ended June 30, 2021 and 2020, respectively, an increase of \$10 million.

Restructuring and Integration Costs

Restructuring and integration costs were \$6 million and \$11 million for the six months ended June 30, 2021 and 2020, respectively, a decrease of \$5 million. During the six months ended June 30, 2021 these costs included: (i) \$5 million of facility closure costs and (ii) \$1 million of severance costs. During the six months ended June 30, 2020, these costs included: (i) \$6 million of facility closure costs and (ii) \$5 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

Separation costs were \$15 million and \$0 for the six months ended June 30, 2021 and 2020, respectively. The Company continues to make progress toward internal objectives necessary for the B+L 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.

Other Expense, Net

Other expense, net for the six months ended June 30, 2021 and 2020 consists of the following:

<i>(in millions)</i>	Six Months Ended June 30,	
	2021	2020
Litigation and other matters	\$ 532	\$ 123
Acquisition-related contingent consideration	—	24
Net gain on sale of assets	(23)	(1)
Acquired in-process research and development costs	3	8
	<u>\$ 512</u>	<u>\$ 154</u>

For the six months ended June 30, 2020, Litigation and other matters includes adjustments related to the SEC Investigation and the U.S. Securities Litigation and the Canadian Securities Litigation and related opt-outs. Litigation and other matters for the six months ended June 30, 2020 also includes an insurance recovery claim related to a certain litigation matter. See Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements for further details regarding certain of these and other litigation matters.

Non-Operating Income and Expense

Interest Expense

Interest expense was \$732 million and \$781 million and included non-cash amortization and write-offs of debt premiums, discounts and deferred issuance costs of \$25 million and \$32 million for the six months ended June 30, 2021 and 2020, respectively. Interest expense decreased \$49 million, or 6%, primarily due to lower outstanding principal balances. The weighted average stated rate of interest as of June 30, 2021 and 2020 was 5.85% and 5.95%, respectively.

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 \$50 million and \$51 million for the six months ended June 30, 2021 and 2020, respectively, primarily associated with the 2021 Refinancing Transactions and the 2020 Refinancing Transactions, respectively, as previously discussed.

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 gain of \$8 million and a loss of \$13 million for the six months ended June 30, 2021 and 2020, respectively, a favorable net change of \$21 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 \$61 million and \$138 million for the six months ended June 30, 2021 and 2020, respectively, an unfavorable change of \$77 million. Our effective income tax rate for the six months ended June 30, 2021 and 2020 differs from the statutory Canadian income tax rate primarily due to: (i) the tax benefit generated from our annualized mix of earnings by jurisdiction, (ii) the recording of valuation allowance on entities for which no tax benefit of losses is expected and (iii) the discrete treatment of certain tax matters, primarily related to: (a) \$54 million of net income tax benefit associated with certain legal settlements, (b) changes in uncertain tax positions, (c) the release of a valuation allowance, (d) tax law changes and (e) adjustments for book to income tax return provisions.

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

Reportable Segment Revenues and Profits

The following table presents segment revenues, segment revenues as a percentage of total revenues, and the year-over-year changes in segment revenues for the six months ended June 30, 2021 and 2020. The following table also presents segment profits, segment profits as a percentage of segment revenues and the year-over-year changes in segment profits for the six months ended June 30, 2021 and 2020.

<i>(in millions)</i>	Six Months Ended June 30,					
	2021		2020		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Segment Revenues						
Bausch + Lomb	\$ 1,815	44 %	\$ 1,552	42 %	\$ 263	17 %
Salix	988	24 %	881	24 %	107	12 %
International Rx	619	15 %	540	15 %	79	15 %
Ortho Dermatologics	278	7 %	248	7 %	30	12 %
Diversified Products	427	10 %	455	12 %	(28)	(6)%
Total revenues	<u>\$ 4,127</u>	<u>100 %</u>	<u>\$ 3,676</u>	<u>100 %</u>	<u>\$ 451</u>	<u>12 %</u>
Segment Profits / Segment Profit Margins						
Bausch + Lomb	\$ 452	25 %	\$ 387	25 %	\$ 65	17 %
Salix	697	71 %	608	69 %	89	15 %
International Rx	212	34 %	173	32 %	39	23 %
Ortho Dermatologics	131	47 %	85	34 %	46	54 %
Diversified Products	311	73 %	321	71 %	(10)	(3)%
Total segment profits	<u>\$ 1,803</u>	<u>44 %</u>	<u>\$ 1,574</u>	<u>43 %</u>	<u>\$ 229</u>	<u>15 %</u>

The following table presents organic revenue (non-GAAP) and the year-over-year changes in organic revenue (non-GAAP) for the six months ended June 30, 2021 and 2020 by segment. Organic revenues (non-GAAP) and organic growth (non-GAAP) rates are defined in the previous section titled “Reportable Segment Revenues and Profits”.

<i>(in millions)</i>	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020			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	\$ 1,815	\$ (59)	\$ 1,756	\$ 1,552	\$ (4)	\$ 1,548	\$ 208	13 %
Salix	988	—	988	881	—	881	107	12 %
International Rx	619	(27)	592	540	(2)	538	54	10 %
Ortho Dermatologics	278	(7)	271	248	—	248	23	9 %
Diversified Products	427	—	427	455	(8)	447	(20)	(4)%
Total	\$ 4,127	\$ (93)	\$ 4,034	\$ 3,676	\$ (14)	\$ 3,662	\$ 372	10 %

Bausch + Lomb Segment:

Bausch + Lomb Segment Revenue

The Bausch + Lomb segment revenue was \$1,815 million and \$1,552 million for the six months ended June 30, 2021 and 2020, respectively, an increase of \$263 million, or 17%. The increase was primarily attributable to: (i) an increase in volumes across all our Bausch + Lomb businesses of \$230 million primarily due to the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, partially offset by the impacts of a third-party supplier quality issue on the revenues of certain Consumer products, as previously discussed, and (ii) the favorable impact of foreign currencies of \$59 million, primarily in Europe and Asia. These increases were partially offset by: (i) a decrease in net realized pricing of \$22 million primarily due to higher sales deductions in our Ophthalmology business, and (ii) the impact of divestitures and discontinuations of \$4 million, related to several products. The net increase in volumes was most notably seen in our Vision care and Surgical businesses, and geographically can primarily be attributable to increases in the U.S., Europe and Asia.

As previously discussed, during 2020, the volumes of our Bausch + Lomb segment were most negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic during our second quarter of 2020. However, as governments began lifting social restrictions, the negative trend in the revenues began to level off and stabilize prior to our third quarter and continued into our fourth quarter of 2020 and first quarter of 2021.

Although we experienced COVID-19 pandemic related declines in year-over-year revenues in certain products and geographies in 2021, total Bausch + Lomb segment revenues for the three months ended June 30, 2021 and March 31, 2021 increased 38% and 1%, respectively, when compared to the three months ended March 31, 2020 and June 30, 2020. At the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in 2021. However, as our revenues were most negatively impacted by the COVID-19 pandemic during our second quarter of 2020, we expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the three and six months ended June 30, 2021.

Bausch + Lomb Segment Profit

The Bausch + Lomb segment profit for the six months ended June 30, 2021 and 2020 was \$452 million and \$387 million, respectively, an increase of \$65 million, or 17%. The increase was primarily driven by the increase in contribution primarily attributable to the net increase in revenues, as previously discussed. These increases were partially offset by: (i) the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, which resulted in year-over-year increases primarily in selling expenses and advertising and promotion expenses and (ii) the non-recurrence of the temporary suspension in certain R&D activities and clinical trials in 2020 due to 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. Revenues from our Xifaxan[®] products were \$768 million, \$690 million and \$662 million for the six months ended June 30, 2021, 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 six months ended June 30, 2021 and 2020 was \$988 million and \$881 million, respectively, an increase of \$107 million, or 12%. The increase was primarily attributable to increases in: (i) volume of \$79 million, primarily attributable to our Xifaxan[®] product and to the

positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, and (ii) net realized pricing of \$28 million, primarily attributable to our Xifaxan[®] and Apriso[®] product lines, partially offset by higher sales adjustments for Glumetza[®] SLX.

Although we experienced COVID-19 pandemic related declines in year-over-year revenues in certain products during 2021, at the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in 2021. However, as our revenues were most negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic during our second quarter of 2020, we expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the three and six months ended June 30, 2021.

Salix Segment Profit

The Salix segment profit for the six months ended June 30, 2021 and 2020 was \$697 million and \$608 million, respectively, an increase of \$89 million, or 15%. The increase was primarily driven by the increase in contribution as a result of the increase in revenue, as previously discussed, partially offset by the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, which resulted in year-over-year increases primarily in selling expenses and advertising and promotion expenses.

International Rx Segment:

International Rx Segment Revenue

The International Rx segment has a diversified product line with no single product group representing 10% or more of its product sales. The International Rx segment revenue was \$619 million and \$540 million for the six months ended June 30, 2021 and 2020, respectively, an increase of \$79 million, or 15%. The increase was primarily attributable to: (i) an increase in volumes of \$57 million and (ii) the favorable impact of foreign currencies of \$27 million, primarily in Europe and Canada. These increases were partially offset by: (i) a decrease in net realized pricing of \$3 million and (ii) the impact of divestitures and discontinuations of \$2 million. The increase in volumes is primarily due to: (i) the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, and (ii) increased volumes in Mexico of Ivexterm[®], due to its off label use as a treatment for COVID-19, and Bedoyecta[®].

Although we experienced COVID-19 pandemic related declines in year-over-year revenues in certain products and geographies in 2021, total International Rx segment revenues for the three months ended June 30, 2021 and March 31, 2021 increased 26% and 5%, respectively, when compared to the three months ended March 31, 2020 and June 30, 2020. At the current pace of the recovery, we anticipate that our revenues will likely return to pre-pandemic levels in most geographies in 2021. However, as our revenues were most negatively impacted by the social restrictions and other precautionary measures taken in response to the COVID-19 pandemic during our second quarter of 2020, we expect the rate of growth for the remainder of 2021 to be lower than the year-over-year revenue growth for the three and six months ended June 30, 2021.

International Rx Segment Profit

The International Rx segment profit for the six months ended June 30, 2021 and 2020 was \$212 million and \$173 million, respectively, an increase of \$39 million, or 23%. The increase was primarily driven by the increase in contribution primarily attributable to the net increase in revenues, as previously discussed.

