FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered
Common Shares, No Par Value New York Stock Exchange, Toronto Stock Exchange

Securities registered pursuant to section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☑ No ☐

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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 ☑

The aggregate market value of the common shares held by non-affiliates of the registrant as of the last business day of the registrant’s most recently completed second fiscal quarter was $7,208,197,000 based on the last reported sale price on the New York Stock Exchange on June 30, 2018.

The number of outstanding shares of the registrant’s common stock as of February 14, 2019 was 350,993,877.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the registrant’s proxy statement for the 2019 Annual Meeting of Shareholders. Such proxy statement will be filed no later than 120 days after the close of the registrant’s fiscal year ended December 31, 2018.
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Basis of Presentation

General

Except where the context otherwise requires, all references in this Annual Report on Form 10-K (“Form 10-K”) 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-K, references to “$” or “USD” are to United States 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-K are presented as of December 31, 2018.

Effective on July 13, 2018, the Company changed its corporate name from Valeant Pharmaceuticals International, Inc. to Bausch Health Companies Inc.

Trademarks

The following words are some of the trademarks in our Company’s trademark portfolio and are the subject of either registration, or application for registration, in one or more of Canada, the United States of America (the “U.S.”) or certain other jurisdictions: ACANYA®, AERGEL®, AKREOS®, ALDARA®, ALREX®, ALTRENO™, AMMONUL®, AMYTAL®, APLENZIN®, APRISO®, AQUALOX®, ARESTIN®, ARTELAC®, ATIVAN®, ATRALIN®, B&L®, B+L®, BAUSCH & LOMB®, BAUSCH + LOMB®, BAUSCH + LOMB ULTRA®, BAUSCH HEALTH™, BAUSCH HEALTH COMPANIES™, BEPREVE®, BESIVANCE®, BIOTRUE®, BOSTON®, BRYHALI™, CARAC®, CARDIZEM®, CLEAR + BRILLIANT®, CLINDAGEL®, COLD-FX®, COMFORTMOIST®, CRYSTALENS®, CUPRIMINE®, DIASTAT®, DUOBRII™, EDECRIN®, ENVISTA®, GLUMETZA®, IPRIVASK®, ISTALOL®, JUBLA®, LIPOSONIX®, LOTEMAX®, LUMIFY®, LUZU®, MEDICIS®, MEPHYTON®, MESTINON®, MIGRANAL®, MINOCIN®, MOISTURESEAL®, MYSOLINE®, NEUTRASAL®, OCUVITE®, ONEXTON®, OPTICALIGN®, ORTHO DERMATOLOGICS®, PRESERVISION®, PROLENSA®, PUREVISION®, RELISTOR®, RENU®, RENU MULTIPLUS®, RETIN-A®, RETIN-A MICRO®, SALIX®, SCLERALFIL®, SECONAL SODIUM™, SHOWER TO SHOWER®, SILIQ®, SILSOFT®, SOFLENS®, SOLODYNE®, SOLTA MEDICAL®, STELLARIS®, STELLARIS ELITE™, STORZ®, SYNERGETICS®, SYPRINE®, TARGRETIN®, TASMAR®, THERMAGE®, THERMAGE FLX®, TRULIGN®, UCERIS®, VALEANT®, VANOS®, VICTUS®, VIRAZOLE®, VITESSE®, VYZULTA®, XENAZINE®, ZEGERID®, ZELAPAR®, ZIANA®, and ZYLET®.

In addition to the trademarks previously noted, we have filed trademark applications and/or obtained trademark registrations for many of our other trademarks in the U.S., Canada and in other jurisdictions and have implemented, on an ongoing basis, a trademark protection program for new trademarks.

WELLBUTRIN®, WELLBUTRIN XL® and ZOVIRAX® are trademarks of GlaxoSmithKline LLC and are used by us under license. ELIDEL® and XERESE® are registered trademarks of Medeca Pharma AB and are used by us under license. EMERADE® is a registered trademark of Medeca Pharma AB and is used by us under license. DEFLUX® and SOLESTA® are registered trademarks of Nestlé Skin Health S.A. and are used by us under license. ISUPREL® and NITROPRESS® are registered trademarks of Hospira, Inc. and are used by us under license. XIFAXAN® is a registered trademark of Alfasigma S.P.A. and is used by us under license. PEPCID® is a brand of McNeil Consumer Pharmaceuticals and is used by us under license. MOVIPREP® is a registered trademark of Velinor AG and is used by us under license. PLENUV® is a registered trademark of the Norgine group of companies and is used by us under license. LOCOID® is a registered trademark of Leo Pharma A/S and is used by us under license. LUCEMYRA™ is a trademark of US Worldmeds, LLC and is used by us under license. DOPELELET® is a trademark of AkaRx, Inc. and is used by us under license.

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-K 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, including the Significant Seven; anticipated growth in our Ortho Dermatologics business; expected R&D and marketing spend, including in connection with the promotion of the Significant Seven; our expected primary cash and working capital requirements for 2019 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; 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 ability to meet the financial and other covenants contained in our Fourth Amended and Restated Credit and Guaranty Agreement (the "Restated Credit Agreement"), and indentures; and our impairment assessments, including the assumptions used therein and the results thereof.

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”, “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-K 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 expectations reflected in such 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 expense, timing and outcome of legal and governmental proceedings, investigations and information requests relating to, among other matters, our past distribution, marketing, pricing, disclosure and accounting practices (including with respect to our former relationship with Philidor Rx Services, LLC ("Philidor")), including pending investigations by the U.S. Attorney's Office for the District of Massachusetts and the U.S. Attorney's Office for the Southern District of New York, the pending investigations by the U.S. Securities and Exchange Commission (the "SEC") of the Company, the investigation order issued by the Company from the Autorité des marchés financiers (the "AMF") (the Company's principal securities regulator in Canada), a number of pending putative securities class action litigations in the U.S. (including related opt-out actions) and Canada (including related opt-out actions) and purported class actions under the federal RICO statute and other claims, investigations or proceedings that may be initiated or that may be asserted;

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

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

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

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

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

- actions by the FDA or other regulatory authorities with respect to our products or facilities;
• our substantial debt (and potential additional future indebtedness) and current and future debt service obligations, our ability to reduce our outstanding debt levels and the resulting impact on our financial condition, cash flows and results of operations;

• our ability to meet the financial and other covenants contained in our Restated Credit Agreement, indentures 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 debt we are able to incur where not prohibited, and restrictions on our ability to make certain investments and other restricted payments;

• any default under the terms of our senior notes indentures or Restated Credit Agreement and our ability, if any, to cure or obtain waivers of such default;

• any delay in the filing of any future financial statements or other filings and any default under the terms of our senior notes indentures or Restated Credit Agreement as a result of such delays;

• any downgrade by rating agencies in our credit ratings, which may impact, among other things, our ability to raise debt and the cost of capital for additional debt issuances;

• any reductions in, or changes in the assumptions used in, our forecasts for 2019 or beyond, 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 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;

• any additional divestitures of our assets or businesses and our ability to successfully complete any such divestitures on commercially reasonable terms and on a timely basis, or at all, and the impact of any such divestitures on our Company, including the reduction in the size or scope of our business or market share, loss of revenue, any loss on sale, including any resultant write-downs of goodwill, or any adverse tax consequences suffered as a result of any such divestitures;

• the uncertainties associated with the acquisition and launch of new products, including, but not limited to, our ability to provide the time, resources, expertise and costs required for the commercial launch of new products, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing, which could lead to material impairment charges;

• our ability to retain, motivate and recruit executives and other key employees;

• our ability to implement effective succession planning for our executives and key employees;

• factors impacting our ability to achieve anticipated growth in our Ortho Dermatologics business, including the approval of pending and pipeline products (and the timing of such approvals), expected geographic expansion, changes in estimates on market potential for dermatology products and continued investment in and success of our sales force;

• factors impacting our ability to achieve anticipated revenues for our Significant Seven products, including the approval of pending products in the Significant Seven (and the timing of such approvals), 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, stabilize and grow our businesses in light of the challenges that the Company currently faces, including with respect to its substantial debt, pending investigations and legal proceedings, scrutiny of our past pricing, distribution and other practices, reputational harm and limitations on the way we conduct business imposed by the covenants in our Restated Credit Agreement, indentures and the agreements governing our other indebtedness;

• the extent to which our products are reimbursed by government authorities, pharmacy benefit managers ("PBMs") and other third-party payors; the impact our distribution, pricing and other practices (including as it relates to our current relationship with Walgreen Co. ("Walgreens")).
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;

• 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 recently signed United States-Mexico-Canada Agreement (“USMCA”) and any potential changes to other trade agreements;

• the final outcome and impact of Brexit negotiations;

• the potentially escalating 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;

• 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;

• the expense, timing and outcome of pending or future legal and governmental proceedings, arbitrations, investigations, subpoenas, tax and other regulatory audits, reviews and regulatory proceedings against us or relating to us and settlements thereof;

• our ability to negotiate the terms of or obtain court approval for the settlement of certain legal and regulatory proceedings;

• our ability to obtain components, raw materials or finished products supplied by third parties (some of which may be single-sourced) and other manufacturing and related supply difficulties, interruptions and delays;

• the disruption of delivery of our products and the routine flow of manufactured goods;

• economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;

• interest rate risks associated with our floating rate debt borrowings;

• our ability to effectively distribute our products and the effectiveness and success of our distribution arrangements, including the impact of our arrangements with Walgreens;

• our ability to effectively promote our own products and those of our co-promotion partners, such as Doptelet ® (Dova Pharmaceuticals, Inc.) and Lucemyra ™ (US WorldMeds, LLC);

• the success of our fulfillment arrangements with Walgreens, including market acceptance of, or market reaction to, such arrangements (including by customers, doctors, patients, PBM, third-party payors and governmental agencies), the continued compliance of such arrangements with applicable laws, and our ability to successfully negotiate any improvements to our arrangements with Walgreens;
• our ability to secure and maintain third-party research, development, manufacturing, licensing, marketing or distribution arrangements;

• the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits, product liability claims and damages and/or recalls or withdrawals of products from the market;

• the mandatory or voluntary recall or withdrawal of our products from the market and the costs associated therewith;

• the availability of, and our ability to obtain and maintain, adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third-party insurance or self-insurance;

• the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including with respect to approvals by the FDA, Health Canada and similar agencies in other countries, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;

• the results of continuing safety and efficacy studies by industry and government agencies;

• the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as other factors impacting the commercial success of our products, which could lead to material impairment charges;

• the results of management reviews of our research and development portfolio (including following the receipt of clinical results or feedback from the FDA or other regulatory authorities), which could result in terminations of specific projects which, in turn, could lead to material impairment charges;

• the seasonality of sales of certain of our products;

• declines in the pricing and sales volume of certain of our products that are distributed or marketed by third parties, over which we have no or limited control;

• compliance by the Company or our third party partners and service providers (over whom we may have limited influence), or the failure of our Company or these third parties to comply, with health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and business practices (including with respect to pricing), worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act), worldwide economic sanctions and/or export laws, worldwide environmental laws and regulation and privacy and security regulations;

• the impacts of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the “Health Care Reform Act”) and potential amendment thereof and other legislative and regulatory health care reforms in the countries in which we operate, including with respect to recent government inquiries on pricing;

• the impact of any changes in or reforms to the legislation, laws, rules, regulation and guidance that apply to the Company and its business and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to the Company or its businesses or products;

• the impact of changes in federal laws and policy under consideration by the Trump administration and Congress, including the effect that such changes will have on fiscal and tax policies, the potential revision of all or portions of the Health Care Reform Act, international trade agreements and policies and policy efforts designed to reduce patient out-of-pocket costs for medicines (which could result in new mandatory rebates and discounts or other pricing restrictions);

• illegal distribution or sale of counterfeit versions of our products; and

• interruptions, breakdowns or breaches in our information technology systems.

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found elsewhere in this Form 10-K, under Item 1A. “Risk Factors” and in the Company's other filings with the SEC and the Canadian Securities Administrators (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-K 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**

**Item 1. Business**

Biovail Corporation (“Biovail”) was formed under the Business Corporations Act (Ontario) on February 18, 2000, as a result of the amalgamation of TXM Corporation and Biovail Corporation International. Biovail was continued under the Canada Business Corporations Act effective June 29, 2005. In connection with the acquisition of Valeant Pharmaceuticals International in September 2010, Biovail was renamed “Valeant Pharmaceuticals International, Inc.”

Effective August 9, 2013, we continued from the federal jurisdiction of Canada to the Province of British Columbia, meaning that we became a company registered under the laws of the Province of British Columbia as if we had been incorporated under the laws of the Province of British Columbia. As a result of this continuance, our legal domicile became the Province of British Columbia, the Canada Business Corporations Act ceased to apply to us and we became subject to the British Columbia Business Corporations Act.

Effective on July 13, 2018, the Company changed its corporate name from Valeant Pharmaceuticals International, Inc. to Bausch Health Companies Inc.

**Introduction**

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) products.

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

**• The Bausch + Lomb/International segment** consists of: (i) sales in the U.S. of pharmaceutical products, OTC products and medical device products, primarily comprised of Bausch + Lomb products, with a focus on the Vision Care, Surgical, Consumer and Ophthalmology Rx products and (ii) with the exception of sales of Solta products, sales in Canada, Europe, Asia, Australia, Latin America, Africa and the Middle East of branded pharmaceutical products, branded generic pharmaceutical products, OTC products, medical device products and Bausch + Lomb products.

**• The Salix segment** consists of sales in the U.S. of GI products.

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

**• The Diversified Products segment** consists of sales: (i) in the U.S. of pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) in the U.S. of generic products, (iii) in the U.S. of dentistry products and (iv) of certain other businesses divested during 2017 that were not core to the Company's operations, including the Company's equity interests in Dendreon Pharmaceuticals LLC (“Dendreon”) (June 28, 2017) and Sprout Pharmaceuticals, Inc. (“Sprout”) (December 20, 2017). As a result of the divestitures of Dendreon and Sprout, the Company exited the oncology and women’s health businesses, respectively.

For additional discussion of our reportable segments, see the discussion in Item 1 "Business - Segment Information" and Note 22, "SEGMENT INFORMATION" to our audited Consolidated Financial Statements for further details on these reportable segments.

**Business Strategy**

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 have found and continue to believe there is significant opportunity in the: (i) eye-health, (ii) GI and (iii) dermatology businesses. 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.

As a result of the focus on our core businesses, the divestitures of businesses not aligned with our core business objectives and the loss of exclusivity for certain products in our Diversified Products segment, a greater portion of our revenues are now driven by our core businesses. In 2018, 2017 and 2016, our Bausch + Lomb, GI and dermatology revenues collectively represented approximately 71%, 67% and 63% of our total revenues, respectively. The increase in this percentage over this period demonstrates our commitment and the effectiveness of our business strategy in these businesses.

We believe we have a well-established product portfolio that is diversified within our core businesses and provides a sustainable revenue stream to fund our operations. Our continued success is dependent upon our ability to continually refresh our pipeline and bring new product solutions to the market that meet changing demands and replace other products that have lost momentum. We have a robust pipeline that we believe not only provides for the next generation of our existing products, but is also poised to bring new and innovative solutions to market. Our research and development (“R&D”) organization focuses on the development of products through clinical trials and as of December 31, 2018, included approximately 1,200 dedicated R&D and quality assurance employees in 23 R&D facilities.

Our pipeline of R&D projects includes certain products we have dubbed our "Significant Seven", which are products recently launched or expected to launch in the near future pending completion of testing and receipt of approval from the U.S. Food and Drug Administration (the “FDA”). These Significant Seven
products are: (i) Bryhali™ (Ortho Dermatologics), (ii) Duobrii™ (provisional name) (Ortho Dermatologics), (iii) Lumify * (Bausch + Lomb), (iv) Relistor * (Salix), (v) SiHy Daily (Bausch + Lomb), (vi) Siliq™ (Ortho Dermatologics) and (vii) Vyzulta * (Bausch + Lomb). Although revenues associated with our Significant Seven products are currently not material, we believe the prospects for this group are substantial.

Although we primarily rely on our R&D organization to build-out and refresh our product portfolio, to supplement those efforts we continually seek out opportunities, such as co-promotions and strategic acquisitions, to leverage our commercial footprint, particularly our sales force, by strategically aligning ourselves with other innovative product solutions that, when coupled with our existing product portfolio, address specific needs in the market.

Segment Information

Our revenues for 2018, 2017 and 2016 were $8,380 million, $8,724 million and $9,674 million, respectively. We have approximately 1,500 products in our portfolio of products, which fall into four reportable segments: (i) Bausch + Lomb/International, (ii) Salix, (iii) Ortho Dermatologics and (iv) Diversified Products. Comparative segment information for 2018, 2017 and 2016 is presented in Note 22, "SEGMENT INFORMATION" to our audited Consolidated Financial Statements.

Bausch + Lomb/International

Revenues for our Bausch + Lomb/International segment for 2018, 2017 and 2016 were $4,664 million, $4,795 million and $4,857 million, respectively. Our Bausch + Lomb/International segment includes our Global Bausch + Lomb eye-health business and our International Rx business. Our Global Bausch + Lomb eye-health business includes our Vision Care, Surgical, Consumer and Ophthalmology Rx products, which in aggregate accounted for approximately 43%, 41% and 37% of our Company's revenues for 2018, 2017 and 2016, respectively. Our International Rx business, with the exception of our Solta business, includes sales in Canada, Europe, Asia, Australia, Latin America, Africa and the Middle East of branded pharmaceutical products, branded generic pharmaceutical products, OTC products and medical device products.

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

As part of our Global Bausch + Lomb business strategy, we continually look for key trends in the eye-health market to meet changing consumer/patient needs and identify areas for investment and growth. 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 (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 for development new products tailored to address these key trends which we develop internally with our own R&D team to generate organic growth. Recent product launches include Biotrue® ONEday daily disposable contact lenses, the next generation of Bausch + Lomb ULTRA® contact lenses, SiHy Daily contact lenses, Lumify® (an eye redness treatment) and Vyzulta® (a pressure lowering eye drop for patients with angle glaucoma or ocular hypertension).

Our principal products in the Global Bausch + Lomb business include:

Vision Care

- SofLens® Daily Disposable Contact Lenses use ComfortMoist® Technology (a combination of thin lens design and moisture-rich packaging solution) and High Definition Optics™ which is an aspheric design that reduces spherical aberration over a range of powers, especially in low light.
• PureVision® is a silicone hydrogel frequent replacement contact lens using AerGel® technology lens material to allow natural levels of oxygen to reach the eye as well as resist protein buildup. The lens also incorporates an aspheric optical design that reduces spherical aberration.

• Biotrue® ONEday daily disposable contact lenses are made of a unique material that works like the eye to form a dehydration barrier. The lens maintains over 98% of its moisture for up to 16 hours, it matches the water content of the cornea at 78%, and allows for the oxygen a healthy eye needs.

• Biotrue® ONEday for Astigmatism is a daily disposable contact lens for astigmatic patients. The Biotrue® ONEday lenses 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 the complete extended power range in 2017.

• Bausch + Lomb ULTRA® is a silicone hydrogel frequent replacement contact lens that uses the proprietary MoistureSeal® technology which allows the contact lens to retain 95% of moisture after 16 hours of wear, limiting lens dryness and resulting symptoms.

• Bausch + Lomb ULTRA® for Astigmatism is a monthly planned replacement contact lens for astigmatic patients. The Bausch + Lomb ULTRA® for Astigmatism lens was developed using the proprietary MoistureSeal® technology. In addition, the Bausch + Lomb ULTRA® for Astigmatism lens integrates an OpticAlign™design engineered for lens stability and to promote a successful wearing experience for the astigmatic patient. We launched this product and the extended power range for this product throughout 2017.

• Bausch + Lomb ULTRA® for Presbyopia is a monthly planned replacement contact lens for presbyopic patients. The Bausch + Lomb ULTRA® for Presbyopia lens was developed using the proprietary MoistureSeal® technology. In addition, the Bausch + Lomb ULTRA® for Presbyopia lens integrates a 3 zone progressive design for near, intermediate and distance vision. We launched expanded parameters of this product throughout 2017.

Surgical

• The Stellaris Elite™ Vision Enhancement System is our next generation phacoemulsification cataract platform, which offers new innovations, as well as the opportunity to add upgrades and enhancements every one to two years. Stellaris Elite™ is the first phacoemulsification platform on the market to offer Adaptive Fluidics™, which combines aspiration control with predictive infusion management to create a responsive and controlled surgical environment for efficient cataract lens removal. Our Stellaris Elite™ Vision Enhancement System was launched in April 2017.

• Vitesse® is a hypersonic vitrectomy system for the removal of the vitreous humor gel that fills the eye cavity to provide better access to the retina and allow for a variety of repairs, including the removal of scar tissue, laser repair of retinaldetachments and treatment of macular holes. Available exclusively on the Stellaris Elite™ system, Vitesse® liquefies tissue in a highly-localized zone at the edge of the port to increase the level of surgical control and precision to vitrectomies. We launched Vitesse® on a limited basis in October 2017.

• A portfolio of ophthalmic surgical products, including: (i) intraocular lenses such as Akreos®, enVista®, Crystalens® and Trulign®, (ii) a suite of surgical instruments including Storz® and Synergetics® and (iii) surgical equipment for cataract, refractive, and vitreoretinal surgery, such as Stellaris®, PC, a vitreoretinal and cataract surgery system, VersaVIT2.0 for vitreoretinal surgery and the VICTUS® femtosecond laser for cataract surgery.

Consumer

• PreserVision® AREDS 2 is an eye vitamin formula for those with moderate-to-advanced age-related macular degeneration.

• Ocuvite® is a vitamin and mineral supplement for the eye that contains lutein (an antioxidant carotenoid), a nutrient that supports macular health by helping filter harmful blue light.

• Bausch + Lomb Renu® Advanced Formula multi-purpose solution was launched in 2017 and is a novel soft and silicone hydrogel contact lenses solution that makes use of three disinfectants and two moisture agents.

• Biotrue® multi-purpose solution helps prevent certain tear proteins from denaturing and fights germs for healthy contact lens wear. Biotrue® multi-purpose solution uses a lubricant found in eyes and is pH balanced to match healthy tears.

• Lumify® (brimonidine tartrate ophthalmic solution, 0.025%) is an OTC eye drop developed as an ocular redness reliever. Lumify® was launched in May 2018.

• Boston® solution is a specialty cleansing solution design for gas permeable contact lenses.
• Bausch + Lomb ScleralFil® solution is a novel contact lens care solution launched in 2017 that makes use of a preservative free buffered saline solution for use with the insertion of scleral lenses.

Ophthalmology Rx

• Lotemax® Gel is a topical corticosteroid indicated for the treatment of inflammation and pain following ocular surgery. This formulation is a technology that allows the drug to adhere to the ocular surface and offers dose uniformity, which eliminates the need to shake the product in order to ensure the drug is in suspension. The product contains a low concentration of preservative and two known moisturizers.

• Vyzulta® (latanoprostene bunod ophthalmic solution, 0.024%) is an intraocular pressure lowering single-agent eye drop dosed once daily for patients with open angle glaucoma or ocular hypertension and was launched in December 2017.

Salix

The Salix segment consists of sales in the U.S. of gastrointestinal or GI products and includes Xifaxan® which accounted for approximately 14%, 11% and 10% of our total revenues for 2018, 2017 and 2016, respectively. Salix revenues were $1,749 million, $1,566 million and $1,530 million for 2018, 2017 and 2016, respectively.

As part of our acquisition of Salix Pharmaceutical, Ltd. in 2015, we acquired the intellectual property to a number of products which have provided us with year over year revenue growth, particularly the intellectual properties behind Xifaxan® for irritable bowel syndrome with diarrhea (“IBS-D”) and Relistor® for opioid induced constipation (“OIC”). Recognizing the growth opportunities in these products, we initiated a significant sales force expansion program in December 2016 to aggressively reach out to potential primary care physician (“PCP”) prescribers of Xifaxan® and Relistor® tablets. This sales force expansion program met our objectives as revenues from our Xifaxan® and Relistor® products increased approximately 22% and 37%, respectively, in 2018 when compared to 2017.

Because we strongly believe in our Xifaxan® and Relistor® business models, we have taken initiatives to further capitalize on the value of the infrastructure we built around these products. For instance, in order to continue to generate growth in these products, 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 to start in 2019 for next generation formulations of Xifaxan® and rifaximin which address new indications.

In addition to driving growth through internal R&D development opportunities, we strive to access other products outside our existing Salix business that allow us to leverage our existing GI sales force, supply channel and distribution channel to bring about growth through co-promotion and acquisition. For instance, in the second half of 2018, we entered into agreements with Dova Pharmaceuticals, Inc. to co-promote Doptelet®, a new treatment of thrombocytopenia in adult patients with chronic liver disease, and with US WorldMeds, LLC to co-promote Lucemyra™, a non-opioid medication for the mitigation of withdrawal symptoms to facilitate abrupt discontinuation of opioids. We are also pursuing the acquisition of Synergy Pharmaceuticals Inc. (“Synergy”) as the “stalking horse” bidder in a bankruptcy court supervised auction and sale process expected to be completed in March 2019. If successful, we will acquire certain assets of Synergy including its worldwide rights to the Trulance® (plecanatide) product, a once-daily tablet for adults with chronic idiopathic constipation and irritable bowel syndrome with constipation. We believe these co-promotion and acquisition opportunities will be accretive to our business by providing us access to products that are a natural pairing to either our Xifaxan® or Relistor® businesses, allowing us to effectively leverage our existing infrastructure and generate growth.

Our principal products in the Salix segment (including products of our third-party co-promotion partners) include:

• Xifaxan® which includes: (i) tablets indicated for the treatment of IBS-D in adults and for the reduction in risk of overt hepatic encephalopathy recurrence in adults and (ii) tablets indicated for the treatment of travelers’ diarrhea caused by noninvasive strains of Escherichia coli in patients 12 years of age and older.

• Relistor® (methylnaltrexone) is given to adults who use narcotic medicine to treat severe chronic pain that is not caused by cancer to prevent constipation without reducing the pain-relieving effects of the narcotic.

• Apriso® is an aminosalicylate anti-inflammatory drug used to treat ulcerative colitis, proctitis and proctosigmoiditis. Apriso is also used to prevent the symptoms of ulcerative colitis from recurring.

• Glumetza® (metformin hydrochloride) extended release tablets are indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus.

• Plenvu® is a novel, lower-volume polyethylene glycol-based bowel preparation developed to help provide complete bowel cleansing, with an additional focus on the ascending colon. Plenvu® was launched in September 2018.
Doptelet® (avatrombopag) is a new treatment of thrombocytopenia in adult patients with chronic liver disease who are scheduled to undergo a procedure, which we are co-promoting through a partnership with Dova Pharmaceuticals, Inc.

Lucemyra™ (lofexidine) is a non-opioid medication for the mitigation of withdrawal symptoms to facilitate abrupt discontinuation of opioids in adults, which we are co-promoting through a partnership with US WorldMeds, LLC.

Ortho Dermatologics

The Ortho Dermatologics segment consists of: (i) sales in the U.S. of Ortho Dermatologics (dermatological products) and (ii) global sales of Solta medical dermatological devices. Ortho Dermatologics revenues were $625 million, $725 million and $949 million for 2018, 2017 and 2016, respectively.

In 2017, we retained a proven leadership team of experienced dermatology sales professionals and marketers and rebranded our dermatology business as Ortho Dermatologics, as part of a larger rebranding initiative for our dermatology business. In January 2018, the leadership team increased our Ortho Dermatologics sales force by more than 25% in support of our growth initiatives for our Ortho Dermatologics business. We believe the additional sales force is vital to meet the demand we expect from our recently launched products and those we expect to launch in the near term, pending FDA approval.

We have made significant investments to build out our psoriasis 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 and develop injectable biologics; however, we believe some patients prefer topical products as an alternative delivery method to injectable biologics. Further, as topical products can, in many cases, defer the use of injectable biologics and need not be administered by a certified biologic physician, a topical product is usually more cost-effective and better supported by managed care payors over its alternative injectable biologic product. Therefore, we believe topical products represent significant innovation for physicians, payors and patients, and as the preferred choice of treatment, have the potential to drive greater volumes, generate better margins and will ultimately be a key contributing factor of our Ortho Dermatologics business.

In addition to our established and in development product lines, we also look to gain access to other dermatology products through strategic licensing agreements. We believe this allows us to leverage our experienced dermatology sales leadership team and our recently expanded Ortho Dermatologics sales force to drive growth in our Ortho Dermatologics business.

Our principal products in the Ortho Dermatologics segment include:

- Targretin® (bexarotene) capsules and gel are prescription medicines used to treat the skin problems arising from the disease cutaneous T-cell lymphoma, or CTCL, in patients who have not responded well to other treatments.

- Bryhali™ was launched in November 2018 and is a novel product that contains a unique, lower concentration of halobetasol propionate for the treatment of moderate-to-severe psoriasis.

- Jublia® (efinaconazole 10% topical solution) is a topical azole approved for the treatment of onychomycosis of the toenails (toenail fungus).

- Siliq™ was launched in the U.S. in 2017 and is an IL-17 receptor blocker monoclonal antibody for patients with moderate-to-severe plaque psoriasis.

- Elidel® is used to treat certain skin conditions such as eczema (atopic dermatitis), which is an allergic-type condition that causes red, irritated and itchy skin.

- Zovirax® is an antiviral prescription medicine that is used to treat cold sores on the lips and around the mouth only, in patients 12 years of age and older with normal immune systems. Applied directly to the infected area, Zovirax® stops the cold sore virus from multiplying by fighting the virus itself.

- Altreno™ (tretinoin 0.05%) was launched in the U.S. in October 2018 and is a lotion approved for the topical treatment of acne vulgaris in patients 9 years of age and older.

- An Acne franchise, which includes Solodyn®, a prescription oral antibiotic approved to treat only the red, pus-filled pimples of moderate to severe acne in patients 12 years of age and older, as well as Retin-A®, Ziana®, Clindagel®, Acanya®, Atralin®, and Onexton® Gel, a fixed combination 1.2% clindamycin phosphate and 3.75% benzoyl peroxide medication for the once-daily treatment of comedonal (non-inflammatory) and inflammatory acne in patients 12 years of age and older.

- Medical device systems for aesthetic applications, including the Thermage®, that provides non-invasive treatment options using radiofrequency energy for skin tightening.
**Diversified Products**

The Diversified Products segment consists of sales: (i) in the U.S. of pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) in the U.S. of generic products, (iii) in the U.S. of dentistry products and (iv) of certain other businesses divested during 2017 that were not core to the Company's operations, including the Company's equity interests in Dendreon (June 28, 2017) and Sprout (December 20, 2017). As a result of the divestitures of Dendreon and Sprout, the Company exited the oncology and women's health businesses, respectively. Diversified Products revenues were $1,342 million, $1,638 million and $2,338 million for 2018, 2017 and 2016, respectively. Our principal products in this segment include:

**Pharmaceutical**

- Wellbutrin XL® is an extended release formulation of bupropion indicated for the treatment of major depressive disorder in adults.
- Cuprimine® is a treatment for Wilson's disease (a condition in which high levels of copper in the body cause damage to the liver, brain, and other organs), cystinuria (a condition which leads to cystine stones in the kidneys) and for patients with severe rheumatoid arthritis who have failed to respond to an adequate trial of conventional therapy.
- Migranal® (dihydroergotamine mesylate) Nasal Spray is used to treat an active migraine headache with or without aura.
- Ativan® (lorazepam) is indicated for the management of anxiety disorders or for the short-term relief of the symptoms of anxiety or anxiety associated with depressive symptoms.
- Xenazine® is indicated for the treatment of chorea associated with Huntington’s disease. In the U.S., Xenazine® is distributed for us by Lundbeck LLC under an exclusive marketing, distribution and supply agreement.
- Syprine® is a treatment for Wilson's disease in patients who cannot take the medication known as penicillamine.
- Aplenzin® (bupropion hydrobromide extended release tablets) is indicated for the treatment of major depressive disorder, and for the prevention of seasonal major depressive episodes in patients with a diagnosis of seasonal affective disorder.
- Isuprel® (Isoproterenol hydrochloride) injections is indicated for: (i) mild or transient episodes of heart block that do not require electric shock or pacemaker therapy, (ii) for serious episodes of heart block and Adams-Stokes attacks (except when caused by ventricular tachycardia or fibrillation), (iii) for use in cardiac arrest until electric shock or pacemaker therapy, the treatments of choice, is available and (iv) for bronchospasm occurring during anesthesia.

**Generics**

- Diastat® (diazepam rectal gel) is a gel formulation of diazepam intended for rectal administration for certain patients with epilepsy who are already taking antiepileptic medications, and who require occasional use of diazepam to control bouts of increased seizure activity.
- Uceris® (budesonide) extended release tablets are a prescription corticosteroid medicine used to help get mild to moderate ulcerative colitis under control (induce remission).
- Zegerid® is used to treat certain stomach and esophagus problems (such as acid reflux and ulcers) by decreasing the amount of acid your stomach makes. It belongs to a class of drugs known as proton pump inhibitors.

**Dentistry**

- Arestin® (minocycline hydrochloride) is a subgingival sustained-release antibiotic. Arestin® is indicated as an adjunct to scaling and root planing ("SRP") procedures for reduction of pocket depth in patients with adult periodontitis. Arestin® may be used as part of a periodontal maintenance program, which includes good oral hygiene and SRP.
- NeutraSal® is indicated for dryness of the mouth (hyposalivation, xerostomia) and dryness of the oral mucosa due to drugs that suppress salivary secretion.

**Research and Development**

Our R&D organization focuses on the development of products through clinical trials. Currently, we have over 250 R&D projects in our pipeline. As of December 31, 2018, approximately 1,200 dedicated R&D and quality assurance employees in 23 R&D facilities were involved in our R&D efforts.

Our R&D expenses for 2018, 2017 and 2016, were $413 million, $361 million and $421 million, respectively. R&D expenses as a percentage of revenue were 5% in 2018 as compared to 4% in 2017 and 4% in 2016. As part of our turnaround, we removed
projects related to divested businesses and rebalanced our portfolio to better align with our long-term plans and focus on core businesses. Our investment in R&D reflects our commitment to drive organic growth through internal development of new products, a pillar of our new strategy, and also reflects our investment in our Significant Seven as previously discussed.

For more information regarding our products in clinical development, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Our Transformation” of this Form 10-K.

Trademarks, Patents and Proprietary Rights

We rely on a combination of contractual provisions, confidentiality policies and procedures and patent, trademark, copyright and trade secrecy laws to protect the proprietary aspects of our technology and business. Our policy is to vigorously protect, enforce and defend our rights to our intellectual property and proprietary rights, as appropriate. See Item 1A “Risk Factors” of this Form 10-K for additional information on the risks associated with our intellectual property and proprietary rights.

Trademarks

We believe that trademark protection is an important part of establishing product and brand recognition. We own or license a number of registered trademarks and trademark applications in the U.S., Canada and in various other countries throughout the world. U.S. federal registrations for trademarks remain in force for 10 years and may be renewed every 10 years after issuance, provided the mark is still being used in commerce. Trademark registrations in Canada currently remain in force for 15 years and may be renewed every 15 years after issuance, provided that, as in the case of U.S. federal trademark registrations, the mark is still being used in commerce. Other countries generally have similar but varying terms and renewal policies with respect to trademarks registered in those countries.

Data and Patent Exclusivity

For certain of our products, we rely on a combination of regulatory and patent rights to protect the value of our investment in the development of these products.

A patent is the grant of a property right which allows its holder to exclude others from, among other things, selling the subject invention in, or importing such invention into, the jurisdiction that granted the patent. In the U.S., Canada and the European Union (“EU”), generally patents expire 20 years from the date of application. We have obtained, acquired or in-licensed a number of patents and patent applications covering key aspects of certain of our principal products. In the aggregate, our patents are of material importance to our business taken as a whole.

In the U.S., the Hatch-Waxman Act provides non-patent regulatory exclusivity for five years from the date of the first FDA approval of a new drug compound in a New Drug Application (“NDA”). The FDA, with one exception, is prohibited during those five years from accepting for filing a generic, or Abbreviated New Drug Application (“ANDA”), that references the NDA. In reference to the foregoing exception, if a patent is indexed in the FDA Orange Book for the new drug compound, a generic may file an ANDA four years from the NDA approval date if it also files a Paragraph IV Certification with the FDA challenging the patent. Protection under the Hatch-Waxman Act will not prevent the filing or approval of another full NDA. However, the NDA applicant would be required to conduct its own pre-clinical and adequate and well-controlled clinical trials to independently demonstrate safety and effectiveness.

A similar data exclusivity scheme exists in the EU, whereby only the pioneer drug company can use data obtained at the pioneer’s expense for up to eight years from the date of the first approval of a drug by the European Medicines Agency (“EMA”) and no generic drug can be marketed for ten years from the approval of the innovator product. Under both the U.S. and the EU data exclusivity programs, products without patent protection can be marketed by others so long as they repeat the clinical trials necessary to show safety and efficacy.

In the U.S., the Biologics Price Competition and Innovation Act (“BPCIA”) allows companies to seek FDA approval to manufacture and sell biosimilar or interchangeable versions of brand name biological products. Due to the size and complexity of biological products, as compared to small molecule drugs, a biosimilar must be “highly similar” to the reference product with “no clinically meaningful differences” in safety, purity and potency between the two. The BPCIA provides reference product sponsors with 12 years (potential for 6 additional months of pediatric exclusivity) of market exclusivity, but unlike the Hatch-Waxman Act which covers small molecules, it does not require reference product sponsors to list patents in an Orange Book equivalent and does not include an automatic 30-month stay of FDA approval upon the timely filing of a lawsuit. The BPCIA, however, does provide pre-litigation procedures for the parties to follow, including identification of relevant patents and each party’s basis for infringement and invalidity. A biosimilar patent application cannot be filed until four years after the reference product is first licensed and a biosimilar cannot be launched, at the earliest (assumes no patent litigation or an adverse decision on all patents), until the expiration of the twelve years of data exclusivity from the approval of the reference product.
Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a disease or condition that affects populations of fewer than 200,000 individuals in the U.S. or a disease whose incidence rates number more than 200,000 where the sponsor establishes that it does not realistically anticipate that its product sales will be sufficient to recover its costs. The sponsor that obtains the first marketing approval for a designated orphan drug for a given rare disease is eligible to receive marketing exclusivity for use of that drug for the orphan indication for a period of seven years.

In Canada, the Patented Medicines (Notice of Compliance) Regulations (“PM(NOC) Regulations”) create a regime analogous to the U.S. Hatch-Waxman Act, and link the regulatory approval process for generic and biosimilar drugs to the adjudication of innovator patent rights. To be eligible for protection under the PM(NOC) Regulations, patents must first be listed on the Patent Register in connection with an innovator’s drug submission to Health Canada. A generic or biosimilar manufacturer must then provide notice to the innovator of its plans to market a drug that it compared to the innovator’s patented drug in the Health Canada approval process. Within 45 days of receiving such a notice of allegation, an innovator drug company may commence patent infringement proceedings against the generic or biosimilar manufacturer. The commencement of an action by the innovator under the PM(NOC) Regulations may stay Health Canada’s regulatory approval of the generic or biosimilar drug for a period of 24 months.

Canada also employs a data exclusivity regime for innovative drugs that provides an eight-year period of data protection from the date of market approval by Health Canada. An additional six months of data exclusivity is provided for drugs studied in clinical trials relating to use in pediatric populations. Drug submissions seeking approval based on a comparison to an innovative drug cannot be filed during the first six years of the data exclusivity period. Generic or biosimilar drug submissions remain on hold until expiry of the innovator’s data protection term, unless the innovative product is a patented drug subject to further protection under the PM(NOC) Regulations. Canada has no distinct drug submission process for biosimilar or orphan drug products.

**Proprietary Know-How**

We also rely upon unpatented proprietary know-how, trade secrets and technological innovation in the development and manufacture of many of our principal products. We protect our proprietary rights through a variety of methods, including confidentiality and non-disclosure agreements and proprietary information agreements with vendors, employees, consultants and others who may have access to proprietary information.

**Government Regulations**

Government authorities in the U.S., at the federal, state and local level, in Canada, in the EU and in other countries extensively regulate, among other things, the research, development, testing, approval, manufacturing, labeling, post-approval monitoring and reporting, packaging, advertising and promotion, storage, distribution, marketing and export and import of pharmaceutical products and medical devices. As such, our products and product candidates are subject to extensive regulation both before and after approval. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with these regulations could result in, among other things, warning letters, civil penalties, delays in approving or refusal to approve a product candidate, product recall, product seizure, interruption of production, operating restrictions, suspension or withdrawal of product approval, injunctions or criminal prosecution.

Prior to human use, FDA approval (drugs (in the form of an NDA or ANDA for generic equivalents), biologics (in the form of a Biologics License Application (“BLA”)) and some medical devices) or marketing clearance (other devices) must be obtained in the U.S., approval by Health Canada must be obtained in Canada, EMA approval (drugs) or a CE Marking (devices) must be obtained for countries that are part of the EU and approval must be obtained from comparable agencies in other countries prior to manufacturing or marketing new pharmaceutical products or medical devices. Generally, preclinical studies and clinical trials of the products must first be conducted and the results submitted to the applicable regulatory agency (such as the FDA) for approval.

Regulation by other federal agencies, such as the Drug Enforcement Administration (“DEA”), and state and local authorities in the U.S., and by comparable agencies in certain foreign countries, is also required. In the U.S., the Federal Trade Commission (the “FTC”), the FDA and state and local authorities regulate the advertising of medical devices, prescription drugs, OTC drugs and cosmetics. The Federal Food, Drug and Cosmetic Act, as amended and the regulations promulgated thereunder, and other federal and state statutes and regulations, govern, among other things, the testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, sale, distribution, advertising and promotion of our products. The FDA requires a Boxed Warning (sometimes referred to as a “Black Box” Warning) for products that have shown a significant risk of severe or life-threatening adverse events and similar warnings are also required to be displayed on the product in certain other jurisdictions.

Manufacturers of pharmaceutical products and medical devices are required to comply with manufacturing regulations, including current good manufacturing practices and quality system management requirements, enforced by the FDA and Health Canada, in the U.S. and Canada respectively, and similar regulations enforced by regulatory agencies in other countries and we
face annual audits of our facilities and plants and those of our contract manufacturers by the FDA and such other regulatory agencies. In addition, we are subject to price control restrictions on our pharmaceutical products in many countries in which we operate.

We are also subject to extensive U.S. federal and state health care marketing and fraud and abuse regulations, such as the federal False Claims Act, federal and provincial marketing regulation in Canada and similar regulations in foreign countries in which we may conduct our business. The federal False Claims Act imposes civil and criminal liability on individuals or entities who submit (or cause the submission of) false or fraudulent claims for payment to the government. The U.S. federal Anti-Kickback Statute prohibits persons or entities from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual, or the furnishing, recommending, or arranging for a good or service, for which payment may be made under a federal or state health care program such as the Medicare and Medicaid programs. Some state anti-kickback laws also prohibit such conduct where commercial insurance, rather than federal or state, programs are involved. Due to recent legislative changes, violations of the U.S. federal Anti-Kickback Statute also carry potential federal False Claims Act liability. In addition, in the U.S. and Canada, companies may not promote drugs or medical devices for “off-label” uses - that is, uses that are not described in the product’s labeling and that differ from those that were approved or cleared by the FDA or Health Canada, respectively - and “off-label promotion” in the U.S. has also formed the predicate for False Claims Act liability resulting in significant financial settlements. These and other laws and regulations, rules and policies may significantly impact the manner in which we are permitted to market our products. If our operations are found to be in violation of any of these laws, regulations, rules or policies or any other law or governmental regulation, or if interpretations of the foregoing change, we may be subject to civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of our operations.

We may also be subject to various privacy and security regulations, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 (collectively, “HIPAA”). HIPAA mandates, among other things, the adoption of uniform standards for the electronic exchange of information in common health care transactions (e.g., health care claims information and plan eligibility, referral certification and authorization, claims status, plan enrollment, coordination of benefits and related information), as well as standards relating to the privacy and security of individually identifiable health information. These standards require the adoption of administrative, physical and technical safeguards to protect such information. In addition, many states have enacted comparable laws addressing the privacy and security of health information, some of which are more stringent than HIPAA. Complying with these laws involves costs to our business, and failure to comply with these laws can result in the imposition of significant civil and criminal penalties.

Successful commercialization of our products may depend, in part, on the availability of governmental and third-party payor reimbursement for the cost of our products. Third-party payors may include government health administration authorities, private health insurers and other organizations. In the U.S., the E.U. and other significant or potentially significant markets for our products and product candidates, government authorities and third-party payors are increasingly attempting to limit or regulate the price of medical products and services, which has resulted in lower average realized prices. In the U.S., these pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and health care reform, pharmaceutical reimbursement policies and pricing in general. In particular, sales of our products may be subject to discounts from list price and rebate obligations, as well as formulary coverage decisions impacting or limiting the types of patients for whom coverage will be provided. Various U.S. health care and other laws regulate our interactions with government agencies, private insurance companies and other third-party payors regarding coverage and reimbursement for our products. Failure to comply with these laws could subject us to civil, criminal and administrative sanctions. In countries outside the U.S., the success of our products may depend, at least in part, on obtaining and maintaining government reimbursement because, in many countries, patients are unlikely to use prescription drugs that are not reimbursed by their governments. In addition, negotiating prices with certain governmental authorities for newly developed products can delay commercialization. In Canada and many international markets, governments control the prices of prescription pharmaceuticals, including through the implementation of reference pricing, price cuts, rebates, revenue-related taxes, tenders and profit control, and they expect prices of prescription pharmaceuticals to decline over the life of the product or as volumes increase.

See Item 1A “Risk Factors” of this Form 10-K for additional information on the risks associated with these regulations and related matters.

**Environmental and Other Regulation**

Our facilities and operations are subject to federal, state and local environmental and occupational health and safety laws and regulations in both the U.S. and countries outside the U.S. (including Canada), including those governing the discharges of substances into the air, water and land, the handling treatment, storage and disposal of hazardous substances and wastes, wastewater and solid waste, the cleanup of contaminated properties and other environmental matters. Certain of our development and manufacturing activities involve the use of hazardous substances. We believe we are in compliance in all material respects with
applicable environmental and occupational health and safety laws and regulations. We are not aware of any pending environmental or occupational health and safety litigation or significant liabilities that are likely to have a material adverse effect on our financial position. We cannot assure, however, that environmental liabilities relating to us or facilities owned, leased or operated by us will not develop in the future, and we cannot predict whether any such liabilities, if they were to develop, would require significant expenditures on our part. In addition, we are unable to predict what environmental or occupational health and safety legislation or regulations may be adopted or enacted in the future. See Item 1A “Risk Factors” of this Form 10-K for additional information.

Customers and Marketing

In 2018 the U.S. and Puerto Rico accounted for 60% of our total revenue. No other country accounted for more than 5%. See Note 22, "SEGMENT INFORMATION" to our audited Consolidated Financial Statements for revenues by geographic area.

Customers that accounted for 10% or more of our total revenue for 2018, 2017 and 2016 are as follows:

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<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
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<tr>
<td>AmerisourceBergen Corporation</td>
<td>18%</td>
<td>15%</td>
<td>13%</td>
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<tr>
<td>McKesson Corporation</td>
<td>18%</td>
<td>19%</td>
<td>21%</td>
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<tr>
<td>Cardinal Health, Inc.</td>
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We currently promote our pharmaceutical products to physicians, hospitals, pharmacies and wholesalers through our own sales force and sell through wholesalers. In some markets, we additionally sell directly to physicians, hospitals and large drug store chains and we sell through distributors in countries where we do not have our own sales staff. As part of our marketing program for pharmaceuticals, we use direct to customer advertising, direct mailings, advertise in trade and medical periodicals, exhibit products at medical conventions and sponsor medical education symposia.

Competition

Competitive Landscape for Products and Products in Development

The pharmaceutical and medical device industries are highly competitive. Our competitors include specialty and other large pharmaceutical companies, medical device companies, biotechnology companies, OTC companies and generic manufacturers, in the U.S., Canada, Europe, Asia, Latin America, Middle East, Africa and in other countries in which we market our products. The dermatology competitive landscape is highly fragmented, with a large number of mid-size and smaller companies competing in both the prescription sector and the OTC and cosmeceutical sectors. With respect to the GI market, generic entrants continue to capture significant share for treatment of many GI conditions. In the area of irritable bowel syndrome ("IBS") and OIC, competitors have recently launched new competing products, which should increase the size of these markets and intensify competition. The market for Bausch + Lomb products is very competitive, both across product categories and geographies. In addition to larger diversified pharmaceutical and medical device companies, we face competition in the eye-health market from mid-size and smaller, regional and entrepreneurial companies with fewer products in niche areas or regions.