Ortho Dermatologics Segment:

Ortho Dermatologics Segment Revenue

The Ortho Dermatologics segment includes the Thermage[®] and Jublia[®] product lines, which accounted for approximately 41% and 10% of the Ortho Dermatologics segment revenues for the six months ended June 30, 2021, respectively. No other single product group represents 10% or more of the Ortho Dermatologics segment revenues. The Ortho Dermatologics segment revenue for the six months ended June 30, 2021 and 2020 was \$278 million and \$248 million, respectively, an increase of \$30 million, or 12%. The increase was primarily attributable to: (i) an increase in volume of \$53 million and (ii) the favorable impact of foreign currencies of \$7 million. These increases were partially offset by a decrease in net realized pricing of \$30 million, as a result of higher sales deductions in our medical dermatology products. The increase in volume was primarily due to: (i) increased demand of Thermage FLX[®] and (ii) the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, and were partially offset by the impact of generic competition as certain medical dermatology products, such as Elidel[®], lost exclusivity.

Ortho Dermatologics Segment Profit

The Ortho Dermatologics segment profit for the six months ended June 30, 2021 and 2020 was \$131 million and \$85 million, respectively, an increase of \$46 million, or 54%. The increase is primarily due to: (i) an increase in contribution

primarily attributable to: (a) the net increase in revenues, as previously discussed, and (b) lower manufacturing variances, (ii) a decrease in SG&A expenses and (iii) a decrease in R&D expenses due to the impact of rebalancing our portfolio within the Ortho Dermatologics business.

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 six months ended June 30, 2021 and 2020.

<i>(in millions)</i>	Six Months Ended June 30,					
	2021		2020		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Wellbutrin [®] Franchise	\$ 116	27 %	\$ 123	27 %	\$ (7)	(6)%
Aplenzin [®]	52	12 %	49	11 %	3	6 %
Arestin [®]	46	11 %	25	5 %	21	84 %
Ativan [®] Franchise	31	7 %	15	3 %	16	107 %
Mysoline [®] Franchise	17	4 %	10	2 %	7	70 %
Pepcid [®]	13	3 %	8	2 %	5	63 %
Diastat [®] Franchise	12	3 %	14	3 %	(2)	(14)%
Xenazine [®] Franchise	12	3 %	16	4 %	(4)	(25)%
Librax [®] Franchise	9	2 %	11	2 %	(2)	(18)%
Uceris [®] AG	9	2 %	12	3 %	(3)	(25)%
Other product revenues	106	25 %	169	37 %	(63)	(37)%
Other revenues	4	1 %	3	1 %	1	33 %
Total Diversified Products revenues	\$ 427	100 %	\$ 455	100 %	\$ (28)	(6)%

The Diversified Products segment revenue for the six months ended June 30, 2021 and 2020 was \$427 million and \$455 million, respectively, a decrease of \$28 million, or 6%. The decrease was primarily driven by: (i) a decrease in net realized pricing of \$16 million, (ii) the impact of divestitures and discontinuations of \$8 million and (iii) a decrease in volume of \$4 million. The decrease in volume was primarily attributable to the impact of generic competition as certain products in our Neurology and Other business, such as Migranal[®], Syprine[®], Isuprel[®], Xenazine[®], Cuprimine[®], Demser[®] and Mephyton[®], lost exclusivity and was partially offset by short-term benefit to our sales of Pepcid[®] as a result of a recall of a competitor's product.

Diversified Products Segment Profit

The Diversified Products segment profit for the six months ended June 30, 2021 and 2020 was \$311 million and \$321 million, respectively, a decrease of \$10 million, or 3% and was primarily driven by the decrease in revenues, as previously discussed.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

<i>(in millions)</i>	Six Months Ended June 30,		
	2021	2020	Change
Net loss	\$ (1,200)	\$ (477)	\$ (723)
Adjustments to reconcile net loss to net cash provided by operating activities	1,867	1,075	792
Cash provided by operating activities before changes in operating assets and liabilities	667	598	69
Changes in operating assets and liabilities	171	(137)	308
Net cash provided by operating activities	838	461	377
Net cash used in investing activities	(99)	(107)	8
Net cash used in financing activities	(631)	(1,674)	1,043
Effect of exchange rate on cash and cash equivalents	(6)	(17)	11
Net increase (decrease) in cash, cash equivalents, restricted cash and cash held for sale	102	(1,337)	1,439
Cash, cash equivalents and restricted cash, beginning of period	1,816	3,244	(1,428)
Cash, cash equivalents, restricted cash and cash and cash equivalents held for sale, end of period	<u>\$ 1,918</u>	<u>\$ 1,907</u>	<u>\$ 11</u>

Operating Activities

Net cash provided by operating activities was \$838 million and \$461 million for the six months ended June 30, 2021 and 2020, respectively, an increase of \$377 million. The increase was attributable to: (i) the increase in Cash provided by operating activities before changes in operating assets and liabilities and (ii) Changes in operating assets.

Cash provided by operating activities before changes in operating assets and liabilities for the six months ended June 30, 2021 and 2020 was \$667 million and \$598 million, respectively, an increase in cash of \$69 million. The increase is primarily attributable to the positive impacts from the recovery from the COVID-19 pandemic and the easing of certain social restrictions, as previously discussed, partially offset by: (i) \$95 million of higher payments of accrued legal settlements during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020, (ii) \$53 million in payments for Separation costs and Separation-related costs during the six months ended June 30, 2021 and (iii) the impacts of the non-recurrence of certain profit protection measures taken in 2020 to manage and reduce operating expenses during the COVID-19 pandemic, as previously discussed, which resulted in year-over-year increases in payments primarily for selling expenses and advertising and promotion expenses.

Changes in operating assets and liabilities resulted in a net increase in cash of \$171 million for the six months ended June 30, 2021 and a net decrease in cash of \$137 million for the six months ended June 30, 2020 representing a net increase in cash of \$308 million. During the six months ended June 30, 2021, Changes in operating assets and liabilities was positively impacted by: (i) the timing of other payments in the ordinary course of business of \$254 million and (ii) an increase in accrued interest due to timing of payments of \$12 million and was partially offset by: (i) an increase in trade receivables of \$48 million and (ii) an increase in inventories of \$47 million. During the six months ended June 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 \$403 million and (ii) an increase in inventories of \$188 million and was partially offset by: (i) the collection of trade receivables of \$423 million and (ii) an increase in accrued interest due to timing of payments of \$31 million.

Investing Activities

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

Net cash used in investing activities was \$107 million for the six months ended June 30, 2020 and was primarily driven by Purchases of property, plant and equipment of \$141 million offset by: (i) 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 divestiture and (ii) Interest settlements from cross-currency swaps of \$11 million.

Financing Activities

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

of \$1,579 million primarily includes the proceeds of \$1,583 million from the issuance of \$1,600 million in principal amount of 4.875% Senior Secured Notes due June 2028.

Net cash used in financing activities was \$1,674 million for the six months ended June 30, 2020 and was primarily driven by the repayments of debt of \$3,062 million which consisted of: (i) \$1,250 million of 6.50% Senior Secured Notes due March 2022, (ii) \$1,240 million of May 2023 Unsecured Notes, which was previously financed as part of the December 2019 Financing and Refinancing Transactions, which were completed in January 2020, (iii) \$371 million of our June 2025 Term Loan B Facility (as defined below), (iv) \$100 million of 5.50% Senior Unsecured Notes due March 2023, (v) \$75 million of our November 2025 Term Loan B Facility (as defined below) and (vi) the repurchase and retirement of outstanding senior unsecured notes with an aggregate par value of \$27 million in the open market, for an aggregate cost of \$26 million. Issuance of long-term debt, net of discounts of \$1,477 million primarily includes the proceeds of \$1,481 million from the issuance of \$1,500 million in principal amount of 6.25% Senior Unsecured Notes due February 2029, partially offset by \$4 million in payments we made in 2020 for issuance costs associated with long-term debt issued in previous years. Payments of financing costs associated with the refinancing of certain debt was \$39 million for the six months ended June 30, 2020.

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 2024.

Long-term Debt

Long-term debt, net of unamortized premiums, discounts and issuance costs was \$23,439 million and \$23,925 million as of June 30, 2021 and December 31, 2020, respectively. Aggregate contractual principal amounts due under our debt obligations were \$23,685 million and \$24,185 million as of June 30, 2021 and December 31, 2020, respectively, a decrease of \$500 million. The decrease is attributable to the debt repayments previously discussed under "Cash Flows - Financing Activities" during the six months ended June 30, 2021.

Our prepayment and refinancing 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 June 30, 2021, were as follows:

(in millions)

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
\$ —	\$ —	\$ —	\$ 291	\$ 10,532	\$ 1,500	\$ 2,250	\$ 3,612	\$ 3,250	\$ 1,250	\$ 1,000	\$ 23,685

On July 30, 2021 and August 3, 2021, the Company made aggregate payments of \$600 million, to repay \$469 million of its June 2025 Term Loan B Facility and \$131 million of its November 2025 Term Loan B Facility, using the net proceeds from the Amoun Sale and cash on hand. On August 2, 2021, the Company redeemed \$150 million aggregate principal amount of outstanding 6.125% Senior Notes due 2025 using cash on hand. These payments satisfy in full the \$291 million of mandatory repayments in 2024, the \$114 million of remaining mandatory repayments in 2025 and also reduces certain maturities due in 2025. As a result of these payments, there are no maturities due until 2025. The following table gives effect to these repayments and shows our mandatory scheduled principal repayments of our debt obligations as of August 3, 2021:

(in millions)

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
\$ —	\$ —	\$ —	\$ —	\$ 10,073	\$ 1,500	\$ 2,250	\$ 3,612	\$ 3,250	\$ 1,250	\$ 1,000	\$ 22,935

Additionally, on August 3, 2021, we announced we will redeem an additional \$350 million in aggregate principal amount of our outstanding 6.125% Senior Notes due 2025 using cash on hand in September 2021, which has not been reflected in the table above.

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 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 June 30, 2021, 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 3.09% and 2.84% 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 June 30, 2021, the aggregate remaining mandatory quarterly amortization payments for the Senior Secured Credit Facilities were \$405 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 June 30, 2021, the stated rate of interest on the 2023 Revolving Credit Facility was 3.09% per annum. As of June 30, 2021, the Company had no outstanding borrowings, \$53 million of issued and outstanding letters of credit and remaining availability of \$1,172 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.

The aggregate principal amount of our Senior Secured Notes as of June 30, 2021 and December 31, 2020 was \$3,850 million and \$4,250 million, respectively, a decrease of \$400 million representing the prepayment of \$400 million 7.00% Senior Secured Notes due 2024 using cash on hand and cash generated from operations during 2021. Further, in June 2021 as part of the 2021 Refinancing Transactions previously discussed, we accessed the credit markets and refinanced the remaining \$1,600 million of existing 7.00% Senior Secured Notes due 2024 with \$1,600 million of 4.875% Senior Secured Notes due 2028.

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 \$2,921 million and total liabilities of \$2,034 million as of June 30, 2021, and revenues of \$850 million and operating income of \$3 million for the six months ended June 30, 2021.

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

The aggregate principal amount of our Senior Unsecured Notes as of June 30, 2021 and December 31, 2020 was \$15,400 million and \$15,500 million, respectively, a decrease of \$100 million representing the prepayment of \$100 million 6.125% Senior Unsecured Notes due 2025 using cash on hand and cash generated from operations during 2021.

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 June 30, 2021, 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, we announced that we intend to separate our eye health business into an independent publicly traded entity, Bausch + Lomb from the remainder of Bausch Health Companies Inc. On August 3, 2021, we announced our intention to conduct an initial public offering of our medical aesthetics business, Solta Medical. We intend to use the proceeds from the B+L Separation and the Solta IPO to repay, to the extent possible, a portion of our existing debt, thereby improving our capitalization and leverage. We believe the B+L Separation and the Solta IPO provides us with an attractive opportunity for liquidity to support the appropriate capitalization and leverage of the Bausch + Lomb entity, the Solta Medical entity and Bausch Pharma. However, management continues to consider the forms of the B+L Separation and the Solta IPO and exploring a number of alternative capitalization structures in order to properly capitalize the three entities.

As of the date of this filing, the determination of the capitalization of the three entities is evolving, and we do not have a definitive timetable to finalize the respective capital structures. Although a public offering of a portion of the Bausch + Lomb and/or the Solta Medical businesses are among the alternate capital structures being considered, this Form 10-Q does not constitute an offer of any securities of the Bausch + Lomb or Solta Medical entities for sale.

Weighted Average Interest Rate

The weighted average stated rate of interest of the Company's outstanding debt as of June 30, 2021 and December 31, 2020 was 5.85% and 6.02%, respectively.

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

Credit Ratings

In May 2021, both Standard & Poor's and Fitch maintained our credit ratings but changed our outlook from stable to negative. As of August 3, 2021, 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	Negative
Fitch	B	BB	B	Negative

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

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

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

A substantial portion of our cash requirements for the remainder of 2021 are for debt service. Our other future cash requirements relate to working capital, capital expenditures, business development transactions (contingent consideration), restructuring, integration and separation costs, benefit obligations and litigation settlements. In addition, we may use cash to enter into licensing arrangements and/or to make strategic acquisitions. We are considering further acquisition opportunities within our core therapeutic areas, some of which could be sizable.

In addition to our working capital requirements, as of June 30, 2021, we expect our primary cash requirements during the remainder of 2021 to include:

- *Debt repayments*—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 and have no debt maturities or mandatory amortization payments due until 2025, as of the date of this filing. We expect to make interest payments of approximately \$701 million during the remainder of 2021. In addition, on July 30, 2021 and August 3, 2021, the Company made aggregate payments of \$600 million, to repay \$469 million of its June 2025 Term Loan B Facility and \$131 million of its November 2025 Term Loan B Facility, using the net proceeds from the Amoun Sale and cash on hand. On August 2, 2021, we also redeemed \$150 million aggregate principal amount of our outstanding 6.125% Senior Notes due 2025, and, on August 3, 2021, we announced we will redeem an additional \$350 million in aggregate principal amount of our outstanding 6.125% Senior Notes due 2025 using cash on hand in September 2021. We may also 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 \$27 million for licensing, maintenance and capitalizable costs associated with our IT infrastructure improvement projects during the remainder of 2021;
- *Capital expenditures*—We expect to make payments of approximately \$150 million for property, plant and equipment during the remainder of 2021;
- *Contingent consideration payments*—We expect to make contingent consideration and other development/approval/sales-based milestone payments of approximately \$75 million during the remainder of 2021;
- *Restructuring and integration payments*—We expect to make payments of \$4 million during the remainder of 2021 for employee separation costs and lease termination obligations associated with restructuring and integration actions we have taken through June 30, 2021;
- *Benefit obligations*—We expect to make aggregate payments under our pension and postretirement obligations of \$7 million during the remainder of 2021; and
- *Litigation Payments* - In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations, charges and proceedings. As of June 30, 2021, the Company's Consolidated Balance Sheet includes accrued current loss contingencies of \$2,076 million related to matters which are both probable and reasonably estimable, of which \$1,738 million, is expected to be payable during the remainder of 2021; however, a reliable estimate of the period in which the remaining loss contingencies will be payable, if ever, cannot be made. The amounts expected to be payable during the remainder of 2021 include inter alia: (i) the agreement to resolve the U.S. Securities Litigation for \$1,210 million. Final court approval of this settlement was granted in January 2021 but is subject to two objectors' appeals of the Court's final approval order. The settlement resolves and discharges all claims against the Company in the class action. As part of the settlement, the Company and the other settling defendants admitted no liability as to the claims against it and deny all allegations of wrongdoing. This settlement resolves the most significant of the Company's remaining legacy legal matters and eliminates a material uncertainty regarding our Company. As of June 30, 2021, Restricted cash includes \$1,210 million of payments into an escrow fund under the terms of a settlement agreement regarding the U.S. Securities Litigation; and (ii) an agreement the Company reached in principle on July 26, 2021, to resolve the class plaintiffs' claims in the Glumetza Antitrust Litigation for \$300 million, subject to a final settlement agreement and, thereafter, court approval. The settlement will resolve and discharge all claims against the Company by members of the class. As part of the proposed settlement, the Company admitted no liability as to the claims against it and denies all allegations of wrongdoing. See Note 18, "LEGAL PROCEEDINGS" to our unaudited interim Consolidated Financial Statements for further details of this and other matters. Our ability to successfully defend the Company against pending and future litigation may impact future cash flows.

Future Costs of Proposed B+L Separation and Proposed Solta IPO

As previously discussed, the Company has separately announced its intention to: (i) to separate its eye-health business into an independent publicly traded entity, Bausch + Lomb from the remainder of Bausch Health Companies Inc. and (ii) to conduct an initial public offering of its Solta Medical business. The Company has incurred, and will incur, costs associated with activities to effectuate the B+L Separation and expects to incur costs associated with activities to effectuate the Solta IPO. These activities include: (i) separating the Bausch + Lomb and the Solta Medical businesses from the remainder of the Company and (ii) registering the Bausch + Lomb and the Solta Medical businesses as independent publicly traded entities. Separation costs and IPO costs are incremental costs directly related to the B+L Separation and Solta IPO and include, but are not limited to: (i) legal, audit and advisory fees, (ii) talent acquisition costs and (iii) costs associated with establishing new boards of directors and related board committees for the Bausch + Lomb and Solta Medical entities. The Company has also incurred, and will incur, Separation-related costs which are incremental costs indirectly related to the B+L Separation and expects to incur costs associated with activities to effectuate the Solta IPO. These costs include, but are not limited to: (i) IT infrastructure and software licensing costs, (ii) rebranding costs and (iii) costs associated with facility relocation and/or modification. The Company continues to make progress toward internal objectives necessary for the B+L Separation and the Solta IPO and the extent and timing of future charges for these costs cannot be reasonably estimated at this time and could be material.

Future Cost Savings Programs

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

Future Licensing Payments

In the ordinary course of business, the Company may enter into select licensing and collaborative agreements for the commercialization and/or development of unique products primarily in the U.S. and Canada. In connection with these agreements, the Company may pay an upfront fee to secure the agreement. See Note 4, "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.

Unrecognized Tax Benefits

As of June 30, 2021, the Company had unrecognized tax benefits totaling \$1,118 million, of which, \$198 million is expected to be realized during the remainder of 2021, however a reliable estimate of the period in which the remaining uncertain tax positions will be payable, if ever, cannot be made.

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, 2020, filed with the SEC and the CSA on February 24, 2021.

OUTSTANDING SHARE DATA

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

At July 29, 2021, we had 358,808,755 issued and outstanding common shares. In addition, as of July 29, 2021, we had outstanding 9,300,866 stock options and 5,448,598 time-based restricted share units that each represent the right of a holder to receive one of the Company's common shares, and 2,207,728 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 3,786,963 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, 2020, filed with the SEC and

the CSA on February 24, 2021, and determined that there were no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2021, except for: (i) estimates and assumptions regarding the nature, timing and extent that the COVID-19 pandemic had on the Company's operations and cash flows as discussed in Note 2, "SIGNIFICANT ACCOUNTING POLICIES" to our unaudited interim Consolidated Financial Statements, (ii) the impact of the current year segment and reporting unit realignments had on the Company's allocation of goodwill as discussed in Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements, (iii) the estimates associated with the fair value of Ortho Dermatologics reporting unit in testing goodwill for impairment as discussed in Note 8, "INTANGIBLE ASSETS AND GOODWILL" to our unaudited interim Consolidated Financial Statements, (iv) 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 (v) 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 our 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; expected research and development ("R&D") and marketing spend; our expected primary cash and working capital requirements for 2021 and beyond; the Company's plans for continued improvement in operational efficiency and the anticipated impact of such plans; our liquidity and our ability to satisfy our debt maturities as they become due; our ability to reduce debt levels; our ability to comply with the financial and other covenants contained in our Fourth Amended and Restated Credit and Guaranty Agreement (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, revenues, margins, liquidity and financial condition, the anticipated timing, speed and magnitude of recovery from these COVID-19 pandemic related impacts and the Company's planned actions and responses to this pandemic; the Company's plan to separate its eye health business, including the structure and timing of completing such separation transaction; and the proposed initial public offering of the Company's medical aesthetics business, including the timing of such initial public offering.