Our competitors are pursuing the development and/or acquisition of pharmaceuticals, medical devices and OTC products that target the same diseases and conditions that we are targeting in dermatology, GI, eye-health and other therapeutic areas. Academic and other research and development institutions may also develop products or technologies that compete with our products, which technologies and products may be acquired or licensed by our competitors. These competitors may have greater financial, R&D or marketing resources than we do. If competitors introduce new products, delivery systems or processes with therapeutic or cost advantages, our products can be subject to progressive price reductions or decreased volume of sales, or both. Most new products that we introduce must compete with other products already on the market or products that are later developed by competitors.

We sell a broad range of products, and competitive factors vary by product line and geographic area in which the products are sold. The principal methods of competition for our products include quality, efficacy, market acceptance, price, and marketing and promotional efforts.

Generic Competition and Loss of Exclusivity

We face increased competition from manufacturers of generic pharmaceutical products when patents covering certain of our currently marketed products expire or are successfully challenged or when the regulatory exclusivity for our products expires or is otherwise lost. Generic versions are generally significantly less expensive than branded versions, and, where available, may be required to be utilized before or in preference to the branded version under third-party reimbursement programs, or substituted.
by pharmacies. Accordingly, when a branded product loses its market exclusivity, it normally faces intense price competition from generic forms of the product. To successfully compete for business with managed care and pharmacy benefits management organizations, we must often demonstrate that our products offer not only medical benefits, but also cost advantages as compared with other forms of care.

For details regarding products that are facing generic competition, products that are potentially facing generic competition, the corresponding potential revenue impact and infringement proceedings we initiated against potential generic competition, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Our Transformation” of this Form 10-K. See Note 20, “LEGAL PROCEEDINGS” to our audited Consolidated Financial Statements for further details regarding certain infringement proceedings. See Item 1A “Risk Factors” of this Form 10-K for additional information on our competition risks.

Manufacturing

We currently operate approximately 38 manufacturing plants worldwide. All of our manufacturing facilities that require certification from the FDA, Health Canada or foreign agencies have obtained such approval.

We also subcontract the manufacturing of certain of our products, including products manufactured under the rights acquired from other pharmaceutical companies. Products representing approximately 40% of our product sales for 2018 are produced in total, or in part, by third-party manufacturers under manufacturing arrangements.

In some cases, the principal raw materials, including active pharmaceutical ingredient, used by us (or our third-party manufacturers) for our various products are purchased in the open market or are otherwise available from several sources. However, some of the active pharmaceutical ingredients and other raw materials used in our products and some of the finished products themselves are currently only available from a single source; or others may in the future become available from only one source. For example, with respect to some of our largest or most significant products, the supply of the finished product for each of our Siliq™, Vyzulta®, SofLens®, Wellbutrin XL®, OcuVite®, PreserVision®, Renu®, Isuprel®, Xenazine®, Uceris® tablet, Relistor® Oral and PureVision® products are only available from a single source and the supply of active pharmaceutical ingredient for each of our Siliq™, Isuprel®, Xenazine®, Relistor® Oral and Uceris® tablet products are also only available from a single source. Any disruption in the supply of any such single-sourced active pharmaceutical ingredient, other raw material or finished product or an increase in the cost of such materials or products could adversely impact our ability to manufacture or sell such products, the ability of our third-party manufacturers to supply us with such products, or our profitability. We attempt to manage the risks associated with reliance on single sources of active pharmaceutical ingredient, other raw materials or finished products by carrying additional inventories or, where possible, developing second sources of supply. See Item 1A “Risk Factors” of this Form 10-K for additional information on the risks associated with our manufacturing arrangements.

Employees

As of December 31, 2018, we had approximately 21,100 employees. These employees included approximately 10,900 in production, 7,400 in sales and marketing, 1,600 in general and administrative positions and 1,200 in R&D. Collective bargaining exists for some employees in a number of countries in which we do business. We consider our relations with our employees to be good and have not experienced any work stoppages, slowdowns or other serious labor problems that have materially impeded our business operations.

Product Liability Insurance

Since March 31, 2014, we have self-insured substantially all of our product liability risk for claims arising after that date. In the future, we will continue to re-evaluate our decision to self-insure and may purchase additional product liability insurance to cover product liability risk. See Item 1A “Risk Factors” of this Form 10-K for additional information.

Seasonality of Business

Historically, revenues from our business tend to be weighted toward the second half of the year. Sales in the first quarter tend to be lower as patient co-pays and deductibles reset at the beginning of each year. Sales in the fourth quarter tend to be higher based on consumer and customer purchasing patterns associated with health care reimbursement programs. However, there are no assurances that these historical trends will continue in the future.
Geographic Areas

A significant portion of our revenues is generated from operations or otherwise earned outside the U.S. and Canada. All of our foreign operations are subject to risks inherent in conducting business abroad, including price and currency exchange controls, fluctuations in the relative values of currencies, political and economic instability and restrictive governmental actions including possible nationalization or expropriation. Changes in the relative values of currencies may materially affect our results of operations. For a discussion of these risks, see Item 1A “Risk Factors” of this Form 10-K.

See Note 22, “SEGMENT INFORMATION” to our audited Consolidated Financial Statements for revenues and long-lived assets by geographic area.

A portion of our revenue and income was earned in Ireland and Luxembourg, which have low tax rates. See Item 1A “Risk Factors” of this Form 10-K relating to tax rates.

Available Information

Our Internet address is www.bauschhealth.com. We post links on our website to the following filings as soon as reasonably practicable after they are electronically filed or furnished to the SEC: annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendment to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All such filings are available through our website free of charge. The information on our Internet website is not incorporated by reference into this Form 10-K or our other securities filings and is not a part of such filings.

We are also required to file reports and other information with the securities commissions in all provinces in Canada. You are invited to read and copy any reports, statements or other information, other than confidential filings, that we file with the provincial securities commissions. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval (“SEDAR”) (http://www.sedar.com), the Canadian equivalent of the SEC’s electronic document gathering and retrieval system.

Our filings may also be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC.
Item 1A. Risk Factors

Our business, financial condition, cash flows and results of operations are subject to various risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Form 10-K, including those risks set forth under the heading entitled “Forward-Looking Statements” and in other documents that we file with the SEC and the CSA, before making any investment decision with respect to our common shares or debt securities. If any of the risks or uncertainties actually occur or develop, our business, financial condition, cash flows, results of operations and/or future growth prospects could change, and such change could be materially adverse. Under these circumstances, the market value of our common shares and/or debt securities could decline, and you could lose all or part of your investment in our common shares and/or debt securities.

Legal and Reputational Risks

We are the subject of a number of ongoing legal proceedings, investigations and inquiries respecting certain of our historical distribution, marketing, pricing, disclosure and accounting practices, including our former relationship with Philidor, which have had and could continue to have a material adverse effect on our reputation, business, financial condition, cash flows and results of operations, could result in additional claims and material liabilities, and could cause the market value of our common shares and/or debt securities to decline.

We have been or are currently the subject of a number of ongoing legal proceedings and investigations and inquiries by governmental agencies, including, but not limited to, the following: (i) investigations by the U.S. Attorney’s Offices for the District of Massachusetts and the Southern District of New York relating to certain matters, including our patient assistance programs (including financial support provided to patients), our former relationship with Philidor and other pharmacies, our accounting treatment for sales by specialty pharmacies, information provided to the Centers for Medicare and Medicaid Services, our pricing (including discounts and rebates), marketing and distribution of our products, our compliance program, and employee compensation; (ii) the investigation by the SEC of the Company relating to certain matters, including our former relationship with Philidor, our accounting practices and policies and our public disclosures; (iii) an investigation by the State of North Carolina Department of Justice relating to certain matters, including the production, marketing, distribution, sale and pricing of, and patient assistance programs covering, our Nitropress®, Isuprel® and Cuprimine® products and our pricing decisions for certain of our other products; (iv) an investigation order from the Autorité des marchés financiers (the “AMF”) (our principal securities regulator in Canada) relating to certain matters, including with respect to our former relationship with Philidor and our accounting practices and policies; (v) an investigation by the State of Texas concerning various price reporting matters relating to the State’s Medicaid program for certain B&L products; (vi) a number of pending putative class action securities litigations in the U.S. (including related opt-out actions) and Canada (including related opt-out actions) have been instituted, the allegations of which relate to, among other things, allegedly false and misleading statements by the Company and/or failures to disclose information about our business and prospects, including relating to drug pricing, our policies and accounting practices, our use of specialty pharmacies, and our former relationship with Philidor and (vii) purported class actions under the federal RICO statute on behalf of third-party payors arising out of our pricing and use of specialty pharmacies, and our former relationship with Philidor. In addition, we could, in the future, face additional legal proceedings and investigations and inquiries by governmental agencies relating to these or similar matters. Philidor and certain of its executives and employees are also subject to disputes with third-party payors and governmental investigations related to Philidor's business practices and relationship with the Company which may result in claims being asserted against the Company. For more information regarding legal proceedings, see Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements.

We are unable to predict how long such proceedings, investigations and inquiries will continue, but we anticipate that we will continue to incur significant costs in connection with some or all of these matters and that some or all of these proceedings, investigations and inquiries will result in a substantial distraction of management’s time, regardless of the outcome. Some or all of these proceedings, investigations and inquiries may result in damages, fines, penalties, consent orders or other administrative sanctions (including exclusion from federal programs) against the Company and/or certain of our officers, or in changes to our business practices, which, in turn, may result in or may contribute to an inability by us to meet the financial covenant contained in our Restated Credit Agreement. Furthermore, publicity surrounding these proceedings, investigations and inquiries or any enforcement action as a result thereof, even if ultimately resolved favorably for us could result in additional investigations and legal proceedings. As a result, these proceedings, investigations and inquiries could have a material adverse effect on our reputation, 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.

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Our historical business practices, including with respect to past pricing practices, are under scrutiny. Any changes to our practices relating to pricing or the current prices of products, whether imposed, legislated or voluntary, could 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.

We are under scrutiny with respect to our business historical practices (including with respect to past pricing practices), including investigations by the U.S. Attorney’s Offices for the District of Massachusetts and the Southern District of New York, the State of North Carolina Department of Justice, various purported class action suits against us in the U.S. (including related opt-out actions) and Canada (including related opt-out actions) and purported class actions under the federal RICO statute on behalf of third-party payors. We are unable to predict how such proceedings, investigations and inquiries will impact our current business practices, including with respect to pricing, or the prices of our products, including whether we will be required to impose pricing freezes or controls, pricing reductions (including on a retroactive basis) or other price regulation for some or all of our products.

In addition, in recent years, in the U.S., state and federal governments have considered implementing legislation that would control or regulate the prices of drugs, and the new administration has expressed support for lowering the cost of drug prices. Other countries have announced or implemented measures on pricing, including suspensions on price increases, prospective and possibly retroactive price reductions and other recoupments. These measures and proposed measures vary by country. These measures and these proposed measures and legislation, if implemented, could lead to impairment of certain of our intangible assets which could be significant, and/or could 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.

We are involved in various other legal and governmental proceedings that are uncertain, costly and time-consuming and could 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.

We are involved in a number of other legal and governmental proceedings and may be involved in additional litigation in the future. These proceedings are complex and extended and occupy the resources of our management and employees. These proceedings are also costly to prosecute and defend and may involve substantial awards or damages payable by us if not found in our favor. We may also be required to pay substantial amounts or grant certain rights on unfavorable terms in order to settle such proceedings. Defending against or settling such claims and any unfavorable legal decisions, settlements or orders could 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. For more information regarding legal proceedings, see Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements.

For example, the pharmaceutical industry, and our Company in particular, has been the focus of both private payor and governmental concern regarding pricing of pharmaceutical products. Related actions, including Congressional and other governmental investigations and litigation, are costly and time-consuming, and adverse resolution of such actions or changes in our business practices, such as our approach to the pricing of our pharmaceutical products, could adversely affect 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.

Further, the pharmaceutical and medical device industries historically have generated substantial litigation concerning the manufacture, use and sale of products and we expect this litigation activity to continue. As a result, we expect that patents related to our products will be routinely challenged, and the validity or enforceability of our patents may not be upheld. In order to protect or enforce patent rights, we may initiate litigation against third parties. Our patents may also be challenged in administrative proceedings in the United States Patent and Trademark Office and patent offices outside of the United States. If we are not successful in defending an attack on our patents and maintaining exclusive rights to market one or more of our products still under patent protection, we could lose a significant portion of sales in a very short period. We may also become subject to infringement claims by third parties and may have to defend against charges that we infringed or otherwise violated patents or the intellectual property or proprietary rights of third parties. If we infringe or otherwise violate the intellectual property rights of others, we could lose our right to develop, manufacture or sell products, including our generic products, or could be required to pay monetary damages or royalties to license proprietary rights from third parties, which could be substantial.

In addition, in the U.S., it has become increasingly common for patent infringement actions to prompt claims that antitrust laws have been violated during the prosecution of the patent or during litigation involving the defense of that patent. Such claims by direct and indirect purchasers and other payers are typically filed as class actions. The relief sought may include treble damages and restitution claims. Similarly, antitrust claims may be brought by government entities or private parties following settlement of patent litigation, alleging that such settlements are anti-competitive and in violation of antitrust laws. In the U.S. and Europe, regulatory authorities have continued to challenge as anti-competitive so-called “reverse payment” settlements between branded and generic drug manufacturers. We may also be subject to other antitrust litigation involving competition claims unrelated to
patent infringement and prosecution. For example, we are currently defending a class action complaint alleging that defendants engaged in an anticompetitive scheme to eliminate price competition on certain contact lens lines through the use of unilateral pricing policies. For more information regarding legal proceedings, see Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements. A successful antitrust claim by a private party or government entity against us could 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.

We depend on third parties to meet their contractual, legal, regulatory, and other obligations.

We rely on distributors, suppliers, contract research organizations, vendors, service providers, business partners and other third parties to research, develop, manufacture, distribute, market and sell our products, as well as perform other services relating to our business. We rely on these third parties to meet their contractual, legal, regulatory and other obligations. A failure to maintain these relationships or poor performance by these third parties could negatively impact our business. In addition, we cannot guarantee that the contractual terms and protections and compliance controls, policies and procedures we have put in place will be sufficient to ensure that such third parties will meet their legal, contractual and regulatory obligations or that these terms, controls, policies, procedures and other protections will protect us from acts committed by our agents, contractors, distributors, suppliers, service providers or business partners that violate contractual obligations or the laws or regulations of the jurisdictions in which we operate, including matters respecting anti-corruption, fraud, kickbacks and false claims, pricing, sales and marketing practices, privacy laws and other legal obligations. Any failure of such third parties to meet these legal, contractual and regulatory obligations or any improper actions by such third parties or even allegations of such non-compliance or actions could damage our reputation, adversely impact our ability to conduct business in certain markets and subject us to civil or criminal legal proceedings and regulatory investigations, monetary and non-monetary damages and penalties and could cause us to incur significant legal and investigatory fees and, as a result, could 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. For example, the allegations about the activities of Philidor and our former relationship with Philidor have resulted in a number of investigations, inquiries and legal proceedings against us, which may damage our reputation and result in damages, fines, penalties or administrative sanctions against the Company and/or certain of our officers. For more information regarding legal proceedings, see Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements.

If our products cause, or are alleged to cause, serious or widespread personal injury, we may have to withdraw those products from the market and/or incur significant costs, including payment of substantial sums in damages, and we may be subject to exposure relating to product liability claims. In addition, our product liability self-insurance program may not be adequate to cover future losses.

We face an inherent business risk of exposure to significant product liability and other claims in the event that the use of our products caused, or is alleged to have caused, adverse effects. For example, we have been named as a defendant (along with other entities) in certain lawsuits in the United States and Canada in which the plaintiffs have made certain product liability claims respecting Shower to Shower ® (a product we acquired in 2012). For more information regarding legal proceedings, see Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements. These and other product liability proceedings may be costly to prosecute and defend and may involve substantial awards or damages payable by us if not found in our favor.

Furthermore, our products may cause, or may appear to have caused, adverse side effects (including death) or potentially dangerous drug interactions that we may not learn about or understand fully until the drug has been administered to patients for some time. The withdrawal of a product following complaints and/or incurring significant costs, including the requirement to pay substantial damages in personal injury cases or product liability cases, could 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.

In addition, since March 31, 2014, we have self-insured substantially all of our product liability risk for claims arising after that date. We periodically evaluate and adjust our claims reserves to reflect trends in our own experience, as well as industry trends. However, historical loss trends may not be adequate to cover future losses, as historical trends may not be indicative of future losses. If ultimate results exceed our estimates, this would result in losses in excess of our reserved amounts. If we were required to pay a significant amount on account of these liabilities for which we self-insure, this could 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.
Our marketing, promotional and business practices, as well as the manner in which sales forces interact with purchasers, prescribers and patients, are subject to extensive regulation and any material failure to comply could result in significant sanctions against us.

The marketing, promotional and business practices of pharmaceutical and medical device companies, as well as the manner in which companies’ in-house or third-party sales forces interact with purchasers, prescribers, and patients, are subject to extensive regulation, enforcement of which may result in the imposition of civil and/or criminal penalties, injunctions, and/or limitations on marketing practice for some of our products and/or pricing restrictions or mandated price reductions for some of our products. Many companies, including us, have been the subject of claims related to these practices asserted by federal authorities. These claims have resulted in fines and other consequences, such as entering into corporate integrity agreements with the U.S. government. Companies may not promote drugs for “off-label” uses—that is, uses that are not described in the product’s labeling and that differ from those approved by the FDA, Health Canada, EMA or other applicable regulatory agencies. A company that is found to have improperly promoted off-label uses may be subject to significant liability, including civil and administrative remedies (such as entering into corporate integrity agreements with the U.S. government), as well as criminal sanctions. In addition, management’s attention could be diverted from our business operations and our reputation could be damaged. For more information regarding legal proceedings, see Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements.

Debt-related Risks

Our Restated Credit Agreement and the indentures governing our senior notes impose restrictive covenants on us. Our failure to comply with these covenants could trigger events, which could result in the acceleration of the related debt, a cross-default or cross-acceleration to other debt, foreclosure upon any collateral securing the debt and termination of any commitments to lend, each of which would have a material adverse effect on our business, financial condition, cash flows and results of operations and would cause the market value of our common shares and/or securities to decline and could lead to bankruptcy or liquidation.

Our Restated Credit Agreement and the various indentures governing our senior notes contain covenants that restrict the way we conduct business and require us to satisfy certain financial tests in order to incur debt or take other actions. Additionally, our Restated Credit Agreement contains a financial covenant that, for example, require us to maintain a certain financial ratio at fiscal quarter end.

The Company’s Restated Credit Agreement contains a specified quarterly financial maintenance covenant (consisting of a first lien leverage ratio). As of December 31, 2018, we were in compliance with this financial maintenance covenant. However, we can make no assurance that we will be able to comply with the restrictive covenants contained in the Restated Credit Agreement and indentures in the future. Based on our current forecast for the next twelve months from the date of issuance of this Form 10-K, we expect to remain in compliance with this financial maintenance covenant and meet our debt obligations over that same period. In the event that we perform below our forecasted levels, we will implement certain additional cost-efficiency initiatives, such as rationalization of selling, general and administrative expenses (“SG&A”) and R&D spend, which would allow us to continue to comply with the financial maintenance covenant. We may consider taking other actions, including divesting other businesses, refinancing debt and/or negotiating with the applicable lenders for an amendment or modification to such covenant, as deemed appropriate; however, we cannot guarantee that such actions would be achieved. If we perform below our forecasted levels and the actions referenced above are not effective, we would fail to comply with our financial maintenance covenant. In that instance, we would be in default, and our lenders would be permitted to accelerate our debt unless we could obtain an amendment. If our debt was accelerated, we would not have sufficient funds to repay our debt absent a refinancing, and we cannot provide assurance that we will be able to obtain a refinancing.

Our inability to comply with the covenants in our debt instruments could lead to a default or an event of default under the terms thereof, 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 and holders of our senior notes may impose additional operating and financial restrictions on us as a condition to granting any such waiver. If an event of default is not cured or is not otherwise waived, a majority of lenders in principal amount under our Restated Credit Agreement or the trustee or holders of at least 25% in principal amount of a series of our senior notes may accelerate the maturity of the related debt under these agreements, foreclose upon any collateral securing the debt and terminate any commitments to lend, any of which would have a material adverse effect on our business, financial condition, cash flows and results of operations and would cause the market value of our securities to decline. Furthermore, under these circumstances, we may not have sufficient funds or other resources to satisfy all of our obligations and we may be unable to obtain alternative financing on terms acceptable to us or at all. In such circumstances, we could be forced into bankruptcy or liquidation and, as a result, investors could lose all or a portion of their investment in our securities.
To service our debt, we will be required to generate a significant amount of cash. Our ability to generate cash depends on a number of factors, some of which are beyond our control, and any failure to meet our debt obligations would 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.

We have a significant amount of indebtedness. For details regarding our debt and the maturity dates thereof, see Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements. Our ability to satisfy our debt obligations will depend principally upon our future operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, may affect our ability to make payments on our debt. If we do not generate sufficient cash flow to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Alternatively, as we have done in the past, we may also elect to refinance certain of our debt, for example, to extend maturities. Our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. If we are unable to access the capital markets, whether because of the condition of those capital markets or our own financial condition or reputation within such capital markets, we may be unable to refinance our debt. In addition, any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Further, given our capital structure, any refinancing of our senior unsecured debt may be with secured debt, thereby increasing our first lien and/or secured leverage ratios. Our inability to generate sufficient cash flow to satisfy our debt obligations or to refinance our obligations on commercially reasonable terms, or at all, could 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.

Repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. Certain non-guarantor subsidiaries include non-U.S. subsidiaries that may be prohibited by law or other regulations from distributing funds to us and/or we may be subject to payment of taxes and withholdings on such distributions. In the event that we do not receive distributions from our subsidiaries or receive cash via services rendered and intellectual property licensed, we may be unable to make required principal and interest payments on our indebtedness.

Our ability to continue to reduce our indebtedness will depend upon factors including our future operating performance, our ability to access the capital markets to refinance existing debt and prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We can provide no assurance of the amount by which we will reduce our debt, if at all. In addition, servicing our debt will result in a reduction in the amount of our cash flow available for other purposes, including operating costs and capital expenditures that could improve our competitive position and results of operations.

We have incurred significant indebtedness, which restricts the manner in which we conduct business.

We have incurred significant indebtedness, including in connection with our prior acquisitions. We may incur additional long-term debt and working capital lines of credit to meet future financing needs, subject to certain restrictions and prohibitions under the agreements governing our indebtedness, which would increase our total debt. This additional debt may be substantial and some of this indebtedness may be secured.

The agreements governing our indebtedness contain restrictive covenants which impose certain limitations on the way we conduct our business, including limitations on the amount of additional debt we are able to incur, prohibitions on incurring additional debt if a certain financial covenant is not met and restrictions on our ability to make certain investments and other restricted payments. Any additional debt, to the extent we are able to incur it, may further restrict the manner in which we conduct business. Such restrictions, prohibitions and limitations could impact our ability to implement elements of our strategy, including in the following ways:

- our flexibility to plan for, or react to, competitive challenges in our business and the pharmaceutical and medical device industries may be compromised;
- we may be put at a competitive disadvantage relative to competitors that do not have as much debt as we have, and competitors that may be in a more favorable position to access additional capital resources;
- our ability to make acquisitions and execute business development activities through acquisitions will be limited and may, in future years, continue to be limited; and
- our ability to resolve regulatory and litigation matters may be limited.

In the past, our credit ratings have been downgraded. Any further 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.
We are exposed to risks related to interest rates.

Our senior secured credit facilities bear interest based on U.S. dollar London Interbank Offering Rates or U.S. Prime Rate, or Federal Funds effective rate (for U.S. dollar loans) and Canadian Prime Rate or Canada Bankers’ Acceptance Rate (for Canadian dollar loans). Thus, a change in the short-term interest rate environment (especially a material change) could have an adverse effect on our business, financial condition, cash flows and results of operations (which adverse effect could be material) and could cause the market value of our common shares and/or debt securities to decline. As of December 31, 2018, we did not have any outstanding interest rate swap contracts.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. If LIBOR ceases to exist, we may need to renegotiate our senior secured credit facilities that bear interest based on LIBOR or to endeavor, with the administrative agent thereunder, to amend the credit facilities to substitute LIBOR with an alternative rate of interest that gives due consideration to the then-prevailing market convention for syndicated loans in the U.S., subject to notice to all lenders and the absence of objection by the “required lenders.” Any change in accordance with the aforementioned procedures, or the conversion of loans to base rate or U.S. prime rate loans, could have an adverse impact on our cost of capital. Currently, there is no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our business, financial condition, cash flows and results of operations cannot yet be determined.

Employment-related Risks

The loss of the services of, or our inability to recruit, retain, motivate, our executives and other key employees could 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.

We must continue to retain and motivate our executives and other key employees, and to recruit other executives and employees, in order to strengthen our management team and workforce. Our ability to retain or recruit executive and other key employees may be hindered or delayed by, among other things, competition from other employers who may be able to offer more attractive compensation packages or the reputational challenges the Company faces as a result of historical issues and may in the future continue to face. A failure by us to retain, motivate and recruit executives and other key employees or the unanticipated loss of the services of any of these executives or key employees for any reason, whether temporary or permanent, could create disruptions in our business, could cause concerns and instability for management and employees, current and potential customers, credit rating agencies and other third parties with whom we do business and our shareholders and debt holders and could cause concern regarding our ability to execute our business strategy or to manage operations in the manner previously conducted and, as a result, could 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. Furthermore, as a result of any failure to retain, or loss of, any executives or key employees, we may experience increased costs in order to identify and recruit a suitable replacement in a timely manner (and, even if we are able to hire a qualified successor, the search process and transition period may be difficult to manage and result in additional periods of uncertainty), which could 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.

Tax-related Risks

Our effective tax rates may increase.

We have operations in various countries that have differing tax laws and rates. Our tax reporting is supported by current domestic tax laws in the countries in which we operate and the application of tax treaties between the various countries in which we operate. Our income tax reporting is subject to audit by domestic and foreign authorities. Our effective tax rate may change from year to year based on changes in the mix of activities and income earned among the different jurisdictions in which we operate; changes in tax laws in these jurisdictions; changes in the tax treaties between various countries in which we operate; changes in our eligibility for benefits under those tax treaties; and changes in the estimated values of deferred tax assets and liabilities. Tax laws, regulations, and administrative practices in various jurisdictions may be subject to significant change, with
or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Such changes could result in a substantial increase in the effective tax rate on all or a portion of our income.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) significantly revised U.S. federal corporate income tax law by, among other things, reducing the U.S. federal corporate income tax rate to 21%, limiting the tax deduction for interest expense to 30% of adjusted earnings, allowing immediate expensing for certain new investments, implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries, imposing an additional U.S. tax on certain non-U.S. subsidiaries’ earnings which are considered to be Global Intangible Low Taxed Income (referred to as “GILTI”) and imposing an alternative “base erosion and anti-abuse tax” (“BEAT”) on domestic corporations that make deductible payments to foreign related persons in excess of specified amounts, and, effective for net operating losses (“NOLs”) arising in taxable years beginning after December 31, 2017, eliminating net operating loss carrybacks, permitting indefinite net operating loss carryforwards, and limiting the use of net operating loss carryforwards to 80% of current year taxable income.

There are a number of uncertainties and ambiguities as to the interpretation and application of many of the provisions in the Tax Act, including the provisions relating to the modified territorial tax system, the one-time transition tax and the BEAT. While the U.S. Treasury Department and the Internal Revenue Service have issued proposed and final regulations and other guidance on certain provisions in the Tax Act that address certain of these uncertainties and ambiguities, there are still no final regulations or other definitive guidance on many provisions in the Tax Act. In the absence of guidance on these issues, we will use what we believe are reasonable interpretations and assumptions in interpreting and applying the Tax Act for purposes of determining our cash tax liabilities and results of operations, which may change as we receive additional clarification and implementation guidance and as the interpretation of the Tax Act evolves over time. It is possible that the Internal Revenue Service could issue subsequent guidance or take positions on audit that differ from the interpretations and assumptions that we previously made, which could have a material adverse effect on our cash tax liabilities, results of operations and financial condition.

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

Our deferred tax liabilities, deferred tax assets and any related valuation allowances are affected by events and transactions arising in the ordinary course of business, acquisitions of assets and businesses, and non-recurring items. The assessment of the appropriate amount of a valuation allowance against the deferred tax assets is dependent upon several factors, including estimates of the realization of deferred income tax assets, which realization will be primarily based on future taxable income, including the reversal of existing taxable temporary differences. Significant judgment is applied to determine the appropriate amount of valuation allowance to record. Changes in the amount of any valuation allowance required could materially increase or decrease our provision for income taxes in a given period.

See Note 17, "INCOME TAXES" to our audited Consolidated Financial Statements.

Risks Relating to Intellectual Property and Exclusivity

Products representing a significant amount of our revenue are not protected by patent or marketing or data exclusivity rights or are nearing the end of their exclusivity period. In addition, we have faced generic competition in the past and expect to face additional generic competition in the future. Competitors (including generic and biosimilar competitors) of our products could 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.

A significant number of the products we sell either: (i) have no meaningful exclusivity protection via patent or marketing or data exclusivity rights or (ii) are protected by patents or regulatory exclusivity periods that will be expiring in the near future. These products represent a significant amount of our revenues (See Item 1 “Business - Competition - Generic Competition” in this Form 10-K for a list of some of these products). Without exclusivity protection, competitors (including generics and biosimilars) face fewer barriers in introducing competing products. Upon the expiration or loss of patent exclusivity or regulatory exclusivity for our products or otherwise upon the introduction of generic, biosimilar or other competitors (which may be sold at significantly lower prices than our products), we could lose a significant portion of sales and market share of that product in a very short period
and, as a result, our revenues could be lower. In addition, the introduction of generic and biosimilar competitors may have a significant downward pressure on the pricing of our branded products which compete with such generics and biosimilars. 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 the 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. The introduction of competing products (including generic products and biosimilars) could 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.

We may fail to obtain, maintain, license, enforce or defend the intellectual property rights required to conduct our business, which could 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.

We strive to acquire, maintain and defend patent, trademark and other intellectual property protections over our products and the processes used to manufacture these products. However, we may not be successful in obtaining such protections, or the patent, trademark and intellectual property rights we do obtain may not be sufficient in breadth and scope to fully protect our products or prevent competing products, or such patent and intellectual property rights may be susceptible to third-party challenges, which could result in the loss of such intellectual property rights or the narrowing of scope of protection afforded by such rights. Our intellectual property rights may also be circumvented by third parties. The failure to obtain, maintain, enforce or defend such intellectual property rights, for any reason, could allow third parties to manufacture and sell products that compete with our products or may impact our ability to develop, manufacture and market our own products, which could 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.

For certain of our products and manufacturing processes, we rely on trade secrets and other proprietary information, which we seek to protect, in part, by confidentiality and nondisclosure agreements with our employees, consultants, advisors and partners. We also attempt to enter into agreements whereby such employees, consultants, advisors and partners assign to us the rights in any intellectual property they develop. These agreements may not effectively prevent disclosure or misappropriation of such information and disputes may still arise with respect to the ownership of intellectual property. In addition, third parties may independently develop the same or similar proprietary information. The disclosure of such proprietary information or the loss of such intellectual property rights may impact our ability to develop, manufacture and market our own products or may assist competitors in the development, manufacture and sale of competing products, which could have a material adverse effect on our revenues, financial condition, cash flows or results of operations and could cause the market value of our common shares and/or debt securities to decline.

For a number of our commercialized products and pipeline products, including Xifaxan®, Siliq™, Lumify®, Plenvu®, Vyzulta®, Relistor® and Jublia®, we rely on licenses to patents and other technologies, know-how and proprietary rights held by third parties. Any loss, expiration, termination or suspension of our rights to such licensed intellectual property would result in our inability to continue to develop, manufacture and market our products or product candidates and, as a result, could 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. In the future, we may also need to obtain such licenses from third parties to develop, manufacture, market or continue to manufacture or market our products. If we are unable to timely obtain these licenses on commercially reasonable terms, our ability to develop, manufacture and market our products may be inhibited or prevented, which could 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.

Competitive Risks

We operate in extremely competitive industries. If competitors develop or acquire more effective or less costly pharmaceutical products or medical devices for our target indications, it could 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.

The pharmaceutical and medical device industries are extremely competitive. Our success and future growth depend, in part, on our ability to develop, license or acquire products that are more effective than those of our competitors or that incorporate the latest technologies and our ability to effectively manufacture and market those products. Many of our competitors, particularly larger pharmaceutical and medical device companies, have substantially greater financial, technical and human resources than we do. Many of our competitors spend significantly more on research and development related activities than we do. Others may succeed in developing or acquiring products and technologies that are more effective, more advanced or less costly than those currently marketed or proposed for development by us. In addition, academic institutions, government agencies and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products and may also establish exclusive collaborative or licensing relationships with our competitors. These competitors and the introduction
of competing products (that may be more effective or less costly than our products) could make our products less competitive or obsolete, which could 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.

**Risks Relating to Our Business Strategy**

*We have made commitments and public statements with respect to the cessation of or limitation on pricing increases for certain of our products. These pricing decisions could 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.*

In May 2016, we formed a new Patient Access and Pricing Committee responsible for the pricing of our drugs. The new committee’s first action was a recommendation, which we implemented, for an enhanced rebate program to all hospitals in the U.S. to reduce the price of our Nitropress ® and Isuprel ® products. In addition, the Patient Access and Pricing Committee made a commitment that the average annual price increase for our branded prescription pharmaceutical products will be set at no greater than single digits and below the 5-year weighted average of the increases within the branded biopharmaceutical industry and, in August 2018, further committed that it will not increase prices on our U.S. branded prescription drugs for the remainder of 2018. All future pricing actions will be subject to review by the Patient Access and Pricing Committee and we expect that the Patient Access and Pricing Committee will implement or recommend additional price changes and/or new programs to enhance patient access to our drugs.

At this time, we cannot predict what specific pricing changes the committee will make nor can we predict what other changes in our business practices we may implement with respect to pricing (such as imposing limits or prohibitions on the amount of pricing increases we may take on certain of our products or taking retroactive or future price reductions). We also cannot predict the impact such pricing decisions or changes will or would have on our business. However, any such changes could 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.

For example, any pricing changes and programs could affect the average realized prices for our products and may have a significant impact on our revenue trends. In addition, limiting or eliminating price increases on certain of our products will result in fewer or lower price appreciation credits from certain of our wholesalers. 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 currently on hand at the wholesalers. Such credits, which can be significant, are used to offset against the total distribution service fees we pay on all of our products to each wholesaler. As a result, to the extent we decide to cease or limit price increases, we will have fewer or lower price appreciation credits to use to offset against our distribution fees owing to these wholesalers. In addition, under certain of our agreements with our wholesaler customers, we have price protection or price depreciation provisions, pursuant to which we have agreed to adjust the value of any on-hand or in-transit inventory with such customers in the event we reduce the price of any of our products. As a result, to the extent we reduce the WAC price for any of our products, we may owe a payment to such customers (or such customers may earn a credit to be offset against any amounts owing to us) equal to the amount of such inventory multiplied by the difference between the price at which they acquired the product inventory and the new reduced price.

**In prior years, we have undertaken a number of divestitures or certain of our assets and business. We may, in the future, seek to divest additional asset and/or businesses, some of which may be material and/or transformative, which could adversely affect our business, prospects and opportunities for growth.**

Over the last few years, we have completed a number of divestitures of our assets, products or businesses that were not considered core to our ongoing operations or the needs of our primary-customer base, including the divestitures of our Obagi Medical Products business, our Dendreon Pharmaceuticals subsidiary, our Sprout Pharmaceuticals subsidiary and the CeraVe ®, AcneFree ™ and AMBI ® skincare brands. We may, in the future, seek to complete additional divestitures.

Each of these divestitures has been time-consuming and has diverted management’s attention. As a result of these divestitures (and others we may in the future complete), we may experience lower revenue and lower cash flows from operations. In addition, as was the case with our sale of our Sprout Pharmaceuticals subsidiary, we may recognize a loss on sale in connection with such divestitures. We may also suffer adverse tax consequences as a result of such divestitures, including capital gains tax or the accelerated use of NOLs or other attributes. Furthermore, divesting certain of our businesses or assets may require us to incur restructuring charges, and we may not be able to achieve the cost savings that we expect from any such restructuring efforts or divestitures. Any such divestiture could reduce the size or scope of our business, our market share in particular markets, our opportunities with respect to certain markets, products or therapeutic categories or our ability to compete in certain markets and therapeutic categories. Furthermore, we will be required to use the net proceeds (or substantial portions thereof) from certain asset sales to repay the term loans under the Restated Credit Agreement, subject to certain reinvestment rights.
In addition, should we seek to divest other of our assets and business, we may be unable to dispose of such businesses and assets on satisfactory or commercially reasonable terms within our anticipated timeline. In addition, our ability to identify, enter into and/or consummate divestitures may be limited by competition we face from other companies in pursuing similar transactions in the pharmaceutical industry. Any divestiture or other disposition we pursue, whether we are able to complete it or not, may be complex, time consuming and expensive, may divert the management’s attention, have a negative impact on our customer relationships, cause us to incur costs associated with maintaining the business of the targeted divestiture during the disposition process and also to incur costs of closing and disposing the affected business or transferring the operations of the business to other facilities. The divestiture process may also further expose us to operational inefficiencies. In addition, if such transactions are not completed for any reason, the market price of our common shares may reflect a market assumption that such transactions will occur, and a failure to complete such transactions could result in a negative perception by the market of us generally and a decline in the market price of our common shares.

As a result of these factors, any divestiture (whether or not completed) could 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.

As part of our business strategy, we may seek to identify and acquire certain assets, products and businesses.

Historically, part of our business strategy included acquiring and integrating complementary businesses, products, technologies or other assets. We anticipate that, as part of our current business strategy, we again seek to complete certain acquisitions of assets, products and businesses, including by way of in-license arrangements, although not at the volume and pace that we did historically. Acquisitions or similar arrangements may be complex, time consuming and expensive. We may not consummate some negotiations for acquisitions or other arrangements, which could result in significant diversion of management and other employee time, as well as substantial out-of-pocket costs. In addition, there are a number of risks and uncertainties relating to our closing transactions. If such transactions are not completed for any reason, we will be subject to several risks, including the following: (i) the market price of our common shares may reflect a market assumption that such transactions will occur, and a failure to complete such transactions could result in a negative perception by the market of us generally and a decline in the market price of our common shares; and (ii) many costs relating to such transactions may be payable by us whether or not such transactions are completed.

If an acquisition is consummated, the integration of the acquired business, product or other assets into our Company may also be complex and time-consuming and, if such businesses, products and assets are not successfully integrated, we may not achieve the anticipated benefits, cost-savings or growth opportunities. Potential difficulties that may be encountered in the integration process include the following: integrating personnel, operations and systems, while maintaining focus on selling and promoting existing and newly-acquired products; coordinating geographically dispersed organizations; distracting management and employees from operations; retaining existing customers and attracting new customers; maintaining the business relationships the acquired company has established, including with health care providers; and managing inefficiencies associated with integrating the operations of the Company.

Furthermore, we may incur restructuring and integration costs and a number of non-recurring transaction costs associated with these acquisitions, combining the operations of the Company and the acquired company and achieving desired synergies. These fees and costs may be substantial. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, filing fees and printing costs. Additional unanticipated costs may be incurred in the integration of the businesses of the Company and the acquired company. There can be no assurance that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the acquired business, will offset the incremental transaction-related costs over time. Therefore, any net benefit may not be achieved in the near term, the long term or at all.

Finally, these acquisitions and other arrangements, even if successfully integrated, may fail to further our business strategy as anticipated or to achieve anticipated benefits and success, expose us to increased competition or challenges with respect to our products or geographic markets, and expose us to additional liabilities associated with an acquired business, product, technology or other asset or arrangement. Any one of these challenges or risks could impair our ability to realize any benefit from our acquisition or arrangement after we have expended resources on them.

Commercialization Risks

Our approved products may not achieve or maintain expected levels of market acceptance.

Even if we are able to obtain and maintain regulatory approvals for our pharmaceutical and medical device products, generic or branded, the success of these products is dependent upon achieving and maintaining market acceptance. Launching and commercializing products is time consuming, expensive and unpredictable. The commercial launch of a product takes significant time, resources, personnel and expertise, which we may not have in sufficient levels to achieve success, and is subject to various
market conditions, some of which may be beyond our control. There can be no assurance that we will be able to, either by ourselves or in collaboration with our partners or through our licensees or distributors, successfully launch and commercialize new products or gain market acceptance for such products. New product candidates that appear promising in development may fail to reach the market or may have only limited or no commercial success. While we have been successful in launching some of our products, we may not achieve the same level of success with respect to all of our new products. Our inability to successfully launch our new products may negatively impact the commercial success of such product, which could 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. Our inability to successfully launch our new products could also lead to material impairment charges.

Levels of market acceptance for our new products could be impacted by several factors, some of which are not within our control, including but not limited to the following:

- safety, efficacy, convenience and cost-effectiveness of our products compared to products of our competitors;
- scope of approved uses and marketing approval;
- availability of patent or regulatory exclusivity;
- timing of market approvals and market entry;
- ongoing regulatory obligations following approval, such as the requirement to conduct a Risk Evaluation and Mitigation Strategy ("REMS") programs;
- any restrictions or “black box” warnings required on the labeling of such products;
- availability of alternative products from our competitors;
- acceptance of the price of our products;
- effectiveness of our sales forces and promotional efforts;
- the level of reimbursement of our products;
- acceptance of our products on government and private formularies;
- ability to market our products effectively at the retail level or in the appropriate setting of care; and
- the reputation of our products.

Further, the market perception and reputation of our products and their safety and efficacy are important to our business and the continued acceptance of our products. Any negative publicity about our products, such as the discovery of safety issues with our products, adverse events involving our products, or even public rumors about such events, could have a material adverse effect on our business, financial condition, cash flows or results of operation or could cause the market value of our common shares and/or debt securities to decline. In addition, the discovery of significant problems with a product similar to one of our products that implicate (or are perceived to implicate) an entire class of products or the withdrawal or recall of such similar products could have a material adverse effect on sales of our products. Accordingly, new data about our products, or products similar to our products, could cause us reputational harm and could negatively impact demand for our products due to real or perceived side effects or uncertainty regarding safety or efficacy and, in some cases, could result in product withdrawal.

If our products fail to gain, or lose, market acceptance, our revenues would be adversely impacted and we may be required to take material impairment charges, all of which could 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.

For certain of our products, we depend on reimbursement from governmental and other third-party payors and a reduction in reimbursement could reduce our product sales and revenue. In addition, failure to be included in formularies developed by managed care organizations and coverage by other organizations may negatively impact the utilization of our products, which could harm our market share and could 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.

Sales of certain of our products are dependent, in part, on the availability and extent of reimbursement from government health administration authorities, private health insurers, pharmacy benefit managers and other organizations of the costs of our products and the continued reimbursement and coverage of our products in such programs. Changes in government regulations or private third-party payors’ reimbursement policies may reduce reimbursement for our products. In addition, such third-party payors may otherwise make the decision to reduce reimbursement of some or all our products or fail to cover some or all our products in such programs or assert that reimbursements were not in accordance with applicable requirements. For example, these decisions may be based on the price of our products or our current or former pricing practices and decisions. Any reduction or elimination of such reimbursement or coverage could result in a negative impact on the utilization of our products and, as a result, could 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.

Managed care organizations and other third-party payors try to negotiate the pricing of medical services and products to control their costs. Managed care organizations and pharmacy benefit managers typically develop formularies to reduce their cost for medications. Formularies can be based on the prices and therapeutic benefits of the available products. Due to their lower
costs, generic products are often favored. The breadth of the products covered by formularies varies considerably from one managed care organization to another, and many formularies include alternative and competitive products for treatment of particular medical conditions. Failure to be included in such formularies or to achieve favorable formulary status may negatively impact the utilization and market share of our products. If our products are not included within an adequate number of formularies or adequate reimbursement levels are not provided, or if those policies increasingly favor generic products, this could 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.

**Our fulfillment arrangements with Walgreens may not be successful.**

At the beginning of 2016, we launched a brand fulfillment arrangement with Walgreen Co. ("Walgreens"), pursuant to which we have made certain of our dermatology and ophthalmology products available to eligible patients through a patient access and co-pay program available at Walgreens U.S. retail pharmacy locations, as well as participating independent retail pharmacies. We have, in the past, experienced certain operational and other issues respecting this arrangement, including lower than anticipated average realized prices associated with these products through this arrangement. We cannot guarantee this arrangement will continue to be successful in the future, nor can we guarantee that additional operational issues will not be encountered, nor can we guarantee that we will be able to successfully negotiate with Walgreens any improvements or amendments to this arrangement we identify as necessary or desired. In addition, we cannot predict how the market, including customers, doctors, patients, pharmacy benefit managers and third-party payors, or governmental agencies, will continue to react to these arrangements and programs. If this arrangement or program fails, if they do not achieve sufficient success and market acceptance, if we face retaliation from third parties as a result of this arrangement and program (for example, in the form of limitations on or exclusions from the reimbursement of our products) or if any part of this arrangement is found to be non-compliant with applicable law or regulations, this could 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.

**Risks Related to the International Scope of our Business**

Our business, financial condition, cash flows and results of operations are subject to risks arising from the international scope of our operations.

We conduct a significant portion of our business outside the U.S. and Canada and may, in the future, expand our operations into new countries, including emerging markets. We sell our pharmaceutical and medical device products in many countries around the world. All of our foreign operations are subject to risks inherent in conducting business abroad, including, among other things:

- difficulties in coordinating and managing foreign operations, including ensuring that foreign operations comply with foreign laws as well as Canadian and U.S. laws applicable to Canadian companies with U.S. and foreign operations, such as export and sanctions laws and the U.S. Foreign Corrupt Practices Act ("FCPA"), the Canadian Corruption of Foreign Public Officials Act, and other applicable worldwide anti-bribery laws;
- price and currency exchange controls;
- restrictions on the repatriation of funds;
- scarcity of hard currency, including the U.S. dollar, which may require a transfer or loan of funds to the operations in such countries, which they may not be able to repay on a timely basis;
- political and economic instability;
- compliance with multiple regulatory regimes;
- compliance with economic sanctions laws and other laws that apply to our activities in the countries where we operate;
- less established legal and regulatory regimes in certain jurisdictions, including as relates to enforcement of anti-bribery and anti-corruption laws and the reliability of the judicial systems;
- differing degrees of protection for intellectual property;
- unexpected changes in foreign regulatory requirements, including quality standards and other certification requirements;
- new export license requirements;
- adverse changes in tariff and trade protection measures;
- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- restrictive governmental actions;
- possible nationalization or expropriation;
- credit market uncertainty;
- differing local practices, customs and cultures, some of which may not align or comply with our Company practices and policies or U.S. laws and regulations;
• difficulties with licensees, contract counterparties, or other commercial partners; and
• differing local product preferences and product requirements.

As a result of changes to U.S. policy, there may be changes to existing trade agreements and greater restrictions on trade generally. On November 30, 2018, the United States, Canada and Mexico signed the United States-Mexico-Canada Agreement ("USMCA") as an overhaul and update to the North American Free Trade Agreement. The USMCA is subject to ratifications by the legislative bodies of all three signatory countries. It is difficult to anticipate the full impact of this agreement on our business, financial condition, cash flows and results of operations.

Notwithstanding the USMCA, support for protectionism and rising anti-globalization sentiment in the United States and other countries may slow global growth. In particular, a protracted and wide-ranging trade conflict between the United States and China could adversely affect global economic growth. Concerns also remain around the social, political and economic impacts of the changing political landscape in Europe, including the final outcome of Brexit (as defined below) negotiations. In addition, there are growing concerns over an economic slowdown in emerging markets in light of capital outflows in favor of developed markets and expected interest rate increases. Broader geopolitical tensions remained high amongst the U.S., Russia, China, and across the Middle East.

Given the international scope of our operations, any of the above factors, including tariffs, trade wars and other governmental actions, could 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.

Similarly, adverse economic conditions impacting our customers in these countries or uncertainty about global economic conditions could cause purchases of our products to decline, which would adversely affect our revenues and operating results. Moreover, our projected revenues and operating results are based on assumptions concerning certain levels of customer spending. Any failure to attain our projected revenues and operating results as a result of adverse economic or market conditions could 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.

Due to the large portion of our business conducted in currency other than U.S. dollars, we have significant foreign currency risk.

We face foreign currency exposure on the translation into U.S. dollars of the financial results of our operations in Europe, Canada, Latin America, Asia, Africa and the Middle East and other regions. Where possible, we manage foreign currency risk by managing same currency revenue in relation to same currency expenses. We face foreign currency exposure in those countries where we have revenue denominated in the local foreign currency and expenses denominated in other currencies. Both favorable and unfavorable foreign currency impacts to our foreign currency-denominated operating expenses are mitigated to a certain extent by the natural, opposite impact on our foreign currency-denominated revenue. In addition, the repurchase of our U.S. dollar denominated debt may result in foreign exchange gains or losses for Canadian income tax purposes. One half of any foreign exchange gains or losses will be included in our Canadian taxable income. Any foreign exchange gain will result in a corresponding reduction in our available Canadian tax attributes.