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 availability and effectiveness of vaccines for COVID-19, COVID-19 vaccine immunization rates, the emergence of variant strains of COVID-19, the evolving reaction of governments, private sector participants and the public to that pandemic, and the potential effects and economic impact of the pandemic and the reaction to it, the severity, duration and future impact of which are highly uncertain and cannot be predicted, and which may have a significant adverse impact on the Company, including but not limited to its supply chain, third-party suppliers, project development timelines, employee base, liquidity, stock price, financial condition 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 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;
- with respect to the proposed initial public offering of the Company's Solta medical aesthetics business, the risks and uncertainties include, but are not limited to, risks relating to the expected timing of completion of such transaction and the Company's ability to complete such transaction, that market or other conditions are no longer favorable to completing the transaction on a timely basis or at all, the receipt of (or failure to receive) the regulatory approvals required in connection with the transaction and the timing of receipt of such approvals, business disruption during the pendency of or following such transaction, diversion of management time on transaction-related issues, retention of Solta medical aesthetics management team members, the reaction of customers and other parties to such transaction, the impact of such transaction on relationships with customers, suppliers, employees and other business counterparties, and other events that could adversely impact the completion of such transaction, including industry or economic conditions outside of Bausch Health's control. In particular, the Company can offer no assurance that any initial public offering will occur at all, or that any such transaction will occur on the timelines anticipated by the Company;
- the expense, timing and outcome of legal and governmental proceedings, investigations and information requests relating to, among other matters, our past distribution, marketing, pricing, disclosure and accounting practices (including with respect to our former relationship with Philidor Rx Services, LLC ("Philidor")), including a number of pending non-class securities litigations (including certain pending opt-out actions in the U.S. related to the previously settled securities class action (which remains subject to two objectors' appeals of the Court's final approval order) and certain opt-out actions in Canada relating to the recently settled class action in Canada) 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, 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 equivalent agencies outside of the U.S. and the results thereof;
- actions by the FDA or other regulatory authorities with respect to our products or facilities;
- our substantial debt (and potential additional future indebtedness) and current and future debt service obligations, our ability to reduce our outstanding debt levels and the resulting impact on our financial condition, cash flows and results of operations;
- our ability to comply with the financial and other covenants contained in our 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 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 2021 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 funds 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 stabilize and reposition our Ortho Dermatologics business to generate additional value, including the success of recently launched products and the approval of pipeline products (and the timing of such approvals);
- factors impacting our ability to achieve anticipated revenues for our products, including changes in anticipated marketing spend on such products and launch of competing products;
- 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 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 impact of Brexit and the post-Brexit trade deal between the European Union and the United Kingdom;
- 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 divestitures of our assets or businesses and our ability to successfully complete any such divestitures on commercially reasonable terms and on a timely basis, or at all, and the impact of any such divestitures on our Company, including the reduction in the size or scope of our business or market share, loss of revenue, any loss on sale, including any resultant impairments of goodwill or other assets, or any adverse tax consequences suffered as a result of any such divestitures;
- the expense, timing and outcome of pending or future legal and governmental proceedings, arbitrations, investigations, subpoenas, tax and other regulatory audits, examinations, reviews and regulatory proceedings against us or relating to us and settlements thereof;

- our ability to negotiate the terms of or obtain court approval for the settlement of certain legal and regulatory proceedings;
- our ability to obtain components, raw materials or finished products supplied by third parties (some of which may be single-sourced) and other manufacturing and related supply difficulties, interruptions and delays;
- the disruption of delivery of our products and the routine flow of manufactured goods;
- economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;
- interest rate risks associated with our floating rate debt borrowings;
- our ability to effectively distribute our products and the effectiveness and success of our distribution arrangements;
- our ability to effectively promote our own products and those of our co-promotion partners;
- the success of our fulfillment arrangements with 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;
- 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, European Medicines Agency (“EMA”) and similar agencies in other countries, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;
- the results of continuing safety and efficacy studies by industry and government agencies;
- the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as other factors impacting the commercial success of our products, which could lead to material impairment charges;
- 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 businesses and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to the Company or its businesses or products;
- the impact of changes in federal laws and policy that may be undertaken under the Biden 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, 2020, filed on February 24, 2021, 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, 2020, filed on February 24, 2021, under Item 1A. “Risk Factors”, under Item 1A. “Risk Factors” of Part II of this Form 10-Q and in the Company’s other filings with the SEC and the CSA. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect actual outcomes, except as required by law. We caution that, as it is not possible to predict or identify all relevant factors that may impact forward-looking statements, the foregoing list of important factors that may affect future results is not exhaustive and should not be considered a complete statement of all potential risks and uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Other than as indicated below under “— Interest Rate Risk”, 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, 2020, filed with the SEC and the CSA on February 24, 2021.

Interest Rate Risk

As of June 30, 2021, we had \$19,262 million and \$4,423 million principal amount of issued fixed rate debt and variable rate debt, respectively. The estimated fair value of our issued fixed rate debt as of June 30, 2021 was \$19,537 million. If interest rates were to increase by 100 basis-points, the fair value of our issued fixed rate debt would decrease by approximately \$544 million. If interest rates were to decrease by 100 basis-points, the fair value of our issued fixed rate debt would increase by approximately \$522 million. We are subject to interest rate risk on our variable rate debt as changes in interest rates could adversely affect earnings and cash flows. A 100 basis-points increase in interest rates would have an annualized pre-tax effect of approximately \$44 million in our Consolidated Statements of Operations and Cash Flows, based on current outstanding borrowings and effective interest rates on our variable rate debt. While our variable-rate debt may impact earnings and cash flows as interest rates change, it is not subject to changes in fair value.

Inflation Risk

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2021.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal controls over financial reporting that occurred during the three months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors as disclosed in Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC and the CSA on February 24, 2021.

Risk Relating to the Proposed IPO of the Solta Medical Aesthetics Business

Our plan to pursue an initial public offering of our Solta medical aesthetics business ("Solta Medical") is subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated timeline, or at all, and will involve significant time, expense, and distraction, which could disrupt or have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common shares and/or debt securities to decline.

On August 3, 2021, we announced that we intend to pursue an initial public offering of Solta Medical (the "Solta IPO"). The proposed Solta IPO would establish Solta Medical as a separate publicly traded company that consists of our medical aesthetics business. The anticipated Solta IPO is subject to regulatory approvals and certain conditions, including final approval by our Board of Directors and compliance with (including completion of all necessary filings required by) U.S. securities laws and stock exchange rules. The failure to satisfy all of the required conditions could delay the completion of the Solta IPO for a significant period of time or prevent it from occurring at all.

Unanticipated developments, including disruptions to business and commerce induced by the COVID-19 pandemic, unfavorable changes in market conditions, possible delays in obtaining any necessary stock exchange, regulatory or other approval or the failure to obtain any such approvals, negotiating challenges, the uncertainty of the financial markets, changes in the law, reactions of customers and other parties, industry or economic conditions outside of the Company's control, and other challenges in executing the Solta IPO, could delay or prevent the completion of the Solta IPO, or cause the Solta IPO to occur on terms or conditions that are different or less favorable than expected. While we anticipate that we will be able to complete the Solta IPO in the fourth quarter of 2021 or the first half of 2022, the timing will ultimately depend on satisfying the conditions described above and market conditions. Any changes to the Solta IPO or delay in completing the Solta IPO could cause us not to realize some or all of the expected benefits, or realize them on a different timeline than expected. Further, our Board of Directors could decide, either because of a failure to satisfy conditions or because of market or other factors, to abandon the Solta IPO. No assurance can be given as to whether and when the Solta IPO will occur or whether the Solta IPO will achieve the benefits we expect. As a result, there can be no assurance as to the timing of the completion of the Solta IPO or its terms, and, the information in this Form 10-Q relating to the Solta IPO is preliminary and may change as the transaction progresses and any such change may be material. Any changes with respect to the timing of the Solta IPO or the terms and conditions on which the Solta IPO occurs could also delay the B+L Separation or cause the B+L Separation to occur on terms or conditions that are different or less favorable than expected.

Executing the Solta IPO will require significant resources, time and attention from our senior management and employees, which senior management and employees are already expending significant resources, time and attention on the B+L Separation. The Solta IPO could cause further distractions and further divert attention and resources away from other projects and the day-to-day operation of our business. We may also experience increased difficulties in attracting, retaining, and motivating management and employees during the pendency of the Solta IPO and following its completion. The Solta IPO, whether or not completed, may also have an adverse impact on our relationships with our customers, suppliers and other business counterparties. Our stock price could also fluctuate significantly in response to developments or market speculation related to the proposed Solta IPO.

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

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

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

There were no sales of equity securities by the Company during the three months ended June 30, 2021.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On August 3, 2021, Bausch Health Companies Inc. (“Bausch Health”) announced that in connection with the previously announced separation of its Bausch + Lomb eye health business from the remainder of Bausch Health, which is being referred to as “Bausch Pharma”, that Thomas J. Appio will be the Chief Executive Officer (“CEO”) of Bausch Pharma and Robert A. Spurr will be the President, U.S. Bausch Pharma.

Mr. Appio has been President & Co-Head of Bausch + Lomb/International since August 2018, and was previously Executive Vice President, Company Group Chairman, International from August 2016 until July 2018. Mr. Spurr has been President of Salix since May 2020, and was previously Senior Vice President, Market Access and Commercial Operations from August 2018 to May 2020. Before joining Bausch Health, he was a Vice President at Novartis Pharmaceuticals since 2012.

In connection with Mr. Appio becoming CEO of Bausch Pharma, effective September 1, 2021, his annual base salary will be \$1,000,000, his annual cash incentive opportunity will be 120%, and he will receive a promotion equity grant with an aggregate value of \$5,000,000, 50% in the form of restricted stock units and 50% in the form of performance stock units. In connection with Mr. Spurr becoming President, U.S. Bausch Pharma, effective September 1, 2021, his annual base salary will be \$700,000, his annual cash incentive opportunity will be 80%, and he will receive a promotion equity grant with an aggregate value of \$500,000, 50% in the form of restricted stock units and 50% in the form of stock options.

Item 6. Exhibits

- [4.1](#) [Indenture, dated as of June 8, 2021 by and among Bausch Health Companies Inc., the guarantors party thereto, The Bank of New York Mellon, as trustee and the notes collateral agents party thereto, originally filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 8, 2021, which is incorporated by reference herein.](#)
- [10.1*](#) [Employment Agreement, dated as of June 1, 2021, by and between Bausch Health Companies Inc. and Sam Eldessouky.†](#)
- [31.1*](#) [Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- [31.2*](#) [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- [32.1*](#) [Certificate of the Chief Executive Officer of Bausch Health Companies Inc. pursuant to 18 U.S.C. § 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- [32.2*](#) [Certificate of the Chief Financial Officer of Bausch Health Companies Inc. pursuant to 18 U.S.C. § 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS* Inline XBRL Instance Document
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document
- 104* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

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

Bausch Health Companies Inc.
(Registrant)

Date: August 3, 2021

/s/ JOSEPH C. PAPA

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

Date: August 3, 2021

/s/ SAM ELDESSOUKY

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

INDEX TO EXHIBITS

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* Filed herewith.

† Management contract or compensatory plan or arrangement.