In addition, in November 2016, as a result of the Egyptian government’s decision to float the Egyptian pound and un-peg it to the U.S. Dollar, the Egyptian pound was significantly devalued. Our exposure to the Egyptian pound is primarily with respect to Amoun Pharmaceutical Company S.A.E., which we acquired in October 2015, and which represented approximately 2% of our total 2018 and 2017 revenues. Further strengthening of the U.S. dollar and/or the devaluation of other countries' currencies could have a negative impact on our reported international revenue.

Development and Regulatory Risks

The successful development of our pipeline products is highly uncertain and requires significant expenditures and time. In addition, obtaining necessary government approvals is time-consuming and not assured. The failure to commercialize certain of our pipeline products could 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.

We currently have a number of pipeline products in development. We and our development partners, as applicable, conduct extensive preclinical studies and clinical trials to demonstrate the safety and efficacy in humans of our pipeline products in order to obtain regulatory approval for the sale of our pipeline products. Preclinical studies and clinical trials are expensive, complex, can take many years and have uncertain outcomes. None of, or only a small number of, our research and development programs may actually result in the commercialization of a product. We will not be able to commercialize our pipeline products if preclinical studies do not produce successful results or if clinical trials do not demonstrate safety and efficacy in humans. While we expect significant revenues from our Significant Seven, there is no evidence we will get FDA approval for all of these products. Furthermore, success in preclinical studies or early-stage clinical trials does not ensure that later stage clinical trials will be
successful nor does it ensure that regulatory approval for the product candidate will be obtained. In addition, the process for the completion of pre-clinical and clinical trials is lengthy and may be subject to a number of delays for various reasons, which would delay the commercialization of any successful product. If our development projects are not successful or are significantly delayed, we may not recover our substantial investments in the pipeline product and our failure to bring these pipeline products to market on a timely basis, or at all, could 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.

In addition, FDA and Health Canada approval must be obtained in the U.S. and Canada, respectively, EMA approval (drugs) and CE Marking (devices) must be obtained in countries in the EU and similar approvals must be obtained from comparable agencies in other countries, prior to marketing or manufacturing new pharmaceutical and medical device products for use by humans. Obtaining such regulatory approvals for new products and devices and manufacturing processes can take a number of years and involves the expenditure of substantial resources. Even if such products appear promising in development stages, regulatory approval may not be achieved and no assurance can be given that we will obtain approval in those countries where we wish to commercialize such products. Nor can any assurance be given that if such approval is secured, the approved labeling will not have significant labeling limitations, including limitations on the indications for which we can market a product, or require onerous risk management programs. Furthermore, from time to time, changes to the applicable legislation or regulations may be introduced that change these review and approval processes for our products, which changes may make it more difficult and costly to obtain or maintain regulatory approvals.

Our marketed drugs will be subject to ongoing regulatory review.

Following initial regulatory approval of any products, we or our partners may develop or acquire, we will be subject to continuing regulatory review by various government authorities in those countries where our products are marketed or intended to be marketed, including the review of adverse drug events and clinical results that are reported after product candidates become commercially available. In addition, we are subject to ongoing audits and investigations of our facilities and products by the FDA, as well as other regulatory agencies in and outside the U.S.

If we fail to comply with the regulatory requirements in those countries where our products are sold, we could lose our marketing approvals or be subject to fines or other sanctions. Also, as a condition to granting marketing approval of a product, the applicable regulatory agencies may require a company to conduct additional clinical trials or remediate Current Good Manufacturing Practice ("CGMP") issues, the results of which could result in the subsequent loss of marketing approval, changes in product labeling or new or increased concerns about side effects or efficacy of a product.

In May 2017, the European Commission published the Medical Device Regulation (MDR) 2017/745, which replaced the Medical Device Directive (MDD). Pursuant to the terms of the new regulations, in order to continue to market medical device products in the EU, such products must achieve compliance with these new regulations and be re-registered in the EU within a specified transition period, which, for a portion of products, will end as early as May 26, 2020. These new regulations impact all of our existing and pipeline medical device products being sold in the EU for which we are legal manufacturer and/or distributor, including contact lens, lens care, eye-health, aesthetic and surgical areas, as well as certain of our products outside the EU, which rely on the EU registration to support registration in those other countries. These products, in the aggregate, account for a meaningful portion of our net revenue in this region. While we are working to ensure compliance with these new regulations for all impacted products, we may not be able to achieve compliance for all products within the applicable transition period. If we fail to achieve compliance, we will not be able to market and sell the non-compliant products in the EU, nor will we be able to rely on the non-compliant registration for such products in regions outside of the EU, which could have a material adverse effect on our business, financial condition, cash flows and results of operations in the EU and, possibly, on a consolidated basis, and could cause the market value of our common shares and/or debt securities to decline.

In addition, incidents of adverse drug reactions, unintended side effects or misuse relating to our products could result in additional regulatory controls or restrictions, or even lead to the regulatory authority requiring us to withdraw the product from the market. Further, if faced with these incidents of adverse drug reactions, unintended side effects or misuse relating to our products, we may elect to voluntarily implement a recall or market withdrawal of our product. A recall or market withdrawal, whether voluntary or required by a regulatory authority, may involve significant costs to us, potential disruptions in the supply of our products to our customers and reputational harm to our products and business, all of which could harm our ability to market our products and could 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.

The United Kingdom’s exit from the European Union may impact the development and the regulatory approval and review of our products.

On June 23, 2016, the United Kingdom held a referendum on its membership in the European Union, in which United Kingdom voters approved an exit from the European Union ("Brexit"). On March 29, 2017, the United Kingdom formally notified the
European Council pursuant to Article 50 of the Treaty of Lisbon of its intention to leave the European Union. Since a significant proportion of the United Kingdom’s regulatory framework is derived from European Union directives and regulations, Brexit could materially impact the regulatory regime with respect to the approval of our products in the United Kingdom. Following the Brexit vote, the European Union decided to move the European Medicines Agency’s headquarters from the United Kingdom to the Netherlands, which could result in disruptions and delays in new drug approvals in the European Union. In addition, we could face new regulatory costs and challenges that could have a material adverse effect on our business, financial condition, cash flows and results of operations. While the United Kingdom is currently expected to leave the European Union on March 29, 2019, uncertainty remains as to the exact timing and process. Until Brexit negotiations are completed, it is difficult to anticipate Brexit’s potential impact.

Manufacturing and Supply Risks

If we or our third-party manufacturers are unable to manufacture our products or the manufacturing process is interrupted due to failure to comply with regulations or for other reasons, the interruption of the manufacture of our products could adversely affect our business. Other manufacturing and supply difficulties or delays may also 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.

Our manufacturing facilities and those of our contract manufacturers must be inspected and found to be in full compliance with CGMP, quality system management requirements or similar standards before approval for marketing. Compliance with CGMP regulations requires the dedication of substantial resources and requires significant expenditures. In addition, while we attempt to build in certain contractual obligations on our third party manufacturers, we may not be able to ensure that such third-parties comply with these obligations. Our failure or that of our contract manufacturers to comply with CGMP regulations, quality system management requirements or similar regulations outside of the U.S. could result in enforcement action by the FDA or its foreign counterparts, including, but not limited to, warning letters, fines, injunctions, civil or criminal penalties, recall or seizure of products, total or partial suspension of production or importation, suspension or withdrawal of regulatory approval for approved or in-market products, refusal of the government to renew marketing applications or approve pending applications or supplements, refusal of certificates for export to foreign jurisdictions, suspension of ongoing clinical trials, imposition of new manufacturing requirements, closure of facilities and criminal prosecution. These enforcement actions could lead to a delay or suspension in production, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

In addition, our manufacturing and other processes use complicated and sophisticated equipment, which sometimes requires a significant amount of time to obtain and install. Manufacturing complexity, testing requirements and safety and security processes combine to increase the overall difficulty of manufacturing these products and resolving manufacturing problems that we may encounter. Although we endeavor to properly maintain our equipment (and require our contract manufacturers to properly maintain their equipment), including through on-site quality control and experienced manufacturing supervision, and have key spare parts on hand, our business could suffer if certain manufacturing or other equipment, or all or a portion of our or their facilities, were to become inoperable for a period of time. We could experience substantial production delays or inventory shortages in the event of any such occurrence until we or they repair such equipment or facility or we or they build or locate replacement equipment or a replacement facility, as applicable, and seek to obtain necessary regulatory approvals for such replacement. Any interruption in our manufacture of products could adversely affect the sales of our current products or introduction of new products and could 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.

The supply of our products to our customers (or, in some case, supply from our contract manufacturers to us) is subject to and dependent upon the use of transportation services. Disruption of transportation services (including as a result of weather conditions) could 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. In addition, any prolonged disruption in the operations of our existing distribution facilities, whether due to technical, labor or other difficulties, weather conditions, equipment malfunction, contamination, failure to follow specific protocols and procedures, destruction of or damage to any facility or other reasons, could 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.

For some of our finished products and raw materials, we obtain supply from one or a limited number of sources. If we are unable to obtain components or raw materials, or products supplied by third parties, our ability to manufacture and deliver our products to the market would be impeded, which could 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.

Some components and raw materials used in our manufactured products, and some finished products sold by us, are currently available only from one or a limited number of domestic or foreign suppliers. For example, with respect to some of our largest or
most significant products, the supply of the finished product for each of our Siliq™, Vyzulta®, SofLens®, Wellbutrin XL®, Ocuvite®, PreserVision®, Renu®, Isuprel®, Xenazine®, Uceris® tablet, Relistor® Oral and PureVision® products are only available from a single source and the supply of active pharmaceutical ingredient for each of our Siliq™, Isuprel®, Xenazine®, Relistor® Oral and Uceris® tablet products are also only available from a single source. In the event an existing supplier fails to supply product on a timely basis and/or in the requested amount, supplies product that fails to meet regulatory requirements, becomes unavailable through business interruption or financial insolvency or loses its regulatory status as an approved source or we are unable to renew current supply agreements when such agreements expire and we do not have a second supplier, we may be unable to obtain the required components, raw materials or products on a timely basis or at commercially reasonable prices. We attempt to mitigate these risks by maintaining safety stock of these products, but such safety stock may not be sufficient. In addition, in some cases, only a single source of active pharmaceutical ingredient is identified in filings with regulatory agencies, including the FDA, and cannot be changed without prior regulatory approval, which would involve time and expense to us. A prolonged interruption in the supply of a single-sourced raw material, including the active pharmaceutical ingredient, or single-sourced finished product could 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. In addition, these third-party manufacturers may have the ability to increase the supply price payable by us for the manufacture and supply of our products, in some cases without our consent.

As a result, our dependence upon others to manufacture our products may adversely affect our profit margins and our ability to obtain approval for and produce our products on a timely and competitive basis, which could 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.

Risks Relating to Specific Legislation and Regulations

We are subject to various laws and regulations, including “fraud and abuse” laws, anti-bribery laws, environmental laws and privacy and security regulations, and a failure to comply with such laws and regulations or prevail in any litigation related to noncompliance could 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.

Pharmaceutical and medical device companies have faced lawsuits and investigations pertaining to violations of health care “fraud and abuse” laws, such as the federal False Claims Act, the federal Anti-Kickback Statute (“AKS”) and other state and federal laws and regulations. The AKS prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any health care item or service reimbursable under federally financed health care programs. This statute has been interpreted to apply to arrangements between pharmaceutical or medical device manufacturers, on the one hand, and prescribers, purchasers, formulary managers and other health care related professionals, on the other hand. More generally, the federal False Claims Act, among other things, prohibits any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government. Pharmaceutical and medical device companies have been prosecuted or faced civil liability under these laws for a variety of alleged promotional and marketing activities, including engaging in off-label promotion that caused claims to be submitted for non-covered off-label uses. If we are in violation of any of these requirements or any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, this could have a significant impact on our business, including the imposition of significant criminal and civil fines and penalties, exclusion from federal health care programs or other sanctions, including consent orders or corporate integrity agreements.

We also face increasingly strict and numerous data privacy and security laws and regulations in the U.S. and in other countries, the violation of which could result in fines and other sanctions. These laws and regulations change frequently and can conflict with one another. The interpretation and application of certain laws and regulation, such as the European Union’s General Data Protection Regulation, is unclear at this time. It is possible that the scope and requirements of these laws and regulations may be interpreted or applied in a manner that is inconsistent with our understanding, our current or future practices or other legal requirements. In addition, the U.S. Department of Health and Human Services Office of Inspector General recommends, and increasingly states require pharmaceutical companies to have comprehensive compliance programs. In addition, the Physician Payment Sunshine Act enacted in 2010 imposes reporting and disclosure requirements on device and drug manufacturers for any “transfer of value” made or distributed to prescribers and other health care providers. Failure to submit this required information may result in significant civil monetary penalties. While we have developed corporate compliance programs based on what we believe to be current best practices, we cannot provide assurance that we or our employees or agents are or will be in compliance with all applicable federal, state or foreign regulations and laws. If we are in violation of any of these requirements or any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant criminal and civil fines and penalties, exclusion from federal health care programs or other sanctions, including consent orders or corporate integrity agreements.
The U.S. FCPA and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption. In certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices or may require us to interact with doctors and hospitals, some of which may be state controlled, in a manner that is different than in the U.S. and Canada. We cannot provide assurance that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in criminal or civil penalties or remedial measures, any of which could 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.

We are subject to laws and regulations concerning the environment, safety matters, regulation of chemicals and product safety in the countries where we manufacture and sell our products or otherwise operate our business. These requirements include, among other matters, regulation of the handling, manufacture, transportation, storage, use and disposal of materials, including the discharge of pollutants into the environment. In the normal course of our business, hazardous substances may be released into the environment, which could cause environmental or property damage or personal injuries, and which could subject us to remediation obligations regarding contaminated soil and groundwater or potential liability for damage claims. Under certain laws, we may be required to remediate contamination at certain of our properties regardless of whether the contamination was caused by us or by previous occupants of the property or by others and at third-party sites where we send waste. In recent years, the operations of all companies have become subject to increasingly stringent legislation and regulation related to occupational safety and health, product registration and environmental protection. Such legislation and regulations are complex and constantly changing, and future changes in laws or regulations may require us to install additional controls for certain of our emission sources, undertake changes in our manufacturing processes or remediate soil or groundwater contamination at facilities where such cleanup is not currently required.

We are also subject to various data privacy and security laws and regulations specific to sensitive health information, including HIPAA. HIPAA mandates, among other things, the adoption of uniform standards for the electronic exchange of information in common health care transactions (e.g., health care claims information and plan eligibility, referral certification and authorization, claims status, plan enrollment, coordination of benefits and related information), as well as standards relating to the privacy and security of individually identifiable health information, which require the adoption of administrative, physical and technical safeguards to protect such information. In addition, many states have enacted comparable laws addressing the privacy and security of health information, some of which are more stringent than HIPAA. Failure to comply with these laws can result in the imposition of significant civil and criminal penalties. The costs of compliance with these laws and the potential liability associated with the failure to comply with these laws could 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.

We are also subject to U.S. federal laws regarding reporting and payment obligations with respect to our participation in federal health care programs, including Medicare and Medicaid. Because our processes for calculating applicable government prices and the judgments involved in making these calculations involve subjective decisions and complex methodologies, these calculations are subject to risk of errors and differing interpretations. In addition, they are subject to review and challenge by the applicable governmental agencies, and it is possible that such reviews could result in changes that could have material adverse legal, regulatory, or economic consequences.

Legislative or regulatory reform of the health care system may affect our ability to sell our products profitably and could 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.

In the U.S. and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the health care system in ways that could impact our ability to sell our products profitably. The Patient Protection and Affordable Care Act, as amended by the Health Care Reform Act may affect the operational results of companies in the pharmaceutical and medical device industries, including the Company and other health care related industries, by imposing on them additional costs. Effective January 1, 2010, the Health Care Reform Act increased the minimum Medicaid drug rebates for pharmaceutical companies, expanded the 340B drug discount program, and made changes to affect the Medicare Part D coverage gap, or “donut hole.” The law also revised the definition of “average manufacturer price” for reporting purposes, which may affect the amount of our Medicaid drug rebates to states. Beginning in 2011, the law imposed a significant annual fee on companies that manufacture or import branded prescription drug products. The law also imposed an annual tax on manufacturers of certain medical devices. The tax was deferred until January 1, 2020. More recently, the Bipartisan Budget Act of 2018 amended the Patient Protection and Affordable Care Act, effective January 1, 2019, to close the donut hole in most Medicare drug plans. In addition, in April 2018, the Centers for Medicare & Medicaid Services published a final rule that gives states greater flexibility in setting benchmarks for insurers in
the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the Patient Protection and 
Affordable Care Act for plans sold through such marketplaces.

Although efforts at replacing the Health Care Reform Act have stalled in Congress, there could still be changes to this legislation in the near term. We cannot 
predict what those changes will be or when they will take effect, and we could face additional risks arising from such changes or changed interpretations of our 
obligations under the legislation. Because of this continued uncertainty, including the potential for further legal challenges or repeal of that legislation, we cannot 
quantify or predict with any certainty the likely impact of the Health Care Reform Act or its repeal on our business model, prospects, financial condition or results 
of operations, in particular on the pricing, coverage or reimbursement of any of our product candidates that may receive marketing approval. 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. 
Legislative efforts relating to drug pricing, the cost of prescription drugs under Medicare, the relationship between pricing and manufacturer patient programs, and 
government program reimbursement methodologies for drugs have been proposed and considered at the U.S. federal and state level. At the federal level, the 
administration's budget proposal for fiscal year 2019 contains further drug price control measures that could be enacted during the 2019 budget process or in other 
future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some 
states to negotiate drug prices under Medicaid and to eliminate cost sharing for generic drugs for low-income patients. While any proposed measures will require 
authorization through additional legislation to become effective, Congress and the administration have each indicated an intent to continue to seek new legislative 
or administrative measures to control drug costs. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to 
control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost 
disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. 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 effecting additional fundamental changes in the health care delivery system. We cannot 
provide assurance as to the ultimate content, timing, or effect of changes, nor is it possible at this time to estimate the impact of any such potential legislation.

The Health Care Reform Act and further changes to health care laws or regulatory framework that reduce our revenues or increase our costs could also 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.

Other Risks

We have significant goodwill and other intangible assets and potential impairment of goodwill and other intangibles may have a significant adverse impact on 
our profitability.

Goodwill and intangible assets represent a significant portion of our total assets. Finite-lived intangible assets are subject to an impairment analysis whenever 
events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. Goodwill and indefinite-lived intangible assets are tested for 
impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. If impairment exists, we would be required 
to take an impairment charge with respect to the impaired asset.

For example, in 2018, 2017 and 2016, we recognized impairments to finite-lived and indefinite-lived intangible assets of $568 million , $714 million and $422 
million , respectively. These asset impairments were primarily attributable to: (i) assets being classified as held for sale and (ii) revisions in sales forecasts 
associated with discontinuances, generic competition and other market forces. In addition to impairments to finite-lived and indefinite-lived intangible assets, in 
2018, 2017 and 2016, we recognized goodwill impairments of $2,322 million , $312 million and $1,077 million, respectively. These goodwill impairments were 
primarily the result of: (i) the adoption of new accounting guidance in 2018, (ii) revisions to forecasts to certain reporting units and (iii) realignments to our 
reporting units.

As of October 1, 2018, the date of the Company's annual impairment testing, the fair value of each reporting unit with associated goodwill exceeded its 
carrying value by more than 15%. 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.

See Note 6, "FAIR VALUE MEASUREMENTS" and Note 9, "INTANGIBLE ASSETS AND GOODWILL" to our audited Consolidated Financial 
Statements for further information on these impairment charges.

Events giving rise to impairment are difficult to predict, including the uncertainties associated with the launch of new products, and are an inherent risk in the 
pharmaceutical and medical device industries. As a result of the significance of goodwill and intangible assets, our financial condition and results of operations in a 
future period could be negatively impacted should such an
impairment of goodwill or intangible assets occur, which could cause the market value of our common shares and/or debt securities to decline. We may be required to take additional impairment charges in the future and such impairment charges may be material.

We have become increasingly dependent on information technology and any breakdown, interruption or breach of our information technology systems could subject us to liability or interrupt the operation of our business, which could 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.

We are increasingly dependent upon our information technology systems and infrastructure, as well as those of third parties with whom we interact, in connection with the conduct of our business, including the collection, storage, processing and transmission of sensitive, non-public information. We must constantly update our information technology infrastructure and we cannot provide assurance that various current information technology systems on which we depend will continue to meet our current and future business needs or adequately safeguard our operations. Furthermore, modification, upgrade or replacement of such systems may be costly.

Due to the size and complexity of these systems, any breakdown, interruption, corruption or unauthorized access to or cyber-attack on these systems could create system disruptions, shutdowns or unauthorized disclosure of confidential information. Cyber-attacks are increasing in frequency, sophistication and intensity. Cyber-attacks could include the deployment of harmful malware, denial-of-service attacks, worms, social engineering and other means to affect service reliability or threaten data confidentiality, integrity or availability. Techniques used in these attacks change frequently and may be difficult to detect for periods of time. We have established (i) physical, electronic and organizational measures to safeguard and secure our systems to prevent a data compromise, (ii) policies and procedures designed to provide for the timely investigation of cybersecurity incidents and the timely disclosure of cybersecurity incidents consistent with our legal and contractual obligations and (iii) safeguards against insider trading of directors, officers and other corporate insiders between the period of investigation and the public disclosure of such an incident. We also rely on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of digital information. While we attempt to take appropriate security and cybersecurity measures to protect our data and information technology systems and to prevent breakdowns, unauthorized breaches and cyber-attacks, we cannot guarantee that these measures will be successful and that these breakdowns and breaches in, or attacks on, our systems and data will be prevented. Such breakdowns, breaches in, or attacks on, our systems and data or public perception that we have suffered a cybersecurity incident or breakdown may cause business interruption and could have a material adverse effect on our business, financial condition, cash flows and results of operations, damage our reputation with customers, employees and third-parties with whom we do business and cause the market value of our common shares and/or debt securities to decline, and we may suffer financial damage or other loss, including fines or criminal penalties because of lost or misappropriated information. While we maintain insurance against these risks, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from a cybersecurity incident or other interruption to our information technology systems.

In addition, we provide confidential, proprietary and personal information to third parties when necessary to pursue our business objectives. While we obtain assurances that these third parties will protect this information and, where appropriate, monitor the protections employed by these third parties, there is a risk that the confidentiality of data held by third parties may be compromised. If personal information of our customers or employees is misappropriated, our reputation with our customers and employees may be injured, resulting in loss of business and/or morale, and we may incur costs to remediate possible injury to our customers and employees or be required to pay fines or take other action with respect to judicial or regulatory actions arising out of such incidents.

Our operating results and financial condition may fluctuate.

Our operating results and financial condition may fluctuate from quarter to quarter for a number of reasons. In addition, our stock price is volatile. The following events or occurrences, among others, could cause fluctuations in our financial performance and/or stock price from period to period:

- development and launch of new competitive products;
- the timing and receipt of FDA approvals or lack of approvals;
- costs related to business development transactions;
- changes in the amount we spend to promote our products;
- delays between our expenditures to acquire new products, technologies or businesses and the generation of revenues from those acquired products, technologies or businesses;
- changes in treatment practices of physicians that currently prescribe certain of our products;
- increases in the cost of raw materials used to manufacture our products;
- FDA regulatory actions relating to our manufacturers;
- manufacturing and supply interruptions;
- our responses to price competition;
• new legislation that would control or regulate the prices of drugs;
• a protracted and wide-ranging trade conflict between the United States and China;
• expenditures as a result of legal actions (and settlements thereof), including the defense of our patents and other intellectual property;
• market acceptance of our products;
• the timing of wholesaler and distributor purchases and success of our wholesaler and distributor arrangements;
• general economic and industry conditions, including potential fluctuations in interest rates;
• changes in seasonality of demand for certain of our products;
• foreign currency exchange rate fluctuations;
• changes to, or the confidence in, our business strategy;
• changes to, or the confidence in, our management; and
• expectations for future growth.

As a result, we believe that quarter-to-quarter comparisons of results from operations, or any other similar period-to-period comparisons, should not be construed as reliable indicators of our future performance. In any quarterly period, our results may be below the expectations of market analysts and investors, which could cause the market value of our common shares and/or debt securities to decline.

The restatement of our previously issued financial statements was time-consuming and expensive and could expose us to additional risks that could 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.

We restated our previously issued audited Consolidated Financial Statements for the year ended December 31, 2014 and the unaudited financial information for the quarters ended December 31, 2014 and March 31, 2015. This restatement and the review of the misstatements that necessitated the restatement was time consuming and expensive and could expose us to potential claims and additional risks that could 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. In particular, we could be subject to further shareholder litigation and additional governmental investigations and proceedings in connection with the restatements or related other matters. If we do not prevail in any such proceedings, we could be required to pay substantial damages or settlement costs. In addition, although the remediation of the material weaknesses in our internal control over financial reporting that contributed to the material misstatements in the Consolidated Financial Statements previously described has been completed, if our remedial measures were insufficient to properly and fully address the material weaknesses, or if additional material weaknesses in our internal controls are discovered or occur in the future, it may materially adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner and there will continue to be an increased risk of future misstatements.

We have entered into distribution agreements with other companies to distribute certain of our products at supply prices based on net sales. Declines in the pricing and/or volume, over which we have no or limited control, of such products, and therefore the amounts paid to us, could 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.

Certain of our products are the subject of third-party distribution or sublicense agreements, pursuant to which we may manufacture and sell products to other companies, which distribute such products in return for a royalty or a supply price, in both cases which are often based on net sales. Our ability to control pricing and volume of these products may be limited and, in some cases, these companies make all distribution and pricing decisions independently of us. If the pricing or volume of such products declines, our revenues would be adversely impacted which could 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.

The illegal distribution and sale of counterfeit versions of our products may reduce demand for our products or have a negative impact on the reputation of our products, which could 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.

Third parties may illegally distribute and sell counterfeit versions of our products, which do not meet or adhere to the rigorous quality, safety, manufacturing, storage and handling standards and regulations that apply to our products. The prevalence of counterfeit products is a growing industry-wide issue due to the widespread use of the Internet, which has greatly facilitated the ease by which counterfeit products can be advertised, purchased and delivered. The discovery of safety or efficacy issues, adverse events or even death or personal injury associated with or caused by counterfeit products may be attributed to our products and may cause reputational harm to our products or the Company. We may not be able to detect or, if detected, prevent or prohibit the sale of such counterfeit products. As a result, the illegal sale or distribution of counterfeit products may negatively impact the demand for and sales of our products, which could 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.
Our revenues and profits could be reduced by imports from countries where our products are available at lower prices.

Prices for our products are based on local market economics and competition and differ from country to country. Our sales in countries with relatively higher prices may be reduced if products can be imported into those or other countries from lower price markets. If this happens with our products, our revenues and profits may be adversely affected, which could 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.

Our policies regarding returns, allowances and chargebacks, and marketing programs adopted by wholesalers, may reduce our revenues in future fiscal periods.

We provide certain rebates, allowances, chargebacks and other credits to our customers with respect to certain of our products. For example, we make payments or give credits to certain wholesalers for the difference between the invoice price paid to us by our wholesaler customer for a particular product and the negotiated price that such wholesaler sells such products to its hospitals, group purchasing organizations, pharmacies or other retail customers. We also give certain of our customers credits on our products that such customers hold in inventory after we have decreased the WAC prices of such products, such credit being for the difference between the old and new price. In addition, we also implement and maintain returns policies, pursuant to which our customers may return product to us in certain circumstances in return for a credit. Although we establish reserves based on our prior experience, wholesaler data, then-current on-hand inventory, our best estimates of the impact that these policies may have in subsequent periods and certain other considerations, we cannot ensure that our reserves are adequate or that actual product returns, rebates, allowances and chargebacks will not exceed our estimates, which could 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.

We may experience declines in sales volumes or prices of certain of our products as the result of the concentration of sales to wholesalers and the continuing trend towards consolidation of such wholesalers and other customer groups and this could 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.

For certain of our products, a significant portion of our sales are to a relatively small number of customers. If our relationship with one or more of such customers is disrupted or changes adversely or if one or more of such customers experience financial difficulty or other material adverse changes in their businesses, it could materially and adversely affect our sales and financial results, which could 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.

In addition, wholesalers and retail drug chains have undergone, and are continuing to undergo, significant consolidation. This consolidation may result in these groups gaining additional purchasing leverage and consequently increasing the product pricing pressures facing our business. The result of these developments could 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.

We have various indemnity agreements and indemnity arrangements in place, which may result in an obligation to indemnify or reimburse the relevant counterparty, which amounts may be material.

All directors and/or officers of the Company, and each of its various subsidiary entities, are indemnified by the Company in respect of their service as directors and/or officers, subject to certain restrictions. We have purchased directors’ and officers’ liability insurance to mitigate the cost of any potential future lawsuits or actions. The maximum amount of any potential future payment cannot be reasonably estimated but could have a material adverse effect on the Company.

In the normal course of business, we have entered or may enter into agreements that include indemnities in favor of third parties, such as purchase and sale agreements, license agreements, engagement letters with advisors and consultants and various product and service agreements. These indemnification arrangements may require us to compensate counterparties for losses incurred by the counterparties as a result of breaches in representations, covenants and warranties provided by us or as a result of litigation or other third-party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined. We, whenever possible, try to limit this potential liability within the particular agreement or contract, but due to the unpredictability of future events the maximum amount of any potential reimbursement cannot be reasonably estimated, but could have a material adverse effect on the Company.

Item 1B. Unresolved Staff Comments

None.
Item 2. Properties

We own and lease a number of important properties. Our headquarters and one of our manufacturing facilities are located in Laval, Quebec. We own several manufacturing facilities throughout the U.S. We also own or have an interest in manufacturing plants or other properties outside the U.S., including in Canada, Mexico, and certain countries in Europe, North Africa, Asia and South America.

We consider our facilities to be in satisfactory condition and suitable for their intended use, although some limited investments to improve our manufacturing and other related facilities are contemplated, based on the needs and requirements of our business. Our administrative, marketing, research/laboratory, distribution and warehousing facilities are located in various parts of the world. We co-locate our R&D activities with our manufacturing at the plant level in a number of facilities. Our scientists, engineers, quality control and manufacturing technicians work side-by-side in designing and manufacturing products that fit the needs and requirements of our customers, regulators and business units.

We believe that we have sufficient facilities to conduct our operations during 2019. Our facilities in aggregate are over 12 million square feet and include, among others, the following list of principal properties by segment:

<table>
<thead>
<tr>
<th>Location</th>
<th>Purpose</th>
<th>Owned or Leased</th>
<th>Approximate Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laval, Quebec, Canada</td>
<td>Corporate headquarters, R&amp;D, manufacturing and warehouse facility</td>
<td>Owned</td>
<td>337,000</td>
</tr>
<tr>
<td>Bridgewater, New Jersey (1)</td>
<td>Administration</td>
<td>Leased</td>
<td>310,000</td>
</tr>
<tr>
<td>Bausch + Lomb/International</td>
<td>Offices, R&amp;D, manufacturing and warehouse facility</td>
<td>Owned</td>
<td>1,570,000</td>
</tr>
<tr>
<td>Rochester, New York</td>
<td>Offices, R&amp;D and manufacturing facility</td>
<td>Owned</td>
<td>966,000</td>
</tr>
<tr>
<td>San Juan del Rio, Mexico</td>
<td>Offices and manufacturing facility</td>
<td>Owned</td>
<td>853,000</td>
</tr>
<tr>
<td>El Obour City, Egypt</td>
<td>Offices, R&amp;D, manufacturing and warehouse facility</td>
<td>Owned</td>
<td>628,000</td>
</tr>
<tr>
<td>Waterford, Ireland</td>
<td>R&amp;D and manufacturing facility</td>
<td>Owned</td>
<td>500,000</td>
</tr>
<tr>
<td>Greenville, South Carolina</td>
<td>Distribution facility</td>
<td>Leased</td>
<td>432,000</td>
</tr>
<tr>
<td>Jinan, China</td>
<td>Offices and manufacturing facility</td>
<td>Owned</td>
<td>420,000</td>
</tr>
<tr>
<td>Rzeszow, Poland</td>
<td>Offices, R&amp;D, manufacturing and warehouse facility</td>
<td>Owned</td>
<td>380,000</td>
</tr>
<tr>
<td>Berlin, Germany</td>
<td>Manufacturing, distribution and office facility</td>
<td>Owned</td>
<td>339,000</td>
</tr>
<tr>
<td>Greenville, South Carolina</td>
<td>Manufacturing and distribution facility</td>
<td>Owned</td>
<td>321,000</td>
</tr>
<tr>
<td>Chattanooga, Tennessee</td>
<td>Distribution facility</td>
<td>Leased</td>
<td>320,000</td>
</tr>
<tr>
<td>Tampa, Florida</td>
<td>R&amp;D and manufacturing facility</td>
<td>Owned</td>
<td>176,000</td>
</tr>
<tr>
<td>Porto Alegre, Brazil</td>
<td>Offices, manufacturing and warehouse facility</td>
<td>Owned</td>
<td>165,000</td>
</tr>
<tr>
<td>Belgrade, Serbia</td>
<td>Offices and manufacturing facility</td>
<td>Owned</td>
<td>162,000</td>
</tr>
<tr>
<td>Mexico City, Mexico</td>
<td>Offices and manufacturing facility</td>
<td>Owned</td>
<td>158,000</td>
</tr>
<tr>
<td>Aubenas, France</td>
<td>Offices, manufacturing and warehouse facility</td>
<td>Owned</td>
<td>148,000</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Manufacturing facility</td>
<td>Owned</td>
<td>140,000</td>
</tr>
<tr>
<td>Cuautitlan Izcalli, Mexico</td>
<td>R&amp;D and manufacturing facility</td>
<td>Leased</td>
<td>139,000</td>
</tr>
<tr>
<td>Myslowice, Poland</td>
<td>Warehouse facility</td>
<td>Leased</td>
<td>136,000</td>
</tr>
<tr>
<td>Macerio, Italy</td>
<td>Offices, R&amp;D, manufacturing and warehouse facility</td>
<td>Owned</td>
<td>119,000</td>
</tr>
<tr>
<td>Lynchburg, Virginia</td>
<td>Distribution facility</td>
<td>Owned</td>
<td>116,000</td>
</tr>
<tr>
<td>Beijing, China</td>
<td>Warehouse facility and distribution</td>
<td>Leased</td>
<td>110,000</td>
</tr>
<tr>
<td>Clearwater, Florida</td>
<td>Manufacturing facility</td>
<td>Owned</td>
<td>102,000</td>
</tr>
<tr>
<td>Salix</td>
<td>Offices, manufacturing and warehouse facility</td>
<td>Owned</td>
<td>241,000</td>
</tr>
</tbody>
</table>

(1) — A lease for a second building in Bridgewater, New Jersey was signed in 2015 and was not included in the square footage shown in the table above as the Company never occupied the second building. In 2016, the Company concluded that it would not occupy the second building and recognized the appropriate charge for all future rents due, net of the anticipated sub-let income associated with the second building.

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Item 3. Legal Proceedings

See Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements for details on legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares are traded on the New York Stock Exchange (“NYSE”) and on the Toronto Stock Exchange (“TSX”) under the symbol “BHC”. The following table sets forth the high and low the market price of our common shares on the NYSE and TSX during the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>NYSE in USD</th>
<th>TSX in CAD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First quarter</td>
<td>24.43</td>
<td>14.44</td>
</tr>
<tr>
<td>Second quarter</td>
<td>27.79</td>
<td>14.96</td>
</tr>
<tr>
<td>Third quarter</td>
<td>25.88</td>
<td>20.38</td>
</tr>
<tr>
<td>Fourth quarter</td>
<td>28.45</td>
<td>17.20</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First quarter</td>
<td>17.55</td>
<td>10.35</td>
</tr>
<tr>
<td>Second quarter</td>
<td>18.25</td>
<td>8.31</td>
</tr>
<tr>
<td>Third quarter</td>
<td>18.17</td>
<td>12.89</td>
</tr>
<tr>
<td>Fourth quarter</td>
<td>22.81</td>
<td>10.94</td>
</tr>
</tbody>
</table>

Sources: NYSE.com, TSX Historical Data Access

Market Price Volatility of Common Shares

Market prices for the securities of pharmaceutical, medical devices and biotechnology companies, including our securities, have historically been highly volatile, and the market has experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. Factors such as fluctuations in our operating results, the aftermath of public announcements by us or by others about us, changes in our executive management, changes in our business strategy, concern as to the safety of drugs and medical devices, the commencement or outcome of legal or governmental proceedings, changes in our ability to access credit markets, changes in the cost of capital, investigations or inquiries, and general market conditions can have an adverse effect on the market price of our common shares and other securities. For example, during 2015 and 2016, we experienced significant fluctuations and decreases in the market price of our common shares as a result of, among other things, legal and governmental proceedings and investigations with respect to certain of our distribution, marketing, pricing, disclosure and accounting practices, rising interest rates and certain public allegations made by short sellers and other third parties relating to certain of these matters. See Item 1A “Risk Factors” of this Form 10-K for additional information.

Holders

The approximate number of holders of record of our common shares as of February 14, 2019 was 1,885.
The following graph compares the cumulative total return on a $100 investment on January 1, 2014, assuming reinvestment of all dividends, in: (i) our common shares, (ii) the S&P 500 Index, (iii) the S&P/TSX Composite Index and (iv) a composite peer group of 12 major U.S. based pharmaceutical companies for the five years ended December 31, 2018. The composite peer group of 12 major U.S.-based pharmaceutical companies consists of Allergan PLC, Amgen Inc., Biogen Inc., Bristol-Myers Squibb Co, Celgene Corp, Danaher Corp, Eli Lilly and Co, Gilead Sciences Inc., Mylan NV, Perrigo Company PLC, Shire PLC and Vertex Pharmaceuticals Inc.

Dividends

No dividends were declared or paid in 2018, 2017 or 2016. While our Board of Directors will review our dividend policy periodically, we currently do not intend to pay any cash dividends in the foreseeable future. In addition, our Restated Credit Agreement and indentures include restrictions on the payment of dividends. See Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements for further details regarding these restrictions.

Restrictions on Share Ownership by Non-Canadians

There are no limitations under the laws of Canada or in our organizational documents on the right of foreigners to hold or vote securities of our Company, except that the Investment Canada Act (Canada) (the “Investment Canada Act”) may require review and approval by the Minister of Innovation, Science and Economic Development (Canada) (the “Minister”) of an acquisition of “control” of our Company by a “non-Canadian”.

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Investment Canada Act

An acquisition of control of a Canadian business by a non-Canadian is either reviewable (a “Reviewable Transaction”), in which case it is subject to both a reporting obligation and an approval process, or notifiable, in which case it is subject to only a reporting obligation. In the case of a Reviewable Transaction, the non-Canadian acquirer must submit an application for review with the prescribed information. The Minister is then required to determine whether the Reviewable Transaction is likely to be of net benefit to Canada, taking into account the assessment factors specified in the Investment Canada Act and any written undertakings that may have been given by the non-Canadian acquirer.

The Investment Canada Act provides that any investment by a non-Canadian in a Canadian business, even where control has not been acquired, can be reviewed on grounds of whether it may be injurious to national security. Where an investment is determined to be injurious to national security, Cabinet can prohibit closing or, if closed, can order the investor to divest control. Short of a prohibition or divestment order, Cabinet can impose terms or conditions on the investment or can require the investor to provide binding undertakings to remove the national security concern.

Competition Act

Part IX of the Competition Act (Canada) (the “Competition Act”) requires that a pre-merger notification filing be submitted to the Commissioner of Competition (the “Commissioner”) in respect of certain classes of merger transactions that exceed certain prescribed thresholds. If a proposed transaction exceeds such thresholds, subject to certain exceptions, the notification filing must be submitted to the Commissioner and the statutory waiting period must expire or be terminated early or waived by the Commissioner before the transaction can be completed.

All mergers, regardless of whether they are subject to Part IX of the Competition Act, are subject to the substantive mergers provisions under Section 92 of the Competition Act. In particular, the Commissioner may challenge a transaction before the Competition Tribunal where the transaction prevents or lessens, or is likely to prevent or lessen, competition substantially in a market. The Commissioner may not make an application to the Competition Tribunal under Section 92 of the Competition Act more than one year after the merger has been substantially completed.

Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of our securities, except as discussed in “Taxation” below.

Taxation

Canadian Federal Income Taxation

The following discussion is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of our common shares who, at all relevant times, for purposes of the Income Tax Act (Canada) and the Income Tax Regulations (collectively, the “Canadian Tax Act”) deals at arm’s-length with, and is not affiliated with, our Company, beneficially owns its common shares as capital property, does not use or hold and is not deemed to use or hold such common shares in carrying on a business in Canada, does not with respect to common shares enter into a “derivative forward agreement” as defined in the Income Tax Act, and who, at all relevant times, for purposes of the application of the Canadian Tax Act and the Canada-U.S. Income Tax Convention (1980, as amended) (the “U.S. Treaty”), is resident in the U.S., is not, and is not deemed to be, resident in Canada and is eligible for benefits under the U.S. Treaty (a “U.S. Holder”). Special rules, which are not discussed in the summary, may apply to a non-resident holder that is an insurer that carries on an insurance business in Canada and elsewhere or that is an “authorized foreign bank” as defined in the Canadian Tax Act.

The U.S. Treaty includes limitation on benefits rules that restrict the ability of certain persons who are resident in the U.S. to claim any or all benefits under the U.S. Treaty. Furthermore, limited liability companies (“LLCs”) that are not taxed as corporations pursuant to the provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) do not generally qualify as resident in the U.S. for purposes of the U.S. Treaty. Under the U.S. Treaty, a resident of the U.S. who is a member of such an LLC and is otherwise eligible for benefits under the U.S. Treaty may generally be entitled to claim benefits under the U.S. Treaty in respect of income, profits or gains derived through the LLC. Residents of the U.S. should consult their own tax advisors with respect to their eligibility for benefits under the U.S. Treaty, having regard to these rules.
This summary is based upon the current provisions of the U.S. Treaty and the Canadian Tax Act and our understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the U.S. Treaty and the Canadian Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof. This summary does not otherwise take into account or anticipate changes in law or administrative policies and assessing practices, whether by judicial, regulatory, administrative or legislative decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice generally or to any particular holder. Holders should consult their own tax advisors with respect to their own particular circumstances.

**Gains on Disposition of Common Shares**

In general, a U.S. Holder will not be subject to tax under the Canadian Tax Act on capital gains arising on the disposition of such holder’s common shares unless the common shares are “taxable Canadian property” to the U.S. Holder and are not “treaty-protected property”.

As long as the common shares are then listed on a “designated stock exchange”, which currently includes the NYSE and TSX, the common shares generally will not constitute taxable Canadian property of a U.S. Holder, unless: (a) at any time during the 60-month period preceding the disposition, the U.S. Holder, persons not dealing at arm’s length with such U.S. Holder or the U.S. Holder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of the Company and more than 50% of the fair market value of the common shares was derived, directly or indirectly, from any combination of: (i) real or immovable property situated in Canada, (ii) “Canadian resource property” (as such term is defined in the Canadian Tax Act), (iii) “timber resource property” (as such term is defined in the Canadian Tax Act) or (iv) options in respect of, or interests in, or for civil law rights in, any such properties whether or not the property exists or the common shares are otherwise deemed to be taxable Canadian property.

Common shares will be treaty-protected property where the U.S. Holder is exempt from income tax under the Canadian Tax Act on the disposition of common shares because of the U.S. Treaty. Common shares owned by a U.S. Holder will generally be treaty-protected property where the value of the common shares is not derived principally from real property situated in Canada, as defined in the U.S. Treaty.

**Dividends on Common Shares**

Dividends paid or credited on the common shares or deemed to be paid or credited on the common shares to a U.S. Holder that is the beneficial owner of such dividends will generally be subject to non-resident withholding tax under the Canadian Tax Act and the U.S. Treaty at the rate of: (a) 5% of the amounts paid or credited if the U.S. Holder is a company that owns (or is deemed to own) at least 10% of our voting stock or (b) 15% of the amounts paid or credited in all other cases. The rate of withholding under the Canadian Tax Act in respect of dividends paid to non-residents of Canada is 25% where no tax treaty applies.

**Securities Authorized for Issuance under Equity Compensation Plans**

Information required under this Item will be included in our definitive proxy statement for the 2019 Annual Meeting of Shareholders expected to be filed with the SEC no later than 120 days after the end of the fiscal year covered by this Form 10-K (the “2019 Proxy Statement”), and such required information is incorporated herein by reference.

**Purchases of Equity Securities by the Company and Affiliated Purchases**

There were no purchases of equity securities by the Company during the fourth quarter of the year ended December 31, 2018.
Item 6. Selected Financial Data

The following tables of selected consolidated financial data of our Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The data is qualified by reference to, and should be read in conjunction with our audited Consolidated Financial Statements and related notes thereto prepared in accordance with U.S. GAAP. See Item 15 “Exhibits and Financial Statement Schedules” and the discussion in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” to this Form 10-K.

### (in millions, except per share data)

#### Consolidated operating data:

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</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$8,380</td>
<td>$8,724</td>
<td>$9,674</td>
<td>$10,447</td>
<td>$8,206</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>$(2,384)</td>
<td>$102</td>
<td>$(566)</td>
<td>$1,527</td>
<td>$2,001</td>
</tr>
<tr>
<td>Net (loss) income attributable to Bausch Health Companies Inc.</td>
<td>$(4,148)</td>
<td>$2,404</td>
<td>$(2,409)</td>
<td>$(292)</td>
<td>$881</td>
</tr>
<tr>
<td>(Loss) earnings per share attributable to Bausch Health Companies Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$(11.81)</td>
<td>$6.86</td>
<td>$(6.94)</td>
<td>$(0.85)</td>
<td>$2.63</td>
</tr>
<tr>
<td>Diluted</td>
<td>$(11.81)</td>
<td>$6.83</td>
<td>$(6.94)</td>
<td>$(0.85)</td>
<td>$2.58</td>
</tr>
<tr>
<td>Cash dividends declared per share</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
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#### At December 31,

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$721</td>
<td>$720</td>
<td>$542</td>
<td>$597</td>
<td>$323</td>
</tr>
<tr>
<td>Working capital</td>
<td>$375</td>
<td>$478</td>
<td>$1,468</td>
<td>$194</td>
<td>$1,423</td>
</tr>
<tr>
<td>Total assets</td>
<td>$32,492</td>
<td>$37,497</td>
<td>$43,529</td>
<td>$48,965</td>
<td>$26,305</td>
</tr>
<tr>
<td>Long-term debt, including current portion</td>
<td>$24,305</td>
<td>$25,444</td>
<td>$29,846</td>
<td>$31,088</td>
<td>$15,229</td>
</tr>
<tr>
<td>Common shares</td>
<td>$10,121</td>
<td>$10,090</td>
<td>$10,038</td>
<td>$9,897</td>
<td>$8,349</td>
</tr>
<tr>
<td>Bausch Health Companies Inc. shareholders’ equity</td>
<td>$2,733</td>
<td>$5,849</td>
<td>$3,152</td>
<td>$5,910</td>
<td>$5,279</td>
</tr>
<tr>
<td>Number of common shares issued and outstanding</td>
<td>349.9</td>
<td>348.7</td>
<td>347.8</td>
<td>342.9</td>
<td>334.4</td>
</tr>
</tbody>
</table>

The following are the significant items affecting the comparability of the selected financial information for the periods presented:

**Acquisitions** - The Company completed a series of mergers and acquisitions, the most significant, of which, were the acquisition of Amoun Pharmaceutical Company S.A.E. (October 19, 2015) and the acquisition of Salix Pharmaceuticals, Ltd. (the “Salix Acquisition”) (April 1, 2015). The assets, liabilities and results of operations of these and other acquisitions are included in the reported amounts effective upon the respective acquisition dates.

**Divestitures** - In order to better focus on our core businesses, we have divested businesses that were not considered core to our ongoing operations or the needs of our primary-customer base. The most significant of these divestitures included the divestitures of the Obagi Medical Products, Inc. business (November 9, 2017), the iNova Pharmaceuticals business (September 29, 2017), the Company's equity interest in Dendreon Pharmaceuticals LLC (June 28, 2017), the Company’s equity interests in Sprout Pharmaceuticals, Inc. (“Sprout”) (December 20, 2017) and the Company’s interests in the CeraVe®, AcneFree® and AMBI® skincare brands (March 3, 2017). The assets, liabilities and results of operations of these and other divestitures and discontinuances are included in the reported amounts through the date of the respective divestiture and discontinuance dates. See Note 4, "DIVESTITURES" to our audited Consolidated Financial Statements for additional information.