BAUSCH HEALTH COMPANIES INC.**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (the “Agreement”) is hereby entered into as of June 1, 2021 (the “Effective Date”), by and between Bausch Health Companies Inc., a Canadian corporation (the “Company”), and Sam Eldessouky, an individual (the “Executive”) (hereinafter collectively referred to as “the parties”). Where the context requires, references to the Company shall include the Company’s subsidiaries and affiliates.

RECITALS

WHEREAS, the Company desires to employ Executive for the period provided in this Agreement, and Executive desires to accept such employment with the Company, subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

1. Commencement Date; Term; Effect on Other Agreements. The employment term (the “Employment Term”) of Executive’s employment under this Agreement shall be for the period commencing on June 1, 2021 (the “Commencement Date”) and ending on the third (3rd) anniversary of the Commencement Date. Thereafter, the Employment Term shall extend automatically for consecutive periods of one year unless either party provides notice of non-renewal not less than ninety (90) days prior to the end of the Employment Term as then in effect.

2. Employment. During the Employment Term:

- (a) Executive shall be employed as Executive Vice President and Chief Financial Officer of the Company. Executive shall report directly to the Chief Executive Officer of the Company. Executive shall perform the duties, undertake the responsibilities and exercise the authority customarily performed, undertaken and exercised by persons situated in similar executive capacities.
- (b) Excluding periods of vacation and sick leave to which Executive is entitled and other service outside of the Company contemplated in this Section 2(b), Executive shall devote Executive’s full professional time and attention to the business and affairs of the Company to discharge the responsibilities of Executive hereunder. Prior to joining or agreeing to serve on corporate, civil or charitable boards or committees, Executive shall obtain approval of the Chief Executive Officer. Executive may manage personal and family investments, participate in industry organizations and deliver lectures at educational institutions, so long as such activities do not interfere with the performance of Executive’s responsibilities hereunder. It is understood that, during Executive’s

employment by the Company, Executive shall not engage in any activities that constitute a conflict of interest with the interests of the Company or its direct and indirect subsidiaries, as outlined in the Company's conflict of interest policies for employees and executives in effect from time to time.

- (c) Executive shall be subject to and shall abide by each of the personnel policies applicable to senior executives, including but not limited to any policy restricting pledging and hedging investments in Company equity by Company executives, any policy the Company adopts regarding the recovery of incentive compensation (sometimes referred to as "clawback") and any additional clawback provisions as required by law and applicable listing rules. This Section 2(c) shall survive the termination of the Employment Term.
- (d) Subject to Sections 7, 8 and 9 hereof, Executive's employment with the Company is "at will," such that each of Executive or the Company has the option to terminate Executive's employment at any time, with or without advance notice, and with or without Cause or with or without Good Reason. This Agreement does not constitute an express or implied agreement of continuing or long-term employment. The at-will nature of Executive's employment can be altered only by a written agreement specifying the altered status of Executive's employment. Such written agreement must be signed by both Executive and the Chief Executive Officer of the Company.

3. Annual Compensation.

- (a) Base Salary. During the Employment Term, Executive shall be paid an annual base salary of \$700,000 ("Base Salary"). The Base Salary shall be payable in accordance with the Company's regular payroll practices as then in effect. During the Employment Term, the Base Salary will be reviewed annually and is subject to adjustment at the discretion of the Chief Executive Officer of the Company and the Talent and Compensation Committee of the Board (the "Committee").
- (b) Performance Bonus.
 - (1) Subject to the terms of the Company's annual incentive cash bonus program as in effect from time to time and the provisions hereof, for each fiscal year of the Company ending during the Employment Term, Executive shall be eligible to receive a target annual cash bonus of 80% of Base Salary (such target bonus, as may hereafter be increased, the "Target Bonus") with the opportunity to receive a maximum annual cash bonus of 200% of the Target Bonus. Annual bonuses, if any, will be payable in the Company's discretion and in accordance with the Company's

customary practices applicable to bonuses paid to similarly situated executives of the Company.

- (2) For performance year 2021, Executive's annual incentive cash bonus will be pro-rated for the change in the Target Bonus in connection with his promotion under this Agreement in accordance with the Company's customary practices.

4. Additional Compensation.

- (a) 2021 Promotion Awards. Executive will receive a grant under the Bausch Health Companies Inc. Further Amended and Restated 2014 Omnibus Incentive Plan (the "Plan") of equity-based awards that will have an aggregate grant date fair value of approximately \$2,000,000, comprised of 50% stock options and 50% restricted stock units (collectively, the "2021 Promotion Awards"). The 2021 Promotion Award will be subject to the terms of the Plan and applicable award agreements thereunder and are intended to contain terms and conditions generally applicable to equity awards of the same type granted to similarly situated executives of the Company.
- (b) Ongoing Grants. Executive will be eligible for consideration for future equity grants during the Employment Term in the sole discretion of the Chief Executive Officer of the Company and the Committee.

5. Share Ownership Commitment. Executive agrees to comply with any share ownership requirements adopted by the Company applicable to Executive, which shall be on the same terms as similarly situated executives of the Company.

6. Other Benefits. During the Employment Term:

- (a) Employee Benefits. Executive shall be entitled to participate in all employee benefit plans, practices and programs maintained by the Company, and made available to employees generally (taking into account jurisdictional differences), including, without limitation, all pension, retirement, profit sharing, savings, medical, hospitalization, disability, dental, life or travel accident insurance benefit plans in accordance with the terms of the plans as in effect from time to time. Executive's participation in such plans, practices and programs shall be on the same basis and terms as are applicable to similarly situated executives of the Company.
- (b) Business Expenses. Upon submission of proper invoices in accordance with, and subject to, the Company's normal policies and procedures, Executive shall be entitled to receive prompt reimbursement of all reasonable out-of-pocket business, entertainment and travel expenses

incurred by him in connection with the performance of Executive's duties hereunder.

- (c) Vacation and Sick Leave. Executive shall be entitled, without loss of pay, to absent himself voluntarily from the performance of Executive's employment under this Agreement, pursuant to the following:
 - (1) Executive shall be entitled to annual vacation in accordance with and subject to the policies as periodically established for similarly situated executives of the Company; and
 - (2) Executive shall be entitled to sick leave (without loss of pay) in accordance with the Company's policies as in effect from time to time.

7. Termination. Executive's employment with the Company hereunder may be terminated under the circumstances set forth below; provided, however, that notwithstanding anything contained herein to the contrary, to the extent required by Section 409A ("Section 409A") of the Internal Revenue Code of 1986, as amended (the "Code"), Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement until he would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A.

- (a) Death. Executive's employment shall be terminated as of the date of Executive's death and Executive's beneficiaries shall be entitled to the benefits provided in Section 9(b) hereof.
- (b) Disability. The Company may terminate Executive's employment, on written notice to Executive after having established Executive's Disability and while Executive remains disabled, and Executive shall be entitled to the benefits provided in Section 9(b) hereof. For purposes of this Agreement, "Disability" shall have the meaning assigned to such term in the Amended and Restated 2014 Omnibus Incentive Plan (as amended and restated from time to time, the "Plan").
- (c) Cause. The Company may terminate Executive's employment for Cause effective as of the date of the Notice of Termination (as defined in Section 8 hereof) and Executive shall be entitled to the benefits provided in Section 9(a) hereof. "Cause" shall mean, for purposes of this Agreement: (1) conviction of any felony (other than one related to a vehicular offense) or other criminal act involving fraud; (2) willful misconduct that results in a material economic detriment to the Company; (3) material violation of Company policies and directives, which is not cured after written notice and an opportunity for cure; (4) continued refusal by Executive to perform Executive's duties after written notice identifying the deficiencies and an opportunity for cure; and (5) a material violation by Executive of any of

the covenants to the Company set forth in Sections 12, 13, 15 and 16 hereof. No action or inaction shall be deemed willful if (x) not demonstrably willful and (y) taken, or not taken, by Executive in good faith and with the understanding that such action, or inaction, was not adverse to the best interests of the Company. References in this paragraph to the Company shall also include direct and indirect subsidiaries of the Company, and materiality shall be measured based on the action or inaction and the impact upon the Company taken as a whole. Without limiting the other rights of the Company under this Section 7, the Company may suspend Executive, without pay, upon Executive's indictment for the commission of a felony as described under clause (1) above. Such suspension may remain effective until such time as the indictment is either dismissed or a verdict of not guilty has been entered. If such indictment does not result in a conviction, as soon as practicable following such dismissal or verdict, the Company shall pay Executive the base salary and target bonus amount that Executive would have received for the period during which Executive was suspended without pay (with interest from the date such amounts would otherwise have been paid at the short-term applicable federal rate, compounded semi-annually, as determined under Section 1274 of the Code for the month in which payment would have been made but for the delay) and Executive will receive vesting credit for purposes of Executive's outstanding equity awards.

- (d) Without Cause. The Company may terminate Executive's employment without Cause. The Company shall deliver to Executive a Notice of Termination (as defined in Section 8 hereof) not less than thirty (30) days prior to the termination of Executive's employment without Cause and the Company shall have the option of terminating Executive's duties and responsibilities prior to the expiration of such thirty-day notice period, and Executive shall be entitled to the benefits provided in Section 9(c) hereof.
- (e) Good Reason. Executive may terminate Executive's employment for Good Reason (as defined below) by delivering to the Company a Notice of Termination not less than thirty (30) days prior to the termination of Executive's employment for Good Reason and no more than one hundred fifty (150) days following the initial existence of the event or condition constituting Good Reason. The Company shall have the option of terminating Executive's duties and responsibilities prior to the expiration of such thirty (30) day notice period, and Executive shall be entitled to the benefits provided in Section 9(c) hereof. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the events or conditions described in clauses (1) through (4) below which are not cured by the Company (if susceptible to cure by the Company) within thirty (30) days after the Company has received written notice from Executive within

ninety (90) days of the initial existence of the event or condition constituting Good Reason specifying the particular events or conditions which constitute Good Reason and the specific cure requested by Executive.

- (1) Diminution of Responsibility. (A) Any material reduction in Executive's duties or responsibilities as Executive Vice President and Chief Financial Officer, as in effect immediately prior thereto (other than a reduction where Executive is provided with other duties or responsibilities substantially comparable to Executive's overall duties and responsibilities prior to such reduction) or (B) removal of Executive from the position of Executive Vice President and Chief Financial Officer of the Company, except, in each case, in connection with the termination of Executive's employment for Disability, Cause, as a result of Executive's death or by Executive other than for Good Reason;
 - (2) Compensation Reduction. Any reduction in Executive's Base Salary or Target Bonus opportunity which is not comparable to reductions in the base salary or target bonus opportunity of other similarly situated executives of the Company;
 - (3) Relocation. Any relocation of Executive's primary place of business that results in an increase of Executive's one-way commute by fifty (50) miles or more; provided that the Company's request that Executive travel from time to time on behalf of the Company shall not constitute Good Reason; or
 - (4) Company Breach. Any other material breach by the Company of any material provision of this Agreement.
- (f) Without Good Reason. Executive may voluntarily terminate Executive's employment without Good Reason by delivering to the Company a Notice of Termination not less than thirty (30) days prior to the termination of Executive's employment and the Company shall have the option of terminating Executive's duties and responsibilities prior to the expiration of such thirty (30) day notice period, and Executive shall be entitled to the benefits provided in Section 9(a) hereof through the last day of such notice period.
- (g) Notice of Non-Renewal. Executive's employment shall terminate upon expiration of the Employment Term as then in effect following timely provision by either party of notice of non-renewal in accordance with Section 1 hereof, and Executive shall be entitled to the benefits provided in (i) Section 9(c) hereof if such notice is submitted by the Company and (ii) Section 9(d)(1) hereof if such notice is submitted by Executive.

8. Notice of Termination. Any purported termination by the Company or by Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a “Notice of Termination” shall mean a notice which indicates a date of termination (the “Termination Date”), the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated. For purposes of this Agreement, no such purported termination of Executive’s employment hereunder shall be effective without such Notice of Termination (unless waived by the party entitled to receive such notice).

9. Compensation Upon Termination. Upon termination of Executive’s employment during the Employment Term, Executive shall be entitled to the following benefits: provided, however, that any such benefits to which Executive is hereunder entitled shall be offset by those benefits that Executive receives, if any, under applicable law or otherwise:

- (a) Termination by the Company for Cause or by Executive Without Good Reason. If Executive’s employment is terminated by the Company for Cause or by Executive without Good Reason, the Company shall pay Executive all amounts earned or accrued hereunder through the Termination Date, including:
 - (1) reimbursement for reasonable and necessary expenses incurred by Executive on behalf of the Company for the period ending on the Termination Date;
 - (2) any previous compensation which Executive has previously deferred (including any interest earned or credited thereon), in accordance with the terms and conditions of the applicable deferred compensation plans or arrangements then in effect;
 - (3) equity and incentive awards, to the extent previously vested, shall be paid or delivered to Executive in accordance with the terms of such awards; and
 - (4) any amount or benefit as provided under any benefit plan or program (the foregoing items in clauses (1) through (4) being collectively referred to as the “Accrued Compensation”).
- (b) Termination by the Company for Disability or Death. If Executive’s employment is terminated by the Company for Disability or by reason of Executive’s death, then, subject to Section 17(e) hereof, Executive shall be entitled to the benefits provided in this Section 9(b).
 - (1) The Company shall pay Executive (or Executive’s beneficiaries, as applicable) the Accrued Compensation;

- (2) The Company shall pay to Executive (or Executive's beneficiaries, as applicable) within sixty (60) days following the Termination Date, any bonus earned but unpaid in respect of any fiscal year preceding the Termination Date; and
 - (3) Each unvested equity award held by Executive at the time of termination shall be governed by the terms of the applicable award agreement.
- (c) Termination by the Company Without Cause or by Executive for Good Reason. If Executive's employment by the Company shall be terminated by the Company without Cause or by Executive for Good Reason, then, subject to Section 17(e) hereof, Executive shall be entitled to the benefits provided in this Section 9(c).
- (1) The Company shall pay to Executive any Accrued Compensation;
 - (2) The Company shall pay to Executive any bonus earned but unpaid in respect of any fiscal year preceding the Termination Date within sixty (60) days following the Termination Date;
 - (3) The Company shall pay to Executive a bonus or incentive award in respect of the fiscal year in which Executive's Termination Date occurs in an amount equal to the product of (A) the lesser of (x) the bonus or incentive award that Executive would have been entitled to receive based on actual achievement against the stated performance objectives and (y) Executive's Target Bonus and (B) a fraction (x) the numerator of which is the number of days in such fiscal year through the Termination Date and (y) the denominator of which is 365 (provided that if such termination occurs in contemplation of a Change in Control (as defined in the Plan) or within twelve months following a Change in Control, then in the forgoing calculation, the amount under (A) above shall be equal to Executive's Target Bonus). Any bonus or incentive award payable to Executive under this clause (3) shall be paid in a lump sum payment by March 15 of the year following the fiscal year in which Executive's Termination Date occurs;
 - (4) The Company shall pay Executive as severance pay, in lieu of any further compensation (except as provided in this Section 9(c)) for the periods subsequent to the Termination Date, an amount in cash, which amount shall be payable in a lump sum payment within sixty (60) days following such termination (subject to Section 10 hereof), equal to one (1) times (or, if such termination occurs either (x) on or before December 31, 2023, one and a half (1-1/2) times) or (y) in contemplation of a Change in Control or within twelve

months following a Change in Control, two (2) times) the sum of Executive's Base Salary and Target Bonus, in each case, as in effect immediately prior to termination and without regard to any reduction thereto which constitutes Good Reason;

(5) Each unvested equity award held by Executive at the time of termination shall be governed by the terms of the applicable award agreement; and

(6) The Company shall provide Executive with continued coverage through the first anniversary of the Termination Date under any health, medical, dental or vision program or policy in which Executive (and Executive's dependents, as applicable) participated in as of the time of the Termination Date on terms no less favorable to Executive and Executive's dependents than those applicable to actively employed senior executives of the Company; provided, however, that Executive shall be solely responsible for any taxes incurred in respect of such coverage; and provided, further, that the Company may modify the continuation coverage contemplated by this Section 9(c)(6) (including by providing a lump-sum cash payment equal to the value for Executive of the continuation coverage provided herein) to the extent reasonably necessary to avoid the imposition of any excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and/or the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable).

(d) Expiration of Employment Term Upon Notice of Non-Renewal. If Executive's employment terminates upon expiration of the Employment Term as then in effect following timely provision by either party of notice of non-renewal in accordance with Section 1 hereof, then, subject to Section 17(e) hereof:

(1) If such notice is submitted by Executive, the Company shall pay to Executive (a) any Accrued Compensation; and (b) each unvested equity award held by Executive at the time of termination shall be governed by the terms of the applicable award agreement.

(2) If such notice is submitted by the Company, then Executive shall be entitled to the benefits provided in Section 9(c) hereof.

(e) Executive shall not be required to mitigate the amount of any payment provided for under this Section 9 by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount

of any compensation or benefits provided to Executive in any subsequent employment.

10. Section 409A. The parties intend for the payments and benefits under this Agreement to be exempt from Section 409A or, if not so exempt, to be paid or provided in a manner which complies with the requirements of such section, and intend that this Agreement shall be construed and administered in accordance with such intention. If any payments or benefits due to Executive hereunder would cause the application of an accelerated or additional tax under Section 409A, such payments or benefits shall be restructured in a mutually agreed upon manner that to the extent possible preserves the economic benefit and original intent thereof but does not cause such an accelerated or additional tax. For purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following Executive's separation from service shall instead be paid on the first business day after the date that is six months following Executive's Termination Date (or death, if earlier). Notwithstanding anything to the contrary in this Agreement, all (A) reimbursements and (B) in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (x) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year; (y) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (z) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

11. Employee Protection. Nothing in this Agreement or otherwise limits Executive's ability to communicate directly with and provide information, including documents, not otherwise protected from disclosure by any applicable law or privilege to the Securities and Exchange Commission (the "SEC") or any other federal, state or local governmental agency or commission ("Government Agency") regarding possible legal violations, without disclosure to the Company. The Company may not retaliate against Executive for any of these activities, and nothing in this Agreement or otherwise requires Executive to waive any monetary award or other payment that Executive might become entitled to from the SEC or any other Government Agency.

12. Records and Confidential Data.

- (a) Ownership; Recognition of Company's Rights. Executive acknowledges that in connection with the performance of Executive's duties during the Employment Term, the Company will make available to Executive, or Executive will have access to, certain Confidential Information (as defined below) of the Company and its affiliates. Executive acknowledges and

agrees that any and all Confidential Information disclosed to, or learned or obtained by, Executive during the course of Executive's employment by the Company or any of its affiliates or otherwise, whether developed by Executive alone or in conjunction with others or otherwise, shall be and is the sole and exclusive property of the Company or the affiliate of the Company, as applicable, that is Executive's employer (the "Employer"). No license or other right to any Confidential Information is granted to Executive under this Agreement. To the extent that Executive acquires any right, title or interest in or to any Confidential Information, Executive hereby assigns, transfers, conveys and delivers to the Employer all such right, title and interest in and to such Confidential Information.

- (b) Restrictions. Executive (A) will keep all Confidential Information strictly confidential, (B) will not use Confidential Information in any manner which is detrimental to the Company or its affiliates, (C) will not use Confidential Information other than in connection with the discharge of Executive's duties to the Company and its affiliates, (D) will safeguard any and all Confidential Information from unauthorized disclosure, and (E) will not disclose, publish, use, transfer or otherwise disseminate any Confidential Information to any person or entity without the Employer's express prior written consent, except as may be necessary to perform Executive's duties as an employee of the Company or its affiliates for the benefit of the Company or its affiliates. Executive may, however, disclose Confidential Information to the extent it is in response to a valid order of a court or other governmental authority or to otherwise comply with applicable law; provided that, subject to Section 12(e), Executive shall first give notice to the Employer and reasonably cooperate with the Employer to obtain a protective order or other measures preserving the confidential treatment of such Confidential Information and requiring that the information or documents so disclosed be used only for the purposes for which the order was issued or is otherwise required by applicable law. For the avoidance of doubt, nothing in this Section 12(b) shall prevent Executive from exercising any legally protected whistleblower rights (including under Rule 21F under the Exchange Act) as set forth in Section 11.
- (c) Disposition of Confidential Information. Following the termination of Executive's employment or upon the Company's request, Executive will return to the Company all copies of any and all Confidential Information in Executive's custody, possession or control (including all copies of any analyses, compilations, studies or other documents prepared by Executive or for Executive's use containing or reflecting any Confidential Information). Alternatively, with the Company's prior written consent, Executive may destroy such Confidential Information. Within five (5) business days of the termination of Executive's employment or such

request by the Company, Executive shall deliver to the Company a document certifying that such written Confidential Information has been returned or destroyed in accordance with this Section 12(c).