**Restructuring and Integration Costs** - In connection with certain acquisitions previously noted, the Company incurred cost-rationalization and integration initiatives in order to capture operating synergies, which generated cost savings across the Company. In 2018, 2017, 2016, 2015 and 2014, Restructuring and integration costs were $22 million, $52 million, $132 million, $362 million and $382 million, respectively. See Note 5, "RESTRUCTURING AND INTEGRATION COSTS" to our audited Consolidated Financial Statements for additional information.

**Goodwill Impairments** - In 2018, 2017, 2016, 2015 and 2014, Operating (loss) income included Goodwill impairments of $2,322 million, $312 million, $1,077 million, $0 and $0, respectively. These goodwill impairments were primarily the result of: (i) the adoption of new accounting guidance in 2018, (ii) revisions to forecasts to certain reporting units and (iii) realignments to our reporting units. See Note 9, "INTANGIBLE ASSETS AND GOODWILL" to our audited Consolidated Financial Statements for additional information.

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**Asset Impairments** - In 2018, 2017, 2016, 2015 and 2014, Operating (loss) income included Asset impairments of $568 million, $714 million, $422 million, $304 million and $145 million, respectively. These asset impairments were primarily attributable to: (i) assets being classified as held for sale and (ii) revisions in sales forecasts associated with discontinuances, generic competition and other market forces.

**Net Gains on Sales of Assets** - In 2017, Operating (loss) income included the net gains on sales of assets of $580 million related to the 2017 divestitures previously discussed. In 2014, Operating (loss) income included the net gains on sales of assets of $251 million, primarily driven by a $324 million gain related to the divestiture of facial aesthetic fillers and toxins.

**Benefit from Income Taxes** - In 2017, Net (loss) income attributable to Bausch Health Companies Inc. included non-cash deferred income tax benefits of approximately $4,145 million related to: (i) adjustments to previously recorded outside basis differences as a result of the Company’s internal corporate restructuring and (ii) the accounting for the U.S. Tax Cuts and Jobs Act of 2017.

**Debt Issuance, Refinancing, Interest Expense, and Loss on Extinguishment of Debt** - We completed a series of transactions which allowed us to obtain the necessary financing to fund the acquisitions previously discussed and refinance certain of our debt arrangements under our Senior Secured Credit Facilities and our Senior Unsecured Notes to extend the maturities of the refinanced debt. See Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements for additional information. These transactions impacted Net (loss) income attributable to Bausch Health Companies Inc. for the periods presented as follows:

- **Interest Expense** in 2018, 2017, 2016, 2015 and 2014 was $1,685 million, $1,840 million, $1,836 million, $1,563 million and $971 million, respectively. The increase in interest expense over the years 2014 through 2017 is reflective of the additional debt obtained to finance the acquisitions previously discussed and, to a lesser extent, increases in the stated rates of interest for our debt obligations. The decrease in interest expense in the year 2018 as compared to 2017 reflects: (i) lower principal amounts of outstanding debt as during 2017 and 2016 the Company repaid (net of additional borrowings) over $5,800 million of debt and (ii) lower amortization and write-offs of debt discounts and deferred financing costs.
- **Loss on extinguishment of debt** in 2018, 2017, 2016, 2015 and 2014 was $119 million, $122 million, $0, $20 million and $130 million, respectively, and was incurred in connection with the repayments and refinancing of our debt obligations.
- **Weighted average stated rate of interest** as of December 31, 2018, 2017, 2016, 2015 and 2014 was 6.23%, 6.07%, 5.75%, 5.10% and 5.20%, respectively.
INTRODUCTION

This “Management’s Discussion and Analysis of Financial Condition and Results of Operations” has been updated through February 20, 2019 and should be read in conjunction with the audited Consolidated Financial Statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K. Additional company information, including this Form 10-K, is available on SEDAR at www.sedar.com and on the U.S. Securities and Exchange Commission (the “SEC”) website at www.sec.gov. All currency amounts are expressed in U.S. dollars, unless otherwise noted.

OVERVIEW

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

We generated revenues for 2018, 2017 and 2016, of $8,380 million, $8,724 million and $9,674 million, respectively. Our portfolio of products falls into four operating and reportable segments: (i) Bausch + Lomb/International, (ii) Salix, (iii) Ortho Dermatologics and (iv) Diversified Products.

• The **Bausch + Lomb/International segment** consists of: (i) sales in the U.S. of pharmaceutical products, OTC products and medical device products, primarily comprised of Bausch + Lomb products, with a focus on the Vision Care, Surgical, Consumer and Ophthalmology Rx products and (ii) with the exception of sales of Solta products, sales in Canada, Europe, Asia, Australia, Latin America, Africa and the Middle East of branded pharmaceutical products, branded generic pharmaceutical products, OTC products, medical device products and Bausch + Lomb products.

• The **Salix segment** consists of sales in the U.S. of GI products.

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

• The **Diversified Products segment** consists of sales: (i) in the U.S. of pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) in the U.S. of generic products, (iii) in the U.S. of dentistry products and (iv) of certain other businesses divested during 2017 that were not core to the Company's operations, including the Company's equity interests in Dendreon Pharmaceuticals LLC (“Dendreon”) (June 28, 2017) and Sprout Pharmaceuticals, Inc. (“Sprout”) (December 20, 2017). As a result of the divestitures of Dendreon and Sprout, the Company exited the oncology and women's health businesses, respectively.

For additional discussion of our reportable segments, see the discussion in Item 1 "Business - Segment Information" and Note 22, "SEGMENT INFORMATION" to our audited Consolidated Financial Statements for further details on these reportable segments.

We have focused our research and development (“R&D”) to advance development programs that we believe will drive growth, while creating efficiencies in our R&D efforts and expenses. These R&D projects include certain products we have dubbed our "Significant Seven", which are products recently launched or expected to launch in the near future pending completion of testing and receipt of approval from the U.S. Food and Drug Administration (the “FDA”). These Significant Seven products are: (i) Bryhali™ (Ortho Dermatologics), (ii) Duobrii™ (provisional name) (Ortho Dermatologics), (iii) Lumify * (Bausch + Lomb), (iv) Relistor * (Salix), (v) SiHy Daily (Bausch + Lomb), (vi) Siliq™ (Ortho Dermatologics) and (vii) Vyzulta * (Bausch + Lomb). As outlined later in this discussion, although revenues associated with our Significant Seven products are currently not material, we believe the prospects for this group are substantial.

Our Transformation

In response to changing business dynamics within our Company, we recognized the need to change our focus in order to build a world-class health care organization. In 2016, we retained a new executive team which immediately implemented a multi-year plan to stabilize, turnaround and transform the Company. As we continue to work through our plan to build a world-class health care organization, the Company has made changes to its leadership, product focus, infrastructure, geographic footprint and capital structure. We outline some of these changes below.
We also evaluated our corporate name and searched for a name that we believe more accurately represents the full scope of the Company today as we continue to build an innovative company, striving to improve the health of patients globally. Therefore, effective July 13, 2018, the Company changed its corporate name from Valeant Pharmaceuticals International, Inc. to Bausch Health Companies Inc. We believe our new name more accurately represents the Company today and reflects our visions to build a world-class health care organization.

Stabilize

In 2016, the new executive team: (i) identified and retained a new leadership team, (ii) enhanced the Company's focus on core assets, which enabled the Company to recruit and retain stronger talent for its sales initiatives and (iii) realigned the Company’s operations to improve transparency and operational efficiency and better support the Company's sales force. Once in place, the new leadership team began executing on the turnaround phase of the multi-year action plan and delivering on commitments to narrow the Company's activities to our core businesses where we believe we have an existing and sustainable competitive edge and to identify opportunities to improve operational efficiencies and our capital structure.

Turnaround

Throughout 2017 and 2018, the Company has executed and continues to execute on its commitments to stabilize and turnaround our business. During this time, we believe we: (i) have better defined our core businesses, (ii) made measurable progress in improving our capital structure and (iii) have been aggressively addressing and resolving certain legacy matters to eliminate disruptions to our operations.

Focus on Core Businesses

As part of our turnaround, we narrowed our operating focus to our core businesses. We believe this strategy has reduced complexity in our operations and maximized the value of our eye-health, GI and dermatology businesses. In order to focus our efforts, we performed a review of our portfolio of assets within these core businesses to identify those products where we believe we have, and can maintain, a competitive advantage and we continue to define and shape our operations and business strategies around these assets.

Once we committed to our core businesses, we began analyzing the strategic alternatives for business units and assets that fall outside our definition of “core”. In order to focus on our objectives, we began divesting businesses and assets, which, in each case, were not aligned with our core business objectives. This not only allowed us to better focus our internal resources on our eye-health, GI and dermatology businesses, but also provided us with significant sources of capital, which we used to reduce our debt and improve our capital structure.

As a result of the focus on our core businesses and the divestitures of businesses not aligned with our core business objectives, and reduced sales of products in our Diversified Products segment due to the loss of exclusivity, a greater portion of our revenues are now driven by our core businesses. In 2018, 2017 and 2016, our Bausch + Lomb (eye-health), Salix (GI) and Ortho Dermatologics (dermatology) revenues collectively represented approximately 71%, 67% and 63% of our total revenues, respectively. The increase in this percentage over this period demonstrates our convictions in these businesses.

Begin Redirecting the Allocation of Capital to Drive Growth

The ranking of our business units during 2016 changed our view as to how to allocate capital across our activities. In support of our core activities, our leadership team aggressively reallocated resources to: (i) promote our core businesses, (ii) make strategic investments in our infrastructure and (iii) direct R&D to our eye-health, GI and dermatology businesses to drive growth organically. The outcome of this process allows us to better drive value in our product portfolio and generate operational efficiencies.

Promotion of our Core Businesses - To position the Company to drive the value of our core assets, we made a number of leadership changes and took steps to increase our promotional and sales force efforts, particularly in our GI business.

In support of our GI business, we initiated a significant sales force expansion program in December 2016 to reach potential primary care physician (“PCP”) prescribers of Xifaxan® for irritable bowel syndrome with diarrhea (“IBS-D”) and Relistor® tablets for opioid induced constipation (“OIC”). 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 PCPs. With approximately 70% of IBS-D patients initially presenting symptoms to a PCP, we believe that the dedicated PCP sales force is better positioned to reach more patients in need of IBS-D treatment. In addition, we have expanded our dedicated pain sales representatives to strengthen our position in the OIC market. The investment in these additional sales resources, including an increase in associated promotional costs, was in excess of $50 million during 2017; these investments were essential and strategic as they have allowed us to capitalize.
on the potential of our Xifaxan® and Relistor® franchises. Revenues from our Xifaxan® and Relistor® franchises increased approximately 22% and 37%, respectively, in 2018 when compared to 2017.

**Continued Investment in Emerging Markets** - In October 2018, we acquired the 40% minority interests of Medpharma Pharmaceutical and Chemical Industries LLC ("Medpharma") for $18 million, thereby completing the planned acquisition of this joint venture. Medpharma formulates, manufactures and distributes certain branded generic pharmaceuticals and non-patented generic pharmaceuticals for the Company and third parties. In 2014, we entered into the Medpharma joint venture to provide the Company with a presence in the United Arab Emirates ("UAE"). The completion of this acquisition provides us with full control over the business activities of Medpharma and allows us to wholly benefit from the allocation of additional Company resources and the growth, if any, in the UAE and the surrounding region.

**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 Greenville facility in South Carolina.

To meet the forecasted demand for our Biotrue® ONEday lenses, in July 2017, we placed into service a $175 million multi-year strategic expansion project of the Waterford facility. The emphasis of the expansion project was to: (i) develop new technology to manufacture, automatically inspect and package contact lenses, (ii) bring that technology to full validation and (iii) increase the size of the Waterford facility. As a result of the increased production capacity and in support of our core eye-health business, we added approximately 300 production employees since the project’s inception, bringing total headcount to approximately 1,350 employees, and succeeded in increasing production, which in 2017 was over 30% higher than it was in 2015 at the facility. We continue to invest in this facility, spending approximately $5 million during 2018 and budgeting an additional $16 million through June 2020.

In order to address the expected global demand for our Bausch + Lomb ULTRA® contact lens, in December 2017, we completed a multi-year, $200 million strategic upgrade to our Rochester facility. The upgrade increased production capacity in support of our Bausch + Lomb Ultra® and SiHy Daily AQUALOX™ product lines and better supports the production of other well established contact lenses such as our PureVision® , PureVision® 2 (SVS, Toric, and Multifocal), SoLentis® 38 and SilSoft®. In connection with the increased production capacity, we added approximately 120 production employees since the project’s inception, bringing total headcount to approximately 1,000 employees, and continue to make investments to enhance our production technologies and capacity at the facility. These enhancements to our production technologies and capacity led, in part, to the validation of SiHy Daily production at the Rochester facility and the successful launch of SiHy Daily AQUALOX™ lenses in Japan in September 2018.

Additionally, in November 2018, we announced strategic expansion projects that will add multiple production lines to our Waterford and Rochester facilities in order to support our strategic investments in eye-health and meet the anticipated global demand for our SiHy Daily contact lenses, one of our Significant Seven products. These expansion projects are expected to be completed in 2022 and increase our combined headcount at these sites by more than 200 employees.

To support the growth of our Biotrue® lens care product lines, in May 2018, we placed into service a new production line in our Bausch + Lomb Greenville, South Carolina manufacturing facility, where we produce a substantial portion of our lens care product lines. The new production line has been validated to produce contact lens solutions for our Biotrue®, Renu® and Sensitive Eyes® brands and replaces one of the facility’s original 1983 production lines that had limitations in product configurations. Planned and in development for more than two years, the new production line cost $25 million, has a capacity ranging between 40 million and 50 million bottles annually and is expected to generate additional sustainable operational efficiencies through 2019.

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

**Direct R&D Investment to our Bausch + Lomb, GI and Dermatology Businesses to Drive Growth** - Our R&D organization focuses on the development of products through clinical trials. As of December 31, 2018, approximately 1,200 dedicated R&D and quality assurance employees in 23 R&D facilities were involved in our R&D efforts.

Our R&D expenses for 2018, 2017 and 2016, were $413 million, $361 million and $421 million, respectively, and was approximately 5% as a percentage of revenue for 2018 as opposed to approximately 4% for 2017 and 4% for 2016. As part of our turnaround, we removed projects related to divested businesses and rebalanced our portfolio to better align with our long-term plans and focus on core businesses. Our investment in R&D reflects our commitment to drive organic growth through internal development of new products, a pillar of our new strategy. We have over 250 projects in our global pipeline and anticipate submitting approximately 120 of those projects for regulatory approval in 2019 and 2020.
Core assets that have received a significant portion of our R&D investment in current and prior periods are listed below.

- **Dermatology - Duobrii™** (provisional name), under development as Internal Development Project ("IDP") 118, is the first and only topical lotion that contains a unique combination of halobetasol propionate and tazarotene for the treatment of moderate-to-severe plaque psoriasis in adults. Halobetasol propionate and tazarotene are each approved to treat plaque psoriasis when used separately, but are limited in duration of use. Halobetasol propionate may be used for up to two weeks and tazarotene may be limited due to irritation. Based on existing data from clinical studies, the combination of these ingredients in Duobrii™ (provisional name) with a dual mechanism of action, potentially allows for expanded duration of use, with reduced adverse events. On June 18, 2018, we announced that we received a Complete Response Letter ("CRL") from the FDA to our New Drug Application ("NDA") for Duobrii™ (provisional name). The CRL did not specify any deficiencies related to the clinical efficacy or safety of Duobrii™ (provisional name) and did not identify issues with our Chemistry, Manufacturing and Controls processes. The CRL only noted questions regarding pharmacokinetic data. Working to resolve this matter expeditiously, we met with the FDA to understand the additional data requirements. We resubmitted our NDA, and on August 29, 2018, we announced that the FDA accepted the application as a Class 2 resubmission, with a Prescription Drug User Fee Act ("PDUFA") action date of February 15, 2019. On February 15, 2019 we announced that the FDA is still finalizing its review and would be unable to meet the PDUFA action date. We expect a decision from the FDA in the near future.

- **Dermatology - Bryhali™** is a novel product that contains a unique, lower concentration of halobetasol propionate for the treatment of moderate-to-severe psoriasis which is FDA approved for 8 weeks of use. The FDA has previously approved halobetasol propionate to treat plaque psoriasis, but limited in duration of use. We launched Bryhali™ in November 2018.

- **Dermatology - We are planning to expand the indication for Bryhali™ (halobetasol propionate lotion 0.01%) from plaque psoriasis to corticosteroid responsive dermatoses (IDP-133). A Phase 3 study is planned to start in the second half of 2019.**

- **Dermatology - IDP-131 is a new chemical entity, KP-470, for the topical treatment of psoriasis. On February 27, 2018, we announced that we entered into an exclusive license agreement with Kaken Pharmaceutical Co., Ltd. to develop and commercialize the compound. Early proof of concept studies are planned for the first half of 2019. If approved by the FDA, KP-470 could represent a novel drug with an alternative mechanism of action in the topical treatment of psoriasis.**

- **Bausch + Lomb - Bausch + Lomb ULTRA ® for Astigmatism is a monthly planned replacement contact lens for astigmatic patients. The Bausch + Lomb ULTRA ® for Astigmatism lens was developed using the proprietary MoistureSeal ® technology. In addition, the Bausch + Lomb ULTRA ® for Astigmatism lens integrates an OpticAlign ® design engineered for lens stability and to promote a successful wearing experience for the astigmatic patient. In 2017, we launched this product and the extended power range for this product. In 2018, we launched the Bausch + Lomb ULTRA ® for Astigmatism -2.75 cylinder expanded SKU range.**

- **Dermatology - On July 27, 2017, we launched Siliq™ in the U.S. Siliq™ is an IL-17 receptor blocker monoclonal antibody biologic for treatment of moderate-to-severe plaque psoriasis, which we estimate to be an over $5,000 million market in the U.S. The FDA approved the Biologics License Application for Siliq™ injection for subcutaneous use for the treatment of moderate-to-severe plaque psoriasis in adult patients who are candidates for systemic therapy or phototherapy and have failed to respond or have lost response to other systemic therapies. Siliq™ has a Black Box Warning for the risks in patients with a history of suicidal thoughts or behavior and was approved with a Risk Evaluation and Mitigation Strategy involving a one-time enrollment for physicians and one-time informed consent for patients.**

- **Bausch + Lomb - Vyzulta ® (latanoprostene bunod ophthalmic solution, 0.024%) is an intraocular pressure lowering single-agent eye drop dosed once daily for patients with open angle glaucoma or ocular hypertension and was launched in December 2017.**

- **Bausch + Lomb - SiHy Daily AQUALOX ™ is a silicone hydrogel daily disposable contact lens designed to provide clear vision throughout the day. Product validation was completed in June 2018 and SiHy Daily AQUALOX ™ was launched in Japan in September 2018.**

- **Dermatology - IDP-126 is an acne product with a fixed combination of benzoyl peroxide, clindamycin phosphate and adapalene, currently in Phase 2 testing.**

- **Bausch + Lomb - Lumify ® (brimonidine tartrate ophthalmic solution, 0.025%) is an OTC eye drop developed as an ocular redness reliever. Lumify ® was approved by the FDA in December 2017 and launched in May 2018.**
• Gastrointestinal - We have initiated a Phase 2 study for the treatment of overt hepatic encephalopathy with a new formulation of rifaximin, which we acquired as part of our acquisition of Salix Pharmaceuticals, Ltd. in April 2015 (the “Salix Acquisition”). We are also planning to use this same formulation of rifaximin in a Phase 2 study for the treatment of small intestinal bacterial overgrowth or SIBO. That study is scheduled to start in the second half of 2019.

• Gastrointestinal - We plan to initiate a Phase 3 study for the treatment of postoperative Crohn’s disease using a novel rifaximin extended release formulation. The study is scheduled to start in the first half of 2019.

• Gastrointestinal - We plan to initiate a Phase 2 study evaluating Xifaxan ® 550mg tablets for the prevention of complications of decompensation cirrhosis. The study is scheduled to start in the first half of 2019.

• Dermatology - On August 23, 2018, the FDA approved Altrenô™ (tretinoin 0.05%) lotion, indicated for the topical treatment of acne vulgaris in patients 9 years of age and older. Altrenô™ is the first tretinoin formulation in a lotion, approved for patients 9 years of age and older. We launched Altrenô™ in the U.S. in October 2018.

• Dermatology - IDP-120 is an acne product with a fixed combination of mutually incompatible ingredients; benzoyl peroxide and tretinoin. Phase 3 clinical studies are ongoing.

• Dermatology - IDP-123 is an acne product containing lower concentration of tazarotene in a lotion form to help reduce irritation while maintaining efficacy. We have completed Phase 3 testing and plan to file an NDA with the FDA in the first half of 2019.

• Dermatology - IDP-124 is a topical lotion product designed to treat moderate to severe atopic dermatitis, with pimecrolimus, currently in Phase 3 testing.

• Dermatology - IDP-135 is a topical retinoid product in development. We are seeking guidance from the FDA to develop this product for OTC use for the treatment of acne. The guidance meeting is targeted for the first half of 2019.

• Gastrointestinal - On September 11, 2018, we announced the launch of Plenvu ® in the U.S. We license Plenvu ® from Norgine B.V. Plenvu ® is a novel, lower-volume polyethylene glycol-based bowel preparation developed to help provide complete bowel cleansing, with an additional focus on the ascending colon.

• Bausch + Lomb - In April 2017, we launched our Stellaris Elite™ Vision Enhancement System. The Stellaris Elite™ Vision Enhancement System is our next generation phacoemulsification cataract platform, which offers new innovations, as well as the opportunity to add upgrades and enhancements every one to two years. Stellaris Elite™ is the first phacoemulsification platform on the market to offer Adaptive Fluidics™, which combines aspiration control with predictive infusion management to create a responsive and controlled surgical environment for efficient cataract lens removal.

• Bausch + Lomb - Vitesse ® is a hypersonic vitrectomy system for the removal of the vitreous humor gel that fills the eye cavity to provide better access to the retina and allows for a variety of repairs, including the removal of scar tissue, laser repair of retinal detachments and treatment of macular holes. Available exclusively on the Stellaris Elite™ system, Vitesse ® liquefies tissue in a highly-localized zone at the edge of the port to increase the level of surgical control and precision to vitrectomies. We launched this product on a limited basis in October 2017.

• Dermatology - Next Generation Thermage FLX ® is a fourth-generation non-invasive treatment option using a radiofrequency platform designed to optimize key functional characteristics and improve patient outcomes. On September 22, 2017, we received 510(k) clearance from the FDA and launched this product in the United States. During 2018, Next Generation Thermage FLX ® was launched in Hong Kong, Japan, Korea, China, Thailand, Vietnam, and Australia as part of our Solta medical aesthetic devices portfolio.

• Bausch + Lomb - On May 1, 2018, we received Premarket Approval from the FDA for, and subsequently launched, 7-day extended wear for our Bausch + Lomb ULTRA ® monthly planned replacement contact lenses.

• Bausch + Lomb - Bausch + Lomb ULTRA ® for Presbyopia is a monthly planned replacement contact lens for presbyopic patients. The Bausch + Lomb ULTRA ® for Presbyopia lens was developed using the proprietary MoistureSeal ® technology. In addition, the Bausch + Lomb ULTRA ® for Presbyopia lens integrates a 3 zone progressive design for near, intermediate and distance vision. We launched expanded parameters of this product throughout 2017.

• Bausch + Lomb - Biotrue ® ONEday for Astigmatism is a daily disposable contact lens for astigmatic patients. The Biotrue ® ONEday lenses incorporate 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 in 2017. During 2018, we launched a further extended power range for this product.

• Bausch + Lomb - We are developing a new Ophthalmic Viscosurgical Device product, with a formulation to protect corneal endothelium during phacoemulsification process during a cataract surgery and to help chamber maintenance and lubrication during interocular lens delivery. In April 2018, we initiated an investigative device exemption (“IDE”) study for this product and completed enrollment in December 2018.

• Dermatology - Traser™ is an energy-based platform device with significant versatility and power capabilities to address various dermatological conditions, including vascular and pigmented lesions. We are planning to launch this product in the second half of 2022 as part of our Solta business.

• Bausch + Lomb - Loteprednol Gel 0.38% is a new formulation for the treatment of post-operative ocular inflammation and pain. The FDA has accepted for review our NDA for Loteprednol Gel 0.38% and set a PDUFA action date of February 25, 2019. If approved, the product would be the lowest concentrated loteprednol ophthalmic corticosteroid indicated for the treatment of post-operative inflammation and pain following ocular surgery in the U.S.

• Bausch + Lomb - enVista ® Trifocal intraocular lens is an innovative lens design, for which we have initiated an IDE study for this product in May 2018.

• Bausch + Lomb - enVista ® Toric intraocular lens received FDA approval in June 2018 and was launched in July 2018.

• Bausch + Lomb - We are developing a preloaded intraocular lens injector platform for enVista intracocular lenses. The Premarket Approval application was submitted to the FDA in July 2018.

• Bausch + Lomb - An ULTRA ® Multifocal for Astigmatism lens combining the benefits of our ULTRA ® for Presbyopia design with our ULTRA ® for Astigmatism OpticAlign™ design engineered for lens stability for presbyopic/astigmatic patients. We received FDA approval for this product in November 2018.

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

• Bausch + Lomb - Custom soft contact lens (Ultra buttons) is a latheable silicone hydrogel button for custom soft specialty lenses including; Sphere, Toric, Multifocal, Toric Multifocal and irregular corneas. FDA approval is expected in May 2020.

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

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

*Improve Capital Structure*

We have made measurable progress in improving our capital structure by: (i) reducing our debt through repayments and (ii) extending the maturities of debt through refinancing. Using the net cash proceeds from divestitures of non-core assets, cash generated from operations and cash generated from tighter working capital management, we repaid (net of additional borrowings) over $6,800 million of long-term debt since the beginning of 2016, in the aggregate.

*Divestitures* - During 2017, we divested businesses and assets not aligned with our core business objectives, which simplified our operating model and generated over $3,200 million of net cash proceeds that we used to improve our capital structure, the most significant of which were the divestitures of the Company's interests in the CeraVe ®, AcneFree ™ and AMBI ® skincare brands (the "Skincare Sale") (March 3, 2017), the iNova Pharmaceuticals business (the "iNova Sale") (September 29, 2017), the Company's equity interest in Dendreon Pharmaceuticals LLC (the "Dendreon Sale") (June 28, 2017) and the Obagi Medical Products, Inc. business (the "Obagi Sale") (November 9, 2017).
**Debt Repayments** - During 2017 and 2016, we repaid (net of additional borrowings) over $5,800 million of long-term debt using the net cash proceeds from divestitures of non-core assets, cash generated from operations and cash generated from tighter working capital management. During 2018, we repaid: (i) $206 million of our Series F Tranche B Term Loan Facility, (ii) $200 million of our 5.625% Senior Unsecured Notes due 2021 (the "December 2021 Unsecured Notes"), (iii) $171 million of our June 2025 Term Loan B Facility (as defined below), (iv) $125 million of our 7.50% Senior Unsecured Notes due 2021 (the "July 2021 Unsecured Notes"), (v) $104 million of our 6.375% October 2020 Unsecured Notes (the "6.375% October 2020 Unsecured Notes"), (vi) the remaining $71 million of outstanding principal amount of our 7.00% Senior Unsecured Notes Due 2020, (vii) $19 million of our November 2025 Term Loan B Facility (as defined below) and (viii) $175 million (net of additional borrowings) of amounts outstanding under our revolving credit facilities. These repayments during 2018 were funded with cash on hand and reduced our outstanding debt obligations by more than $1,000 million.

**2017 Transactions** - In March, October, November and December of 2017, we accessed the credit markets and completed a series of transactions, whereby we extended over $9,500 million in aggregate maturities of certain debt obligations due to mature in April 2018 through April 2022, out to March 2022 through December 2025. As part of these transactions we also extended commitments under our revolving credit facility, originally set to expire in April 2018, out to April 2020. The impacts of these transactions were discussed in prior filings and are fully disclosed in Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements.

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

On March 26, 2018, Bausch Health Americas, Inc. (“BHA”) (formerly Valeant Pharmaceuticals International) issued $1,500 million aggregate principal amount of 9.25% Senior Unsecured Notes due April 2026 (the “April 2026 Unsecured Notes”) in a private placement, the net proceeds of which, along with cash on hand, were used to repurchase $1,500 million in aggregate principal amount of unsecured notes which consisted of: (i) $1,017 million of our 5.375% Senior Unsecured Notes due March 2020 (the “March 2020 Unsecured Notes”), (ii) $411 million of our 6.375% October 2020 Unsecured Notes and (iii) $72 million of our 6.75% Senior Unsecured Notes due 2021 (the “August 2021 Unsecured Notes”) (collectively, the “March 2018 Refinancing Transactions”). All fees and expenses associated with these transactions were paid with cash on hand.

On June 1, 2018, the Company entered into a Restatement Agreement in respect of a Fourth Amended and Restated Credit and Guaranty Agreement (the “Restated Credit Agreement”). The Restated Credit Agreement amended and restated in full the Third Amended Credit Agreement (as defined below). The Restated Credit Agreement: (i) replaced our revolving credit facility of $1,250 million due in April 2020 with the 2023 Revolving Credit Facility of $1,225 million and (ii) replaced the Series F Tranche B Term Loan Facility principal amount outstanding of $3,315 million with the seven year Tranche B Term Loan Facility of $4,565 million (the “June 2025 Term Loan B Facility”) borrowed by BHA.

In June 2018, using the net proceeds from the June 2025 Term Loan B Facility, the net proceeds from the issuance of $750 million in aggregate principal amount of 8.50% Senior Unsecured Notes due January 2027 (the “January 2027 Unsecured Notes”) by BHA and cash on hand, the Company prepaid the remaining outstanding principal amounts of: (i) $691 million of the March 2020 Unsecured Notes, (ii) $578 million of the August 2021 Unsecured Notes, (iii) $550 million of the 7.25% Senior Unsecured Notes due July 2022 (the “July 2022 Unsecured Notes”) and (iv) $146 million of the 6.375% October 2020 Unsecured Notes (collectively, the 6.375% October 2020 Unsecured Notes, March 2020 Unsecured Notes, August 2021 Unsecured Notes and July 2022 Unsecured Notes, being the “June 2018 Unsecured Refinanced Debt”).

On November 27, 2018, the Company entered into the First Incremental Amendment to the Restated Credit Agreement which provided an additional seven year Tranche B Term Loan Facility of $1,500 million (the "November 2025 Term Loan B Facility"). The net proceeds and cash on hand were used to repurchase $1,483 million in aggregate principal amount of the July 2021 Unsecured Notes in a tender offer. On December 27, 2018, the Company redeemed the remaining outstanding principal amount of $17 million of the July 2021 Unsecured Notes using cash on hand.
As a result of prepayments and a series of refinancing transactions during 2018, we have extended the maturities of a substantial portion of our long-term debt, providing us with additional liquidity and greater flexibility to execute our business plans. The table below summarizes our debt portfolio as of December 31, 2018 and 2017.

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th></th>
<th></th>
<th></th>
<th>2017</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Maturity</td>
<td>Principal Amount</td>
<td>Net of Discounts and Issuance Costs</td>
<td></td>
<td>Principal Amount</td>
<td>Net of Discounts and Issuance Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Secured Credit Facilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Revolving Credit Facilities</td>
<td>June 2023</td>
<td>$75</td>
<td>$75</td>
<td></td>
<td></td>
<td>$250</td>
<td>$250</td>
<td></td>
</tr>
<tr>
<td>Series F Tranche B Term Loan Facility</td>
<td>April 2022</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td>3,521</td>
<td>3,420</td>
<td></td>
</tr>
<tr>
<td>June 2025 Term Loan B Facility</td>
<td>June 2025</td>
<td>4,394</td>
<td>4,269</td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>November 2025 Term Loan B Facility</td>
<td>November 2025</td>
<td>1,481</td>
<td>1,456</td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Senior Secured Notes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.50% Secured Notes</td>
<td>March 2022</td>
<td>1,250</td>
<td>1,239</td>
<td>1,250</td>
<td>1,235</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.00% Secured Notes</td>
<td>March 2024</td>
<td>2,000</td>
<td>1,979</td>
<td>2,000</td>
<td>1,975</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.50% Secured Notes</td>
<td>November 2025</td>
<td>1,750</td>
<td>1,730</td>
<td>1,750</td>
<td>1,729</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Senior Unsecured Notes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.375%</td>
<td>March 2020</td>
<td>—</td>
<td>—</td>
<td>1,708</td>
<td>1,699</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.00%</td>
<td>October 2020</td>
<td>—</td>
<td>—</td>
<td>71</td>
<td>71</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.375%</td>
<td>October 2020</td>
<td>—</td>
<td>—</td>
<td>661</td>
<td>656</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.50%</td>
<td>July 2021</td>
<td>—</td>
<td>—</td>
<td>1,625</td>
<td>1,615</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.75%</td>
<td>August 2021</td>
<td>—</td>
<td>—</td>
<td>650</td>
<td>648</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.625%</td>
<td>December 2021</td>
<td>700</td>
<td>697</td>
<td>900</td>
<td>896</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.25%</td>
<td>July 2022</td>
<td>—</td>
<td>—</td>
<td>550</td>
<td>545</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.25%</td>
<td>April 2026</td>
<td>1,500</td>
<td>1,482</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.50%</td>
<td>January 2027</td>
<td>750</td>
<td>738</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other Senior Unsecured Notes</td>
<td>December 2025 through March 2023</td>
<td>10,720</td>
<td>10,628</td>
<td>10,801</td>
<td>10,690</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Various</td>
<td>12</td>
<td>12</td>
<td>15</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total long-term debt and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$24,632</td>
<td>$24,305</td>
<td>$25,752</td>
<td>$25,444</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The weighted average stated interest rate of the Company's outstanding debt as of December 31, 2018 and 2017 was 6.23% and 6.07%, respectively.

The aforementioned repayments and refinancings have also had an impact on our cash requirements for principal debt repayment over the next five years. The scheduled principal repayments of our debt obligations as of December 31, 2018 as compared with December 31, 2017 were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$</td>
<td>209</td>
</tr>
<tr>
<td>2019</td>
<td>228</td>
<td>—</td>
</tr>
<tr>
<td>2020</td>
<td>303</td>
<td>2,690</td>
</tr>
<tr>
<td>2021</td>
<td>1,003</td>
<td>3,175</td>
</tr>
<tr>
<td>2022</td>
<td>1,553</td>
<td>5,115</td>
</tr>
<tr>
<td>2023</td>
<td>6,348</td>
<td>6,051</td>
</tr>
<tr>
<td>Thereafter</td>
<td>15,197</td>
<td>8,512</td>
</tr>
<tr>
<td></td>
<td>$24,632</td>
<td>$25,752</td>
</tr>
</tbody>
</table>

See Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements for further details 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.”
The Company was burdened with addressing certain ongoing legal matters, some of which were inherited as part of the acquisitions we completed in 2015 and prior. In order to better focus on our core activities and simplify our operations, we have been vigorously addressing many of these matters, and, during 2018, we achieved dismissals and other positive outcomes in approximately 70 litigations, disputes and investigations, as we continue to actively address others. This included: (i) a win in the Cosmo (Uceris®) arbitration, (ii) a partial win in the Relistor® (injectable) ANDA case on validity in the Company’s favor protecting the product to at least April 2024, (iii) a settlement resolving the Solodyn® antitrust litigations, (iv) a settlement with the California Department of Insurance to resolve the matter relating to our terminated relationship with Philidor, (v) a settlement on the Mimetogen litigation, (vi) a settlement in the Allergan litigation, (vii) a settlement in the Xifaxan® patent litigation, (viii) a settlement with the SEC relating to the Salix investigation of 2014 with no monetary penalty against the Company or Salix Ltd. and (ix) a settlement in the Arbitration with Alfasigma S.p.A.

The significant matters are discussed in detail in Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements and include:

**Uceris® Arbitration** - Beginning in December 2016, we were involved in an arbitration respecting our Uceris® extended release tablets, which had been commenced by Cosmo Technologies Ltd. and Cosmo Technologies III Ltd. (collectively, “Cosmo”), the licensor of certain intellectual property rights in, and supplier of, that Uceris® product. In the arbitration, Cosmo alleged breach of contract with respect to certain terms of the license agreement and sought a declaration that both the license agreement and a supply agreement had been terminated. On April 12, 2018, the Arbitral Tribunal issued a ruling rejecting Cosmo’s claims; accordingly, both the license agreement and supply agreement remain in effect. Additionally, the Arbitral Tribunal ordered Cosmo to pay the entirety of the Company’s legal costs of approximately $3 million, which Cosmo has paid. The parties subsequently informed the Tribunal and the International Chamber of Commerce (“ICC”) that the remaining issues in the arbitration have been resolved, and, accordingly, the case has been dismissed.

**Solodyn® Antitrust Class Actions** - Beginning in July 2013, we were named as co-defendants in a number of civil antitrust class action suits alleging that the defendants engaged in an anticompetitive scheme to exclude competition from the market for minocycline hydrochloride extended release tablets, a prescription drug for the treatment of acne marketed by our subsidiary, Medicis Pharmaceutical Corporation, under the brand name Solodyn®. The plaintiffs sought declaratory and injunctive relief and, where applicable, treble, multiple, punitive and/or other damages, including attorneys’ fees. In February 2018, we agreed to resolve the class action litigation with the End-Payor and Direct Purchaser classes for an amount of $58 million and have resolved related litigation with opt-out retailers for additional consideration. On July 18, 2018, the Court granted approval of these settlements with the End-Payor and Direct Purchaser classes. All amounts in settlement of these matters were paid during the first quarter of 2018.

**Investigation by the California Department of Insurance** - On or about September 16, 2016, the Company received an investigative subpoena from the California Department of Insurance. The materials requested include documents concerning the Company’s former relationship with Philidor and certain California-based pharmacies, the marketing and distribution of its products in California, the billing of insurers for its products being used by California residents, and other matters. On May 1, 2018, the Company and the California Department of Insurance signed an agreement to resolve this investigation, with the Company making a payment to the California Department of Insurance in the amount of approximately $2 million, with no admission of facts or liability by the Company.

**Allergan Litigation** - On December 28, 2017, all parties agreed to settle the Allergan shareholder class actions for a total of $290 million. The complaints had asserted violations of Section 14(e) of the Exchange Act and rules promulgated by the SEC thereunder and Section 20A of the Exchange Act by the Company and the other defendants, as well as violations of Section 20(a) of the Exchange Act by certain defendants, and had sought, among other relief, money damages, equitable relief, and attorneys’ fees and costs. The settlement was approved by the Court in a hearing held June 12, 2018. Under the terms of the settlement, the Company is responsible for paying $96 million, or 33% of the settlement amount. We made this payment in January 2018. We are pursuing recovery of the settlement amount and the costs of defense under our insurance policies, although recovery is not assured.

**Xifaxan® Patent Litigation** - The Company initiated litigation alleging infringement by Actavis Laboratories FL, Inc. (“Actavis”) which filed an ANDA for a generic version of the Company’s Xifaxan® (rifaximin) 550 mg tablets. In February 2016, the Company received a Notice of Paragraph IV Certification Actavis, in which Actavis asserted that certain U.S. patents, owned or licensed by certain subsidiaries of the Company for Xifaxan® 550 mg tablets, were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of Actavis’ generic version of Xifaxan® (rifaximin) 550 mg tablets, for which it filed an ANDA. On March 23, 2016, the Company initiated litigation against 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 agreed to resolve all outstanding intellectual property litigation regarding Actavis’ ANDA. The parties have agreed to dismiss all litigation related to Xifaxan®, and all intellectual property protecting Xifaxan® will remain intact and enforceable. We will not make any financial payments or other transfers of value as part of the agreement and Actavis acknowledges the validity of the Xifaxan® patents. In addition, under the terms of the agreement, beginning January 1, 2028, 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.

Salix SEC Investigation - In the fourth quarter of 2014, the SEC commenced a formal investigation into alleged securities law violations by Salix Ltd. The investigation related to certain disclosures made prior to the Salix Acquisition by Salix Ltd. and its then-chief financial officer relating to the amounts of Salix Ltd. drugs held in inventory by certain wholesaler customers. On September 28, 2018, we reached a settlement of the relevant charges with the SEC, which remains subject to approval by the U.S. District Court for the Southern District of New York. Salix Ltd. did not admit or deny the SEC’s allegations. No monetary penalty against the Company or Salix Ltd. was assessed by the terms of the settlement. As a result, we recorded a favorable adjustment of $40 million reflecting the reversal of the contingent liability assumed in connection with the Salix Acquisition.

Arbitration with Alfasigma S.p.A. ("Alfasigma") - In July 2016, Alfasigma commenced arbitration against the Company and its subsidiary, Salix Inc., pursuant to which Alfasigma made certain allegations respecting a development project for a formulation of the rifaximin compound that was being conducted under the terms of the Amended and Restated License Agreement between Alfasigma and Salix Inc. On October 25, 2018, Alfasigma, the Company and Salix Inc. entered into a settlement agreement, pursuant to which the parties released each other from all of the claims raised in the arbitration. In connection with the settlement, the parties requested a dismissal of the arbitration on a with prejudice basis, which the ICC has granted.

Address 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 FDA. In 2016, FDA inspections of our Rochester, New York and Tampa, Florida facilities resulted in observations that we needed to address as we disclosed in previous filings. As we disclosed in previous filings, in 2017, we resolved these matters with the FDA. Following the resolution of these matters and the completion of U.S. FDA inspections of our other facilities going back to February 2017, all of our facilities were in good compliance standing with the FDA.

In August 2018, the FDA conducted its annual inspection of the Tampa Florida facility. The FDA inspection resulted in an Official Action Indicated ("OAI") of the Goods Manufacturing Practices ("GMP") of our Tampa Florida facility. The findings of this inspection does not impact our ability to manufacture and deliver products to the U.S. and approved foreign markets. Following the inspection, we provided the FDA with a comprehensive response which was accepted by the FDA. On December 17, 2018 we met with the FDA at which time the FDA pledged to work with us to expedite the reversal of the OAI status to Voluntary Action Indicated ("VAI") status or better. The FDA completed the verification of actions promised in our responses during a re-inspection of the Tampa Florida facility during the period January 22, 2019 through January 30, 2019. The inspection was closed successfully without any observation. We expect the FDA to revert the OAI compliance status of the Tampa Florida facility to VAI or better imminently.

As of the date of this filing, with the exception of the Tampa Florida facility, all of our facilities are rated as either No Action Indicated (or NAH, where there was no Form 483 observation) or VAI (where there was a Form 483 with one or more observations). In the case of the VAI inspection outcome, the FDA has accepted our responses to the issues cited in the Form 483, which will be verified when the agency makes its next inspection of those specific facilities. (A Form 483 is issued at the end of each inspection when FDA investigators have observed any condition that in their judgment may constitute violations of CGMP.)

Patient Access and Pricing Committee and New Pricing Actions

Improving patient access to our products, as well as making them more affordable, is an important element of our turnaround. In May 2016, we formed the Patient Access and Pricing Committee responsible for setting, changing and monitoring the pricing of our branded products to ensure launch prices and price changes are assessed and implemented across channels with a focus on patient accessibility and affordability while maintaining profitability. Since that time, the Patient Access and Pricing Committee has been committed to limiting the average annual price increase for our branded prescription pharmaceutical products to no greater than single digits and reaffirmed this commitment for 2019. We expect that the Patient Access and Pricing Committee will continue to implement or recommend additional price changes and/or new programs in line with this commitment to enhance patient access to our drugs. These pricing changes and programs could affect the average realized pricing for our products and may have a significant impact on our revenue trends.

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Walgreens Fulfillment Arrangements

In the beginning of 2016, we launched a brand fulfillment arrangement with Walgreen Co. ("Walgreens") and extended these programs to additional participating independent retail pharmacies. Under the terms of the brand fulfillment arrangement, we made available certain of our products to eligible patients through a patient access and co-pay program available at Walgreens U.S. retail pharmacy locations, as well as participating independent retail pharmacies. The program under this 20-year agreement initially covers certain of our dermatology products, including Jublia®, Luzu®, Solodyn®, Retin-A Micro® Gel 0.08% and 0.06%, Onexton® and Acanya® Gel, certain of our ophthalmology products, including Vyzulta®, Besivance®, Lotemax®, Alrex®, Prolensa®, Bepreve® and Zylet®. The Company continues to explore options to modify the Walgreens arrangement to improve the distribution and sales of our products.

Transform

With our business objectives now set and our leadership team in place, we have begun to move toward our transformation.

Increase the Focus of our Pipeline

We are constantly challenged by the dynamics of our industry to innovate and bring new products to market. Now that we have divested certain businesses where we saw limited growth opportunities, we can be more aggressive in redirecting our R&D spend and other corporate investments narrowly focused 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, the success of our transformation 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.

During 2018, we launched and/or relaunched innovative products, across multiple countries that contributed to organic growth in most of our core businesses and we currently have over 250 R&D projects in our global pipeline. These products and R&D projects include the products we have dubbed our "Significant Seven", which were products recently launched or which we expect to launch pending completion of testing and receipt of approval from the FDA. These Significant Seven products are: (i) Bryhali™ (Ortho Dermatologics), (ii) Duobrii™ (provisional name) (Ortho Dermatologics), (iii) Lumify® (Bausch + Lomb), (iv) Relistor® (Salix), (v) SiHy Daily (Bausch + Lomb), (vi) Siliq™ (Ortho Dermatologics) and (vii) Vyzulta® (Bausch + Lomb). Descriptions of these products and relevant launch dates and/or stages of testing were previously discussed. Revenues for our Significant Seven were greater than $150 million and approximately $75 million in 2018 and 2017, respectively; however, we believe the prospects for this group of products to be substantial and anticipate devoting significant marketing efforts toward their promotion. We believe that the strength of these launches and the impact of these products on their respective markets will demonstrate the effectiveness of our pipeline and R&D strategies and inspire further innovation in our businesses.

Leveraging our Salix Brands

As previously discussed, in December 2016, we initiated a significant GI sales force expansion program in support of our Xifaxan® for IBS-D and Relistor® tablets for OIC products. This initiative provided us with positive results, as we experienced consistent growth in demand for these products throughout the balance of 2017 and 2018. Revenues from our Xifaxan® and Relistor® franchises increased approximately 22% and 37%, respectively, in 2018 when compared to 2017. These results encouraged us to seek out ways to bring further value through leveraging our existing sales force and in the second half of 2018, we identified certain opportunities.

Because we strongly believe in our Xifaxan® and Relistor® business models, we have taken initiatives to further capitalize on the value of the infrastructure we have built around these products. For instance, in order to continue to generate growth, 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 process, we have three other R&D programs planned to start in 2019 for next generation formulations of Xifaxan® and rifaximin which address new indications.
In addition to driving organic growth through internal R&D development opportunities, we strive to access other products outside our existing Salix business that allow us to leverage our existing GI sales force, supply channel and distribution channel to bring about growth through co-promotion and acquisition. For instance, in the second half of 2018, we entered into agreements with Dova Pharmaceuticals, Inc. to co-promote Doptelet®, a new treatment of thrombocytopenia in adult patients with chronic liver disease, and with US WorldMeds, LLC to co-promote Lucemyna™, a non-opioid medication for the mitigation of withdrawal symptoms to facilitate abrupt discontinuation of opioids. We are also pursuing the acquisition of Synergy Pharmaceuticals Inc. (“Synergy”) as the “stalking horse” bidder in a bankruptcy court supervised auction and sale process expected to be completed in March 2019. If successful, we will acquire certain assets of Synergy, including its worldwide rights to the Trulance® (plecanatide) product, a once-daily tablet for adults with chronic idiopathic constipation and irritable bowel syndrome with constipation. We believe that these co-promotion and acquisition opportunities will be accretive to our business by providing us access to products that are a natural pairing to either our Xifaxan® or Relistor® businesses, allowing us to effectively leverage our existing infrastructure and generate growth.

Refocus the Ortho Dermatologics Business

In support of our Ortho Dermatologics business and the opportunities we see for growth in this business, we continue to allocate resources and make additional investments in this business to recruit and retain talent and focus on our core dermatology portfolio of products.

During 2017, we began the turnaround of our dermatology business by taking a number of actions which we believe will help our efforts to stabilize our dermatology business, which included: (i) rebranding our dermatology business, (ii) recruiting a new experienced leadership team, (iii) making significant investment in the dermatology pipeline, (iv) adjusting the size of the dermatology sales force and (v) reorganizing that sales force around roughly 150 territories, as we work to rebuild relationships with prescribers of our products.

Recruit and Retain Talent - In 2017, we identified and retained a proven leadership team of experienced dermatology sales professionals and marketers. In January 2018, the leadership team, encouraged by the success of our 2016 GI sales force expansion program, increased our Ortho Dermatologics sales force by more than 25% in support of our growth initiatives for our Ortho Dermatologics business. We believe the additional sales force is vital to meet the demand we expect from our recently launched products and those we expect to launch in the near term, pending FDA approval. We continue to monitor our pipeline for other near term launches that we believe will create opportunity needs in our other core businesses requiring us to make additional investment in our sales force to retain people for additional leadership and sales force roles.