- (d) Confidential Information. For the purposes of this Agreement, “Confidential Information” shall mean any and all non-public, proprietary or other confidential information of the Company or its affiliates disclosed to Executive, to which Executive has access, or of which Executive otherwise becomes aware, in each case whether in oral, written, graphic or machine readable form, including, without limitation, (A) know-how, trade secrets, inventions, discoveries, concepts, information, works, materials, processes, methods, data, software, programs, apparatus, designs and the like, and any other intellectual property the value of which is contingent upon maintaining the confidentiality thereof, (B) information regarding the business of the Company or its affiliates, including its products, services, budgets, contracts, reports, investigations, experiments, research, work in progress, drawings, designs, plans, proposals, codes, marketing and sales programs, client lists, client mailing lists, supplier lists, financial projections, cost summaries, pricing formulae, marketing studies relating to prospective business opportunities, and all other concepts, ideas, materials, or information prepared or performed for or by the Company or its affiliates, (C) information regarding the skills and compensation of the employees, contractors, and any other service providers of the Company or its affiliates, (D) the existence of any business discussions, negotiations, or agreements between the Company or its affiliates and any third party, (E) all documents and other work product generated by you which contain, comment upon, or relate in any way to any information disclosed by the Company or its affiliates, (F) all third-party information held in confidence by the Company or its affiliates, and (G) the terms and conditions of this Agreement. For purposes of this Agreement, the Confidential Information shall not include, and Executive’s obligation shall not extend to (A) information which is generally available to the public and (B) information obtained by Executive other than pursuant to or in connection with Executive’s employment
- (e) Defend Trade Secrets Act. Pursuant to Section 7 of the Defend Trade Secrets Act of 2016 (which added 18 U.S.C. § 1833(b)), the Company and Executive acknowledge and agree that Executive shall not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made

under seal. In addition and without limiting the preceding sentence, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and may use the trade secret information in the court proceeding, if Executive (X) files any document containing the trade secret under seal and (Y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such Section.

- (f) Executive's obligations under this Section 12 shall survive the termination of the Employment Term.

13. Covenant Not to Solicit and Not to Compete; Non-Disparagement.

- (a) Covenants Not to Solicit or to Interfere. To protect the Confidential Information, Company Intellectual Property (as defined below) and other trade secrets of the Company and its affiliates, Executive agrees, during the Employment Term and for a period of twelve (12) months after Executive's cessation of employment with the Company (the "Restricted Period"), not to solicit, hire or participate in or assist in any way in the solicitation or hire of any employees of the Company or any of its subsidiaries (or any person who was an employee of the Company or any of its subsidiaries during the six-month period preceding such action). For purposes of this covenant, "solicit" or "solicitation" means directly or indirectly influencing or attempting to influence employees of the Company or any of its subsidiaries to become employed with any other person, partnership, firm, corporation or other entity.

In addition, to protect the Confidential Information, Company Intellectual Property and other trade secrets of the Company and its affiliates, Executive agrees, during the Employment Term and the Restricted Period, not to (x) solicit any client or customer to receive services or to purchase any good or services in competition with those provided by the Company or any of its subsidiaries or (y) interfere or attempt to interfere in any material respect with the relationship between the Company or any of its subsidiaries on one hand and any client, customer, supplier, investor, financing source or capital market intermediary on the other hand. For purposes of this covenant, "solicit" or "solicitation" means directly or indirectly influencing or attempting to influence clients or customers of the Company or any of its affiliates to accept the services or goods of any other person, partnership, firm, corporation or other entity in competition with those provided by the Company or any of its affiliates.

Executive agrees that the covenants contained in this Section 13(a) are reasonable and desirable to protect the Confidential Information and

Company Intellectual Property of the Company and its affiliates; provided that solicitation through general advertising or the provision of references shall not constitute a breach of such obligations.

- (b) Covenant Not to Compete. To protect the Confidential Information, Company Intellectual Property and other trade secrets of the Company and its affiliates, Executive agrees, during the Employment Term and the Restricted Period, not to engage in Prohibited Activities (as defined below) in any country in which the Company or any of its affiliates conducts business, or plans to conduct business, during the Employment Term. For the purposes of this Agreement, the term “Prohibited Activities” means directly or indirectly engaging as an owner, employee, partner, member, consultant or agent of any entity that derives more than 10% of its consolidated revenue from the development, manufacturing, marketing and/or distribution (directly or indirectly) of branded or generic prescription or non-prescription pharmaceuticals or medical devices for treatments in the fields of neurology, dermatology, gastroenterology, ophthalmology or dentistry; provided that Prohibited Activities shall not mean Executive’s investment in securities of a publicly-traded company equal to less than five (5%) percent of such company’s outstanding voting securities; and provided, further, that, for the avoidance of doubt, Executive complies with the obligations set forth in Sections 12, 13(a) and 13(c) hereof. Executive agrees that the covenants contained in this Section 13(b) are reasonable and desirable to protect the Confidential Information and Company Intellectual Property of the Company and its affiliates.
- (c) Non-Disparagement. Executive agrees not to make written or oral statements about the Company, its subsidiaries or affiliates, or its directors, executive officers or non-executive officer employees that are negative or disparaging, except as provided in Section 11 hereof. The Company shall instruct its directors and executive officers to not make written or oral statements about Executive that are negative or disparaging. Notwithstanding the foregoing, nothing in this Agreement or otherwise shall preclude Executive, the Company, its subsidiaries and affiliates, and the Company’s directors and executive officers from communicating or testifying truthfully to the extent required by law to any federal, state, provincial or local governmental agency or in response to a subpoena to testify issued by a court of competent jurisdiction.
- (d) It is the intent and desire of Executive and the Company that the restrictive provisions of this Section 13 be enforced to the fullest extent permissible under the laws and public policies as applied in each jurisdiction in which enforcement is sought. If any particular provision of this Section 13 shall be determined to be invalid or unenforceable, such covenant shall be

amended, without any action on the part of either party hereto, to delete there from the portion so determined to be invalid or unenforceable, such deletion to apply only with respect to the operation of such covenant in the particular jurisdiction in which such adjudication is made.

- (e) Executive's obligations under this Section 13 shall survive the termination of the Employment Term.

14. Remedies for Breach of Obligations under Sections 12 or 13 hereof. Executive acknowledges that the Company will suffer irreparable injury, not readily susceptible of valuation in monetary damages, if Executive breaches Executive's obligations under Sections 12 or 13 hereof. Accordingly, Executive agrees that the Company will be entitled, in addition to any other available remedies, to obtain injunctive relief against any breach or prospective breach by Executive of Executive's obligations under Sections 12 or 13 hereof. Executive agrees that process in any or all of those actions or proceedings may be served by registered mail, addressed to the last address provided by Executive to the Company, or in any other manner authorized by law. This Section 14 shall survive the termination of the Employment Term.

15. Cooperation.

- (a) Following Executive's termination of employment for any reason, except as provided in Section 11 hereof, Executive agrees to make himself reasonably available to cooperate with the Company and its affiliates in matters that materially concern: (i) requests for information about the services Executive provided to the Company and its affiliates during Executive's employment with the Company and its affiliates, (ii) the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company and its affiliates which relate to events or occurrences that transpired while Executive was employed the Company and its affiliates and as to which Executive has, or would reasonably be expected to have, personal experience, knowledge or information or (iii) any investigation or review by any federal, state or local regulatory, quasi-regulatory or self-governing authority (including, without limitation, the US Department of Justice, the U.S. Federal Trade Commission or the SEC) as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the Company and its affiliates. Executive's cooperation shall include: (A) making himself reasonably available to meet and speak with officers or employees of the Company, the Company's counsel or any third-parties at the request of the Company at times and locations to be determined by the Company reasonably and in good faith, taking into account the Company's business and Executive's business and personal needs (the "Company Cooperation") and (B) giving accurate and truthful information at any interviews and accurate and truthful testimony in any legal proceedings or actions (the "Witness Cooperation"). Nothing in this

Section 15(a) shall be construed to limit in any way any rights Executive may have at applicable law not to provide testimony with regard to specific matters. Unless required by law or legal process, Executive will not knowingly or intentionally furnish information to or cooperate with any non-governmental entity (other than the Company) in connection with any potential or pending proceeding or legal action involving matters arising during Executive's employment with the Company and its affiliates, except as provided in Section 11. In addition, at the request of the Company, Executive shall be required to complete a directors' and officers' questionnaire to facilitate the Company's preparation and filing of its proxy statement and periodic reports with the SEC.

- (b) Executive shall not be entitled to any payments in addition to those otherwise set forth in this Agreement in respect of any Company Cooperation or Witness Cooperation, regardless of when provided. The Company will reimburse Executive for any reasonable, out-of-pocket travel, hotel and meal expenses incurred in connection with Executive's performance of obligations pursuant to this Section 15 for which Executive has obtained prior approval from the Company.
- (c) Nothing in this Agreement or any other agreement by and between the Parties is intended to or shall preclude or in any way limit or restrict Executive from providing accurate and truthful testimony or information to any governmental agency.
- (d) This Section 15 shall survive the termination of the Employment Term.

16. Disclosure and Ownership of Intellectual Property.

- (a) Company Intellectual Property. Executive acknowledges and agrees that any intellectual property, including, without limitation, works, materials, inventions, invention disclosures, invention registrations, patent rights, trademarks, service marks, trade names, trade dress, logos, domain names, copyrights, design rights, mask works, software, apparatus, technology, data, trade secrets, know-how and all other intellectual property and proprietary rights recognized by any applicable law of any jurisdiction, that Executive creates, discovers, conceives, reduces to practice, develops or acquires during the course of Executive's employment, either alone or jointly with others, (A) using any equipment, supplies, facilities, trade secrets, know-how or other Confidential Information of the Company or any of its affiliates, (B) that results from any work performed for the Company or any of its affiliates and/or (B) that otherwise relates to the Company's or any of its affiliates' business or actual or demonstrably anticipated research or development (collectively, "Company Intellectual Property") is and shall remain the exclusive property of the Employer whether registered or otherwise exploited or not. In furtherance

of the foregoing, Executive hereby assigns, transfers, conveys and delivers to the Employer Executive's entire right, title and interest in and to any and all such Company Intellectual Property.