Investment in Core Dermatology Portfolio - We have made significant investments to build out our psoriasis 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 and develop injectable biologics; however, we believe some patients prefer topical products as an alternative delivery method to injectable biologics. Further, as topical products can, in many cases, defer the use of injectable biologics and need not be administered by a certified biologic physician, a topical product is usually more cost-effective and better supported by managed care payors over its alternative injectable biologic product. Therefore, we believe topical products represent significant innovation for physicians, payors and patients, and as the preferred choice of treatment, have the potential to drive greater volumes, generate better margins and will ultimately be a key contributing factor of our Ortho Dermatologics business.

Psoriasis - As the number of reported cases of psoriasis in the U.S. has increased, we believe there is a need to make further investments in this market in order to maximize our opportunity and supplement our current psoriasis product portfolio. We have filed NDAs for several new topical psoriasis products, including Bryhali™ (launched November 2018) and Duobrii™ (provisional name), which we expect to launch in the near term pending FDA approval. On June 18, 2018, we announced that we received a CRL from the FDA to our NDA for Duobrii™ (provisional name). The CRL did not specify any deficiencies related to the clinical efficacy or safety of Duobrii™ (provisional name) and did not identify issues with our Chemistry, Manufacturing and Controls processes. The CRL only noted questions regarding pharmacokinetic data. Working to resolve this matter expeditiously, we met with the FDA to understand the additional data requirements. We resubmitted our NDA, and on August 29, 2018, we announced that the FDA accepted the application as a Class 2 resubmission, with a PDUFA action date of February 15, 2019. On February 15, 2019 we announced that the FDA is still finalizing its review and would be unable to meet the PDUFA action date. We expect a decision from the FDA in the near future. We expect that Bryhali™ and Duobrii™ (provisional name), if approved by the FDA, will line up well with our existing topical portfolio of psoriasis treatments and, supplemented by our injectable biologic products such as Siliq™ launched in July 2017, will provide a diverse choice of psoriasis treatments to doctors and patients. In addition, on February 27, 2018, we announced that we entered into an exclusive license agreement with Kaken Pharmaceutical Co., Ltd. to develop and commercialize products containing a new chemical entity, KP-470, for the topical treatment of psoriasis. Early proof of concept studies are now planned for the first half of 2019. If approved by the FDA, KP-470 could represent a novel drug with an alternative mechanism of action in the topical treatment of psoriasis.
Acne - In support of our established acne product portfolio, we have been developing several products, which includes Retin-A Micro® 0.06% (launched in January 2018) and other products in various stages of development, such as Altreno™, the first lotion (rather than a gel or cream) product containing tretinoin for the treatment of acne. The FDA has approved Altreno™ in August 2018 and Altreno™ was launched in the United States in October 2018. In addition to Retin-A Micro® 0.06% and Altreno™, we have three other unique acne projects in earlier stages of development that, if approved by the FDA, we believe will further innovate and advance the treatment of acne.

Bolstered by the new product opportunities we are creating in our psoriasis and acne product lines, our experienced dermatology sales leadership team and our increased sales force, we believe we have set the groundwork for the potential to achieve growth in our Ortho Dermatologics business over the next five years.

Continue to Manage Our Capital Structure

As previously outlined, we completed a series of transactions that reduced our debt levels and improved our capital structure. As a result of prepayments and a series of refinancing transactions during 2017 and 2018, we have extended the maturities of a substantial portion of our long-term debt beyond 2023, providing us with additional liquidity and greater flexibility to execute our business plans. Our reduced debt levels and improved debt portfolio will translate to lower repayments of principal over the next five years, which, in turn, will permit more cash flows to be directed toward developing our core assets and repay additional debt amounts. In addition, as a result of the changes in our debt portfolio, approximately 76% of our debt is fixed rate debt as of December 31, 2018, as compared to approximately 65% as of January 1, 2017.

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.

Managing Generic Competition and Loss of Exclusivity

Certain of our products face the expiration of their patent or regulatory exclusivity in 2019 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 2019 or in later years. Following a loss of exclusivity of and/or generic competition for a product, we would anticipate that product sales for such product would decrease significantly shortly following the loss of exclusivity or entry of a generic competitor. Where we have the rights, we may elect to launch an authorized generic of such product (either ourselves or through a third party) prior to, upon or following generic entry, which may mitigate the anticipated decrease in product sales; however, even with launch of an authorized generic, the decline in product sales of such product would still be expected to be significant, and the effect on our future revenues could be material.

A number of our products already face generic competition. Prior to and during 2018, in the U.S., these products include, among others, Ammonul®, Benzaclin®, Bupap®, Edecrin®, Elidel®, Glumetza®, Istalol®, Isuprel®, Locoid® Lotion, Mepyton®, Nitropress®, Syprine®, Virazole®, Uceris® Tablet, Wellbutrin XL®, Xenazine® and Zegerid®. In Canada, these products include, among others, Glumetza®, Sublinox® and Wellbutrin® XL.

Based on current patent expiration dates, settlement agreements and/or competitive information, we believe our key products facing potential loss of exclusivity and/or generic competition in the U.S. during the years 2019 through 2023 include, but are not limited to, Apriso®, Clindagel®, Cuprimine®, Lotemax® Gel, Lotemax® Suspension, Migranal®, Noritate®, Onexton®, PreserVision®, Prolensa®, Targretin® Gel, Xerese®, Zovirax® cream and certain other products subject to settlement agreements. Aggregate revenues from key products that we believe will face potential loss of exclusivity and/or generic competition in the U.S. during: (i) 2019 represented 8% and 8%; (ii) 2020 represented 2% and 2%; (iii) 2021 represented 4% and 4%; (iv) 2022 represented less than 1% and 1%; and (v) 2023 represented 2% and 2% of our U.S., Mexico and Puerto Rico revenues for 2018 and 2017, respectively. 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.

In addition, for a number of our products (including Apriso®, Uceris®, Relistor® and Jublia® in the U.S. and Glumetza® in Canada), we have commenced (or anticipate commencing) 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.
**Xifaxan® Patent Litigation** - As previously discussed, on March 23, 2016, the Company initiated litigation against 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 reached an agreement with Actavis which 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 have agreed to dismiss all litigation related to Xifaxan® (rifaximin), Actavis acknowledges 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.

**Generic Competition to Uceris®** - In July 2018, a generic competitor launched a product which will directly compete with our Uceris® Tablet product. 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, 2018 were approximately $70 million and for the full years 2018, 2017 and 2016 were approximately $84 million, $134 million and $156 million, respectively. As disclosed in our prior filings, the Company initiated various infringement proceedings against this and other generic competitors. The Company continues to believe that its Uceris® Tablet-related patents are enforceable and is proceeding in the ongoing litigation between the Company and the generic competitor; however, the ultimate outcome of the matter is not predictable.

**Generic Competition to Jublia®** - On June 6, 2018, the U.S. Patent and Trial Appeal Board completed its inter parties review for an Orange Book-listed patent covering Jublia® and issued a written determination invalidating such patent. Although the Company is not aware of any imminent launches of a generic competitor to Jublia®, the ultimate impact of this decision on our future revenues cannot be predicted. Jublia® revenues for the nine months ended September 30, 2018 were approximately $62 million and for the full years 2018, 2017 and 2016 were approximately $89 million, $96 million and $140 million, respectively. The Company continues to believe that the Jublia® related patent is valid and enforceable and, on August 7, 2018, an appeal of this decision was filed. The ultimate outcome of this matter is not predictable. Jublia® continues to be covered by seven remaining Orange Book-listed patents owned by the Company, which expire in the years 2028 through 2034. In August and September 2018, we received notices of the filing of a number of ANDAs with paragraph IV certification, and have timely filed patent infringement suits against these ANDA filers.

See Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements for further details regarding certain infringement proceedings.

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

We believe that we have a well-established product portfolio that is diversified within our core businesses. We also believe that we have a robust pipeline that not only provides for the next generation of our existing products, but also brings new solutions into the market. Revenues for our Significant Seven were greater than $150 million and approximately $75 million in 2018 and 2017, respectively, as several of these products have only recently been launched and others are yet to be launched. However, we believe the potential revenues for our Significant Seven to be substantial.

See Item 1A “Risk Factors” of this Form 10-K for additional information on our competition risks.
Business Trends

In addition to the acquisition and divestiture actions previously outlined, the following events have affected and are expected to affect our business trends:

U.S. 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: (i) federal subsidies began to be phased in for brand-name prescription drugs filled in the Medicare Part D cover gap and (ii) the law requires the medical device industry to subsidize health care reform in the form of a 2.3% excise tax on U.S. sales of most medical devices. However, the Consolidated Appropriations Act, 2016 (Pub. L. 114-113), signed into law on December 18, 2015, included a two-year moratorium on the medical device excise tax. On January 22, 2018, with the passage of continuing appropriations through February 8, 2018 (HR 195), the moratorium on the medical device excise tax was further extended until January 1, 2020. 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 2018, 2017 and 2016, we incurred costs of $36 million, $48 million and $36 million, respectively, related to the annual fee assessed on prescription drug manufacturers and importers that sell branded prescription drugs to specified U.S. government programs (e.g., Medicare and Medicaid). For 2018, 2017 and 2016, we also incurred costs of $90 million, $106 million and $128 million, respectively, on Medicare Part D utilization incurred by beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e., the “donut hole”).

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

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

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

Other legislative efforts relating to drug pricing have been proposed and considered at the U.S. federal and state level. 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.

U.S. Tax Reform

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Tax Act”) was signed into law which includes a number of changes to existing U.S. tax laws, most notably a reduction in the U.S. corporate federal statutory tax rate from 35% to 21% for tax years beginning after December 31, 2017. The Tax Act also implemented a modified territorial tax system that includes a one-time transition tax on the accumulated previously untaxed earnings of foreign subsidiaries (the “Transition Toll Tax”) equal to
15.5% (reinvested in liquid assets) or 8% (reinvested in non-liquid assets). At the taxpayer's election, the Transition Toll Tax can be paid over an eight-year period without interest, beginning in 2018. The Company has elected to use a portion of its U.S. NOLs to offset the transition toll tax.

The Tax Act also included two new U.S. tax base erosion provisions: (i) the base-erosion and anti-abuse tax ("BEAT") and (ii) the global intangible low-taxed income ("GILTI"). BEAT provides a minimum tax on U.S. tax deductible payments made to related foreign parties after December 31, 2017. GILTI requires a U.S. entity to include in its U.S. taxable income the earnings of certain foreign subsidiaries in excess of an allowable return on each foreign subsidiary’s depreciable tangible assets. Accounting guidance provides that the impacts of this provision can be included in the consolidated financial statements either by recording the impacts in the period in which GILTI has been incurred or by adjusting deferred tax assets or liabilities in the period of enactment related to basis differences expected to reverse as a result of the GILTI provisions in future years. The Company has elected to provide for the GILTI tax in the period in which it is incurred and, therefore, the 2017 benefit for income taxes did not include a provision for GILTI. Further, as the BEAT tax is a period cost and was not in effect until after December 31, 2017, there was no provision required in 2017.

As part of the Tax Act, the Company’s U.S. interest expense is subject to limitation rules which limit U.S. interest expense to 30% of adjusted taxable income, defined similar to EBITDA through 2021 and EBIT thereafter. Disallowed interest can be carried forward indefinitely and any unused interest deduction assessed for recoverability. The Company considered such provisions in the 2018 annual estimated effective rate assessment and expects to fully utilize any interest carry forwards in future periods.

In December 2017, the SEC issued guidance in situations where the accounting for certain elements of the Tax Act could not be completed prior to the release of an entity's financial statements. At the time of releasing our financial statements for the year ended December 31, 2017, the Tax Act was only recently passed and full guidance associated with its impacts was not yet provided from the relevant state and federal jurisdictions. As such, and as provided by the guidance issued by the SEC, we used all available information at that time to form appropriate accounting estimates for certain elements of the Tax Act, but we did not make any estimates for other elements of the Tax Act as to which further guidance was necessary in order for us to estimate the impact of those elements.

During the fourth quarter of 2018, the Company completed its full assessment and finalized its Benefit from income taxes for the year 2017, including the Transition Toll Tax, in accordance with guidance issued by accounting regulatory bodies, the U.S. Internal Revenue Service and state and local governments. As part of its full assessment, the Company assessed the impact of the Tax Act on its tax filings for the year 2017 which were completed during the fourth quarter of 2018. Differences between the provisional net income tax benefit provided in 2017 attributable to the Tax Act and the net income tax benefit as finalized were included in our Benefit from income taxes for the year ended December 31, 2018 and were not material to our Net loss for the year ended December 31, 2018 and any of its interim periods. At this time management is unable to estimate the impact, if any, of any future regulations.

We have provided for income taxes, including the impacts of the Tax Act, in accordance with guidance issued by accounting regulatory bodies, the U.S. Internal Revenue Service and state and local governments through the date of this filing. Additional guidance and interpretations can be expected and such guidance, if any, could impact our future results. While management continues to monitor these matters, the ultimate impact, if any, as a result of the application of any guidance issued in the future cannot be determined at this time.

See Note 2, "SIGNIFICANT ACCOUNTING POLICIES" and Note 17, "INCOME TAXES" to our audited Consolidated Financial Statements, as well as the sub-heading "Income Taxes" below, for further details.
SELECTED FINANCIAL INFORMATION

Organic Revenues and Organic Growth Rates

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 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. The Company uses organic revenue and organic revenue growth 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 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 (non-GAAP) growth 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 (non-GAAP) growth 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.

Please refer to the tables of organic revenues (non-GAAP) and organic revenue growth rates presented in the subsequent section titled “Reportable Segment Revenues and Profits” for a reconciliation of GAAP revenues to organic revenues (non-GAAP).

The following table provides selected financial information for each of the last three years:

<table>
<thead>
<tr>
<th>(in millions, except per share data)</th>
<th>Years Ended December 31</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 8,380</td>
<td>$ 8,724</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>$ (2,384)</td>
<td>$ 102</td>
</tr>
<tr>
<td>Loss before benefit from income taxes</td>
<td>$ (4,154)</td>
<td>$ (1,741)</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$ (4,144)</td>
<td>$ 2,404</td>
</tr>
<tr>
<td>Net (loss) income attributable to Bausch Health Companies Inc.</td>
<td>$ (4,148)</td>
<td>$ 2,404</td>
</tr>
<tr>
<td>(Loss) earnings per share attributable to Bausch Health Companies Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ (11.81)</td>
<td>$ 6.86</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ (11.81)</td>
<td>$ 6.83</td>
</tr>
</tbody>
</table>

Financial Performance

Summary of 2018 Compared with 2017

Our revenue for 2018 and 2017 was $8,380 million and $8,724 million, respectively, a decrease of $344 million, or 4%. The decrease was primarily driven by: (i) the impact of 2017 divestitures and discontinuations and (ii) lower volumes primarily as a result of the loss of exclusivity for a number of products in our Diversified Products and Ortho Dermatologies segments which were partially offset by higher volumes in our Bausch + Lomb/International segment. These decreases in Revenue were partially offset by: (i) higher gross selling prices, (ii) lower sales deductions and (iii) the favorable effect of foreign currencies, primarily in Europe and Asia.
Operating loss for 2018 was $2,384 million, as compared to operating income for 2017 of $102 million, a decrease of $2,486 million. Our operating loss for 2018 compared to our operating income for 2017 reflects, among other factors:

- a decrease in contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of intangible assets) of $127 million. The decrease was primarily driven by the impact of 2017 divestitures and discontinuations, partially offset by: (i) higher gross selling prices, (ii) lower sales deductions, (iii) lower third-party royalty costs and (iv) the favorable effect of foreign currencies;

- a decrease in Selling, general, and administrative expenses (“SG&A”) of $109 million, primarily attributable to: (i) the impact of 2017 divestitures and discontinuations, (ii) a decrease in legal expenses as we resolved certain legacy legal issues and (iii) a decrease in bad debt expense. The decrease was partially offset by: (i) higher advertising and promotion expenses, (ii) higher compensation costs and (iii) the unfavorable impact of the effect of foreign currencies;

- an increase in R&D of $52 million;

- a decrease in Amortization of intangible assets of $46 million, primarily attributable to: (i) the impact of the change in the estimated useful life of the Xifaxan® related intangible assets made in September 2018 to reflect management's changes in assumptions, (ii) lower amortization as a result of impairments to intangible assets and divestitures and (iii) discontinuances of product lines during 2017 as the Company focuses on its core assets. These decreases were partially offset by the impact of changes in estimates made in 2017 to reduce the remaining useful lives of certain products and the Salix brand name to reflect management's changes in assumptions;

- an increase in Goodwill impairments of $2,010 million. In 2018, we recognized Goodwill impairments of $2,322 million in connection with: (i) impairment to the goodwill of our Salix reporting unit recognized upon adopting new accounting guidance at January 1, 2018, (ii) impairment to the goodwill of the Ortho Dermatologics reporting unit due to unforeseen changes in business dynamics and (iii) impairment to the goodwill of the Dentistry reporting unit as a result of revised forecasts due to changing market conditions during the three months ended December 31, 2018. In 2017, we recognized Goodwill impairments of $312 million in connection with a change in reporting unit during the three months ended September 30, 2017;

- a decrease in Asset impairments of $146 million, as a result of Asset impairments of $714 million, recognized in 2017, primarily related to the Sprout and Obagi businesses being classified as held for sale, compared to Asset impairments of $568 million, in 2018, that were primarily due to decreases in forecasted sales for the Uceris® Tablet product and other product lines due to generic competition;

- an increase in Acquisition-related contingent consideration of $280 million as a result of a fair value adjustments in 2017 which reflected a decrease in forecasted sales for specific products, including Addyi®;

- a decrease in net gains on sales of businesses and other assets of $586 million. In order to improve our capital structure and simplify our operations, during 2017, we divested certain businesses and assets not aligned with our core business objectives. Included in Other (income) expense, net is the net loss on sales of businesses and other assets of $6 million for 2018 as compared to the net gain on sales of businesses and other assets $580 million in 2017; and

- a decrease in Litigation and other matters of $253 million. Included in Other (income) expense, net are net favorable adjustments to Litigation and other matters of $27 million for 2018, primarily associated with a favorable adjustment related to the Salix SEC litigation as compared to net charges of $226 million in 2017, primarily associated with estimated settlements of the Allergan shareholder class actions litigation and Solodyn® antitrust class actions litigation and the partial summary judgment related to the Mimetogen Pharmaceuticals litigation.

Operating loss for 2018 of $2,384 million and Operating income for 2017 of $102 million includes non-cash charges for Depreciation and amortization of intangible assets of $2,819 million and $2,858 million, Asset impairments of $568 million and $714 million and Share-based compensation of $87 million and $87 million, respectively.

Our Loss before benefit from income taxes for 2018 and 2017 was $4,154 million and $1,741 million, respectively, an increase of $2,413 million. The increase in our Loss before benefit from income taxes is primarily attributable to: (i) the decrease in our operating results of $2,486 million previously discussed and (ii) an unfavorable net change in Foreign exchange and other of $84 million. These changes in Loss before benefit from income taxes were partially offset by: (i) a decrease in Interest expense of $155 million as a result of a lower principal amounts of outstanding debt partially offset by the effect of higher interest rates during 2018 and (ii) the decrease in the Loss on extinguishment of debt of $3 million.
Net loss attributable to Bausch Health Companies Inc. for 2018 was $4,148 million as compared to Net income attributable to Bausch Health Companies Inc. for 2017 of $2,404 million, a decrease of $6,552 million. The decrease in our results was primarily due to: (i) the decrease in the Benefit from income taxes of $4,135 million which in 2017 included non-cash income tax benefits related to the Company’s internal corporate restructuring and the accounting for the Tax Act and (ii) the increase in Loss before benefit from income taxes of $2,413 million previously described.

Summary of 2017 Compared with 2016

Our revenue for 2017 and 2016 was $8,724 million and $9,674 million, respectively, a decrease of $950 million, or 10%. The decrease was driven by divestitures and discontinuations and lower volumes in: (i) our Diversified Products segment as a result of the loss of exclusivity for a number of products, (ii) our Ortho Dermatologics segment as a result of challenging market dynamics in dermatology and (iii) to a lesser extent, our Salix segment. Revenues were also negatively affected, to a lesser extent, by foreign exchange. These decreases were partially offset by increased volumes in our Bausch + Lomb / International segment, primarily driven by the U.S. Bausch + Lomb Consumer business, and increased international pricing in our Bausch + Lomb / International segment. The changes in our segment revenues and segment profits are discussed in detail in the section titled “Reportable Segment Revenues and Profits”.

Operating income for 2017 was $102 million, as compared to operating loss for 2016 of $566 million, an increase of $668 million. Our operating income for 2017 compared to our operating loss for 2016 reflects, among other factors:

- a decrease in contribution (product sales revenue less cost of goods sold, exclusive of amortization and impairments of intangible assets) of $875 million, primarily driven by: (i) lower volumes and (ii) the impact of divestitures and discontinuances;
- a decrease in SG&A of $228 million, primarily attributable to: (i) a net decrease in advertising and promotion expenses, (ii) higher severance and other benefits in 2016 associated with exiting executives and on-boarding a new executive team and other key employees, (iii) termination benefits associated with our former Chief Executive Officer in 2016 and (iv) the impact of divestitures. These factors were partially offset by an increase in professional fees;
- a decrease in R&D of $60 million due to the year over year phasing as we completed the R&D investment in Siliq™ and other newly launched products requiring investment in the prior year, removed projects related to divested businesses and rebalanced our portfolio to better focus on its core assets;
- an increase in Amortization of intangible assets of $17 million, driven by the impact of changes in estimates made in 2017 to reduce the remaining useful lives of certain products and the Salix brand name to reflect management's changes in assumptions, partially offset by lower amortization as a result of impairments to intangible assets and divestitures and discontinuances of product lines during 2017 and 2016, as the Company focuses on its core assets;
- a decrease in Goodwill impairments of $765 million. In 2016, we recognized Goodwill impairments of $1,077 million primarily in connection with the realignment of our operating segment structure during the three months ended September 30, 2016. In 2017, we recognized Goodwill impairments of $312 million in connection with a change in reporting unit during the three months ended September 30, 2017;
- an increase in Asset impairments of $292 million, primarily related to the Sprout and Obagi businesses;
- a decrease in Restructuring and integration costs of $80 million as the integration of acquisitions in 2015 and prior is substantially complete;
- a decrease in Acquisition-related contingent consideration of $276 million, primarily due to a fair value adjustment of $312 million reflecting a decrease in forecasted sales for the Addyi ® product prior to the sale of Sprout, which impacted the expected future royalty payments; and
- an increase in Other income, net of $426 million, primarily due to the increase in net gains on sales of businesses and other assets of $574 million, partially offset by higher charges for accruals for Litigation and other matters of $167 million.

Operating income for 2017 of $102 million and Operating loss for 2016 of $566 million includes non-cash charges for Depreciation and amortization of intangible assets of $2,858 million and $2,866 million, Asset impairments of $714 million and $422 million and Share-based compensation of $87 million and $165 million, respectively.

Our Loss before benefit from income taxes for 2017 and 2016 was $1,741 million and $2,435 million, respectively, a decrease of $694 million. The decrease in our Loss before benefit from income taxes is primarily attributable to: (i) the increase in Operating
income of $668 million previously discussed and (ii) a favorable net change in Foreign exchange and other of $148 million. These changes in Loss before benefit from income taxes were partially offset by the Loss on extinguishment of debt of $122 million in 2017.

Net income attributable to Bausch Health Companies Inc. for 2017 was $2,404 million as compared to Net loss attributable to Bausch Health Companies Inc. for 2016 of $2,409 million, an increase of $4,813 million. The increase in Net income attributable to Bausch Health Companies Inc. was primarily due to: (i) the increase in the Benefit from income taxes of $4,118 million which in 2017 includes non-cash income tax benefits related to the Company’s internal corporate restructuring and the accounting for the Tax Act and (ii) the decrease in Loss before benefit from income taxes of $694 million previously described.

RESULTS OF OPERATIONS

Our results for each of the last three years were as follows:

<table>
<thead>
<tr>
<th>(in millions, except per share data)</th>
<th>Years Ended December 31,</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product sales</td>
<td>$8,271</td>
<td>$8,595</td>
</tr>
<tr>
<td>Other revenues</td>
<td>109</td>
<td>129</td>
</tr>
<tr>
<td></td>
<td><strong>8,380</strong></td>
<td><strong>8,724</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of goods sold (excluding amortization and impairments of intangible assets)</td>
<td>2,309</td>
<td>2,506</td>
</tr>
<tr>
<td>Cost of other revenues</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>2,473</td>
<td>2,582</td>
</tr>
<tr>
<td>Research and development</td>
<td>413</td>
<td>361</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>2,644</td>
<td>2,690</td>
</tr>
<tr>
<td>Goodwill impairments</td>
<td>2,322</td>
<td>312</td>
</tr>
<tr>
<td>Asset impairments</td>
<td>568</td>
<td>714</td>
</tr>
<tr>
<td>Restructuring and integration costs</td>
<td>22</td>
<td>52</td>
</tr>
<tr>
<td>Acquired in-process research and development costs</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Acquisition-related contingent consideration</td>
<td>(9)</td>
<td>(289)</td>
</tr>
<tr>
<td>Other (income) expense, net</td>
<td>(21)</td>
<td>(353)</td>
</tr>
<tr>
<td></td>
<td><strong>10,764</strong></td>
<td><strong>8,622</strong></td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>(2,384)</td>
<td>102</td>
</tr>
<tr>
<td>Interest income</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,685)</td>
<td>(1,840)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(119)</td>
<td>(122)</td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>23</td>
<td>107</td>
</tr>
<tr>
<td>Loss before benefit from income taxes</td>
<td>(4,154)</td>
<td>(1,741)</td>
</tr>
<tr>
<td>Benefit from income taxes</td>
<td>10</td>
<td>4,145</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(4,144)</td>
<td>2,404</td>
</tr>
<tr>
<td>Net income attributable to noncontrolling interest</td>
<td>(4)</td>
<td>—</td>
</tr>
<tr>
<td>Net (loss) income attributable to Bausch Health Companies Inc.</td>
<td><strong>(4,148)</strong></td>
<td><strong>2,404</strong></td>
</tr>
</tbody>
</table>
2018 Compared with 2017

Revenues

Our revenues are primarily generated from product sales 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 22, "SEGMENT INFORMATION" to our audited Consolidated Financial Statements for the disaggregation of revenue which depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by the economic factors of each category of customer contracts.

Our revenue was $8,380 million and $8,724 million for 2018 and 2017, respectively, a decrease of $344 million, or 4%. The decrease was primarily driven by: (i) the impact of 2017 divestitures and discontinuations of $541 million, (ii) the net decrease in volume of $100 million, primarily as a result of the loss of exclusivity for a number of products in our Diversified Products and Ortho Dermatologics segments which were partially offset by higher volumes in our Bausch + Lomb/International segment and (iii) the decrease in other revenues of $17 million. These decreases in revenue were partially offset by: (i) higher gross selling prices of $226 million, (ii) lower sales deductions of $70 million and (iii) the favorable effect of foreign currencies of $18 million, primarily in Europe and Asia.

Our segment revenues and segment profits are discussed in detail in the subsequent section titled "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. 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 years ended December 31, 2018 and 2017 were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross product sales</td>
<td>$14,158</td>
<td>100%</td>
<td>$14,825</td>
<td>100%</td>
</tr>
<tr>
<td>Provisions to reduce gross product sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounts and allowances</td>
<td>865</td>
<td>6%</td>
<td>829</td>
<td>6%</td>
</tr>
<tr>
<td>Returns</td>
<td>293</td>
<td>2%</td>
<td>423</td>
<td>3%</td>
</tr>
<tr>
<td>Rebates</td>
<td>2,551</td>
<td>18%</td>
<td>2,545</td>
<td>17%</td>
</tr>
<tr>
<td>Chargebacks</td>
<td>1,966</td>
<td>14%</td>
<td>2,145</td>
<td>14%</td>
</tr>
<tr>
<td>Distribution service fees</td>
<td>212</td>
<td>2%</td>
<td>288</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>5,887</td>
<td>42%</td>
<td>6,230</td>
<td>42%</td>
</tr>
<tr>
<td>Net product sales</td>
<td>$8,271</td>
<td>58%</td>
<td>$8,595</td>
<td>58%</td>
</tr>
</tbody>
</table>

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 42% and 42% in 2018 and 2017, respectively, primarily driven by:
discounts and allowances as a percentage of gross product sales were unchanged as higher sales and discount and allowance rates associated with Migranal \(^\text{®}\) AG, Tobramycin CD and Xenazine \(^\text{®}\) AG and the launch of Diastat \(^\text{®}\) AG were offset by lower sales and discount and allowance rates for Zegerid \(^\text{®}\) AG, Metrogel \(^\text{®}\) AG and Isuprel \(^\text{®}\);

returns as a percentage of gross product sales was lower primarily due to lower sales and lower return rates associated with certain products, primarily Nitropress \(^\text{®}\) which was impacted by multiple generics in 2017, Glumetza \(^\text{®}\) SLX, Mephyton \(^\text{®}\) and Relistor \(^\text{®}\) SLX partially offset by higher return rates for Edecrin \(^\text{®}\) and Solodyn \(^\text{®}\);

rebates as a percentage of gross product sales were higher primarily due to increased sales of products that carry higher contractual rebates and co-pay assistance programs, including the impact of incremental rebates from contractual price increase limitations. The comparisons were impacted primarily by higher provisions for rebates and the co-pay assistance programs for promoted products, such as Apriso \(^\text{®}\), Xifaxan \(^\text{®}\), Prolensa \(^\text{®}\) and Elidel \(^\text{®}\). These increases were offset by decreases in rebates for Solodyn \(^\text{®}\), Jublia \(^\text{®}\), Carac \(^\text{®}\), Mephyton \(^\text{®}\), Acanya \(^\text{®}\), Syprine \(^\text{®}\), Glumetza \(^\text{®}\) SLX and other products, primarily caused by declines in year over year volume, in part, due to generic competition to certain products;

chargebacks as a percentage of gross product sales were unchanged. Decreases in chargebacks were due to: (i) better management of contractual terms of certain non-retail classes of trade products, such as Zegerid \(^\text{®}\), Glumetza \(^\text{®}\) SLX, Retina \(^\text{®}\), Apriso \(^\text{®}\) and Tobramycin CD and other drugs in part due to generic competition, (ii) lower volumes of Isuprel \(^\text{®}\) and Syprine \(^\text{®}\) primarily the result of generic competition, (iii) chargebacks in 2017 associated with Provenge \(^\text{®}\), which was divested with the Dendreon Sale on June 28, 2017 and (iv) lower utilization by the U.S. government of certain products such as Minocin \(^\text{®}\). The decreases in chargebacks as a percentage of gross product sales were offset by higher sales of certain generic products, such as Tarxentin \(^\text{®}\) AG, and certain branded drugs, such as Nifedipine \(^\text{®}\) and Ofloxacin \(^\text{®}\); and

distribution service fees as a percentage of gross product sales were lower as the impact of: (i) better contract terms with our distributors, (ii) lower volumes of certain branded products with higher distribution fees, such as Isuprel \(^\text{®}\), Glumetza \(^\text{®}\) SLX, Uceris \(^\text{®}\) Tablets, Syprine \(^\text{®}\), Mephyton \(^\text{®}\), and other branded products primarily the result of generic competition and (iii) higher appreciation credits were offset by higher volumes of certain branded products with higher distribution fees, such as Xifaxan \(^\text{®}\), Apriso \(^\text{®}\) and other branded products. Price appreciation credits are offset against the distribution service fees we pay wholesalers and were $31 million and $21 million for 2018 and 2017, respectively.

Operating Expenses

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

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

Cost of goods sold was $2,309 million and $2,506 million for 2018 and 2017, respectively, a decrease of $197 million, or 8%. The decrease was primarily driven by: (i) the impact of 2017 divestitures and discontinuations, (ii) lower third-party royalty costs and (iii) the favorable impact of foreign currencies.

Cost of goods sold as a percentage of revenue was 28% and 29% for 2018 and 2017, respectively, a decrease of 1 percentage point. The decrease was primarily driven by: (i) higher gross selling prices, (ii) lower sales deductions, (iii) the favorable result of the impact of 2017 divestitures and discontinuations, which historically reported lower gross margins than our core businesses and (iv) lower third-party royalty costs. The decrease in Cost of goods sold as a percentage of revenue was partially offset by the unfavorable change in our remaining product mix as a greater percentage of our revenue in 2018 was attributable to the Bausch + Lomb/International segment, which generally has lower gross margins than our remaining product portfolio.

Our segment revenues and segment profits are discussed in detail in the subsequent section titled “Reportable Segment Revenues and Profits”.

Selling, General and Administrative Expenses

SG&A expenses primarily include: employee compensation associated with sales and marketing, finance, legal, information technology, human resources and other administrative functions; certain outside legal fees and consultancy costs; product promotion expenses; overhead and occupancy costs; depreciation of corporate facilities and equipment; and other general and administrative costs.
SG&A was $2,473 million and $2,582 million for 2018 and 2017, respectively, a decrease of $109 million, or 4%. The decrease was primarily driven by: (i) the impact of 2017 divestitures and discontinuations, (ii) a decrease in legal expenses as we resolved certain legacy legal issues in late 2017 and throughout 2018 as previously discussed and (iii) a decrease in bad debt expense. The decrease was partially offset by: (i) higher advertising and promotion expenses, primarily associated with our launch of Lumify®, (ii) higher compensation costs and (iii) the unfavorable impact of the effect of foreign currencies.

**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 $413 million and $361 million for 2018 and 2017, respectively, an increase of $52 million, or 14%. R&D expenses as a percentage of revenue was approximately 5% and 4% for 2018 and 2017, respectively, an increase of 1 percentage point.

**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.

Amortization of intangible assets was $2,644 million and $2,690 million for 2018 and 2017, respectively, a decrease of $46 million, or 2%. The decrease is driven by: (i) the impact of the change in the estimated useful life of the Xifaxan®-related intangible assets, (ii) lower amortization as a result of impairments to intangible assets and divestitures and (iii) discontinuances of product lines during 2017 as the Company focuses on its core assets. These decreases were partially offset by the impact of changes in the estimated useful lives of certain products and the Salix brand name in the third and fourth quarters of 2017 to reflect management's changes in assumptions. Management continually assesses the useful lives related to the Company's long-lived assets to reflect the most current assumptions. As a result, the useful lives of certain product brands, with an aggregate carrying value of $7,618 million as of December 31, 2017, were revised from an average of seven years to four years, primarily due to each product expected to lose its exclusivity. In addition, the useful life of the Salix brand, with a carrying value of $569 million as of December 31, 2017, was revised from seventeen years to ten years due to revisions in the forecasted sales of its product portfolio. These 2017 changes in useful lives resulted in an increase in amortization in 2018. Effective September 12, 2018, the Company changed the estimated useful life of its Xifaxan®-related intangible assets due to the positive impact of the agreement between the Company and Actavis resolving the intellectual property litigation regarding Xifaxan® tablets, 550 mg. As a result, the useful life of the Xifaxan®-related intangible assets, with a carrying value of $4,848 million as of December 31, 2018, was extended from 2024 to January 1, 2028.

**Goodwill Impairments**

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

Goodwill impairments was $2,322 million and $312 million for 2018 and 2017, respectively.

**2018 Adoption of New Accounting Guidance for Goodwill Impairment Testing**

In January 2017, the FASB issued guidance which simplifies the subsequent measurement of goodwill by eliminating “Step 2” from the goodwill impairment test. Instead, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. The Company elected to early adopt this guidance effective January 1, 2018.

Upon adopting the new guidance, the Company tested goodwill for impairment and determined that the carrying value of the Salix reporting unit exceeded its fair value. As a result of the adoption of new accounting guidance, the Company recognized a goodwill impairment of $1,970 million associated with the Salix reporting unit.

As of October 1, 2017, the date of the 2017 annual impairment test, the fair value of the Ortho Dermatologics reporting unit exceeded its carrying value. However, at January 1, 2018, the carrying value of the Ortho Dermatologics reporting unit exceeded...
its fair value. Unforeseen changes in the business dynamics of the Ortho Dermatologics reporting unit, such as: (i) changes in the dermatology sector, (ii) increased pricing pressures from third-party payors and (iii) additional risks to the exclusivity of certain products. In response to these adverse business indicators, the Company reduced its near and long term financial projections for the Ortho Dermatologics reporting unit. As a result of the reductions in the near and long term financial projections, the carrying value of the Ortho Dermatologics reporting unit exceeded its fair value at January 1, 2018 and the Company recognized a goodwill impairment of $243 million.

2018 Realignment of Segment Structure

In the second quarter of 2018, the Company began operating in the following reportable segments: (i) Bausch + Lomb/International segment, (ii) Salix segment, (iii) Ortho Dermatologics segment and (iv) Diversified Products segment. As the second quarter realignment of the segment structure did not change the reporting units, there was no triggering event which would require the Company to test goodwill for impairment.

2018 Annual Goodwill Impairment Test

The Company conducted its annual goodwill impairment test as of October 1, 2018 and determined that the carrying value of the Dentistry reporting unit exceeded its fair value and, as a result, the Company recognized a goodwill impairment of $109 million for the Dentistry reporting unit, representing the full amount of goodwill for the reporting unit. Changing market conditions such as: (i) an increasing competitive environment and (ii) increasing pricing pressures negatively impacted the reporting unit's operating results. The Company is taking steps to address these changing market and business conditions.

The Company's remaining reporting units passed the goodwill impairment test as the estimated fair value of each reporting unit exceeded its carrying value at the date of testing and, therefore, there was no impairment to goodwill for any reporting unit other than the Dentistry reporting unit. In order to evaluate the sensitivity of its fair value calculations on the goodwill impairment test, the Company compared the carrying value of each reporting unit to its fair value as of October 1, 2018, the date of testing. As of October 1, 2018, the fair value of each reporting unit with associated goodwill exceeded its carrying value by more than 15%. 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. The Company will continue to perform qualitative interim assessments of the carrying value and fair value of the Ortho Dermatologics reporting unit on a quarterly basis to determine if impairment testing of goodwill will be warranted.

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.

September 30, 2017

During the three months ended September 30, 2017, the Sprout business was classified as held for sale. As the Sprout business represented only a portion of the former Branded Rx reporting unit, we assessed the remaining reporting unit for impairment and determined the carrying value of the remaining reporting unit exceeded its fair value. After completing step two of the impairment testing, the Company determined and recorded a goodwill impairment charge of $312 million during the three months ended September 30, 2017.

See Note 9, "INTANGIBLE ASSETS AND GOODWILL" to our audited Consolidated Financial Statements for further details related to our goodwill impairment analysis.

Asset Impairments

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

Asset impairments were $568 million and $714 million for 2018 and 2017, respectively a decrease of $146 million.

Asset impairments for 2018 included impairments of: (i) $348 million reflecting decreases in forecasted sales for the Uceris Tablet product and other product lines due to generic competition, (ii) $132 million reflecting decreases in forecasted sales for the Arestin product in our Dentistry reporting unit and other product lines due to changing market conditions, (iii) $55 million, in aggregate, related to certain product/patent assets associated with the discontinuance of specific product lines not aligned with the focus of the Company’s core businesses, (iv) $28 million to Acquired IPR&D not in service related to a certain product and (v) $5 million related to assets being classified as held for sale.
Asset impairments for 2017 included impairments of: (i) $351 million related to the Sprout business being classified as held for sale, (ii) $151 million reflecting decreases in forecasted sales for other product lines, (iii) $114 million to other assets classified as held for sale, primarily related to the Obagi business, (iv) $95 million, in aggregate, to certain product/patent assets associated with the discontinuance of specific product lines not aligned with the focus of the Company's core business and (v) $3 million related to acquired IPR&D.

See Note 4, "DIVESTITURES" and Note 9, "INTANGIBLE ASSETS AND GOODWILL" to our audited Consolidated Financial Statements regarding further details related to our intangible assets.

Restructuring and Integration Costs

Restructuring and integration costs were $22 million and $52 million for 2018 and 2017, respectively. We have substantially completed the integration of the businesses acquired prior to 2016. 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.

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

Acquisition-Related Contingent Consideration

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

Acquisition-related contingent consideration was a net gain of $9 million for 2018 and included net fair value adjustments due to changes in estimates of expected future royalty payments of $33 million, which included net fair value adjustments the expected future royalty payments for a specific product, partially offset by accretion for the time value of money of $24 million.

Acquisition-related contingent consideration was a net gain of $289 million for 2017 which included: (i) a fair value adjustment of $312 million reflecting a decrease in forecasted sales for the Addyi ® product, which impacted the expected future payments and (ii) net fair value adjustments due to changes in estimates of other expected future payments of $31 million. These net gains were partially offset by accretion for the time value of money of $54 million.

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

Other (income) expense, net

Other (income) expense, net for 2018 and 2017 consists of the following:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on the Skincare Sale</td>
<td>$ —</td>
<td>(309)</td>
</tr>
<tr>
<td>Gain on the iNova Sale</td>
<td>—</td>
<td>(309)</td>
</tr>
<tr>
<td>Gain on the Dendreon Sale</td>
<td>—</td>
<td>(97)</td>
</tr>
<tr>
<td>Loss on the Sprout Sale</td>
<td>—</td>
<td>98</td>
</tr>
<tr>
<td>Net loss (gain) on other sales of assets</td>
<td>6</td>
<td>37</td>
</tr>
<tr>
<td>Litigation and other matters</td>
<td>(27)</td>
<td>226</td>
</tr>
<tr>
<td>Other, net</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Other (income) expense, net</td>
<td>$ (21)</td>
<td>$ (353)</td>
</tr>
</tbody>
</table>

In 2018, Litigation and other matters includes a favorable adjustment of $40 million related to the Salix SEC litigation. In 2017, Litigation and other matters includes: (i) $96 million related to the settlement of the Allergan shareholder class actions, (ii) $93 million related to the settlement of the Solodyn ® antitrust class actions litigation and (iii) $20 million related to the Mimetogen Pharmaceuticals litigation.

Litigation and other matters includes other amounts provided for certain matters discussed in Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements.
Non-Operating Income and Expense

Interest Expense

Interest expense primarily consists of interest payments due and amortization of debt discounts and deferred financing costs on indebtedness under our credit facilities and notes. Interest expense was $1,685 million and $1,840 million and included non-cash amortization and write-offs of debt discounts and deferred financing costs of $79 million and $151 million for 2018 and 2017, respectively. The decrease in interest expense is primarily due to: (i) lower principal amounts of outstanding long term debt and (ii) lower amortization and write-offs of debt discounts and deferred financing costs. Prepayments of long term debt were lower during 2018 as compared to 2017, and resulted in lower acceleration of amortization and write-offs of debt discounts and deferred financing costs during 2018 as compared to 2017. These decreases in interest expense were partially offset by higher interest rates associated with the refinancing transactions that occurred during 2017 and the March 2018 Refinancing Transactions. The weighted average stated rate of interest as of December 31, 2018 and 2017 was 6.23% and 6.07%, respectively.

See Note 11, "FINANCING ARRANGEMENTS" to our audited 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 $119 million and $122 million for 2018 and 2017, associated with a series of transactions which allowed us to refinance portions of our debt arrangements.

See Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements for further details.

Foreign Exchange and Other

Foreign exchange and other was a net gain of $23 million and $107 million for 2018 and 2017, respectively, an unfavorable net change of $84 million. Foreign exchange gains/losses include translation gains/losses on intercompany loans, primarily on euro-denominated intercompany loans.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the differences between the financial statement and income tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets for outside basis differences in investments in subsidiaries are only recognized if the difference will be realized in the foreseeable future. As a result of the Tax Act, our deferred tax assets and liabilities were re-measured to reflect the reduction in the U.S. corporate income tax rate from 35% to 21%. Benefit from income taxes was $10 million and $4,145 million for 2018 and 2017, respectively, a decrease of $4,135 million which is primarily attributable to certain non-cash income tax benefits related to the Company's internal corporate restructurings and the accounting for the Tax Act during 2017 which did not repeat in 2018.

Our consolidated foreign rate differential reflects the net total tax cost or benefit on income earned or losses incurred in jurisdictions outside of Canada as compared to the net total tax cost or benefit of such income (on a jurisdictional basis) at the Canadian statutory rate of 26.9%. Tax costs below the Canadian statutory rate generate a beneficial foreign rate differential as do tax benefits generated in jurisdictions where the statutory tax rate exceeds the Canadian statutory tax rate. The net total foreign rate differentials generated in each jurisdiction in which we operate is not expected to bear a direct relationship to the net total amount of foreign income (or loss) earned outside of Canada.

In 2018, our effective tax rate differed from the Canadian statutory tax rate of 26.9% primarily due to: (i) the recording of valuation allowance on entities for which no tax benefit of losses is expected, (ii) a charge related to the non-deductibility of goodwill impairments, (iii) a benefit related to internal integrations and restructurings and (iv) a benefit generated from our annualized mix of earnings by jurisdiction.

In 2017, our effective tax rate differed from the Canadian statutory tax rate of 26.9% primarily due to: (i) a benefit related to internal integrations and restructurings, (ii) a benefit related to the Tax Act, (iii) a benefit generated from our annualized mix of earnings by jurisdiction, (iv) a benefit from the sale of divested businesses and (v) the recording of valuation allowance on entities for which no tax benefit of losses is expected.

On December 22, 2017, the Tax Act was signed into law and includes a number of changes in the U.S. tax law. In 2017, our Benefit from income taxes included provisional net tax benefits of $975 million attributable to the Tax Act for: (i) the re-measurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future of $774 million, (ii) the one-time Transition Toll Tax of $88 million and (iii) the decrease in deferred tax assets attributable to certain legal accruals,
the deductibility of which is uncertain for U.S. federal income tax purposes, of $10 million. We provisionally utilized NOLs to offset the provisionally determined $88 million Transition Toll Tax and therefore no amount was recorded as payable. The Company has previously provided for residual U.S. federal income tax on its outside basis differences in certain foreign subsidiaries which, due to the Tax Act, are no longer taxable. As such, our residual U.S. federal income tax liability of $299 million prior to the law change was reversed and we recognized a deferred tax benefit of $299 million in the fourth quarter of 2017.

During 2018, we completed our full assessment and finalized the accounting for the impact of the Tax Act. Differences between the provisional net income tax benefits provided in 2017 attributable to the Tax Act and the net income tax benefits as finalized are included in our Benefit from income taxes for the year ended December 31, 2018 and were not material to our results for the year ended December 31, 2018. Although we have completed our assessment and finalized our accounting for the impact of the Tax Act, we will monitor guidance issued in the future and assess the impact, if any, on the amounts provided.

In 2017, the Company liquidated its top U.S. subsidiary (Biovail Americas Corp.) (“BAC”) in a taxable transaction, resulting in a taxable loss which was of a character that would offset certain gains from internal restructurings and third-party divestitures, the excess of which was, under U.S. tax law, able to be carried back to offset previously recognized gains in 2016, 2015 and 2014. This carryback resulted in an increase in the Company’s deferred tax asset for NOLs previously utilized against such gains. In 2017, as a result of this taxable transaction, the Company recognized a net income tax benefit of approximately $400 million primarily related to the carryback of losses.

We record a valuation allowance against our deferred tax assets to reduce their net carrying value to an amount that we believe is more likely than not to be realized. In determining our deferred tax asset valuation allowance, we estimate our ability to utilize future sources of income to realize the benefits of our temporary income tax differences including: (i) NOL carryforwards in each jurisdiction, primarily in Canada, the U.S. and Ireland, (ii) research and development tax credit carryforwards, (iii) scientific research and experimental development pool carryforwards and (iv) investment tax credit carryforwards. When we establish/increase or reduce/decrease the valuation allowance, the provision for income taxes will increase or decrease, respectively, in the period such determination is made. Our valuation allowance against deferred tax assets as of December 31, 2018 and 2017 was $2,913 million and $2,001 million, respectively, an increase of $912 million. The increase in our valuation allowance was primarily driven by: (i) the transfer of certain intangible assets from foreign subsidiaries to Canadian subsidiaries as part of the internal restructurings discussed above and (ii) additional NOLs generated during 2018 which could not be used to reduce income taxes payable.

We record a valuation allowance against our deferred tax assets to reduce their net carrying value to an amount that we believe is more likely than not to be realized. In determining our deferred tax asset valuation allowance, we estimate our ability to utilize future sources of income to realize the benefits of our temporary income tax differences including: (i) NOL carryforwards in each jurisdiction, primarily in Canada, the U.S. and Ireland, (ii) research and development tax credit carryforwards, (iii) scientific research and experimental development pool carryforwards and (iv) investment tax credit carryforwards. When we establish/increase or reduce/decrease the valuation allowance, the provision for income taxes will increase or decrease, respectively, in the period such determination is made. Our valuation allowance against deferred tax assets as of December 31, 2018 and 2017 was $2,913 million and $2,001 million, respectively, an increase of $912 million. The increase in our valuation allowance was primarily driven by: (i) the transfer of certain intangible assets from foreign subsidiaries to Canadian subsidiaries as part of the internal restructurings discussed above and (ii) additional NOLs generated during 2018 which could not be used to reduce income taxes payable.

See Note 17, "INCOME TAXES" to our audited Consolidated Financial Statements for further details regarding income taxes.

Reportable Segment Revenues and Profits

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

The following is a brief description of our segments:

• **The Bausch + Lomb/International segment** consists of: (i) sales in the U.S. of pharmaceutical products, OTC products and medical device products, primarily comprised of Bausch + Lomb products, with a focus on the Vision Care, Surgical, Consumer and Ophthalmology Rx products and (ii) with the exception of sales of Solta products, sales in Canada, Europe, Asia, Australia, Latin America, Africa and the Middle East of branded pharmaceutical products, branded generic pharmaceutical products, OTC products, medical device products and Bausch + Lomb products.

• **The Salix segment** consists of sales in the U.S. of GI products.

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

• **The Diversified Products segment** consists of sales: (i) in the U.S. of pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) in the U.S. of generic products, (iii) in the U.S. of dentistry products and (iv) of certain other businesses divested during 2017 that were not core to the Company's operations, including the Company's equity interests in Dendreon (June 28, 2017) and Sprout (December 20, 2017). As a result of the divestitures of Dendreon and Sprout, the Company exited the oncology and women's health businesses, respectively.

Segment profit is based on operating income after the elimination of intercompany transactions (including transactions with any consolidated variable interest entities). Certain costs, such as amortization and impairments of intangible assets, goodwill
impairments, certain R&D expenses not specific to the Company's active portfolio, acquired in-process research and development costs, restructuring, integration and acquisition-related costs and other (income) expense are not included in the measure of segment profit, as management excludes these items in assessing financial performance. In addition, a portion of share-based compensation, representing the difference between actual and budgeted expense, is not allocated to segments. See Note 22, "SEGMENT INFORMATION" to our audited Consolidated Financial Statements for a reconciliation of segment profit to Loss before benefit from income taxes.

The following table presents segment revenues, segment revenues as a percentage of total revenues and the year over year changes in segment revenues for 2018 and 2017. 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 2018 and 2017.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue (in millions)</th>
<th>Segment Profit (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bausch + Lomb/International</td>
<td>$4,664</td>
<td>1,330</td>
</tr>
<tr>
<td>Salix</td>
<td>1,749</td>
<td>1,149</td>
</tr>
<tr>
<td>Ortho Dermatologics</td>
<td>625</td>
<td>265</td>
</tr>
<tr>
<td>Diversified Products</td>
<td>1,342</td>
<td>1,004</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$8,380</strong></td>
<td><strong>$3,748</strong></td>
</tr>
</tbody>
</table>

The following table presents organic revenue (Non-GAAP) and the year over year changes in organic revenue for 2018 and 2017 by segment. Organic revenues and organic growth rates are defined in the previous section titled “Selected Financial Information”.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bausch + Lomb/International</td>
<td>$4,664</td>
<td>$18</td>
<td>$4,646</td>
<td>$186</td>
<td>$4,483</td>
<td>$163</td>
</tr>
<tr>
<td>Salix</td>
<td>1,749</td>
<td>-</td>
<td>1,749</td>
<td>-</td>
<td>1,566</td>
<td>186</td>
</tr>
<tr>
<td>Ortho Dermatologics</td>
<td>625</td>
<td>-</td>
<td>625</td>
<td>-</td>
<td>725</td>
<td>95</td>
</tr>
<tr>
<td>Diversified Products</td>
<td>1,342</td>
<td>-</td>
<td>1,342</td>
<td>-</td>
<td>1,342</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,380</strong></td>
<td><strong>$18</strong></td>
<td><strong>$8,362</strong></td>
<td><strong>$186</strong></td>
<td><strong>$8,183</strong></td>
<td><strong>$179</strong></td>
</tr>
</tbody>
</table>

**Bausch + Lomb/International Segment:**

The Bausch + Lomb/International segment has a diversified product line with no single product group representing 10% or more of its segment product sales. The Bausch + Lomb/International segment revenue was $4,664 million and $4,795 million for 2018 and 2017, respectively, a decrease of $131 million, or 3%. The decrease was driven by: (i) the impact of 2017 divestitures and discontinuations of $312 million, which includes the Skinca...
The Bausch + Lomb/International segment profit was $1,330 million and $1,412 million for 2018 and 2017, respectively, a decrease of $82 million, or 6%. The decrease was driven by: (i) the impact of 2017 divestitures and discontinuations, (ii) an increase in selling, advertising and promotion expenses in support of the launch of products, primarily our launch of Lumify®, and (iii) a decrease in average realized pricing as previously discussed. The decrease was partially offset by: (i) the increase in contribution as a result of the increase in volume as previously discussed, (ii) the net favorable effect of foreign currencies and (iii) a decrease in legal expenses.

Salix Segment:

Salix Segment Revenue

The Salix segment includes the Xifaxan® product line, which accounted for approximately 68% and 63% of the Salix segment product sales and approximately 14% and 11% of the Company's product sales for 2018 and 2017, respectively. No other single product group represents 10% or more of the Salix segment product sales. The Salix segment revenue was $1,749 million and $1,566 million for 2018 and 2017, respectively, an increase of $183 million, or 12%. The increase is due to an increase in average realized pricing of $208 million as a result of higher gross selling prices mainly from Xifaxan® and lower sales deductions primarily attributable to Glumetza® and Xifaxan®. The increase was partially offset by: (i) decreases in volume of $18 million, (ii) decreases in other revenues of $4 million and (iii) the impact of discontinuations of $3 million. The net decrease in volume of $18 million was primarily attributable to the impact of generic competition as certain products lost exclusivity including Uceris®, Glumetza® and Zegerid®, which was partially offset by increased demand for Xifaxan®.

Salix Segment Profit

The Salix segment profit was $1,149 million and $935 million for 2018 and 2017, respectively, an increase of $214 million, or 23%. The increase includes: (i) the increase in contribution as a result of the increase in revenue, as previously discussed, and lower third-party royalty costs and (ii) a decrease in bad debt expense.

Ortho Dermatologics Segment:

Ortho Dermatologics Segment Revenue

The Ortho Dermatologics segment revenue was $625 million and $725 million for 2018 and 2017, respectively, a decrease of $100 million, or 14%. The decrease was driven by: (i) a decrease in volume of $96 million, (ii) the decrease in other revenues of $18 million and (iii) the impact of 2017 divestitures and discontinuations of $5 million. The decrease in volume is primarily due to: (i) the impact of generic competition as certain products lost exclusivity, including certain strengths of Solodyn®, (ii) decreased demand for Jublia® and Targretin® and (iii) a decrease in royalty revenue associated with certain partnerships partially offset by the impact on volume from the launches of Siliq™ (July 2017), Retin-A Micro® 0.06% (January 2018) and Bryhali™ (November 2018). The decrease in volume was partially offset by an increase in average realized pricing of $19 million as a result of higher gross selling prices and lower sales deductions primarily attributable to Targretin® and Zovirax®.

Ortho Dermatologics Segment Profit

The Ortho Dermatologics segment profit was $265 million and $336 million for 2018 and 2017, respectively, a decrease of $71 million, or 21%. The decrease includes: (i) a decrease in contribution primarily due to the decrease in revenue, as previously discussed and (ii) higher compensation expenses. These decreases were partially offset by decreases in: (i) legal expenses, (ii) advertising and promotion expenses and (iii) bad debt expense.
Diversified Products Segment:

Diversified Products Segment Revenue

The following table displays the Diversified Products segment revenues by product and product revenues as a percentage of segment revenue for 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wellbutrin ® Franchise</td>
<td>252</td>
<td>19%</td>
<td>235</td>
<td>14%</td>
<td>17</td>
<td>7%</td>
</tr>
<tr>
<td>Arestin ®</td>
<td>96</td>
<td>7%</td>
<td>111</td>
<td>7%</td>
<td>(15)</td>
<td>(14%)</td>
</tr>
<tr>
<td>Cuprimine ®</td>
<td>88</td>
<td>6%</td>
<td>78</td>
<td>5%</td>
<td>10</td>
<td>13%</td>
</tr>
<tr>
<td>Migranal ® Franchise</td>
<td>62</td>
<td>5%</td>
<td>58</td>
<td>3%</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td>Ativan ®</td>
<td>54</td>
<td>4%</td>
<td>60</td>
<td>4%</td>
<td>(6)</td>
<td>(10%)</td>
</tr>
<tr>
<td>Aplenzin ®</td>
<td>54</td>
<td>4%</td>
<td>31</td>
<td>2%</td>
<td>23</td>
<td>74%</td>
</tr>
<tr>
<td>Xenazine ® Franchise</td>
<td>52</td>
<td>4%</td>
<td>122</td>
<td>7%</td>
<td>(70)</td>
<td>(57%)</td>
</tr>
<tr>
<td>Syprine ®</td>
<td>47</td>
<td>3%</td>
<td>91</td>
<td>6%</td>
<td>(44)</td>
<td>(48%)</td>
</tr>
<tr>
<td>Mephyton ® Franchise</td>
<td>37</td>
<td>3%</td>
<td>52</td>
<td>3%</td>
<td>(15)</td>
<td>(29%)</td>
</tr>
<tr>
<td>Isuprel ®</td>
<td>36</td>
<td>3%</td>
<td>105</td>
<td>6%</td>
<td>(69)</td>
<td>(66%)</td>
</tr>
<tr>
<td>Other product revenues</td>
<td>548</td>
<td>41%</td>
<td>681</td>
<td>42%</td>
<td>(133)</td>
<td>(20%)</td>
</tr>
<tr>
<td>Other revenues</td>
<td>16</td>
<td>1%</td>
<td>14</td>
<td>1%</td>
<td>2</td>
<td>14%</td>
</tr>
<tr>
<td>Total U.S. Diversified revenues</td>
<td>$1,342</td>
<td>100%</td>
<td>$1,638</td>
<td>100%</td>
<td>$296</td>
<td>(18%)</td>
</tr>
</tbody>
</table>

The Diversified Products segment revenue was $1,342 million and $1,638 million for 2018 and 2017, respectively, a decrease of $296 million, or 18%. The decrease was primarily driven by: (i) the impact of 2017 divestitures and discontinuations of $221 million, which includes the Dendreon Sale (June 28, 2017), the Obagi Sale (November 9, 2017) and the Sprout Sale (December 20, 2017) and (ii) a decrease in volume of $164 million. The decrease in volume was primarily attributable to the impact of generic competition as certain products lost exclusivity, including Isuprel ®, Xenazine ®, Syprine ® and Mephyton ®. These decreases in volume were partially offset by increased volumes in our Generics business, primarily due to the launches of Diastat ® AG and Uceris ® AG products. The net decrease in volume was partially offset by: (i) a net increase in average realized pricing of $88 million as a result of higher gross selling prices and lower sales deductions primarily associated with our Neurology and Other business partially offset by a decrease in average realized pricing of Arestin ® in our Dentistry business and (ii) an increase in other revenues of $1 million.

Diversified Products Segment Profit

The Diversified Products segment profit was $1,004 million and $1,112 million for 2018 and 2017, respectively, a decrease of $108 million, or 10%. The decrease was primarily driven by the decrease in contribution as a result of: (i) the impact of 2017 divestitures and discontinuations and (ii) the decrease in volume, as previously discussed, partially offset by lower third-party royalty costs.

2017 Compared with 2016

Revenues

Our revenue was $8,724 million and $9,674 million for 2017 and 2016, respectively, a decrease of $950 million, or 10%. The decrease was primarily driven by: (i) the impact of divestitures and discontinuations of $459 million and (ii) a decline in revenues of $403 million primarily due to lower volumes associated with: (a) our Diversified Products segment as a result of the loss of exclusivity for a number of products, (b) our Ortho Dermatologics segment as a result of challenging market dynamics in dermatology and (c) to a lesser extent, our Salix segment, partially offset by increased volumes in our Bausch + Lomb / International segment, primarily driven by the U.S. Bausch + Lomb Consumer business and increased international pricing in our Bausch + Lomb / International segment and Salix segment and (iii) the unfavorable impact of foreign currencies of $78 million which is primarily attributable to the Egyptian pound.
Our segment revenues and segment profits are discussed in detail in the subsequent section titled "Reportable Segment Revenues and Profits".

**Cash Discounts and Allowances, Chargebacks and Distribution Fees**

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross product sales</td>
<td>$14,825</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Provisions to reduce gross product sales to net product sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounts and allowances</td>
<td>829</td>
<td>6%</td>
<td>789</td>
</tr>
<tr>
<td>Returns</td>
<td>423</td>
<td>3%</td>
<td>460</td>
</tr>
<tr>
<td>Rebates</td>
<td>2,545</td>
<td>17%</td>
<td>2,521</td>
</tr>
<tr>
<td>Chargebacks</td>
<td>2,145</td>
<td>14%</td>
<td>2,318</td>
</tr>
<tr>
<td>Distribution service fees</td>
<td>288</td>
<td>2%</td>
<td>423</td>
</tr>
<tr>
<td><strong>Net product sales</strong></td>
<td>$8,595</td>
<td>58%</td>
<td>$9,536</td>
</tr>
</tbody>
</table>

Cash discounts and allowances, returns, rebates, chargebacks and distribution fees as a percentage of gross product sales were 42% and 41% in 2017 and 2016, respectively, an increase of 1% primarily driven by:

- an increase in discounts and allowances as a percentage of product sales primarily associated with the generic release of Glumetza ® AG partially offset by lower sales of Zeferid ® AG due to generic competition;
- returns as a percentage of gross product sales was unchanged as higher return rates for products with generic launches in 2017, such as Nitropress ® and Glumetza ®, were substantially offset by decreases from lower year over year sales and return rates associated with certain products, primarily Zegerid ® AG which was launched in 2016, and Retin ® AG which was impacted by multiple generics in 2016;
- rebates as a percentage of product sales was higher as increased sales of products that carry higher contractual rebates and co-pay assistance programs, including the impact of gross price increases where customers receive incremental rebates based on contractual price increase limitations. The comparisons were impacted primarily by higher provisions for rebates and the co-pay assistance programs for promoted products, such as Xifaxan ®, Wellbutrin ® and Apriso ®. These increases were offset by decreases in rebates for Glumetza ®, Solodyn ®, Jublia ®, Carac ®, Ziana ® and other products as generic competition caused a decline in volume year over year;
- chargebacks as a percentage of gross product sales was unchanged as increases in chargebacks from higher year over year sales of certain generic drugs such as Glumetza ® AG, Targretin ® AG and Xenazine ® AG and certain branded drugs such as Nifedical ™. Xifaxan ® and Ofloxacin were substantially offset by decreases in chargebacks associated with: (i) lower utilization by the U.S. government of certain products such as Minocin ®, Ativan ® and Mysoline ®, (ii) lower year over year sales of Zegerid ® AG, Nitropress ® and Anusol ™ and other drugs due to generic competition and Provenge ® which was divested with the Dendreon Sale and (iii) better contract pricing as a result of the Company's pricing discipline. During much of 2016, the Company was subject to higher chargeback rates as a result of its 2015 pricing strategies. As a result of corrective actions taken by the Company, and its continued pricing discipline during 2016, the previous chargeback rates, which were substantial, are no longer effective during 2017; and
- a decrease in distribution service fees as a percentage of gross product sales due in part to higher offsetting price appreciation credits and better contract terms with our distributors. Price appreciation credits are offset against the distribution service fees we pay wholesalers and were $21 million and $13 million for 2017 and 2016, respectively.

**Operating Expenses**

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

Cost of goods sold was $2,506 million and $2,572 million in 2017 and 2016, respectively, a decrease of $66 million, or 3%. The decrease was primarily driven by: (i) lower volumes from revenues, (ii) the impact of divestitures and discontinuations, (iii) lower amortization of acquisition accounting adjustments related to inventories of $38 million and (iv) the favorable impact of foreign currencies of $22 million. These decreases were partially offset by: (i) an increase of $21 million in certain maintenance costs and (ii) higher third-party royalty costs on certain drugs.
Effective July 1, 2017, we began classifying certain maintenance costs as costs of sales which in previous periods were included in R&D expenses. The costs incurred for the period July 1, 2017 through December 31, 2017 was $21 million. No adjustments were made to prior periods based on materiality.

Cost of goods sold as a percentage of revenue was 29% and 27% for 2017 and 2016, respectively, an increase of 2 percentage points and was primarily driven by an unfavorable change in our product mix. In 2017, a greater percentage of our revenue was attributable to the Bausch + Lomb/International segment, which generally has lower gross margins than our remaining product portfolio. The shift toward a lower gross margin is also partly due to the loss of exclusivity across our portfolio. These increases in costs of goods sold as a percentage of product sales revenue were partially offset by acquisition accounting adjustments related to inventories expensed in 2016 of $38 million. Our segment revenues and segment profits are discussed in detail in the subsequent section titled “Reportable Segment Revenues and Profits”.

Selling, General and Administrative Expenses

SG&A was $2,582 million and $2,810 million for 2017 and 2016, respectively, a decrease of $228 million, or 8%. The decrease was primarily driven by: (i) a net decrease in advertising and promotion expenses, primarily driven by decreases in direct to consumer advertising in support of our Jublia®, Xifaxan®, Bausch + Lomb ULTRA® contact lenses and other branded products, (ii) a net decrease in compensation expense as we incurred higher personnel costs in 2016 resulting from changes in our senior management team and employee retention costs, (iii) termination benefits associated with our former Chief Executive Officer in 2016 consisting of: (a) the pro-rata vesting of performance-based restricted stock units (“RSUs”) (no shares were issued on vesting of these performance-based RSUs because the associated market-based performance condition was not attained), (b) a cash severance payment and (c) a pro-rata annual cash bonus, (iv) lower expenses due to the impact of divestitures, (v) the favorable impact of foreign currencies and (vi) a net decrease in third-party consulting fees. These factors were partially offset by an increase in professional fees incurred in connection with: (i) legal and governmental proceedings, investigations and information requests relating to, among other matters, our distribution, marketing, pricing, disclosure and accounting practices, (ii) the execution on our key initiatives and (iii) other ongoing corporate and business matters.

Research and Development Expenses

R&D expenses were $361 million and $421 million for 2017 and 2016, respectively, a decrease of $60 million, or 14%. The decrease was primarily due to: (i) the year over year phasing as we completed the R&D investment in Siliq™ and other newly launched products requiring investment in the prior year, removed projects related to divested businesses and rebalanced our portfolio to better focus on its core assets as this is not representative of our current product development activities and (ii) $21 million of certain maintenance costs classified as cost of sales in 2017 that in previous periods were included in R&D expenses as previously discussed.

Although R&D expenses in 2017 were lower when compared to 2016 by $60 million, R&D expenses as a percentage of revenue was approximately 4% in 2017 and 2016 and demonstrates our consistent commitment to our investment in our R&D strategy. The decrease in dollars spent in 2017 is attributable to year over year phasing as we completed the R&D investment in Siliq™ and other recently launched products requiring investment in 2016, removed projects related to businesses divested in 2017 and rebalanced our portfolio to better align with our long-term plans and focus on our Bausch + Lomb, GI and dermatology businesses.

Amortization of Intangible Assets

Amortization of intangible assets was $2,690 million and $2,673 million for 2017 and 2016, respectively, an increase of $17 million, or 1%. The increase in amortization is driven by changes to the estimated remaining useful lives of certain products and the Salix brand name, partially offset by lower amortization as a result of impairments to intangible assets and divestitures and discontinuances of product lines during 2017 and 2016 as the Company focuses on its core assets. Management continually assesses the useful lives related to the Company's long-lived assets to reflect the most current assumptions. In review of the Company’s finite-lived intangible assets, management revised the estimated useful lives of certain intangible assets in the third and fourth quarters of 2017. As a result, the useful lives of certain product brands, with an aggregate carrying value of $7,618 million as of December 31, 2017, were revised from an average of seven years to four years, primarily due to each product expected to lose its exclusivity. In addition, the useful life of the Salix brand, with a carrying value of $569 million as of December 31, 2017, was revised from seventeen years to ten years due to revisions in the forecasted sales of its product portfolio.

Goodwill Impairments

Goodwill impairments was $312 million and $1,077 million for 2017 and 2016, respectively.
During the three months ended September 30, 2017, the Sprout business was classified as held for sale. As the Sprout business represented only a portion of a reporting unit of our former Branded Rx segment, we assessed the remaining reporting unit for impairment and determined and recorded a goodwill impairment charge of $312 million during the three months ended September 30, 2017.

Commencing in the three months ended September 30, 2016 through the first quarter of 2018, the Company operated in three operating segments: (i) Bausch + Lomb/International, (ii) Branded Rx and (iii) U.S. Diversified Products. The realignment of the segment structure in 2016 resulted in changes in the Company’s reporting units. In the third and fourth quarter of 2016, goodwill impairment testing was performed under the former reporting unit structure immediately prior to the change and under the then-current reporting unit structure immediately subsequent to the change.

Under the former (pre-2016 realignment) reporting unit structure, the fair value of each reporting unit exceeded its carrying value by more than 15%, except for the former U.S. reporting unit whose carrying value exceeded its fair value by 2%. As a result, the Company proceeded to perform step two of the goodwill impairment test for the former U.S. reporting unit and determined that the carrying value of the unit's goodwill exceeded its implied fair value, which resulted in a goodwill impairment charge of $905 million, as adjusted through December 31, 2016. The goodwill impairment was primarily driven by changes to the Company's forecasted performance, which resulted in a lower fair value of the U.S. businesses, mainly the Salix business.

Under the then-current reporting unit structure, the carrying value of the Salix reporting unit exceeded its fair value, as updates to the unit's forecast resulted in a lower estimated fair value for the business. As a result, the Company proceeded to perform step two of the goodwill impairment test for the Salix reporting unit and determined that the carrying value of the unit's goodwill exceeded its implied fair value, which resulted in a goodwill impairment charge of $172 million, as adjusted through December 31, 2016.

See Note 9, "INTANGIBLE ASSETS AND GOODWILL" to our audited Consolidated Financial Statements for further details related to our goodwill impairment analysis.

**Asset Impairments**

Asset impairments were $714 million and $422 million for 2017 and 2016, respectively, an increase of $292 million.

Asset impairments for 2017 included impairments of: (i) $351 million related to the Sprout business being classified as held for sale, (ii) $151 million reflecting decreases in forecasted sales for other product lines, (iii) $114 million to other assets classified as held for sale, primarily related to the Obagi business, (iv) $95 million, in aggregate, to certain product/patent assets associated with the discontinuance of specific product lines not aligned with the focus of the Company's core business and (v) $3 million related to acquired IPR&D.

Asset impairments for 2016 included impairments of: (i) $221 million related to the divestiture of Ruconest®, (ii) $88 million related to other assets classified as held for sale, (iii) $74 million related to other asset impairments which were individually not material, (iv) $25 million related to IBS Chek™ due to a decrease in forecasted sales and (v) $14 million related to acquired IPR&D.

See Note 4, "DIVESTITURES" and Note 9, "INTANGIBLE ASSETS AND GOODWILL" to our audited Consolidated Financial Statements regarding further details related to our intangible assets.

**Restructuring and Integration Costs**

Restructuring and integration costs were $52 million and $132 million for 2017 and 2016, respectively. We have substantially completed the integration of the businesses acquired prior to 2016. The Company continues to evaluate opportunities to streamline its operations and identify additional cost savings globally and the Company may identify and take additional exit and cost-rationalization restructuring actions in the future, the costs of which could be material.

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

**Acquired In-Process Research and Development Costs**

Acquired in-process research and development costs were $5 million and $34 million for 2017 and 2016, respectively. Acquired in-process research and development costs in 2016 were primarily related to a $25 million license payment.
Acquisition-Related Contingent Consideration

Acquisition-related contingent consideration was a net gain of $289 million for 2017 which included: (i) a fair value adjustment of $312 million reflecting a decrease in forecasted sales for the Addyi ® product, which impacted the expected future payments and (ii) net fair value adjustments due to changes in estimates of other expected future payments of $31 million. These net gains were partially offset by accretion for the time value of money of $54 million.

Acquisition-related contingent consideration was a net gain of $13 million for 2016, which included net fair value adjustments of $105 million which, were partially offset by accretion for the time value of money of $92 million.

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

Other (income) expense, net

Other (income) expense, net for 2017 and 2016 consists of the following:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on the Skincare Sale</td>
<td>$(309)</td>
<td>—</td>
</tr>
<tr>
<td>Gain on the iNova Sale</td>
<td>(309)</td>
<td>—</td>
</tr>
<tr>
<td>Gain on the Dendreon Sale</td>
<td>(97)</td>
<td>—</td>
</tr>
<tr>
<td>Loss on the Sprout Sale</td>
<td>98</td>
<td>—</td>
</tr>
<tr>
<td>Net loss (gain) on other sales of assets</td>
<td>37</td>
<td>(6)</td>
</tr>
<tr>
<td>Litigation and other matters</td>
<td>226</td>
<td>59</td>
</tr>
<tr>
<td>Other, net</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Other (income) expense, net</td>
<td>$(353)</td>
<td>$73</td>
</tr>
</tbody>
</table>

In 2017, Litigation and other matters includes: (i) $96 million related to the settlement of the Allergan shareholder class actions, (ii) $93 million related to the settlement of the Solodyn ® antitrust class actions litigation and (iii) $20 million related to the Mimetogen Pharmaceuticals litigation. In 2016, Litigation and other matters includes: (i) an unfavorable adjustment of $90 million from the proposed settlement of the Salix securities litigation and (ii) a favorable adjustment of $39 million from the settlement of the investigation into Salix's pre-acquisition sales and promotional practices for the Xifaxan ®, Relistor ® and Apriso ® products. Net gain on other sales of assets includes: (i) a gain of $20 million from an amendment to a license agreement terminating the Company's right to develop and commercialize brodalumab in Europe and (ii) a loss of $22 million from the divestiture of Ruconest ®.

Litigation and other matters includes other amounts provided for certain matters discussed in Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements.

Non-Operating Income and Expense

Interest Expense

Interest expense was $1,840 million and $1,836 million and included non-cash amortization and write-offs of debt discounts and deferred financing costs of $151 million and $118 million for 2017 and 2016, respectively. The increase in interest expense is primarily due to: (i) higher amortization and write-offs of debt discounts and deferred financing costs and (ii) higher interest rates associated with the refinancing transactions that occurred during 2017 and amendments made in 2016 to our Third Amended Credit Agreement (as defined below). Prepayments of long term debt were higher in 2017 as compared to 2016, and resulted in higher acceleration of amortization and write-offs of debt discounts and deferred financing costs during 2017 as compared to 2016. These increases were partially offset by a decrease in interest expense as a result of lower principal amounts of outstanding long term debt. The weighted average stated rate of interest as of December 31, 2017 and 2016 was 6.07% and 5.75%, respectively.

See Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements for further details.

Loss on Extinguishment of Debt

Loss on extinguishment of debt was $122 million for 2017. In March 2017, October 2017, November 2017 and December 2017, we completed a series of transactions which allowed us to refinance a portion of our debt arrangements. In August 2017, we repurchased the remaining $500 million of our August 2018 Unsecured Notes. Losses representing the differences between the amounts paid to settle the extinguished debts and the carrying value of the extinguished debts (the debts' stated principal net of unamortized debt discount and debt issuance costs) were recognized.
Foreign Exchange and Other

Foreign exchange and other was a net gain of $107 million for 2017 and includes: (i) a foreign exchange gain related to a euro-denominated intercompany loan and (ii) net foreign exchange gains related to intercompany transactions within our European operations.

Foreign exchange and other was a net loss of $41 million for 2016 and includes: (i) a foreign exchange loss related to a euro-denominated intercompany loan and (ii) net foreign exchange losses related to intercompany transactions within our European operations.

Income Taxes

Benefit from income taxes was $4,145 million and $27 million for 2017 and 2016, respectively.

As previously discussed, in 2017, our effective tax rate differed from the Canadian statutory tax rate of 26.9% primarily due to: (i) a benefit related to internal integrations and restructurings, (ii) a benefit related to U.S. tax law changes enacted in December 2017, (iii) a benefit generated from our annualized mix of earnings by jurisdiction, (iv) a benefit from the sale of divested businesses and (v) the recording of valuation allowance on entities for which no tax benefit of losses is expected.

In 2016, our effective tax rate differed from the Canadian statutory tax rate of 26.9% primarily due to: (i) a benefit related to internal integrations and restructurings, (ii) a charge for the impact of non-deductible goodwill impairment, (iii) a benefit for the effect of valuation allowance on our tax attribute carryforwards in Canada, (iv) benefit of intra-entity transfers including the amortization of intangibles for tax purposes (these include a charge for internal restructuring) and (v) a benefit from income earned in jurisdictions with a lower statutory rate than in Canada.

See Note 17, "INCOME TAXES" to our audited Consolidated Financial Statements for further details regarding income taxes.

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 2017 and 2016. 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 2017 and 2016.

<table>
<thead>
<tr>
<th>Segment Revenue</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bausch + Lomb/International</td>
<td>$4,795</td>
<td>55%</td>
<td>$4,857</td>
</tr>
<tr>
<td>Salix</td>
<td>1,566</td>
<td>18%</td>
<td>1,530</td>
</tr>
<tr>
<td>Ortho Dermatologics</td>
<td>725</td>
<td>8%</td>
<td>949</td>
</tr>
<tr>
<td>Diversified Products</td>
<td>1,638</td>
<td>19%</td>
<td>2,338</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$8,724</td>
<td>100%</td>
<td>$9,674</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment Profits / Segment Profit Margins</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bausch + Lomb/International</td>
<td>$1,412</td>
<td>29%</td>
<td>$1,456</td>
</tr>
<tr>
<td>Salix</td>
<td>935</td>
<td>60%</td>
<td>946</td>
</tr>
<tr>
<td>Ortho Dermatologics</td>
<td>336</td>
<td>46%</td>
<td>408</td>
</tr>
<tr>
<td>Diversified Products</td>
<td>1,112</td>
<td>68%</td>
<td>1,712</td>
</tr>
<tr>
<td>Total segment profit</td>
<td>$3,795</td>
<td>44%</td>
<td>$4,522</td>
</tr>
</tbody>
</table>

See Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements for further details.
The following table presents organic revenue (Non-GAAP) and the year over year changes in organic revenue for 2017 and 2016 by segment. Organic revenue and organic growth rates are defined in the previous section titled “Selected Financial Information”.

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Year Ended December 31, 2017</th>
<th>Year Ended December 31, 2016</th>
<th>Change in Organic Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue as Reported</td>
<td>Changes in Exchange Rates</td>
<td>Organic Revenue (Non-GAAP)</td>
</tr>
<tr>
<td>Bausch + Lomb/International</td>
<td>$4,795</td>
<td>$78</td>
<td>$4,873</td>
</tr>
<tr>
<td>Salix</td>
<td>1,566</td>
<td>—</td>
<td>1,566</td>
</tr>
<tr>
<td>Ortho Dermatologics</td>
<td>725</td>
<td>—</td>
<td>725</td>
</tr>
<tr>
<td>Diversified Products</td>
<td>1,638</td>
<td>—</td>
<td>2,338</td>
</tr>
<tr>
<td>Total</td>
<td>$8,724</td>
<td>$78</td>
<td>$8,802</td>
</tr>
</tbody>
</table>

**Bausch + Lomb/International Segment:**

**Bausch + Lomb/International Segment Revenue**

The Bausch + Lomb/International segment revenue was $4,795 million and $4,857 million for 2017 and 2016, respectively, a decrease of $62 million, or 1%. The decrease was primarily driven by: (i) the impact of the Skincare Sale, the iNova Sale and other divestitures and discontinuations of $240 million and (ii) the unfavorable impact of foreign currencies of $78 million, which includes the unfavorable impact from the Egyptian pound of $138 million.

These factors were partially offset by: (i) an increase in volume of $139 million primarily driven by the U.S. Bausch + Lomb Consumer and international businesses and, to a lesser extent, the U.S. Bausch + Lomb Vision Care and Surgical businesses and (ii) an increase in average realized pricing of $121 million, primarily in Egypt in order to offset the unfavorable impact of foreign exchange due to the Egyptian pound devaluation.

**Bausch + Lomb/International Segment Profit**

The Bausch + Lomb/International segment profit was $1,412 million and $1,456 million for 2017 and 2016, respectively, a decrease of $44 million, or 3%. The decrease was primarily driven by: (i) the decrease in contribution from the impact of the Skincare Sale, the iNova Sale and other divestitures and discontinuations of $151 million and (ii) the unfavorable impact of foreign currencies on our business of $40 million, primarily due to the Egyptian pound.

These factors were partially offset by: (i) an increase in contribution as a result of increases in volume and average realized pricing as previously discussed and (ii) a decrease in operating expenses (excluding amortization and impairments of intangible assets) of $27 million primarily in advertising and promotion expenses, including expenses eliminated as a result of the Skincare Sale, the iNova Sale and other divestitures and discontinuations.

**Salix Segment:**

**Salix Segment Revenue**

The Salix segment revenue was $1,566 million and $1,530 million for 2017 and 2016, respectively, an increase of $36 million, or 2%. The increase includes an increase in average realized pricing of $138 million primarily driven by: (i) increased wholesale selling prices and (ii) lower discounts 2017 when compared to 2016. As previously discussed in “Cash Discounts and Allowances, Chargebacks and Distribution Fees,” as a result of corrective actions taken by the Company, and its continued pricing discipline during 2016, chargeback rates within the Salix segment were lower in 2017 when compared to 2016.

These factors were partially offset by: (i) a decrease in volume of $70 million primarily driven by: (a) lower demand most notably with our Glumetza® and Uceris® products attributable to competition and the increase in high deductible medical plans and (b) generic competition as certain products lost exclusivity, such as our Zeberid® product and (ii) the impact from the divestiture of Ruconest® and other divestitures of approximately $32 million.

**Salix Segment Profit**

The Salix segment profit was $935 million and $946 million for 2017 and 2016, respectively, a decrease of $11 million, or 1%. The decrease was primarily driven by a decrease in contribution from: (i) the lower volumes previously discussed, (ii) increase
in selling expenses associated with our sales force expansion program and (iii) the impact from the divestiture of Ruconest ® of approximately $27 million.

These factors were partially offset by: (i) lower advertising and promotion expenses and (ii) acquisition accounting adjustments related to inventories expensed in 2016 of $30 million.

**Ortho Dermatologics Segment:**

**Ortho Dermatologics Segment Revenue**

The Ortho Dermatologics segment revenue was $725 million and $949 million for 2017 and 2016, respectively, a decrease of $224 million, or 24%. The decrease was primarily driven by: (i) a decrease in volume of $211 million primarily driven by: (a) our Jublia ® product, and, to a lesser extent, our Solodyn ® product, which have experienced lower volumes since the change in our fulfillment model, (b) generic competition as certain products lost exclusivity, such as our Carac ®, Targretin ® and Ziana ® products and (c) reduced patient access by third-party payors to certain legacy dermatology products, (ii) the decrease in average realized pricing of $8 million and (iii) the decrease from the impact of divestitures and discontinuations of $3 million.

**Ortho Dermatologics Segment Profit**

The Ortho Dermatologics segment profit was $336 million and $408 million for 2017 and 2016, respectively, a decrease of $72 million, or 18%. The decrease was primarily driven by a decrease in contribution from lower volume and average realized pricing as previously discussed. These factors were partially offset by the decrease in operating expenses primarily related to lower selling and advertising and promotion expenses.

**Diversified Products Segment:**

**Diversified Products Segment Revenue**

The following table displays the U.S. Diversified Products segment revenues in U.S. dollars by product and product revenues as a percentage of segment revenue for 2017 and 2016.

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Years Ended December 31,</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wellbutrin ® Franchise (1)</td>
<td>$235</td>
<td>14%</td>
</tr>
<tr>
<td>Provenge ®</td>
<td>164</td>
<td>10%</td>
</tr>
<tr>
<td>Xenazine ® Franchise (1)</td>
<td>122</td>
<td>7%</td>
</tr>
<tr>
<td>Arestin ®</td>
<td>111</td>
<td>7%</td>
</tr>
<tr>
<td>Isuprel ®</td>
<td>105</td>
<td>6%</td>
</tr>
<tr>
<td>Syprine ®</td>
<td>91</td>
<td>6%</td>
</tr>
<tr>
<td>Cuprimine ®</td>
<td>78</td>
<td>5%</td>
</tr>
<tr>
<td>Ativan ®</td>
<td>60</td>
<td>4%</td>
</tr>
<tr>
<td>Migranal ® Franchise (1)</td>
<td>58</td>
<td>4%</td>
</tr>
<tr>
<td>Mephyton ® Franchise (1)</td>
<td>52</td>
<td>3%</td>
</tr>
<tr>
<td>Other product revenues</td>
<td>548</td>
<td>33%</td>
</tr>
<tr>
<td>Other revenues</td>
<td>14</td>
<td>1%</td>
</tr>
<tr>
<td>Total Diversified Products revenues</td>
<td>$1,638</td>
<td>100%</td>
</tr>
</tbody>
</table>

1 2017 and 2016 product revenues have been recast to include international revenues and other products within the franchise.

The Diversified Products segment revenue was $1,638 million and $2,338 million for 2017 and 2016, respectively, a decrease of $700 million, or 30%. The decrease was primarily driven by: (i) a decrease in volume of $354 million, (ii) the impact of the Dendreon Sale and other divestitures and discontinuations of $184 million and (iii) a decrease in average realized pricing of $158 million. Dendreon’s only commercialized product, Provenge ®, is an autologous cellular immunotherapy (vaccine) for prostate cancer treatment approved by the FDA in April 2010. With this sale completed, we have exited the oncology business, which was not core to our objectives. The decrease in volumes and average realized pricing is primarily driven by generic competition to certain products, such as Nitopress ®, Isuprel ®, Xenazine ® and Wellbutrin ® in our neurology business unit and the Zegerid ® AG in our generics business unit.

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Diversified Products Segment Profit

The Diversified Products segment profit was $1,112 million and $1,712 million for 2017 and 2016, respectively, a decrease of $600 million, or 35%. The decrease was primarily driven by the decrease in contribution as a result of the decreases in volumes and average realized pricing as previously discussed and the impact of the Dendreon Sale and other divestitures and discontinuations.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Summarized cash flow information for the years ended December 31, 2018, 2017 and 2016 is as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Years Ended December 31, 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$ (4,144)</td>
<td>$ 2,404</td>
</tr>
<tr>
<td>Adjustments to reconcile net (loss) income to net cash provided by operating activities</td>
<td>5,627</td>
<td>(958)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td>18</td>
<td>844</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,501</td>
<td>2,290</td>
</tr>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(196)</td>
<td>2,887</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(1,353)</td>
<td>(4,963)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>(26)</td>
<td>41</td>
</tr>
<tr>
<td>Net (decrease) increase in cash and cash equivalents and restricted cash</td>
<td>(74)</td>
<td>255</td>
</tr>
<tr>
<td>Cash and cash equivalents and restricted cash, beginning of year</td>
<td>797</td>
<td>542</td>
</tr>
<tr>
<td>Cash and cash equivalents and restricted cash, end of year</td>
<td>$ 723</td>
<td>$ 797</td>
</tr>
</tbody>
</table>

Operating Activities

Net cash provided by operating activities was $1,501 million and $2,290 million in 2018 and 2017, respectively, a decrease of $789 million, or 34%. The decrease was primarily attributable to: (i) the favorable impact of changes in our operating assets and liabilities in 2017 discussed below which did not repeat in 2018 and (ii) higher payments (net of insurance proceeds) of legal settlements in 2018. Payments of accrued legal settlements were $224 million, primarily related to the settlement of the Allergan shareholder class actions and Solodyn® antitrust class actions litigations, and $221 million, primarily related to the settlement of the legacy Salix securities class action litigation, and Insurance proceeds for legal settlements were $0 and $60 million for 2018 and 2017, respectively.

Net cash provided by operating activities was $2,290 million and $2,087 million for 2017 and 2016, respectively, an increase of $203 million, or 10%. The increase was primarily attributable to: (i) better working capital management and (ii) the timing of the collection of trade receivables attributable to our fulfillment agreement with Walgreens in resolution of certain 2016 billing issues. As a result of our focus on our core businesses and divestitures of non-core businesses, we reduced our inventory days and working capital days during 2017. In 2017, we also simplified our supply chain by reducing the number of manufacturing sites and discontinued more than 1,900 stock keeping units or SKUs. These operational improvements generated over $800 million of additional cash from changes in working capital during 2017. Although we continually drive for operational excellence across our organization, at this time we believe we have right-sized the Company's working capital to a level that fits our business size and needs.

Investing Activities

Net cash (used in) provided by investing activities was $(196) million, $2,887 million and $(125) million and included payments for: (i) purchases of property, plant and equipment of $157 million, $171 million and $235 million and (ii) acquisitions of intangible assets and other assets previously acquired of $78 million, $165 million and $56 million, for the years 2018, 2017 and 2016.
and 2016, respectively. In 2017, net cash provided by investing activities included the net proceeds from sales of non-core assets of $3,253 million, as previously discussed, which were substantially used to reduce the Company's debt obligations.

**Financing Activities**

Net cash used in financing activities during 2018, 2017 and 2016 was primarily driven by repayments of long-term debt in execution of leadership’s commitment to improve the Company’s capital structure.

Net cash used in financing activities during 2018 was $1,353 million and included repayments of long-term debt of $10,101 million consisting of: (i) repayments of term loans under our Senior Secured Credit Facilities of $3,711 million, (ii) repayments of principal amounts due under our Senior Notes of $5,465 million, (iii) refinancing $500 million of outstanding amounts under our 2020 Revolving Credit Facility with our 2023 Revolving Credit Facility and (iv) repayments of our revolving credit facilities of $425 million. Issuance of long-term debt, net of discounts for 2018 was $8,944 million and included: (i) the net proceeds of: (a) $4,507 million from the issuance of $4,565 million in principal amount of June 2025 Term Loan B Facility, (b) $1,480 million from the issuance of $1,500 million in principal amount of April 2026 Unsecured Notes (c) $1,476 million from the issuance of $1,500 million in principal amount of November 2025 Term Loan B Facility and (d) $738 million from the issuance of $750 million in principal amount of January 2027 Unsecured Notes, (ii) refinancing $500 million of outstanding amounts under our 2020 Revolving Credit Facility with our 2023 Revolving Credit Facility and (iii) $250 million of borrowings under our revolving credit facilities. The net proceeds from the Issuance of long-term debt, net of discounts in 2018 is further reduced by $7 million in payments we made in 2018 for issuance costs associated with senior notes issued during 2017. Payments for costs associated with the refinancing of certain debt was $102 million for 2018.

Net cash used in financing activities during 2017 was $4,963 million and included repayments of long-term debt of $14,203 million consisting of: (i) repayments of term loans under our Senior Secured Credit Facilities of $9,478 million, (ii) repayments of Senior Unsecured Notes of $4,100 million and (iii) repayments of amounts due under our revolving credit facility of $625 million. These repayments were funded with: (i) the net proceeds from the sales of non-core assets, including the Skincare Sale, the Dendreon Sale, the iNova Sale and the Obagi Sale, (ii) net proceeds of $9,424 million from the 2017 Refinancing Transactions and (iii) cash on hand. Payments for costs associated with the refinancing of certain debt was $110 million for 2017.

Net cash used in financing activities during 2016 was $1,963 million and included repayments of long-term debt of $2,436 million consisting of: (i) repayments of term loans under our Senior Secured Credit Facilities of $1,841 million and (ii) repayments of amounts due under our revolving credit facility of $595 million. Other uses of cash by financing activities included: (i) payment of deferred consideration of $500 million in connection with an acquisition, (ii) payments of contingent consideration of $123 million, including $50 million in connection with the FDA approval of Relistor® tablets and (iii) payments of $97 million in connection with certain amendments to our Senior Secured Credit Facilities. Repayments of long-term debt in 2016 were funded with: (i) borrowings under our revolving credit facility of $1,220 million, (ii) proceeds from the sale of non-core assets and (iii) cash on hand.

See Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements for further details regarding the financing activities previously described.

**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 the next twelve months.

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 in the years 2019 through 2020.

**Long-term Debt**

Long-term debt, net of unamortized discounts and finance costs was $24,305 million and $25,444 million as of December 31, 2018 and December 31, 2017, respectively. Aggregate contractual principal amounts due under our debt obligations were $24,632 million and $25,752 million as of December 31, 2018 and 2017, respectively, a decrease of $1,120 million.
In March, June and November 2018, we accessed the credit markets and completed a series of transactions, whereby we extended approximately $8,300 million in aggregate maturities of certain debt obligations due to mature in March 2020 through July 2022, out to June 2025 through January 2027. As part of these transactions we obtained less stringent loan financial maintenance covenants under our Senior Secured Credit Facilities and extended the availability of our revolving credit facility by more than three years by replacing our previously existing revolving credit facility due in April 2020 with the 2023 Revolving Credit Facility of $1,225 million.

Debt repayments - During 2018, we repaid: (i) $206 million of our Series F Tranche B Term Loan Facility, (ii) $200 million of our December 2021 Unsecured Notes, (iii) $171 million of our June 2025 Term Loan B Facility, (iv) $125 million of our July 2021 Unsecured Notes, (v) $104 million of our 6.375% October 2020 Unsecured Notes, (vi) the remaining $71 million of outstanding principal amount of our 7.00% Senior Unsecured Notes Due 2020, (vii) $19 million of our November 2025 Term Loan B Facility and (viii) $175 million (net of additional borrowings) of amounts outstanding under our revolving credit facilities. These repayments during 2018 were funded with cash on hand and reduced our outstanding debt obligations by more than $1,000 million.

2018 Refinancing Transactions

On March 26, 2018, BHA issued $1,500 million aggregate principal amount of April 2026 Unsecured Notes in a private placement, the net proceeds of which, along with cash on hand, were used to repurchase $1,500 million in aggregate principal amount of unsecured notes which consisted of: (i) $1,017 million in principal amount of our existing March 2020 Unsecured Notes, (ii) $411 million in principal amount of our existing 6.375% October 2020 Unsecured Notes and (iii) $72 million in principal amount of our existing August 2021 Unsecured Notes. All fees and expenses associated with these transactions were paid with cash on hand.

On June 1, 2018, the Company entered into the Restated Credit Agreement. The Restated Credit Agreement amended and restated in full the Third Amended Credit Agreement (as defined below). The Restated Credit Agreement replaced the 2020 Revolving Credit Facility with the 2023 Revolving Credit Facility of $1,225 million and replaced the Series F Tranche B Term Loan Facility principal amount outstanding of $3,315 million with the June 2025 Term Loan B Facility of $4,565 million.

In June 2018, using the net proceeds from the June 2025 Term Loan B Facility, the net proceeds from the issuance of $750 million of the January 2027 Unsecured Notes by BHA and cash on hand, the Company prepaid the remaining outstanding principal amounts of: (i) $691 million of the March 2020 Unsecured Notes, (ii) $578 million of the August 2021 Unsecured Notes, (iii) $550 million of the July 2022 Unsecured Notes and (iv) $146 million of the 6.375% October 2020 Unsecured Notes.

On November 27, 2018, the Company entered into the First Incremental Amendment to the Restated Credit Agreement which provided the November 2025 Term Loan B Facility of $1,500 million. The net proceeds and cash on hand were used to repurchase $1,483 million in outstanding principal amount of July 2021 Unsecured Notes in a tender offer. On December 27, 2018, the Company redeemed the remaining outstanding principal amount of $17 million of the July 2021 Unsecured Notes using cash on hand.

The aforementioned repayments, refinancings and other changes in our debt portfolio completed during 2018 have lowered our cash requirements for principal debt repayment over the next five years. The mandatory scheduled principal repayments of our debt obligations as of December 31, 2018 and 2017 were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ —</td>
<td>$ 209</td>
</tr>
<tr>
<td>2019</td>
<td>228</td>
<td>—</td>
</tr>
<tr>
<td>2020</td>
<td>303</td>
<td>2,690</td>
</tr>
<tr>
<td>2021</td>
<td>1,003</td>
<td>3,175</td>
</tr>
<tr>
<td>2022</td>
<td>1,553</td>
<td>5,115</td>
</tr>
<tr>
<td>2023</td>
<td>6,348</td>
<td>6,051</td>
</tr>
<tr>
<td>Thereafter</td>
<td>15,197</td>
<td>8,512</td>
</tr>
<tr>
<td></td>
<td>$ 24,632</td>
<td>$ 25,752</td>
</tr>
</tbody>
</table>

See Note 11, "FINANCING ARRANGEMENTS" to our audited Consolidated Financial Statements and “Management's Discussion and Analysis - Liquidity and Capital Resources: Long-term Debt" for further details.

The weighted average stated rate of interest as of December 31, 2018 and 2017 was 6.23% and 6.07%, respectively.
Senior Secured Credit Facilities

On February 13, 2012, the Company and certain of its subsidiaries as guarantors entered into the “Senior Secured Credit Facilities” under the Company’s Third Amended and Restated Credit and Guaranty Agreement, as amended (the “Third Amended Credit Agreement”) with a syndicate of financial institutions and investors.