- (b) Work Made for Hire. Executive acknowledges and agrees that, with respect to any Company Intellectual Property that may qualify as a Work Made For Hire as defined in 17 U.S.C. § 101 or other applicable law, such Company Intellectual Property is and will be deemed a Work Made for Hire and the Employer will have the sole and exclusive right to the copyright (or, in the event that any such Company Intellectual Property does not qualify as a Work Made for Hire, the copyright and all other rights thereto are hereby automatically assigned to the Employer as above).
- (c) Disclosure. Executive agrees to record all activities undertaken in the course of Executive's employment and to disclose promptly in writing to the Employer any and all Company Intellectual Property. Executive agrees that Executive will give the Company or any of its affiliates all reasonable assistance and execute all documents necessary to assist with enabling the Company or any of its affiliates to prosecute, perfect, register, record, enforce and defend any and all of their rights in and to any Company Intellectual Property and Confidential Information.
- (d) Non-Assignable Inventions. If Executive's principal work location is in California, Illinois, Kansas, Minnesota or Washington State, the provisions regarding Executive's assignment of Company Intellectual Property to the Employer in Sections 16(a) and 16(b) of this Agreement may not apply to certain inventions ("Non-Assignable Inventions") as specified in the statutory code of the applicable state. Executive acknowledges having received notification regarding such Non-Assignable Inventions pursuant to such states' codes.
- (e) Prior Intellectual Property. If, in the course of Executive's employment with the Employer, Executive uses any intellectual property that is solely or jointly owned by Executive or licensed to Executive, with the right to sub-license (collectively, "Prior Intellectual Property"), Executive hereby grants to the Company and its affiliates a worldwide, non-exclusive, irrevocable, perpetual, fully paid-up and royalty-free license (with rights to sublicense through multiple tiers of sublicensees) to use, reproduce, modify, make derivative works of, publicly perform, publicly display, make, have made, sell, offer for sale, import and otherwise exploit such Prior Intellectual Property for any purpose.
- (f) Waiver of Moral Rights. To the extent Executive may do so under applicable law, Executive hereby waives and agrees never to assert any Moral Rights that Executive may have in or with respect to any Company

Intellectual Property, even after termination of any work on behalf of the Company or its affiliates. As used in this Agreement, “Moral Rights” means any rights to claim authorship of a work, to object to or prevent the modification or destruction of a work, or to withdraw from circulation or control the publication or distribution of a work, and any similar right, existing under any applicable law of any jurisdiction, regardless of whether or not such right is denominated or generally referred to as a “moral right.”

(g) This Section 16 shall survive the termination of the Employment Term.

17. Miscellaneous.

(a) Successors and Assigns.

(1) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and permitted assigns. The Company may not assign or delegate any rights or obligations hereunder except to a successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, as applicable. Except for purposes of determining the occurrence of a Change in Control, the term “the Company” as used herein shall mean a corporation or other entity acquiring all or substantially all the assets and business of the Company, as the case may be, (including this Agreement) whether by operation of law or otherwise.

(2) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by Executive, Executive’s beneficiaries or legal representatives, except by will or by the laws of descent and distribution.

(3) This Agreement shall inure to the benefit of and be enforceable by Executive’s legal personal representatives.

(b) Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by Certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to each other party; provided that all notices to the Company shall be directed to the attention of the General Counsel of the Company. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

- (c) Indemnity Agreement. The Company agrees to indemnify and hold Executive harmless to the fullest extent permitted by applicable law for actions taken as a director or officer of the Company, as in effect at the time of the subject act or omission. In connection therewith, Executive shall be entitled to the protection of any insurance policies which the Company elects to maintain generally for the benefit of the Company's directors and officers, against all costs, charges and expenses whatsoever incurred or sustained by Executive in connection with any action, suit or proceeding to which he may be made a party by reason of Executive's being or having been a director, officer or employee of the Company. This provision shall survive any termination of the Employment Term.
- (d) Withholding. The Company shall be entitled to withhold the amount, if any, of all taxes of any applicable jurisdiction required to be withheld by an employer with respect to any amount paid to Executive hereunder. The Company, in its sole and absolute discretion, shall make all determinations as to whether it is obligated to withhold any taxes hereunder and the amount hereof.
- (e) Release of Claims. The termination benefits described in Sections 9(b), 9(c) and 9(d)(1) hereof shall be conditioned on Executive delivering to the Company, and failing to revoke, a signed release of claims acceptable to the Company within fifty-five (55) days following Executive's Termination Date; provided, however, that Executive shall not be required to release any rights Executive has to be indemnified by the Company under Section 15(c) hereof. Notwithstanding any provision of this Agreement to the contrary, in no event shall the timing of Executive's execution of the release, directly or indirectly, result in Executive designating the calendar year of payment, and, to the extent required by Section 409A, if a payment that is subject to execution of the release could be made in more than one taxable year, payment shall be made in the later taxable year. Where applicable, references to Executive in this Section 17(e) shall refer to Executive's representative or estate.
- (f) Modification. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by any party which are not expressly set forth in this Agreement.

- (g) Arbitration. If any legally actionable dispute arises under this Agreement or otherwise which cannot be resolved by mutual discussion between the parties, then the Company and Executive each agree to resolve that dispute by binding arbitration before an arbitrator experienced in employment law. Any arbitration hereunder shall be conducted in accordance with the Judicial Arbitration and Mediation Services (“JAMS”) Employment Arbitration Rules in effect at the time of the arbitration (the “JAMS Rules”) and the law applicable to the claim(s) asserted therein. The parties shall have fifteen (15) calendar days after JAMS issues a Commencement Letter (as defined in the JAMS Rules) to attempt to agree on the selection of an arbitrator from the JAMS roster. In the event the parties are unable to agree in such time, JAMS will provide a list of five (5) qualified and available arbitrators, and an arbitrator will be selected from that list by the parties alternately striking out one name of a potential arbitrator until only one name remains. The party entitled to strike an arbitrator first shall be selected by a coin toss. The parties agree that this agreement to arbitrate includes any claims that the Company may have against Executive, or that Executive may have against the Company and/or its related entities and/or employees, arising out of or relating to this Agreement, Executive’s employment, or Executive’s termination, including but not limited to any claims of discrimination or harassment in violation of applicable law and any other aspect of Executive’s compensation, employment, or termination. The parties further agree that arbitration as provided for in this Section 17(g) is the exclusive and binding remedy for any such dispute and will be used instead of any court action, and the parties hereby expressly waive any rights to litigate claims covered by this agreement to arbitrate in a court or other venue, except for (i) a request by any party for temporary, preliminary or permanent injunctive relief pending arbitration in accordance with applicable law; (ii) breaches by Executive of Executive’s obligations under Sections 12, 13, 15 or 16 hereof; or (iii) an administrative claim with an administrative agency. The parties agree that the arbitrator shall have the authority to and shall determine all gateway issues related to any dispute submitted to arbitration hereunder, including but not limited to the jurisdiction of the arbitrator, the arbitrability of any dispute (including the scope, validity, or enforceability of this agreement to arbitrate), and the proper or permissible parties to any such arbitration. The parties further agree that the arbitrator shall be empowered to award damages and/or equitable relief, as appropriate. Any arbitration provided for herein shall be conducted in or around Morristown, New Jersey, unless otherwise mutually agreed. The Company shall pay the cost of any arbitration brought pursuant to this paragraph, excluding, however, the costs of Executive’s representation in the arbitration (including but not limited to the fees and costs of Executive’s attorneys, advisors, experts, and other service providers), unless such cost is awarded in accordance with law or otherwise awarded by the arbitrator. Except as otherwise

provided above, the arbitrator may award legal fees to the prevailing party in the arbitrator's sole discretion; provided that the percentage of fees so awarded shall not exceed 1% of the net worth of the paying party (i.e., the Company or Executive). Judgment upon any resulting arbitration award may be entered in any federal or state court of competent jurisdiction. Neither a party nor the arbitrator may disclose the existence, content, or outcome of any arbitration hereunder without the prior written consent of all parties to the arbitration, except (1) as provided by Section 11 hereof; and (2) as may be required by law, including for purposes of entering judgment upon or enforcing the arbitrator's award.

- (h) Effect of Other Law. Anything herein to the contrary notwithstanding, the terms of this Agreement shall be modified to the extent required to meet the provisions of the Sarbanes-Oxley Act of 2002, Section 409A, the Dodd-Frank Wall Street Reform and Consumer Protection Act or other law applicable to the employment arrangements between Executive and the Company. Any delay in providing benefits or payments or any failure to provide a benefit or payment shall not in and of itself constitute a breach of this Agreement; provided, however, that the Company shall provide economically equivalent payments or benefits to Executive to the extent permitted by law as soon as practicable after such benefits or payments are due. Any request or requirement that Executive repay compensation that is required under the first sentence of this Section 17(h), or pursuant to a Company policy that is applicable to other executive officers of the Company and that is designed to advance the legitimate corporate governance objectives of the Company, shall not in and of itself constitute a breach of this Agreement.
- (i) Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New Jersey applicable to contracts executed in and to be performed entirely within such State, without giving effect to the conflict of law principles thereof.
- (j) No Conflicts. As a condition to the effectiveness of this Agreement, Executive represents and warrants to the Company that he is not a party to or otherwise bound by any agreement or arrangement (including, without limitation, any license, covenant, or commitment of any nature), or subject to any judgment, decree, or order of any court or administrative agency, that would conflict with or will be in conflict with or in any way preclude, limit or inhibit Executive's ability to execute this Agreement or to carry out Executive's duties and responsibilities hereunder. In the event that the Company determines that Executive's duties hereunder may conflict with an agreement or arrangement to which Executive is bound, Executive shall be required to cease engaging in any such activities, duties or responsibilities (including providing supervisory services over certain

subsets of the Company's business operations) and the Company will take steps to restrict Executive's access to, and participation in, any such activities. Any actions taken by the Company under this Section 17(j) to restrict or limit Executive's access to information or provision of services shall not constitute Good Reason for purposes of Section 7(e) hereof.

- (k) Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

18. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof, including without limitation any term sheets or other similar presentations.

19. Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement. Signatures transmitted via facsimile or PDF will be deemed the equivalent of originals.

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IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the day and year first above written, to be effective as of the Effective Date.

BAUSCH HEALTH COMPANIES INC.

By: */s/ Joseph C. Papa*

Name: Joseph C. Papa

Title: Chairman & Chief Executive Officer

EXECUTIVE

By: */s/ Sam Eldessouky*

Name: Sam Eldessouky

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

I, Joseph C. Papa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bausch Health Companies Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 3, 2021

/s/ JOSEPH C. PAPA

Joseph C. Papa

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

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

I, Sam Eldessouky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bausch Health Companies Inc. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 3, 2021

/s/ SAM ELDESSOUKY

Sam Eldessouky

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

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

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

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2021

/s/ JOSEPH C. PAPA

Joseph C. Papa

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

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

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

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

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

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2021

/s/ SAM ELDESSOUKY

Sam Eldessouky

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

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

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