On June 1, 2018, the Company entered into the Restated Credit Agreement, effectuating the Restated Credit Agreement which amended and restated in full the Company’s Third Amended Credit Agreement.

On November 27, 2018, the Company entered into the First Incremental Amendment to the Restated Credit Agreement which provided the November 2025 Term Loan B Facility of $1,500 million.

As of December 31, 2018, the Company had $75 million of outstanding borrowings, $169 million of issued and outstanding letters of credit, and remaining availability of $981 million under its 2025 Revolving Credit Facility.

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 higher 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 zero), 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 2025 Revolving Credit Facility in Canadian dollars bear interest at a rate per annum equal to, at the Company's option, either (a) a prime rate determined by reference to the higher of: (1) 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 (2) 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 (b) 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 Consolidated 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 bankers’ acceptance rate borrowings. As of December 31, 2018 , the stated rate of interest on the Company’s borrowings under the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility was 5.38% and 5.13% 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 December 31, 2018 , the remaining mandatory quarterly amortization payments for the Senior Secured Credit Facilities were $1,857 million through November 27, 2025.

The applicable interest rate margins for borrowings under the 2025 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 bankers’ acceptance rate borrowings. As of December 31, 2018 , the stated rate of interest on the 2023 Revolving Credit Facility was 5.38% per annum. 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 $1,000 million of incremental credit facility borrowings, subject to customary terms and conditions, as well as the incurrence of additional incremental credit facility borrowings subject to, in the case of secured debt, 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 indenture governing the Senior Secured Notes.

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

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

**Senior Unsecured Notes**

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

**9.25% Senior Unsecured Notes due 2026 - March 2018 Refinancing Transactions**

On March 26, 2018, BHA issued $1,500 million in aggregate principal amount of April 2026 Unsecured Notes in a private placement, the net proceeds of which, along with cash on hand, were used to repurchase $1,500 million in aggregate principal amount of unsecured notes which consisted of: (i) $1,017 million in principal amount of the March 2020 Unsecured Notes, (ii) $411 million in principal amount of the 6.375% October 2020 Unsecured Notes and (iii) $72 million in principal amount of the August 2021 Unsecured Notes. During May 2018, BHA redeemed an additional $104 million in principal amount of 6.375% October 2020 Unsecured Notes using cash on hand. The April 2026 Unsecured Notes accrue interest at the rate of 9.25% per year, payable semi-annually in arrears on each of April 1 and October 1.
BHA may redeem all or a portion of the April 2026 Unsecured Notes at any time prior to April 1, 2022, 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 April 1, 2021, BHA may redeem up to 40% of the aggregate principal amount of the outstanding April 2026 Unsecured Notes with the net proceeds of certain equity offerings at the redemption price set forth in the April 2026 Unsecured Notes indenture. On or after April 1, 2022, BHA may redeem all or a portion of the April 2026 Unsecured Notes at the applicable redemption prices set forth in the April 2026 Unsecured Notes indenture, plus accrued and unpaid interest to the date of redemption.

8.50% Senior Unsecured Notes due 2027 - June 2018 Refinancing Transactions

As part of the June 2018 Refinancing Transactions, BHA issued $750 million in aggregate principal amount of January 2027 Unsecured Notes in a private placement, the proceeds of which, when combined with the remaining net proceeds from the June 2025 Term Loan B Facility and cash on hand, were used to redeem the June 2018 Unsecured Refinanced Debt at its aggregate redemption price. The January 2027 Unsecured Notes accrue interest at the rate of 8.50% per year, payable semi-annually in arrears on each of January 31 and July 31.

BHA may redeem all or a portion of the January 2027 Unsecured Notes at any time prior to July 31, 2022, 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 July 31, 2021, BHA may redeem up to 40% of the aggregate principal amount of the outstanding January 2027 Unsecured Notes with the net proceeds of certain equity offerings at the redemption price set forth in the January 2027 Unsecured Notes indenture. On or after July 31, 2022, BHA may redeem all or a portion of the January 2027 Unsecured Notes at the applicable redemption prices set forth in the January 2027 Unsecured Notes indenture, plus accrued and unpaid interest to the date of redemption.

Remaining Senior Unsecured Notes

In addition to the repurchases and refinancings of Senior Unsecured Notes discussed above, during 2018, we repurchased the remaining outstanding principal amount of $1,625 million of our July 2021 Unsecured Notes as follows: (i) $125 million on October 26, 2018 using cash on hand, (ii) $1,483 million on November 27, 2018 using the net proceeds from the November 2025 Term Loan B Facility in a tender offer and (iii) $17 million on December 27, 2018 using cash on hand.

The aggregate principal amount and aggregate principal amount net of discounts of our other Senior Unsecured Notes as of December 31, 2018 were $11,420 million and $11,325 million, respectively, and had limited activity during 2018.

Covenant Compliance

Any inability to comply with the financial maintenance covenant 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.

During 2017 and 2018, 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 its financial maintenance covenant. As of December 31, 2018, the Company was in compliance with the financial maintenance covenant related to its outstanding debt. The Company, based on its current forecast for the next twelve months from the date of issuance of this Form 10-K, expects to remain in compliance with the 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 take other actions to reduce its debt levels to align with the Company’s long term strategy. We 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.

The Senior Notes and Secured Notes are guaranteed by a substantial portion of the Company’s subsidiaries. On a non-consolidated basis, the non-guarantor subsidiaries had total assets of $2,954 million and $3,247 million and total liabilities of
$1,264 million and $1,367 million as of December 31, 2018 and 2017, respectively, and revenues of $1,689 million and $1,657 million and operating income of $174 million and $149 million for years ended December 31, 2018 and 2017, respectively.

Credit Ratings

In November 2018, Moody’s upgraded our credit ratings and revised our outlook to Stable from Positive. As of February 20, 2019, the credit ratings and outlook from Moody's, Standard & Poor's and Fitch for certain outstanding obligations of the Company were as follows:

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Corporate Rating</th>
<th>Senior Secured Rating</th>
<th>Senior Unsecured Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s</td>
<td>B2</td>
<td>Ba2</td>
<td>B3</td>
<td>Stable</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>B</td>
<td>BB-</td>
<td>B-</td>
<td>Stable</td>
</tr>
<tr>
<td>Fitch</td>
<td>B-</td>
<td>BB-</td>
<td>B-</td>
<td>Stable</td>
</tr>
</tbody>
</table>

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

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

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

The following table summarizes our contractual obligations as of December 31, 2018 for the periods presented:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Total</th>
<th>2019</th>
<th>2020 and 2021</th>
<th>2022 and 2023</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt obligations, including interest</td>
<td>$33,757</td>
<td>$1,777</td>
<td>$4,382</td>
<td>$10,538</td>
<td>$17,060</td>
</tr>
<tr>
<td>Operating lease obligations</td>
<td>419</td>
<td>78</td>
<td>104</td>
<td>71</td>
<td>166</td>
</tr>
<tr>
<td>Purchase obligations</td>
<td>690</td>
<td>416</td>
<td>173</td>
<td>93</td>
<td>8</td>
</tr>
<tr>
<td>Total contractual obligations</td>
<td>$34,866</td>
<td>$2,271</td>
<td>$4,659</td>
<td>$10,702</td>
<td>$17,234</td>
</tr>
</tbody>
</table>

Purchase obligations consist of agreements to purchase goods and services that are enforceable and legally binding and include obligations for minimum inventory and capital expenditures, and outsourced information technology, product promotion and clinical research services.

The table of contractual obligations excludes payments for: (i) contingent milestone payments to third parties as part of certain development, collaboration and license agreements and (ii) acquisition-related contingent consideration. See Note 21, "COMMITMENTS AND CONTINGENCIES" and Note 6, "FAIR VALUE MEASUREMENTS" to our audited Consolidated Financial Statements for further details related to these contingent payments.

The table of contractual obligations excludes payments for uncertain tax positions totaling $345 million as of December 31, 2018 because a reliable estimate of the period in which uncertain tax positions will be payable, if ever, cannot be made.

Other Future Cash Requirements

Our other future cash requirements relate to working capital, capital expenditures, business development transactions (contingent consideration), restructuring and integration, benefit obligations and litigation settlements. In addition, we may use cash to enter into licensing arrangements and/or to make strategic acquisitions, although we have made minimal acquisitions since 2015 and expect the volume and size of acquisitions to be low for the foreseeable future.

In addition to our working capital requirements and other amounts presented in the contractual obligations table presented above, we expect our primary cash requirements for 2019 to include:

- **Debt repayments** - We may, under certain circumstances, elect to make additional principal repayments during 2019. Further, in the ordinary course of business, we may borrow and repay amounts under our Revolving Credit Facility to meet business needs;
- **Capital expenditures** - We expect to make payments of approximately $275 million for property, plant and equipment during 2019, of which there were $44 million in committed amounts as of December 31, 2018;
• **Contingent consideration payments** - We expect to make contingent consideration and other approval/sales-based milestone payments of $44 million during 2019;

• **Restructuring and integration payments** - We expect to make payments of $19 million during 2019 for employee separation costs and lease termination obligations associated with restructuring and integration actions we have taken through December 31, 2018; and

• **Benefit obligations** - We expect to make payments under our pension and postretirement obligations of $2 million, $7 million and $5 million to the U.S. pension benefit plan, the non-U.S. pension benefit plans and the U.S. postretirement benefit plan, respectively during 2019. See Note 12, "PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS" to our audited interim Consolidated Financial Statements for further details of our benefit obligations.

**Acquisition Agreement for Synergy Pharmaceuticals Inc.** - As previously discussed, on December 12, 2018, we entered into an agreement to acquire certain assets of Synergy in a transaction valued at approximately $200 million plus certain assumed liabilities. Under the terms of the agreement, the Company will serve as the “stalking horse” bidder in a court-supervised auction and sale process pursuant to Section 363 of the Bankruptcy Code, which is expected to be completed in March 2019. Completion of this transaction is subject to other parties having an opportunity to submit competing bids (which may be superior to the Company’s), bankruptcy court approval and other customary closing conditions. If the Company's bid is successful, among the assets to be acquired are the worldwide rights to the Trulance® (plecanatide) product; a once-daily tablet for adults with chronic idiopathic constipation and irritable bowel syndrome with constipation.

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.

In the ordinary course of business, the Company is involved in litigation, claims, government inquiries, investigations, charges and proceedings. See Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements for further details of these matters. Our ability to successfully defend the Company against pending and future litigation may impact cash flows.

**OUTSTANDING SHARE DATA**

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

At February 14, 2019, we had 350,993,877 issued and outstanding common shares. In addition, as of February 14, 2019, we had 5,883,077 stock options and 5,053,653 time-based RSUs that each represent the right of a holder to receive one of the Company’s common shares, and 1,464,669 performance-based RSUs that represent the right of a holder to receive a number of the Company’s common shares up to a specified maximum. A maximum of 2,862,147 common shares could be issued upon vesting of the performance-based RSUs outstanding.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

**Inflation; Seasonality**

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

Historically, revenues from our business tend to be weighted toward the second half of the year. Sales in the first quarter tend to be lower as patient co-pays and deductibles reset at the beginning of each year. Sales in the fourth quarter tend to be higher based on consumer and customer purchasing patterns associated with health care reimbursement programs. However, there are no assurances that these historical trends will continue in the future.
Foreign Currency Risk

In the year ended December 31, 2018, a majority of our revenue and expense activities and capital expenditures were denominated in U.S. dollars. We have exposure to multiple foreign currencies, including, among others, the Euro, Polish zloty, Chinese yuan, Canadian dollar and Mexican peso. Our operations are subject to risks inherent in conducting business abroad, including price and currency exchange controls and fluctuations in the relative values of currencies. In November 2016, as a result of the Egyptian government’s decision to float the Egyptian pound and un-peg it to the U.S. Dollar, the Egyptian pound was significantly devalued. Our exposure to the Egyptian pound is primarily with respect to Amoun Pharmaceutical Company S.A.E., which we acquired in October 2015, and which represented approximately 2% of our total 2018 and 2017 revenues. In addition, to the extent that we require, as a source of debt repayment, earnings and cash flows from some of our operations located in foreign countries, we are subject to risk of changes in the value of the U.S. dollar, relative to all other currencies in which we operate, which may materially affect our results of operations. Where possible, we manage foreign currency risk by managing same currency revenues in relation to same currency expenses. Further strengthening of the U.S. dollar and/or further devaluation of foreign currencies will have a negative impact on our reported revenue and reported results. As of December 31, 2018, a 1% change in foreign currency exchange rates would have impacted our shareholders’ equity by approximately $31 million.

As of December 31, 2018, the unrealized foreign exchange loss on the translation of the remaining principal amount of the senior notes was $1,229 million, for Canadian income tax purposes. Additionally, as of December 31, 2018, the unrealized foreign exchange gain on certain intercompany balances was equal to $63 million. One-half of any realized foreign exchange gain or loss will be included in our Canadian taxable income. Any resulting gain will result in a corresponding reduction in our available Canadian Losses, Scientific Research and Experimental Development Pool, and/or Investment Tax Credit carryforward balances. However, the repayment of the senior notes and the intercompany loans denominated in U.S. dollars does not result in a foreign exchange gain or loss being recognized in our Consolidated Financial Statements, as these statements are prepared in U.S. dollars.

Interest Rate Risk

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

As of December 31, 2018, we had $16,962 million and $5,950 million principal amount of issued fixed rate debt and variable rate debt, respectively, that requires U.S. dollar repayment, as well as €1,500 million principal amount of issued fixed rate debt that requires repayment in Euros. The estimated fair value of our issued fixed rate debt as of December 31, 2018, including the foreign currency denominated debt, was $17,712 million. If interest rates were to increase by 100 basis-points, the fair value of our long-term debt would decrease by approximately $810 million. If interest rates were to decrease by 100 basis-points, the fair value of our long-term debt would increase by approximately $797 million. We are subject to interest rate risk on our variable rate debt as changes in interest rates could adversely affect earnings and cash flows. A 100 basis-points increase in interest rates, based on 3-month LIBOR, would have an annualized pre-tax effect of approximately $60 million in our Consolidated Statements of Operations and Consolidated Statements of Cash Flows, based on current outstanding borrowings and effective interest rates on our variable rate debt. While our variable-rate debt may impact earnings and cash flows as interest rates change, it is not subject to changes in fair value.

CRITICAL ACCOUNTING 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 judgments due to the need to select policies from among alternatives available, and to make estimates about matters that are inherently uncertain. We base our estimates on historical experience and other factors that we believe to be reasonable under the circumstances. On an ongoing basis, we review our estimates to ensure that these estimates appropriately reflect changes in our business and new information as it becomes available. If historical experience and other factors we use to make these estimates do not reasonably reflect future activity, our results of operations and financial condition could be materially impacted.
Revenue Recognition

In May 2014, the FASB issued guidance on recognizing revenue from contracts with customers. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity will: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In addition to these provisions, the new standard provides implementation guidance on several other topics, including the accounting for certain revenue-related costs, as well as enhanced disclosure requirements. The new guidance requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted this guidance effective January 1, 2018 using the modified retrospective approach, and therefore, revenue reported for the years 2017 and 2016 have not been restated. Based upon review of customer contracts, the Company concluded the implementation of the new guidance did not have a material quantitative impact on its 2018 Consolidated Financial Statements as the timing of revenue recognition for product sales did not significantly change. The new guidance did however result in additional disclosures as to the nature, amounts, and concentrations of revenue.

Product Sales Provisions

The following table presents the activity and ending balances for our product sales provisions for each of the last three years.

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Discounts and Allowances</th>
<th>Returns</th>
<th>Rebates</th>
<th>Chargebacks</th>
<th>Distribution Fees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve balance, January 1, 2016</td>
<td>$</td>
<td>103</td>
<td>$</td>
<td>627</td>
<td>$</td>
<td>902</td>
</tr>
<tr>
<td>Current year provision</td>
<td>789</td>
<td>460</td>
<td>2,521</td>
<td>2,318</td>
<td>423</td>
<td>6,511</td>
</tr>
<tr>
<td>Payments or credits</td>
<td>(768)</td>
<td>(379)</td>
<td>(2,526)</td>
<td>(2,316)</td>
<td>(338)</td>
<td>(6,327)</td>
</tr>
<tr>
<td>Reserve balance, December 31, 2016</td>
<td>124</td>
<td>708</td>
<td>897</td>
<td>273</td>
<td>197</td>
<td>2,199</td>
</tr>
<tr>
<td>Current year provision</td>
<td>829</td>
<td>423</td>
<td>2,545</td>
<td>2,145</td>
<td>288</td>
<td>6,230</td>
</tr>
<tr>
<td>Payments or credits</td>
<td>(786)</td>
<td>(268)</td>
<td>(2,348)</td>
<td>(2,144)</td>
<td>(337)</td>
<td>(5,883)</td>
</tr>
<tr>
<td>Reserve balance, December 31, 2017</td>
<td>167</td>
<td>863</td>
<td>1,094</td>
<td>274</td>
<td>148</td>
<td>2,546</td>
</tr>
<tr>
<td>Current year provision</td>
<td>865</td>
<td>293</td>
<td>2,551</td>
<td>1,966</td>
<td>212</td>
<td>5,887</td>
</tr>
<tr>
<td>Payments or credits</td>
<td>(857)</td>
<td>(343)</td>
<td>(2,621)</td>
<td>(2,031)</td>
<td>(197)</td>
<td>(6,049)</td>
</tr>
<tr>
<td>Reserve balance, December 31, 2018</td>
<td>$</td>
<td>175</td>
<td>$</td>
<td>813</td>
<td>$</td>
<td>1,024</td>
</tr>
</tbody>
</table>

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately $26 million as of December 31, 2018, which are reflected as a reduction of Trade accounts receivable, net in the Consolidated Balance Sheets.

The development and application of the critical accounting policies associated with the new revenue recognition guidance, including the policies associated with each of the above product sales provisions, are discussed in more detail in Note 2, "SIGNIFICANT ACCOUNTING POLICIES".

Other Revenues

We generate alliance revenue and service revenue from the licensing of products and from contract services mainly in the areas of dermatology and topical medication. Contract service revenue is derived primarily from contract manufacturing for third parties.

Acquisitions

We have completed several acquisitions of companies, as well as acquisitions of certain assets of companies. To determine whether such acquisitions qualify as business combinations or asset acquisitions, we make certain judgments, which include assessment of the inputs, processes and outputs associated with the acquired set of activities. If we determine that the acquisition consists of inputs, as well as processes that when applied to those inputs have the ability to create outputs, the acquisition is determined to be a business combination. In instances where the acquired set of activities does not include all of the inputs and processes used by the seller in operating the business, we make judgments as to whether market participants would be capable of
acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes. If we conclude that market participants would have this capability, the acquisition is determined to be a business combination.

In a business combination, we account for acquired businesses using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at fair value, with limited exceptions. The judgments made in determining the estimated fair value assigned to each class of asset acquired and liability assumed can materially impact our results of operations. As part of our valuation procedures, we typically consult an independent advisor. There are several methods that can be used to determine fair value. For intangible assets, we typically use an excess earnings or relief from royalty method. The excess earnings method starts with a forecast of the net cash flows expected to be generated by the asset over its estimated useful life. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the excess earnings method include:

- the amount and timing of projected future cash flows, adjusted for the probability of technical success of products in the IPR&D stage;
- the amount and timing of projected costs to develop IPR&D into commercially viable products;
- the discount rate selected to measure the risks inherent in the future cash flows; and
- an assessment of the asset’s life-cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry.

The relief from royalty method involves estimating the amount of notional royalty income that could be generated if the intangible asset was licensed to a third party. The fair value of the intangible asset is the net present value of the prospective stream of the notional royalty income that would be generated over the expected useful life of the intangible asset. Values derived using the relief from royalty method are based on royalty rates observed for comparable intangible assets.

We believe the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions. However, these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Any changes resulting from facts and circumstances that existed as of the acquisition dates may result in adjustments to the provisional amounts recognized at the acquisition dates. These changes could be significant. We finalize these amounts no later than one year from the respective acquisition dates.

Determining the useful life of an intangible asset also requires judgment, as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives. Useful life is the period over which the intangible asset is expected to contribute directly or indirectly to our future cash flows. We determine the useful lives of intangible assets based on a number of factors, such as legal, regulatory, or contractual provisions that may limit the useful life, and the effects of obsolescence, anticipated demand, existence or absence of competition and other economic factors. We determined that the B&L corporate trademark has an indefinite useful life as there are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of this intangible asset.

**Acquisition-Related Contingent Consideration**

Some of the business combinations that we have consummated include contingent consideration to be potentially paid based upon the occurrence of future events, such as sales performance and the achievement of certain future development, regulatory and sales milestones. Acquisition-related contingent consideration associated with a business combination is initially recognized at fair value and remeasured each reporting period, with changes in fair value recorded in the Consolidated Statements of Operations. The estimates of fair value involve the use of acceptable valuation methods, such as probability-weighted discounted cash flow analysis and Monte Carlo Simulation, and contain uncertainties as they require assumptions about the likelihood of achieving specified milestone criteria, projections of future financial performance and assumed discount rates. Changes in the fair value of the acquisition-related contingent consideration result from several factors including changes in the timing and amount of revenue estimates, changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria and changes in discount rates. A change in any of these assumptions could produce a different fair value, which could have a material impact on our results of operations. At December 31, 2018, the fair value measurements of acquisition-related contingent consideration were determined using risk-adjusted discount rates ranging from 5% to 25%.
Intangible Assets

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

- an adverse change in legal factors or in the business climate that could affect the value of an asset. For example, a successful challenge of our patent rights resulting in earlier than expected generic competition;

- an adverse change in the extent or manner in which an asset is used or is expected to be used. For example, a decision not to pursue a product line-extension strategy to enhance an existing product due to changes in market conditions and/or technological advances; or

- current or forecasted reductions in revenue, operating income, or cash flows associated with the use of an asset. For example, the introduction of a competing product that results in a significant loss of market share.

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

Management continually assesses the useful lives of the Company's long-lived assets. In 2017 and 2018, management revised the estimated useful lives of certain intangible assets in connection with market events and changes in assumptions. In 2017, the useful lives of certain product brands, with an aggregate carrying value of $7,618 million as of December 31, 2017, were revised to take into consideration, among other factors, various scenarios related to the date each product is anticipated to lose its exclusivity and the resulting potential changes in the forecasted sales. In addition, the useful life of the Salix Brand, with a carrying value of $569 million as of December 31, 2017, was revised from seventeen years to ten years to reflect a number of possible scenarios related to forecasted sales of its product portfolio.

Effective September 12, 2018, the Company changed the estimated useful life of its Xifaxan®-related intangible assets due to the positive impact of the agreement between the Company and Actavis resolving the intellectual property litigation regarding Xifaxan® tablets, 550 mg. As discussed in further detail in Note 20, “LEGAL PROCEEDINGS”, the parties have agreed to dismiss all litigation related to Xifaxan® tablets, 550 mg and all intellectual property protecting Xifaxan® will remain intact and enforceable. As a result, the useful life of the Xifaxan®-related intangible assets was extended from 2024 to January 1, 2028. This change in the estimated useful life is considered a change in accounting estimate and will result in changes to the Company's amortization expense prospectively. As of December 31, 2018, the net carrying value of the Xifaxan®-related intangible assets was $4,848 million.

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

Goodwill

Goodwill is not amortized but is tested for impairment at least annually as of October 1st at the reporting unit level. A reporting unit is the same as, or one level below, an operating segment. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants. The Company estimates the fair values of all reporting units using a discounted cash flow model which utilizes Level 3 unobservable inputs.

The discounted cash flow method relies on assumptions regarding revenue growth rates, gross profit, projected working capital requirements, selling, general and administrative expenses, research and development expenses, business restructuring
costs, 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. To estimate cash flows beyond the final year of its model, the Company estimates a terminal value by applying an in perpetuity growth assumption and discount factor to determine the reporting unit's terminal value. The Company incorporates the present value of the resulting terminal value into its estimate of fair value.

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

In January 2017, the FASB issued guidance which simplifies the subsequent measurement of goodwill by eliminating “Step 2” from the goodwill impairment test. Instead, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. The guidance is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods, with early adoption permitted. The Company elected to early adopt this guidance effective January 1, 2018.

Upon adopting the new guidance, the Company tested goodwill for impairment and determined that the carrying value of the Salix reporting unit exceeded its fair value. As a result of the adoption of new accounting guidance, the Company recognized a goodwill impairment of $1,970 million associated with the Salix reporting unit.

2018 Annual Goodwill Impairment Test

The Company conducted its annual goodwill impairment test as of October 1, 2018 and determined that the carrying value of the Dentistry reporting unit exceeded its fair value and, as a result, the Company recognized a goodwill impairment of $109 million for the Dentistry reporting unit, representing the full amount of goodwill for the reporting unit. Changing market conditions such as: (i) an increasing competitive environment and (ii) increasing pricing pressures negatively impacted the reporting unit’s operating results. The Company is taking steps to address these changing market and business conditions.

The Company's remaining reporting units passed the goodwill impairment test as the estimated fair value of each reporting unit exceeded its carrying value at the date of testing and, therefore, there was no impairment to goodwill for any reporting unit other than the Dentistry reporting unit. In order to evaluate the sensitivity of its fair value calculations on the goodwill impairment test, the Company compared the carrying value of each reporting unit to its fair value as of October 1, 2018, the date of testing. As of October 1, 2018, the fair value of each reporting unit with associated goodwill exceeded its carrying value by more than 15%. 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. The Company will continue to perform qualitative interim assessments of the carrying value and fair value of the Ortho Dermatologics reporting unit on a quarterly basis to determine if impairment testing of goodwill will be warranted.

As previously discussed the Company estimated the fair value of each reporting unit using an income approach which values the unit based on the future cash flows expected from that reporting unit. Future cash flows are based on forward-looking information regarding market share and costs for each reporting unit and are discounted using an appropriate discount rate. Future discounted cash flows can be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. The Company performed its annual impairment test as of October 1, 2018, utilizing long-term growth rates for its reporting units ranging from 1.0% to 3.0% and discount rates applied to the estimated cash flows ranging from 7.5% to 14.0% 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.

See Note 9, "INTANGIBLE ASSETS AND GOODWILL" to our audited Consolidated Financial Statements for further details on the goodwill impairments recognized in 2018 and 2017.
Contingencies

In the normal course of business, we are subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities and tax matters. Other than loss contingencies that are assumed in business combinations for which we can reliably estimate the fair value, we are required to accrue for such loss contingencies if it is probable that the outcome will be unfavorable and if the amount of the loss can be reasonably estimated. We evaluate our exposure to loss based on the progress of each contingency, experience in similar contingencies and consultation with our legal counsel. We re-evaluate all contingencies as additional information becomes available. Given the uncertainties inherent in complex litigation and other contingencies, these evaluations can involve significant judgment about future events. The ultimate outcome of any litigation or other contingency may be material to our results of operations, financial condition and cash flows. See Note 20, "LEGAL PROCEEDINGS" to our audited Consolidated Financial Statements for further details regarding our current legal proceedings.

Income Taxes

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

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

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

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

For the year ended December 31, 2017, the Company provided for income taxes, including the impacts of the Tax Act, in accordance with the accounting guidance issued through the date of issuance of its audited Consolidated Financial Statements. In accordance with that accounting guidance, the Company had provisionally provided for the income tax effects of the Tax Act as of December 31, 2017. The Company’s Benefit from income taxes for the year 2017 included provisional net tax benefits of $975 million attributable to the Tax Act for: (i) the re-measurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future of $774 million, (ii) the one-time Transition Toll Tax of $88 million and (iii) the decrease in deferred tax assets attributable to certain legal accruals, the deductibility of which is uncertain for U.S. federal income tax purposes, of $10 million. We provisionally utilized NOLs to offset the provisionally determined $88 million Transition Toll Tax and therefore no amount was recorded as payable. The Company has previously provided for residual U.S. federal income tax on its outside basis differences in certain foreign subsidiaries which, due to the Tax Act, are no longer taxable. As such, our
residual U.S. federal income tax liability of $299 million prior to the law change was reversed and we recognized a deferred tax benefit of $299 million in the fourth quarter of 2017.

The provisional amounts included in the Company’s Benefit from income taxes for the year 2017, including the Transition Toll Tax, were finalized during the three months ended December 31, 2018. In finalizing the Benefit from income taxes for the year 2017, the Company considered the guidance issued by accounting regulatory bodies, the U.S. Internal Revenue Service, state and local governments, and the proposed regulations regarding the one-time Transition Toll Tax on the pre-2018 earnings of certain non-U.S. subsidiaries issued by the U.S. Treasury Department on August 1, 2018. As part of its full assessment, the Company also assessed the impact of the Tax Act on the Company’s tax filings for the year 2017. Differences between the provisional net income tax benefits provided in 2017 attributable to the Tax Act of $975 million, as previously disclosed, and the benefit for income taxes as finalized are included in the Benefit from income taxes for the year ended December 31, 2018 and were not material to the Company’s financial results for the year ended December 31, 2018. Although the Company has completed its full assessment and finalized its accounting for the impact of the Tax Act, the Company will monitor guidance issued in the future and assess the impact, if any, on the amounts provided.

Share-Based Compensation

We recognize employee share-based compensation, including grants of stock options and RSUs, at estimated fair value. As there is no market for trading our employee stock options, we use the Black-Scholes option-pricing model to calculate stock option fair values, which requires certain assumptions related to the expected life of the stock option, future stock price volatility, risk-free interest rate and dividend yield. The expected life of the stock option is based on historical exercise and forfeiture patterns. The expected volatility of our common stock is estimated by using implied volatility in market traded options. The risk-free interest rate is based on the rate at the time of grant for U.S. Treasury bonds with a remaining term equal to the expected life of the stock option. Dividend yield is based on the stock option’s exercise price and expected annual dividend rate at the time of grant. Changes to any of these assumptions, or the use of a different option-pricing model, such as the lattice model, could produce a different fair value for share-based compensation expense, which could have a material impact on our results of operations.

We determine the fair value of each RSU granted based on the trading price of our common shares on the date of grant, unless the vesting of the RSU is conditional on the attainment of any applicable performance goals based on total shareholder return, in which case we use a Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that the performance condition will be achieved. Changes to any of these inputs could materially affect the measurement of the fair value of the performance-based RSUs.

We also have performance-based RSUs that vest upon attainment of certain performance targets. We recognize the expense associated with these performance-based RSUs based on the number of RSUs we expect to vest, which is estimated by comparing our latest forecast to the applicable performance targets. If RSUs do not vest as a result of a determination that the prescribed performance goals failed to be attained, then no expense would be recognized and any expense previously recognized for the RSUs would be reversed upon such determination.

NEW ACCOUNTING STANDARDS

Information regarding the recently issued new accounting guidance (adopted and not adopted as of December 31, 2018) is contained in Note 2, “SIGNIFICANT ACCOUNTING POLICIES” to our audited 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-K 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, including the Significant Seven; anticipated growth in our Ortho Dermatologics business; expected R&D and marketing spend, including in connection with the promotion of the Significant Seven; our expected primary cash and working capital requirements for 2019 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; 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 ability to meet the financial and other covenants contained in our Fourth Amended and Restated Credit and Guaranty Agreement (the "Restated Credit Agreement"), and indentures; and our impairment assessments, including the assumptions used therein and the results thereof.

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”, “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-K 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 expense, timing and outcome of legal and governmental proceedings, investigations and information requests relating to, among other matters, our past distribution, marketing, pricing, disclosure and accounting practices (including with respect to our former relationship with Philidor Rx Services, LLC ("Philidor")), including pending investigations by the U.S. Attorney's Office for the District of Massachusetts and the U.S. Attorney's Office for the Southern District of New York, the pending investigations by the U.S. Securities and Exchange Commission (the "SEC") of the Company, the investigation order issued by the Company from the Autorité des marchés financiers (the "AMF") (the Company’s principal securities regulator in Canada), a number of pending putative securities class action litigations in the U.S. (including related opt-out actions) and Canada (including related opt-out actions) and purported class actions under the federal RICO statute and other claims, investigations or proceedings that may be initiated or that may be asserted;

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

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

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

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

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

- actions by the FDA or other regulatory authorities with respect to our products or facilities;
• our substantial debt (and potential additional future indebtedness) and current and future debt service obligations, our ability to reduce our outstanding debt levels and the resulting impact on our financial condition, cash flows and results of operations;

• our ability to meet the financial and other covenants contained in our Restated Credit Agreement, indentures 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 debt we are able to incur where not prohibited, and restrictions on our ability to make certain investments and other restricted payments;

• any default under the terms of our senior notes indentures or Restated Credit Agreement and our ability, if any, to cure or obtain waivers of such default;

• any delay in the filing of any future financial statements or other filings and any default under the terms of our senior notes indentures or Restated Credit Agreement as a result of such delays;

• any downgrade by rating agencies in our credit ratings, which may impact, among other things, our ability to raise debt and the cost of capital for additional debt issuances;

• any reductions in, or changes in the assumptions used in, our forecasts for 2019 or beyond, 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 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 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;

• any additional divestitures of our assets or businesses and our ability to successfully complete any such divestitures on commercially reasonable terms and on a timely basis, or at all, and the impact of any such divestitures on our Company, including the reduction in the size or scope of our business or market share, loss of revenue, any loss on sale, including any resultant write-downs of goodwill, or any adverse tax consequences suffered as a result of any such divestitures;

• the uncertainties associated with the acquisition and launch of new products, including, but not limited to, our ability to provide the time, resources, expertise and costs required for the commercial launch of new products, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and pricing, which could lead to material impairment charges;

• our ability to retain, motivate and recruit executives and other key employees;

• our ability to implement effective succession planning for our executives and key employees;

• factors impacting our ability to achieve anticipated growth in our Ortho Dermatologics business, including the approval of pending and pipeline products (and the timing of such approvals), expected geographic expansion, changes in estimates on market potential for dermatology products and continued investment in and success of our sales force;

• factors impacting our ability to achieve anticipated revenues for our Significant Seven products, including the approval of pending products in the Significant Seven (and the timing of such approvals), 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, stabilize and grow our businesses in light of the challenges that the Company currently faces, including with respect to its substantial debt, pending investigations and legal proceedings, scrutiny of our past pricing, distribution and other practices, reputational harm and limitations on the way we conduct business imposed by the covenants in our Restated Credit Agreement, indentures and the agreements governing our other indebtedness;
the extent to which our products are reimbursed by government authorities, pharmacy benefit managers ("PBMs") and other third-party payors; the impact our distribution, pricing and other practices (including as it relates to our current relationship with Walgreen Co. ("Walgreens")) may have on the decisions of such government authorities, PBMs and other third-party payors to reimburse our products; and the impact of obtaining or maintaining such reimbursement on the price and sales of our products;

the inclusion of our products on formularies or our ability to achieve favorable formulary status, as well as the impact on the price and sales of our products in connection therewith;

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 recently signed United States-Mexico-Canada Agreement ("USMCA") and any potential changes to other trade agreements;

the final outcome and impact of Brexit negotiations;

the potentially escalating 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;

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;

the expense, timing and outcome of pending or future legal and governmental proceedings, arbitrations, investigations, subpoenas, tax and other regulatory audits, reviews and regulatory proceedings against us or relating to us and settlements thereof;

our ability to negotiate the terms of or obtain court approval for the settlement of certain legal and regulatory proceedings;

our ability to obtain components, raw materials or finished products supplied by third parties (some of which may be single-sourced) and other manufacturing and related supply difficulties, interruptions and delays;

the disruption of delivery of our products and the routine flow of manufactured goods;

economic factors over which the Company has no control, including changes in inflation, interest rates, foreign currency rates, and the potential effect of such factors on revenues, expenses and resulting margins;

interest rate risks associated with our floating rate debt borrowings;

our ability to effectively distribute our products and the effectiveness and success of our distribution arrangements, including the impact of our arrangements with Walgreens;

our ability to effectively promote our own products and those of our co-promotion partners, such as Doptelet ® (Dova Pharmaceuticals, Inc.) and Lucemyra™ (US WorldMeds, LLC);
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), the continued compliance of such arrangements with applicable laws, and our ability to successfully negotiate any improvements to our arrangements with Walgreens;

our ability to secure and maintain third-party research, development, manufacturing, licensing, marketing or distribution arrangements;

the risk that our products could cause, or be alleged to cause, personal injury and adverse effects, leading to potential lawsuits, product liability claims and damages and/or recalls or withdrawals of products from the market;

the mandatory or voluntary recall or withdrawal of our products from the market and the costs associated therewith;

the availability of, and our ability to obtain and maintain, adequate insurance coverage and/or our ability to cover or insure against the total amount of the claims and liabilities we face, whether through third-party insurance or self-insurance;

the difficulty in predicting the expense, timing and outcome within our legal and regulatory environment, including with respect to approvals by the FDA, Health Canada and similar agencies in other countries, legal and regulatory proceedings and settlements thereof, the protection afforded by our patents and other intellectual and proprietary property, successful generic challenges to our products and infringement or alleged infringement of the intellectual property of others;

the results of continuing safety and efficacy studies by industry and government agencies;

the success of preclinical and clinical trials for our drug development pipeline or delays in clinical trials that adversely impact the timely commercialization of our pipeline products, as well as other factors impacting the commercial success of our products, which could lead to material impairment charges;

the results of management reviews of our research and development portfolio (including following the receipt of clinical results or feedback from the FDA or other regulatory authorities), which could result in terminations of specific projects which, in turn, could lead to material impairment charges;

the seasonality of sales of certain of our products;

declines in the pricing and sales volume of certain of our products that are distributed or marketed by third parties, over which we have no or limited control;

compliance by the Company or our third party partners and service providers (over whom we may have limited influence), or the failure of our Company or these third parties to comply, with health care “fraud and abuse” laws and other extensive regulation of our marketing, promotional and business practices (including with respect to pricing), worldwide anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act), worldwide economic sanctions and/or export laws, worldwide environmental laws and regulation and privacy and security regulations;

the impacts of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the “Health Care Reform Act”) and potential amendment thereof and other legislative and regulatory health care reforms in the countries in which we operate, including with respect to recent government inquiries on pricing;

the impact of any changes in or reforms to the legislation, laws, rules, regulation and guidance that apply to the Company and its business and products or the enactment of any new or proposed legislation, laws, rules, regulations or guidance that will impact or apply to the Company or its businesses or products;

the impact of changes in federal laws and policy under consideration by the Trump administration and Congress, including the effect that such changes will have on fiscal and tax policies, the potential revision of all or portions of the Health Care Reform Act, international trade agreements and policies and policy efforts designed to reduce patient out-of-pocket costs for medicines (which could result in new mandatory rebates and discounts or other pricing restrictions);

illegal distribution or sale of counterfeit versions of our products; and

interruptions, breakdowns or breaches in our information technology systems.

Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found elsewhere in this Form 10-K, under Item 1A. "Risk Factors" and in the Company's other filings with the
SEC and the Canadian Securities Administrators (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-K 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 7A. Quantitative and Qualitative Disclosures About Market Risk

Information relating to quantitative and qualitative disclosures about market risk is detailed in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures About Market Risk” and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is contained in the financial statements set forth in Item 15 “Exhibits and Financial Statement Schedules” as part of this Form 10-K and is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of December 31, 2018. Based on that evaluation, the Company’s Chief Executive Officer and the Company’s Chief Financial Officer have concluded that as of December 31, 2018, the Company’s disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company’s internal control over financial reporting is a process designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the Company’s Chief Executive Officer and the Company’s Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2018 based on the framework described in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2018.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter of 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

None.
PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required under this Item is incorporated herein by reference from information included in the 2019 Proxy Statement.

The Board of Directors has adopted a Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer, the principal accounting officer, controller, and all vice presidents and above in the finance department of the Company worldwide. A copy of the Code of Ethics can be found as an annex to our Standards of Business Conduct, which is located on our website at: www.bauschhealth.com. We intend to satisfy the SEC disclosure requirements regarding amendments to, or waivers from, any provisions of our Code of Ethics on our website.

Item 11. Executive Compensation

Information required under this Item relating to executive compensation is incorporated herein by reference from information included in the 2019 Proxy Statement.


Information required under this Item relating to securities authorized for issuance under equity compensation plans and to security ownership of certain beneficial owners and management is incorporated herein by reference from information included in the 2019 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required under this Item relating to certain relationships and transactions with related parties and about director independence is incorporated herein by reference from information included in the 2019 Proxy Statement.

Item 14. Principal Accounting Fees and Services

Information required under this Item relating to the fees for professional services rendered by our independent auditors in 2018 and 2017 is incorporated herein by reference from information included in the 2019 Proxy Statement.
Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as a part of the report:

(1) The consolidated financial statements required to be filed in the Annual Report on Form 10-K are listed on page F-1 hereof.

(2) Schedule II — Valuation and Qualifying Accounts.

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<th>SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS</th>
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<td><strong>Year ended December 31, 2018</strong></td>
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<td>Allowance for doubtful accounts</td>
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<td>Deferred tax asset valuation allowance</td>
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<td><strong>Year ended December 31, 2017</strong></td>
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<td>Allowance for doubtful accounts</td>
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<td>Deferred tax asset valuation allowance</td>
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<td><strong>Year ended December 31, 2016</strong></td>
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<td>Allowance for doubtful accounts</td>
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<td>Deferred tax asset valuation allowance</td>
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With respect to the deferred tax valuation allowance, the amounts in 2016, 2017 and 2018 charged to other accounts primarily relates to foreign currency fluctuations on debt.

(3) Exhibits

Item 16. Form 10-K Summary

None.
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<th>Exhibit Number</th>
<th>Exhibit Description</th>
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<tr>
<td>3.1</td>
<td>Certificate of Continuation, dated August 9, 2013, originally filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 13, 2013, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>3.2</td>
<td>Notice of Articles of Valeant Pharmaceuticals International, Inc., dated August 9, 2013, originally filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on August 13, 2013, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>3.3</td>
<td>Articles of Valeant Pharmaceuticals International, Inc., dated August 8, 2013, originally filed as Exhibit 3.3 to the Company's Current Report on Form 8-K filed on August 13, 2013, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>3.4</td>
<td>Notice of Articles of Bausch Health Companies Inc., as of July 16, 2018, originally filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 16, 2018, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>3.5</td>
<td>Articles of Bausch Health Companies Inc., as of July 13, 2018, originally filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 16, 2018, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.1</td>
<td>Indenture, dated as of December 2, 2013, between Valeant Pharmaceuticals International, Inc., the guarantors named therein and the Bank of New York Mellon Trust Company, N.A., as trustee, governing the 5.625% Senior Notes due 2021, originally filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 2, 2013, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.2</td>
<td>Indenture, dated as of January 30, 2015, between Valeant Pharmaceuticals International, Inc., the guarantors named therein and the Bank of New York Mellon Trust Company, N.A., as trustee, governing the 5.50% Senior Notes due 2023, originally filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 30, 2015, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.3</td>
<td>Indenture, dated as of March 27, 2015 (the “VRX Escrow Corp Indenture”), between VRX Escrow Corp., the Bank of New York Mellon Trust Company, N.A., as trustee, registrar and US paying agent, and The Bank of New York Mellon, acting through its London branch, as the Euro paying agent, governing the 5.375% Senior Notes due 2020 (the “2020 Notes”), the 5.875% Senior Notes due 2023 (the “May 2023 Notes”), the 4.50% Senior Notes due 2023 (the “Euro Notes”) and the 6.125% Senior Notes due 2025 (the “2025 Notes” and together with the 2020 Notes, the May 2023 Notes and the Euro Notes, the “Notes”), originally filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on March 27, 2015, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.4</td>
<td>First Supplemental Indenture to the VRX Escrow Corp Indenture, dated as of March 27, 2015, between Valeant Pharmaceuticals International, Inc., the guarantors named therein and the Bank of New York Mellon Trust Company, N.A., as trustee, governing the Notes, originally filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on March 27, 2015, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.5</td>
<td>Indenture, dated as of March 21, 2017, by and among Valeant Pharmaceuticals International, Inc., the guarantors party thereto, The Bank of New York Mellon, as trustee and the notes collateral agents party thereto, governing the 6.50% Senior Secured Notes due 2022 and the 7.00% Senior Secured Notes due 2024, originally filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on March 21, 2017, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.6</td>
<td>Indenture, dated as of October 17, 2017, by and among Valeant Pharmaceuticals International, Inc., the guarantors party thereto, The Bank of New York Mellon, as trustee and the notes collateral agents party thereto, governing the 5.50% Senior Secured Notes due 2025, originally filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on October 17, 2017, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.7</td>
<td>Indenture, dated as of December 18, 2017, by and among Valeant Pharmaceuticals International, Inc., the guarantors party thereto and The Bank of New York Mellon, as trustee, governing the 9.00% Senior Notes due 2025, originally filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on December 18, 2017, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.8</td>
<td>Indenture, dated as of March 26, 2018, by and among Valeant Pharmaceuticals International, Valeant Pharmaceuticals International, Inc., the other guarantors party thereto and The Bank of New York Mellon, as trustee, originally filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on March 27, 2018, which is incorporated by reference herein.</td>
</tr>
<tr>
<td>4.9</td>
<td>Indenture, dated as of June 1, 2018, by and among Valeant Pharmaceuticals International, Valeant Pharmaceuticals International, Inc., the other guarantors party thereto and The Bank of New York Mellon, as trustee, originally filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on June 1, 2018.</td>
</tr>
<tr>
<td>4.10</td>
<td>Form of Common Share Certificate of Bausch Health Companies Inc., originally filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 16, 2018, which is incorporated by reference herein.</td>
</tr>
</tbody>
</table>
10.1 Valeant Pharmaceuticals International, Inc. Amended and Restated 2014 Omnibus Incentive Plan, effective as of April 30, 2018, originally filed as Exhibit A to the Company's Management Proxy Circular and Proxy Statement on Schedule 14A filed on March 21, 2018, which is incorporated by reference herein.†

10.2 Form of Matching Restricted Stock Unit Agreement (Matching Units) under the Bausch Health Companies Inc. Amended and Restated 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2018, which is incorporated by reference herein.†

10.3 Valeant Pharmaceuticals International, Inc. 2011 Omnibus Incentive Plan (the “2011 Omnibus Incentive Plan”), as approved by the shareholders on May 20, 2011, originally filed as Exhibit B to the Company's Management Proxy Circular and Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 22, 2011, which is incorporated by reference herein.†

10.4 Form of Share Unit Grant Agreement (Performance Vesting) (Performance Restricted Share Units), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 28, 2018, which is incorporated by reference herein.†

10.5 Form of Stock Option Grant Agreement (Nonstatutory Stock Options), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.16 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on March 1, 2017, which is incorporated by reference herein.†

10.6 Form of Restricted Stock Unit Award Agreement (Restricted Stock Units), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.17 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on March 1, 2017, which is incorporated by reference herein.†

10.7 Form of Retention Restricted Stock Unit Award Agreement, under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.5 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 28, 2018, which is incorporated by reference herein.†

10.8 Form of Director Restricted Share Units Award Agreement (Annual Grants), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.6 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 28, 2018, which is incorporated by reference herein.†

10.9 Form of Share Unit Grant Agreement (Performance Vesting) (Performance Restricted Share Units), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.16 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on March 1, 2017, which is incorporated by reference herein.†

10.10 Form of Stock Option Grant Agreement (Nonstatutory Stock Options), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.17 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on March 1, 2017, which is incorporated by reference herein.†

10.11 Form of Restricted Stock Unit Award Agreement (Restricted Stock Units), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.18 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on March 1, 2017, which is incorporated by reference herein.†

10.12 Form of Make-Whole Award Agreement (Restricted Stock Units), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.19 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on March 1, 2017, which is incorporated by reference herein.†

10.13 Form of 2018 Share Unit Grant Agreement (Performance Vesting) (Performance Restricted Share Units), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.11 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 28, 2018, which is incorporated by reference herein.†

10.14 Form of 2018 Restricted Stock Unit Agreement, under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.12 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 28, 2018, which is incorporated by reference herein.†

10.15 Form of 2018 Stock Option Grant Agreement (Nonstatutory Stock Options), under the 2014 Omnibus Incentive Plan, originally filed as Exhibit 10.13 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 28, 2018, which is incorporated by reference herein.†


10.17 Form of Stock Option Grant Agreement under the 2011 Omnibus Incentive Plan, originally filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed on February 28, 2012, which is incorporated by reference herein.†

10.18 Valeant Pharmaceuticals International, Inc. Directors Share Unit Plan, effective May 16, 2011, originally filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011 filed on August 8, 2011, which is incorporated by reference herein.†
Employment Agreement between Valeant Pharmaceuticals International, Inc. and Joseph C. Papa, dated as of April 25, 2016, originally filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 27, 2016, which is incorporated by reference herein.†

Employment Agreement, dated as of August 17, 2016, between Valeant Pharmaceuticals International, Inc. and Paul S. Herendeen, originally filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on August 23, 2016, which is incorporated by reference herein.†

Employment Agreement between Valeant Pharmaceuticals International, Inc. and Christina Ackermann, dated July 8, 2016, originally filed as Exhibit 10.23 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on March 1, 2017, which is incorporated by reference herein.†

Employment Agreement between Valeant Pharmaceuticals International, Inc. and William Humphries, dated December 1, 2016, originally filed as Exhibit 10.20 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 28, 2018, which is incorporated by reference herein.†

Employment Agreement between Valeant Pharmaceuticals International, Inc. and Thomas Appio, dated March 23, 2017, originally filed as Exhibit 10.21 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 28, 2018, which is incorporated by reference herein.†

First Incremental Amendment, dated as of November 27, 2018, to the Fourth Amended and Restated Credit and Guaranty Agreement, by and among Bausch Health Companies Inc., Valeant Pharmaceuticals International, certain subsidiaries of Bausch Health Companies Inc. as guarantors, each of the financial institutions named therein as lenders and issuing banks and Barclays Bank PLC, as Administrative Agent, originally filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on November 27, 2018, which is incorporated by reference herein and which First Incremental Amendment appends, as an exhibit thereto, a copy of such Fourth Amended and Restated Credit and Guaranty Agreement, as amended to date.

Amended and Restated Supply Agreement dated October 25, 2018 among Salix Pharmaceuticals, Inc., Valeant Pharmaceuticals Ireland Limited, Valeant Pharmaceuticals Luxembourg s.à r.l. and Alfasigma S.p.A.**


Amendment No. 2 to the Amended and Restated License Agreement dated October 25, 2018 among Salix Pharmaceuticals, Inc., Valeant Pharmaceuticals Ireland Limited, Valeant Pharmaceuticals Luxembourg s.à r.l. and Alfasigma S.p.A.**


License Agreement dated June 22, 2006 between Cedars-Sinai Medical Center and Salix Pharmaceuticals, Inc., originally filed as Exhibit 10.55 to Salix’s Current Report on Form 8-K filed on July 5, 2006, which is incorporated by reference herein.

Restatement Agreement, dated as of June 1, 2018, among Valeant Pharmaceuticals International, Inc., Valeant Pharmaceuticals International, certain subsidiaries of Valeant Pharmaceuticals International, Inc. as guarantors, each of the financial institutions named therein as lenders and issuing banks and Barclays Bank PLC, as Administrative Agent, originally filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2018, which is incorporated by reference herein.

Amended and Restated Asset Purchase Agreement dated January 4, 2019 among Bausch Health Companies Inc., Bausch Health Ireland Limited, Synergy Pharmaceuticals Inc. and Synergy Advanced Pharmaceuticals, Inc. ††

Subsidiaries of Valeant Pharmaceuticals International, Inc.

Consent of PricewaterhouseCoopers LLP.

Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.


*101.INS XBRL Instance Document

*101.SCH XBRL Taxonomy Extension Schema Document

*101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

*101.LAB XBRL Taxonomy Extension Label Linkbase Document
* Filed herewith.

** Portions of this exhibit have been omitted pursuant to an application for confidential treatment. Such information has been omitted and filed separately with the SEC.

† Management contract or compensatory plan or arrangement.

†† One or more exhibits or schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We undertake to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon request.
Pursuant to the requirements of Section 13 or 15(d) 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: February 20, 2019  
By: /s/ JOSEPH C. PAPA

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ JOSEPH C. PAPA</td>
<td>Chief Executive Officer and Chairman of the Board</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Joseph C. Papa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ PAUL S. HERENDEEN</td>
<td>Executive Vice President and Chief Financial Officer</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Paul S. Herendeen</td>
<td>(Principal Financial Officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ SAM ELDESSOUKY</td>
<td>Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)</td>
<td></td>
</tr>
<tr>
<td>Sam Eldessouky</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ RICHARD U. DESCHUTTER</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Richard U. DeSchutter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ D. ROBERT HALE</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>D. Robert Hale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ ARGERIS N. KARABELAS</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Argeris N. Karabelas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ SARAH B. KAVANAGH</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Sarah B. Kavanagh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ JOHN PAULSON</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>John Paulson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ ROBERT N. POWER</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Robert N. Power</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ RUSSEL C. ROBERTSON</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Russel C. Robertson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ THOMAS W. ROSS, SR.</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Thomas W. Ross, Sr.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ ANDREW C. VON ESCHENBACH</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Andrew C. von Eschenbach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ AMY B. WECHSLER</td>
<td>Director</td>
<td>February 20, 2019</td>
</tr>
<tr>
<td>Amy B. Wechsler</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Index</td>
<td>Page</td>
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<tr>
<td>Report of Management on Financial Statements</td>
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<td></td>
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<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>F-3</td>
<td></td>
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<tr>
<td>Consolidated Balance Sheets as of December 31, 2018 and 2017</td>
<td>F-5</td>
<td></td>
</tr>
<tr>
<td>Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016</td>
<td>F-6</td>
<td></td>
</tr>
<tr>
<td>Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2018, 2017 and 2016</td>
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<td></td>
</tr>
<tr>
<td>Consolidated Statements of Shareholders' Equity for the years ended December 31, 2018, 2017 and 2016</td>
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<td></td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</td>
<td>F-9</td>
<td></td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>F-10</td>
<td></td>
</tr>
</tbody>
</table>
The Company’s management is responsible for preparing the accompanying consolidated financial statements in conformity with United States generally accepted accounting principles (“U.S. GAAP”). In preparing these consolidated financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information included throughout this Annual Report is prepared on a basis consistent with that of the accompanying consolidated financial statements.

PricewaterhouseCoopers LLP has been engaged by the Company to audit the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit and Risk Committee. The members of the Audit and Risk Committee are outside Directors. The Audit and Risk Committee considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors. PricewaterhouseCoopers LLP has full and free access to the Audit and Risk Committee.

/s/ JOSEPH C. PAPA
Joseph C. Papa
Chief Executive Officer
February 20, 2019

/s/ PAUL S. HERENDEEN
Paul S. Herendeen
Executive Vice President and
Chief Financial Officer
To the Board of Directors and Shareholders of Bausch Health Companies Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Bausch Health Companies Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive (loss) income, shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes, and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2018 appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for income taxes and the manner in which it accounts for goodwill in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable
assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 20, 2019

We have served as the Company’s auditor since 2012.
### BAUSCH HEALTH COMPANIES INC.

**CONSOLIDATED BALANCE SHEETS**

*(in millions, except share amounts)*

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$721</td>
<td>$720</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>2</td>
<td>77</td>
</tr>
<tr>
<td>Trade receivables, net</td>
<td>1,865</td>
<td>2,130</td>
</tr>
<tr>
<td>Inventories, net</td>
<td>934</td>
<td>1,048</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>689</td>
<td>771</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>4,211</td>
<td>4,746</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>1,353</td>
<td>1,403</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>12,001</td>
<td>15,211</td>
</tr>
<tr>
<td>Goodwill</td>
<td>13,142</td>
<td>15,593</td>
</tr>
<tr>
<td>Deferred tax assets, net</td>
<td>1,676</td>
<td>433</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>109</td>
<td>111</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$32,492</td>
<td>$37,497</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$411</td>
<td>$365</td>
</tr>
<tr>
<td>Accrued and other current liabilities</td>
<td>3,197</td>
<td>3,694</td>
</tr>
<tr>
<td>Current portion of long-term debt and other</td>
<td>228</td>
<td>209</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>3,836</td>
<td>4,268</td>
</tr>
<tr>
<td>Acquisition-related contingent consideration</td>
<td>298</td>
<td>344</td>
</tr>
<tr>
<td>Non-current portion of long-term debt</td>
<td>24,077</td>
<td>25,235</td>
</tr>
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<td>Deferred tax liabilities, net</td>
<td>885</td>
<td>1,180</td>
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<td>Other non-current liabilities</td>
<td>581</td>
<td>526</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>29,677</td>
<td>31,553</td>
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<td>Commitments and contingencies (Notes 20 and 21)</td>
<td></td>
<td></td>
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<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shares, no par value, unlimited shares authorized, 349,871,102 and 348,708,567 issued and outstanding at December 31, 2018 and 2017, respectively</td>
<td>10,121</td>
<td>10,090</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>413</td>
<td>380</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(5,664)</td>
<td>(2,725)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(2,137)</td>
<td>(1,896)</td>
</tr>
<tr>
<td><strong>Total Bausch Health Companies Inc. shareholders’ equity</strong></td>
<td>2,733</td>
<td>5,849</td>
</tr>
<tr>
<td>Noncontrolling interest</td>
<td>82</td>
<td>95</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>$32,492</td>
<td>$37,497</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>$32,492</td>
<td>$37,497</td>
</tr>
</tbody>
</table>

On behalf of the Board:

/s/ JOSEPH C. PAPA
Joseph C. Papa
Chief Executive Officer

/s/ RUSSEL C. ROBERTSON
Russel C. Robertson
Chairperson, Audit and Risk Committee

*The accompanying notes are an integral part of these consolidated financial statements.*
<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
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<tr>
<td>Product sales</td>
<td>$8,271</td>
<td>$8,595</td>
<td>$9,536</td>
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<tr>
<td>Other revenues</td>
<td>109</td>
<td>129</td>
<td>138</td>
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<tr>
<td><strong>Total revenues</strong></td>
<td>8,380</td>
<td>8,724</td>
<td>9,674</td>
</tr>
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<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cost of goods sold</td>
<td>2,309</td>
<td>2,506</td>
<td>2,572</td>
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<tr>
<td>Cost of other revenues</td>
<td>42</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td>Selling, general</td>
<td>2,473</td>
<td>2,582</td>
<td>2,810</td>
</tr>
<tr>
<td>and administrative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>413</td>
<td>361</td>
<td>421</td>
</tr>
<tr>
<td>Amortization of</td>
<td>2,644</td>
<td>2,690</td>
<td>2,673</td>
</tr>
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<td>intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill impairments</td>
<td>2,322</td>
<td>312</td>
<td>1,077</td>
</tr>
<tr>
<td>Asset impairments</td>
<td>568</td>
<td>714</td>
<td>422</td>
</tr>
<tr>
<td>Restructuring and</td>
<td>22</td>
<td>52</td>
<td>132</td>
</tr>
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<td>integration costs</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Acquired in-process</td>
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<td>5</td>
<td>34</td>
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<tr>
<td>research and development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition-related</td>
<td>(9)</td>
<td>(289)</td>
<td>(13)</td>
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<tr>
<td>contingent consideration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (income) expense,</td>
<td>(21)</td>
<td>(353)</td>
<td>73</td>
</tr>
<tr>
<td>net</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Total expenses</strong></td>
<td>10,764</td>
<td>8,622</td>
<td>10,240</td>
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<tr>
<td>Operating (loss) income</td>
<td>(2,384)</td>
<td>102</td>
<td>(566)</td>
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<td>Interest income</td>
<td>11</td>
<td>12</td>
<td>8</td>
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<tr>
<td>Interest expense</td>
<td>(1,685)</td>
<td>(1,840)</td>
<td>(1,836)</td>
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<tr>
<td>Loss on extinguishment</td>
<td>(119)</td>
<td>(122)</td>
<td>—</td>
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<tr>
<td>of debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange and</td>
<td>23</td>
<td>107</td>
<td>(41)</td>
</tr>
<tr>
<td>other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss before benefit</td>
<td>(4,154)</td>
<td>(1,741)</td>
<td>(2,435)</td>
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<tr>
<td>from income taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit from income</td>
<td>10</td>
<td>4,145</td>
<td>27</td>
</tr>
<tr>
<td>taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(4,144)</td>
<td>2,404</td>
<td>(2,408)</td>
</tr>
<tr>
<td>Net income attributable</td>
<td>(4)</td>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>to noncontrolling interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Net (loss) income</td>
<td>$ (4,148)</td>
<td>$ 2,404</td>
<td>$ (2,409)</td>
</tr>
<tr>
<td><strong>(Loss) earnings per</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>share attributable to Bausch Health Companies Inc.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$(11.81)</td>
<td>$ 6.86</td>
<td>$(6.94)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$(11.81)</td>
<td>$ 6.83</td>
<td>$(6.94)</td>
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<tr>
<td><strong>Weighted-average common</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>shares</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>351.3</td>
<td>350.2</td>
<td>347.3</td>
</tr>
<tr>
<td>Diluted</td>
<td>351.3</td>
<td>351.8</td>
<td>347.3</td>
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</table>

The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>Net (loss) income</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ (4,144)</td>
<td>$ 2,404</td>
<td>$ (2,408)</td>
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</tbody>
</table>

**Other comprehensive (loss) income**

<table>
<thead>
<tr>
<th>Foreign currency translation adjustment</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(237)</td>
<td>202</td>
<td>(548)</td>
</tr>
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</table>

Net unrealized holding loss on sale of assets and businesses:

<table>
<thead>
<tr>
<th>Arising in period</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
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</thead>
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<tr>
<td></td>
<td>—</td>
<td>(26)</td>
<td>—</td>
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</tbody>
</table>

Reclassification to net (loss) income:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>—</td>
<td>26</td>
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**Pension and postretirement benefit plan adjustments:**

<table>
<thead>
<tr>
<th>Newly established prior service credit</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
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</thead>
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<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>6</td>
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Net actuarial (loss) gain arising during the year:

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<th></th>
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<th>2017</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td>Amortization of prior service credit</td>
<td>(4)</td>
<td>(4)</td>
<td>(3)</td>
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</tbody>
</table>

Amortization or settlement recognition of net gain:

<table>
<thead>
<tr>
<th></th>
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<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax benefit (expense)</td>
<td>3</td>
<td>(4)</td>
<td>4</td>
</tr>
<tr>
<td>Foreign currency impact</td>
<td>—</td>
<td>1</td>
<td>1</td>
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Net pension and postretirement benefit plan adjustments:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(244)</td>
<td></td>
<td>217</td>
<td>(571)</td>
</tr>
</tbody>
</table>

Comprehensive (loss) income:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4,388)</td>
<td></td>
<td>2,621</td>
<td>(2,979)</td>
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Comprehensive (income) loss attributable to noncontrolling interest:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td></td>
<td>(4)</td>
<td>4</td>
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Comprehensive (loss) income attributable to Bausch Health Companies Inc.:

<table>
<thead>
<tr>
<th></th>
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<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>(4,389)</td>
<td>$ 2,617</td>
<td>$ (2,975)</td>
</tr>
</tbody>
</table>

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

F-7
<table>
<thead>
<tr>
<th>Balance, January 1, 2016</th>
<th>Shares</th>
<th>Amount</th>
<th>Additional Paid-in Capital</th>
<th>Accumulated Deficit</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Bausch Health Companies Inc. Shareholders' Equity</th>
<th>Noncontrolling Interest</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>342.9</td>
<td>$ 9,897</td>
<td>$ 305</td>
<td>$(2,750)</td>
<td>$(1,542)</td>
<td>$5,910</td>
<td>$ 119</td>
<td>$ 6,029</td>
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<tr>
<td>Effect of application of new accounting standard: Share-based payments</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Common shares issued under share-based compensation plans</td>
<td>4.9</td>
<td>141</td>
<td>(108)</td>
<td>—</td>
<td>—</td>
<td>33</td>
<td>—</td>
<td>33</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>—</td>
<td>—</td>
<td>165</td>
<td>—</td>
<td>—</td>
<td>165</td>
<td>—</td>
<td>165</td>
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<tr>
<td>Employee withholding taxes related to share-based awards</td>
<td>—</td>
<td>—</td>
<td>(11)</td>
<td>—</td>
<td>(11)</td>
<td>(11)</td>
<td>—</td>
<td>(11)</td>
</tr>
<tr>
<td>Noncontrolling interest distributions</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(9)</td>
<td>(9)</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>—</td>
<td>—</td>
<td>(2,409)</td>
<td>—</td>
<td>(2,409)</td>
<td>1</td>
<td>(2,408)</td>
<td>(2,408)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(566)</td>
<td>(566)</td>
<td>(5)</td>
<td>(571)</td>
</tr>
<tr>
<td>Balance, December 31, 2016</td>
<td>347.8</td>
<td>10,038</td>
<td>351</td>
<td>(5,129)</td>
<td>(2,108)</td>
<td>3,152</td>
<td>106</td>
<td>3,258</td>
</tr>
<tr>
<td>Common shares issued under share-based compensation plans</td>
<td>0.9</td>
<td>52</td>
<td>(52)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Share-based compensation</td>
<td>—</td>
<td>—</td>
<td>87</td>
<td>—</td>
<td>—</td>
<td>87</td>
<td>—</td>
<td>87</td>
</tr>
<tr>
<td>Employee withholding taxes related to share-based awards</td>
<td>—</td>
<td>—</td>
<td>(4)</td>
<td>—</td>
<td>—</td>
<td>(4)</td>
<td>—</td>
<td>(4)</td>
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<tr>
<td>Acquisition of noncontrolling interest</td>
<td>—</td>
<td>—</td>
<td>(2)</td>
<td>—</td>
<td>(1)</td>
<td>(3)</td>
<td>(6)</td>
<td>(9)</td>
</tr>
<tr>
<td>Noncontrolling interest distributions</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(9)</td>
<td>(9)</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>2,404</td>
<td>—</td>
<td>2,404</td>
<td>2,404</td>
<td>—</td>
<td>2,404</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>213</td>
<td>213</td>
<td>4</td>
<td>217</td>
</tr>
<tr>
<td>Balance, December 31, 2017</td>
<td>348.7</td>
<td>10,090</td>
<td>380</td>
<td>(2,725)</td>
<td>(1,896)</td>
<td>5,849</td>
<td>95</td>
<td>5,944</td>
</tr>
<tr>
<td>Effect of application of new accounting standard: Income taxes (see Note 2)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,209</td>
<td>—</td>
<td>1,209</td>
<td>—</td>
<td>1,209</td>
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<tr>
<td>Common shares issued under share-based compensation plans</td>
<td>1.2</td>
<td>31</td>
<td>(29)</td>
<td>—</td>
<td>—</td>
<td>2</td>
<td>—</td>
<td>2</td>
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<tr>
<td>Share-based compensation</td>
<td>—</td>
<td>—</td>
<td>87</td>
<td>—</td>
<td>—</td>
<td>87</td>
<td>—</td>
<td>87</td>
</tr>
<tr>
<td>Employee withholding taxes related to share-based awards</td>
<td>—</td>
<td>—</td>
<td>(10)</td>
<td>—</td>
<td>—</td>
<td>(10)</td>
<td>—</td>
<td>(10)</td>
</tr>
<tr>
<td>Acquisition of noncontrolling interest</td>
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<td>—</td>
<td>(15)</td>
<td>—</td>
<td>—</td>
<td>(15)</td>
<td>(3)</td>
<td>(18)</td>
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<td>Noncontrolling interest distributions</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(11)</td>
<td>(11)</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>—</td>
<td>—</td>
<td>(4,148)</td>
<td>—</td>
<td>(4,148)</td>
<td>4</td>
<td>(4,144)</td>
<td>(4,144)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(241)</td>
<td>(241)</td>
<td>(3)</td>
<td>(244)</td>
</tr>
<tr>
<td>Balance, December 31, 2018</td>
<td>349.9</td>
<td>$ 10,121</td>
<td>$ 413</td>
<td>$(5,664)</td>
<td>$(2,137)</td>
<td>$2,733</td>
<td>$ 82</td>
<td>$ 2,815</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
### BAUSCH HEALTH COMPANIES INC.
#### CONSOLIDATED STATEMENTS OF CASH FLOWS
**(in millions)**

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Operating Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(4,144)</td>
<td>$2,404</td>
<td>$(2,408)</td>
</tr>
<tr>
<td>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization of intangible assets</td>
<td>2,819</td>
<td>2,858</td>
<td>2,866</td>
</tr>
<tr>
<td>Amortization and write-off of debt discounts and debt issuance costs</td>
<td>79</td>
<td>151</td>
<td>118</td>
</tr>
<tr>
<td>Asset impairments</td>
<td>568</td>
<td>714</td>
<td>422</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>2,322</td>
<td>312</td>
<td>1,077</td>
</tr>
<tr>
<td>Acquisition accounting adjustment on inventory sold</td>
<td>—</td>
<td>—</td>
<td>38</td>
</tr>
<tr>
<td>Acquisition-related contingent consideration</td>
<td>(9)</td>
<td>(289)</td>
<td>(13)</td>
</tr>
<tr>
<td>Allowances for losses on trade receivables and inventories</td>
<td>69</td>
<td>119</td>
<td>174</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(144)</td>
<td>(4,386)</td>
<td>(236)</td>
</tr>
<tr>
<td>Loss (gain) on disposal of assets and businesses</td>
<td>6</td>
<td>(579)</td>
<td>(8)</td>
</tr>
<tr>
<td>(Reductions) additions to accrued legal settlements</td>
<td>(27)</td>
<td>226</td>
<td>59</td>
</tr>
<tr>
<td>Insurance proceeds for legal settlement</td>
<td>—</td>
<td>60</td>
<td>—</td>
</tr>
<tr>
<td>Payments of accrued legal settlements</td>
<td>(224)</td>
<td>(221)</td>
<td>(69)</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>87</td>
<td>87</td>
<td>165</td>
</tr>
<tr>
<td>Foreign exchange (gain) loss</td>
<td>(19)</td>
<td>(106)</td>
<td>14</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>119</td>
<td>122</td>
<td>—</td>
</tr>
<tr>
<td>Payments of contingent consideration adjustments, including accretion</td>
<td>(2)</td>
<td>(4)</td>
<td>(28)</td>
</tr>
<tr>
<td>Other</td>
<td>(17)</td>
<td>(22)</td>
<td>26</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>216</td>
<td>417</td>
<td>(34)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(5)</td>
<td>7</td>
<td>(164)</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(72)</td>
<td>33</td>
<td>232</td>
</tr>
<tr>
<td>Accounts payable, accrued and other liabilities</td>
<td>(121)</td>
<td>387</td>
<td>(144)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>1,501</td>
<td>2,290</td>
<td>2,087</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Investing Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of businesses, net of cash acquired</td>
<td>5</td>
<td>—</td>
<td>(19)</td>
</tr>
<tr>
<td>Acquisition of intangible assets and other assets</td>
<td>(78)</td>
<td>(165)</td>
<td>(56)</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(157)</td>
<td>(171)</td>
<td>(235)</td>
</tr>
<tr>
<td>Purchases of marketable securities</td>
<td>(7)</td>
<td>(7)</td>
<td>(1)</td>
</tr>
<tr>
<td>Proceeds from sale of marketable securities</td>
<td>7</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Proceeds from sale of assets and businesses, net of costs to sell</td>
<td>34</td>
<td>3,253</td>
<td>199</td>
</tr>
<tr>
<td>Reduction of cash due to deconsolidation</td>
<td>—</td>
<td>—</td>
<td>(30)</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>(25)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash (used in) provided by investing activities</strong></td>
<td>(196)</td>
<td>2,887</td>
<td>(125)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Financing Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of long-term debt, net of discounts</td>
<td>8,944</td>
<td>9,424</td>
<td>1,220</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>(10,101)</td>
<td>(14,203)</td>
<td>(2,436)</td>
</tr>
<tr>
<td>Borrowings of short-term debt</td>
<td>—</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td>Repayments of short-term debt</td>
<td>(3)</td>
<td>(8)</td>
<td>(3)</td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>2</td>
<td>—</td>
<td>33</td>
</tr>
<tr>
<td>Payment of employee withholding tax upon vesting of share-based awards</td>
<td>(10)</td>
<td>(4)</td>
<td>(11)</td>
</tr>
<tr>
<td>Payments of contingent consideration</td>
<td>(37)</td>
<td>(45)</td>
<td>(123)</td>
</tr>
<tr>
<td>Payments of deferred consideration</td>
<td>(18)</td>
<td>—</td>
<td>(540)</td>
</tr>
<tr>
<td>Payments of financing costs</td>
<td>(102)</td>
<td>(110)</td>
<td>(97)</td>
</tr>
<tr>
<td>Other</td>
<td>(28)</td>
<td>(18)</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(1,355)</td>
<td>(4,963)</td>
<td>(1,963)</td>
</tr>
</tbody>
</table>

<p>| Effect of exchange rate changes on cash and cash equivalents | (26) | 41 | (54) |
| Net (decrease) increase in cash and cash equivalents and restricted cash | (74) | 255 | (55) |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents and restricted cash, beginning of year</td>
<td>797</td>
<td>542</td>
<td>597</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents and restricted cash, end of year</strong></td>
<td><strong>$ 723</strong></td>
<td><strong>$ 797</strong></td>
<td><strong>$ 542</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ 721</td>
<td>$ 720</td>
<td>$ 542</td>
</tr>
<tr>
<td>Restricted cash, end of year</td>
<td>2</td>
<td>77</td>
<td>—</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents and restricted cash, end of year</strong></td>
<td><strong>$ 723</strong></td>
<td><strong>$ 797</strong></td>
<td><strong>$ 542</strong></td>
</tr>
</tbody>
</table>

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

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1. DESCRIPTION OF BUSINESS

Bausch Health Companies Inc. (the “Company”), formerly known as Valeant Pharmaceuticals International, Inc., is a multinational, specialty pharmaceutical and medical device company that develops, manufactures and markets 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 over 90 countries. Effective August 9, 2013, the Company continued from the federal jurisdiction of Canada to the Province of British Columbia, meaning that the Company became a company registered under the laws of the Province of British Columbia as if it had been incorporated under the laws of the Province of British Columbia. As a result of this continuance, the legal domicile of the Company became the Province of British Columbia, the Canada Business Corporations Act ceased to apply to the Company and the Company became subject to the British Columbia Business Corporations Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The Consolidated Financial Statements have been prepared by the Company in United States (“U.S.”) dollars and in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), applied on a consistent basis. In preparing the Company’s Consolidated Financial Statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include: provisions for product returns, rebates, chargebacks, discounts and allowances and distribution fees paid to certain wholesalers; useful lives of amortizable intangible assets and property, plant and equipment; expected future cash flows used in evaluating intangible assets for impairment, assessing compliance with debt covenants and making going concern assessments; reporting unit fair values for testing goodwill for impairment and allocating goodwill to new reporting unit structure on a relative fair value basis; provisions for loss contingencies; provisions for income taxes, uncertain tax positions and realizability of deferred tax assets; and the recognition of the fair value of assets and liabilities acquired in a business combination, including the fair value of contingent consideration. Under certain product manufacturing and supply agreements, management uses information from the Company’s commercialization counterparties to arrive at estimates for future returns, rebates and chargebacks.

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 Consolidated Financial Statements could be materially impacted.

Principles of Consolidation

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

Acquisitions

Acquired businesses are accounted for using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at fair value, with limited exceptions. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired business are reflected in the Consolidated Financial Statements after the date of acquisition. Acquired in-process research and development (“IPR&D”) is recognized at fair value and initially characterized as an indefinite-lived intangible asset, irrespective of whether the acquired IPR&D has an alternative future use. If the acquired net assets do not constitute a business under the acquisition method of accounting, the transaction is accounted for as an asset acquisition and no goodwill is recognized. In an asset acquisition, the amount allocated to acquired IPR&D with no alternative future use is charged to expense at the acquisition date.

Fair Value of Financial Instruments

The estimated fair values of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities approximate their carrying values due to their short maturity periods. The fair value of acquisition-related contingent consideration is based on estimated discounted future cash flows or Monte Carlo Simulation analyses and assessment of the probability of occurrence of potential future events.
Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less when purchased.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities and trade receivables.

The Company invests its excess cash in high-quality, money market instruments and term deposits with varying maturities, but typically less than three months. The Company’s cash and cash equivalents are invested in various investment grade institutional money market accounts and bank term deposits. Cash deposited at banks may exceed the amount of insurance provided on such deposits. Generally, these cash deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate such risks by spreading its risk across multiple counterparties and monitoring the risk profiles of these counterparties.

The Company’s trade receivables primarily represent amounts due from wholesale distributors, retail pharmacies, government entities and group purchasing organizations. Outside of the U.S., concentrations of credit risk with respect to trade receivables, which are typically unsecured, are limited due to the number of customers using the Company’s products, as well as their dispersion across many different geographic regions. The Company performs periodic credit evaluations of customers and does not require collateral. The Company monitors economic conditions, including volatility associated with international economies, and related impacts on the relevant financial markets and its business, especially in light of sovereign credit issues. The credit and economic conditions within Portugal, Greece, among other members of the European Union, Brazil, Egypt, Argentina, Turkey and Ukraine have been weak in recent years. In November 2016, as a result of the Egyptian government’s decision to float the Egyptian pound and un-peg it to the U.S. Dollar, the Egyptian pound was significantly devalued. The Company's exposure to the Egyptian pound is with respect to the Amoun Pharmaceutical Company S.A.E. business acquired in October 2015, which represented approximately 2% of the Company's revenue in each of the years 2018, 2017 and 2016 total revenues. These conditions have increased, and may continue to increase, the average length of time that it takes to collect on the Company’s trade receivables outstanding in these countries.

An allowance for doubtful accounts is maintained for potential credit losses based on the aging of trade receivables, historical bad debts experience and changes in customer payment patterns. Trade receivable balances are written off against the allowance when it is deemed probable that the receivable will not be collected. Trade receivables, net are stated net of reserves for sales returns and allowances and provisions for doubtful accounts of $47 million and $97 million as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Company’s three largest U.S. wholesaler customers accounted for approximately 39% of net trade receivables. In addition, as of December 31, 2018 and 2017, the Company’s net trade receivable balance from Greece, Portugal, Ukraine, Turkey, Egypt, Argentina and Brazil amounted to $110 million and $230 million, respectively, the majority of which is current or less than 90 days past due. The portion of the net trade receivable from these countries that is past due more than 90 days amounted to $2 million, as of December 31, 2018, a portion of which is comprised of public hospitals. Based on analysis of bad debt experience and assessment of historical payment patterns for such customers, the Company has established a reserve covering approximately half of the balance past due more than 90 days for such countries. The Company has not experienced any significant losses from uncollectible accounts in the three-year period ended December 31, 2018.

Inventories

Inventories comprise raw materials, work in process and finished goods, which are valued at the lower of cost or net realizable value, on a first-in, first-out basis. The cost value for work in process and finished goods inventories includes materials, direct labor and an allocation of overheads.

The Company evaluates the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Company expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.
Property, Plant and Equipment

Property, plant and equipment are reported at cost, less accumulated depreciation. Costs incurred on assets under construction are capitalized as construction in progress. Depreciation is calculated using the straight-line method, commencing when the assets become available for productive use, based on the following estimated useful lives:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land improvements</td>
<td>15 - 30 years</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>Up to 40 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>3 - 20 years</td>
</tr>
<tr>
<td>Other equipment</td>
<td>3 - 10 years</td>
</tr>
<tr>
<td>Equipment on operating lease</td>
<td>Up to 5 years</td>
</tr>
<tr>
<td>Leasehold improvements and capital leases</td>
<td>Lesser of term of lease or 10 years</td>
</tr>
</tbody>
</table>

Intangible Assets

Intangible assets are reported at cost, less accumulated amortization and impairments. Intangible assets with finite lives are amortized over their estimated useful lives. Amortization is calculated primarily using the straight-line method based on the following estimated useful lives:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product brands</td>
<td>2 - 20 years</td>
</tr>
<tr>
<td>Corporate brands</td>
<td>7 - 20 years</td>
</tr>
<tr>
<td>Product rights</td>
<td>3 - 15 years</td>
</tr>
<tr>
<td>Partner relationships</td>
<td>7 - 9 years</td>
</tr>
<tr>
<td>Out-licensed technology and other</td>
<td>8 - 10 years</td>
</tr>
</tbody>
</table>

Divestitures of Products

The net of the proceeds on the divestiture of products and the carrying amount of the related assets is recorded as a gain/loss on sale within Other (income) expense, net. Any contingent payments that are potentially due to the Company as a result of these divestitures are recorded when realizable.

IPR&D

The fair value of IPR&D acquired through a business combination is capitalized as an indefinite-lived intangible asset until the completion or abandonment of the related research and development activities. When the related research and development is completed, the asset will be assigned a useful life and amortized. IPR&D assets are tested for impairment at least annually or when triggering events are identified.

The fair value of an IPR&D intangible asset is typically determined using an income approach. This approach starts with a forecast of the net cash flows expected to be generated by the asset over its estimated useful life. The net cash flows reflect the asset’s stage of completion, the probability of technical success, the projected costs to complete, expected market competition and an assessment of the asset’s life-cycle. The net cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the expected cash flow streams.

Impairment of Long-Lived Assets

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. If indicators of impairment are present, the asset is tested for recoverability by comparing the carrying value of the asset to the related estimated undiscounted future cash flows expected to be derived from the asset. If the expected undiscounted cash flows are less than the carrying value of the asset, then the asset is considered to be impaired and its carrying value is written down to fair value, based on the related estimated discounted future cash flows.

Indefinite-lived intangible assets, which includes acquired IPR&D and the corporate trademark acquired in the acquisition of Bausch & Lomb Holdings Incorporated (the “B&L Trademark”), are tested for impairment annually or more frequently if events or changes in circumstances between annual tests indicate that the asset may be impaired. Impairment losses on indefinite-lived intangible assets are recognized based solely on a comparison of the fair value of the asset to its carrying value.

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Goodwill

Goodwill is recorded with the acquisition of a business and is calculated as the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. Goodwill is not amortized but is tested for impairment at least annually as of October 1st at the reporting unit level. A reporting unit is the same as, or one level below, an operating segment.

An interim goodwill impairment test in advance of the annual impairment assessment may be required if events occur that indicate an impairment might be present. For example, a substantial decline in the Company’s market capitalization, changes in reportable segments, unexpected adverse business conditions, economic factors and unanticipated competitive activities may signal that an interim impairment test is needed. Accordingly, among other factors, the Company monitors changes in its share price between annual impairment tests. The Company considers a decline in its share price that corresponds to an overall deterioration in stock market conditions to be less of an indicator of goodwill impairment than a unilateral decline in its share price reflecting adverse changes in its underlying operating performance, cash flows, financial condition and/or liquidity. In the event that the Company’s market capitalization does decline below its book value, the Company would consider the length and severity of the decline and the reason for the decline when assessing whether potential goodwill impairment exists. The Company believes that short-term fluctuations in share prices may not necessarily reflect underlying values.

Prior to January 1, 2018, the goodwill impairment test consisted of two steps. In step one, the Company compared the carrying value of each reporting unit to its fair value. In step two, if the carrying value of a reporting unit exceeded its fair value, the Company would measure goodwill impairment as the excess of the carrying value of the reporting unit’s goodwill over the fair value of its goodwill, if any. The fair value of goodwill was derived as the excess of the fair value of the reporting unit over the fair value of the reporting unit’s identifiable assets and liabilities.

Effective January 1, 2018, the Company elected to early adopt guidance issued by the Financial Accounting Standards Board ("FASB") which simplified the subsequent measurement of goodwill by eliminating “Step 2” from the goodwill impairment test. Instead, as of January 1, 2018 and all subsequent periods, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value.

Debt Discounts, Issuance Costs and Deferred Financing Costs

Debt discounts and issuance costs are presented in the Consolidated Balance Sheets as a direct deduction from the carrying amount of the related debt and are amortized, using the effective interest method, as interest expense over the contractual lives of the related credit facilities or notes. Deferred financing costs associated with revolving credit facility arrangements are included in the balances of Prepaid expenses and other current assets and Other non-current assets in the Consolidated Balance Sheets and are amortized as interest expense over the contractual life of the related revolving credit facility.

Foreign Currency Translation

The assets and liabilities of the Company’s foreign operations having a functional currency other than the U.S. dollar are translated into U.S. dollars at the exchange rate prevailing at the balance sheet date, and at the average exchange rate for the reporting period for revenue and expense accounts. The cumulative foreign currency translation adjustment is recorded as a component of accumulated other comprehensive loss in shareholders’ equity.

Foreign currency exchange gains and losses on transactions occurring in a currency other than an operation's functional currency are recognized in Net (loss) income.

Revenue Recognition

As discussed under the caption "Adoption of New Accounting Standards" to this Note 2, effective January 1, 2018, the Company adopted guidance issued by the FASB regarding recognizing revenue from contracts with customers. Based upon review of current customer contracts, the Company concluded the implementation of the new guidance did not have a material quantitative impact on its Consolidated Financial Statements as the timing of revenue recognition for product sales did not significantly change. The Company adopted this guidance using the modified retrospective approach, and therefore, revenue reported for the years 2017 and 2016 have not been restated. Although the new guidance did result in additional disclosures as to the nature, amounts and concentrations of revenue, it did not have a material impact on the Company's significant accounting policies. The revenue recognition policies as enumerated below reflect the Company's accounting policies effective January 1, 2018, which did not have a materially different financial statement result than what the results would have been under the previous accounting policies for revenue recognition.
The Company’s revenues are primarily generated from product sales 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 22, "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.

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

Product Sales

A contract with the Company’s customers exists for each product sale. Where a contract with a customer contains more than one performance obligation, the Company allocates the transaction price to each distinct performance obligation based on its relative standalone selling price. The transaction price is adjusted for variable consideration which is discussed further below. The Company generally recognizes revenue for product sales at a point in time, when the customer obtains control of the products.

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, rebates, chargebacks and distribution fees paid to customers. Provisions for variable consideration are established to reflect the Company’s best estimates of the amount of consideration to which it is entitled based on the terms of the contract. The amount of variable consideration included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in the future period.

Provisions for these deductions are recorded concurrently with the recognition of gross product sales revenue and include cash discounts and allowances, chargebacks, and distribution fees, which are paid to direct customers, as well as rebates and returns, which can be paid to direct and indirect customers. 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 following table presents the activity and ending balances of the Company’s variable consideration provisions for the year ended December 31, 2018.

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Discounts and Allowances</th>
<th>Returns</th>
<th>Rebates</th>
<th>Chargebacks</th>
<th>Distribution Fees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve balance, January 1, 2018</td>
<td>$167</td>
<td>$863</td>
<td>$1,094</td>
<td>$274</td>
<td>$148</td>
<td>$2,546</td>
</tr>
<tr>
<td>Current period provision</td>
<td>865</td>
<td>293</td>
<td>2,551</td>
<td>1,966</td>
<td>212</td>
<td>5,887</td>
</tr>
<tr>
<td>Payments and credits</td>
<td>(857)</td>
<td>(343)</td>
<td>(2,621)</td>
<td>(2,031)</td>
<td>(197)</td>
<td>(6,049)</td>
</tr>
<tr>
<td>Reserve balance, December 31, 2018</td>
<td>$175</td>
<td>$813</td>
<td>$1,024</td>
<td>$209</td>
<td>$163</td>
<td>$2,384</td>
</tr>
</tbody>
</table>

Included in Rebates in the table above are cooperative advertising credits due to customers of approximately $26 million as of December 31, 2018, which are reflected as a reduction of Trade accounts receivable, net in the Consolidated Balance Sheets.

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. This evaluation may result in an increase or decrease in the experience rate that is applied to current and future sales, or an adjustment related to past sales, or both. If the actual amounts paid vary from the Company’s estimates, the Company adjusts these estimates, which would affect net product revenue and earnings in the period such variance becomes known. The Company applies this method consistently for contracts with similar characteristics. The following describes the major sources of variable consideration in the Company’s customer arrangements and the methodology, estimates and judgments applied to estimate each type of variable consideration.

**Cash Discounts and Allowances**

Cash discounts are offered for prompt payment and allowances for volume purchases. Provisions for cash discounts are estimated at the time of sale and recorded as direct reductions to trade receivables and revenue. Management estimates the provisions for cash discounts and allowances based on contractual sales terms with customers, an analysis of unpaid invoices and historical payment experience. Estimated cash discounts and allowances have historically been predictable and less subjective, due to the limited number of assumptions involved, the consistency of historical experience and the fact that these amounts are generally settled within one month of incurring the liability.

**Returns**

Consistent with industry practice, customers are generally allowed to return products within a specified period of time before and after its expiration date, excluding European businesses which generally do not provide a right of return. The returns provision is estimated utilizing historical sales and return rates over the period during which customers have a right of return, taking into account available information on competitive products and contract changes. The information utilized to estimate the returns provision includes: (i) historical return and exchange levels, (ii) external data with respect to inventory levels in the wholesale distribution channel, (iii) external data with respect to prescription demand for products, (iv) remaining shelf lives of products at the date of sale and (v) estimated returns liability to be processed by year of sale based on an analysis of lot information related to actual historical returns.

In determining the estimate for returns, management is required to make certain assumptions regarding the timing of the introduction of new products and the potential of these products to capture market share. In addition, certain assumptions with respect to the extent and pattern of decline associated with generic competition are necessary. These assumptions are formulated using market data for similar products, past experience and other available information. These assumptions are continually reassessed, and changes to the estimates and assumptions are made as new information becomes available. A change of 1% in the estimated return rates would have impacted the Company’s pre-tax earnings by approximately $86 million for the year ended December 31, 2018.

The estimate for returns may be impacted by a number of factors, but the principal factor relates to the inventory levels in the distribution channel. When management becomes aware of an increase in such inventory levels, it considers whether the increase may be temporary or other-than-temporary. Temporary increases in wholesaler inventory levels will not differ from original estimates of provision for returns. Other-than-temporary increases in wholesaler inventory levels, however, may be an indication that future product returns could be higher than originally anticipated, and, as a result, estimates for returns may need to be adjusted. Factors that suggest increases in wholesaler inventory levels are temporary include: (i) recently implemented or announced price increases for certain products, (ii) new product launches or expanded indications for existing products and (iii) timing of purchases by wholesale customers. Conversely, factors that suggest increases in wholesaler inventory levels are other-than-temporary include: (i) declining sales trends based on prescription demand, (ii) introduction of new products or generic competition, (iii) increasing price competition from generic competitors and (iv) changes to the U.S. National Drug Codes ("NDC") of products. Changes in the NDC of products could result in a period of higher returns related to products with the old NDC, as U.S. customers generally permit only one NDC per product for identification and tracking within their inventory systems.

**Rebates and Chargebacks**

Product sales made under governmental and managed-care pricing programs in the U.S. are subject to rebates. The Company participates in state government-managed Medicaid programs, as well as certain other qualifying federal and state government programs whereby rebates are provided to participating government entities. Medicaid rebates are generally billed 45 days after the quarter, but can be billed up to 270 days after the quarter in which the product is dispensed to the Medicaid participant. As a result, the Medicaid rebate reserve includes an estimate of outstanding claims for end-customer sales that occurred, but for which the related claim has not been billed and/or paid, and an estimate for future claims that will be made when inventory in the distribution channel is sold through to plan participants. The calculation of the Medicaid rebate reserve also requires
other estimates, such as estimates of sales mix, to determine which sales are subject to rebates and the amount of such rebates. A change of 1% in the volume of product sold through to Medicaid plan participants would have impacted the Company’s pre-tax earnings by approximately $87 million for the year ended December 31, 2018. Quarterly, the Medicaid rebate reserve is adjusted based on actual claims paid. Due to the delay in billing, adjustments to actual claims paid may incorporate revisions of that reserve for several periods.

Managed Care rebates relate to contractual agreements to sell products to managed care organizations and pharmacy benefit managers at contractual rebate percentages in exchange for volume and/or market share.

Chargebacks relate to contractual agreements to sell products to government agencies, group purchasing organizations and other indirect customers at contractual prices that are lower than the list prices the Company charges wholesalers. When these group purchasing organizations or other indirect customers purchase products through wholesalers at these reduced prices, the wholesaler charges the Company for the difference between the prices they paid the Company and the prices at which they sold the products to the indirect customers.

In estimating provisions for rebates and chargebacks, management considers relevant statutes with respect to governmental pricing programs and contractual sales terms with managed-care providers and group purchasing organizations. Management estimates the amount of product sales subject to these programs based on historical utilization levels. Changes in the level of utilization of products through private or public benefit plans and group purchasing organizations will affect the amount of rebates and chargebacks that the Company is obligated to pay. Management continually updates these factors based on new contractual or statutory requirements, and any significant changes in sales trends that may impact the percentage of products subject to rebates or chargebacks.

The amount of Managed Care, Medicaid and other rebates and chargebacks has become more significant as a result of a combination of deeper discounts due to the price increases implemented in each of the last three years, changes in the Company’s product portfolio due to recent acquisitions and increased Medicaid utilization due to expansion of government funding for these programs. Management’s estimate for rebates and chargebacks may be impacted by a number of factors, but the principal factor relates to the level of inventory in the distribution channel.

Rebate provisions are based on factors such as timing and terms of plans under contract, time to process rebates, product pricing, sales volumes, amount of inventory in the distribution channel and prescription trends. Adjustments to actual for the years ended December 31, 2018 and 2017 were not material to the Company’s revenues or earnings.

Patient Co-Pay Assistance programs, Consumer Rebates and Loyalty Programs are rebates offered on many of the Company’s products. Patient Co-Pay Assistance Programs are patient discount programs offered in the form of coupon cards or point of sale discounts, with which patients receive certain discounts off their prescription at participating pharmacies, as defined by the specific product program. An accrual for these programs is established, equal to management’s estimate of the discount, rebate and loyalty incentives attributable to a sale. That estimate is based on historical experience and other relevant factors. The accrual is adjusted throughout each quarter based on actual experience and changes in other factors, if any.

Distribution Fees

The Company sells product primarily to wholesalers, and in some instances to large pharmacy chains such as CVS and Wal-Mart. The Company has Distribution Services Agreements (“DSAs”) with several large wholesale customers such as McKesson Corporation, AmerisourceBergen Corporation, Cardinal Health, Inc. and McKesson Specialty. Under the DSAs, the wholesalers agree to provide services, and the Company pays the contracted DSA distribution service fees for these services based on product volumes. Additionally, price appreciation credits are generated when the Company increases a product’s wholesale acquisition cost (“WAC”) under contracts with certain wholesalers. Under such contracts, the Company is entitled to credits from such wholesalers for the impact of that WAC increase on inventory currently on hand at the wholesalers. Such credits are offset against the total distribution service fees paid to each such wholesaler. The variable consideration associated with price appreciation credits is reflected in the transaction price of products sold when it is determined to be probable that a significant reversal will not occur. Net revenue from price appreciation credits for the year ended December 31, 2018 was $31 million and is a reduction of distribution fees in the variable consideration provisions table above.

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.
Sales Commissions

The Company expenses sales commissions when incurred because the amortization period would have been less than one year. Sales commissions are included in selling, general and administrative expenses.

Financing Component

The Company has elected not to adjust consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Company's global payment terms are generally between thirty to ninety days.

Research and Development Expenses

Costs related to internal research and development programs, including costs associated with the development of acquired IPR&D, are expensed as goods are delivered or services are performed. Under certain research and development arrangements with third parties, the Company may be required to make payments that are contingent on the achievement of specific developmental, regulatory and/or commercial milestones. Milestone payments made to third parties before a product receives regulatory approval, but after the milestone is determined to be probable, are expensed and included in Research and development expenses. Milestone payments made to third parties after regulatory approval is received are capitalized and amortized over the estimated useful life of the approved product.

Amounts due from third parties as reimbursement of development activities conducted under certain research and development arrangements are recognized as a reduction of Research and development expenses.

Legal Costs

Legal fees and other costs related to litigation and other legal proceedings or services are expensed as incurred and are included in Selling, general and administrative expenses. Certain legal costs associated with acquisitions are included in Acquisition-related costs, and certain legal costs associated with divestitures, legal settlements and other business development activities are included in Other (income) expense, net, as appropriate. Legal costs expensed are reported net of expected insurance recoveries. A claim for insurance recovery is recognized when realization becomes probable.

Advertising Costs

Advertising costs comprise product samples, print media, promotional materials and television advertising. Advertising costs related to new product launches are expensed on the first use of the advertisement. Included in Selling, general and administrative expenses are advertising costs of $481 million, $462 million and $564 million, for 2018, 2017 and 2016, respectively.

Share-Based Compensation

The Company recognizes all share-based payments to employees, including grants of employee stock options and restricted share units (“RSUs”), at estimated fair value. The Company amortizes the fair value of stock option or RSU grants on a straight-line basis over the requisite service period of the individual stock option or RSU grant, which generally equals the vesting period. Stock option and RSU forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Share-based compensation is recorded in Research and development expenses, Selling, general and administrative expenses and Other (income) expense, net, as appropriate.

Acquisition-Related Contingent Consideration

Acquisition-related contingent consideration, which primarily consists of potential milestone payments and royalty obligations, is recorded in the Consolidated Balance Sheets at its acquisition date estimated fair value, in accordance with the acquisition method of accounting. The fair value of the acquisition-related contingent consideration is remeasured each reporting period, with changes in fair value recorded in the Consolidated Statements of Operations. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in fair value measurement accounting.

Interest Expense

Interest expense includes standby fees and the amortization of debt discounts and deferred financing costs. Interest costs are expensed as incurred, except to the extent such interest is related to construction in progress, in which case interest is capitalized.
Capitalized interest related to construction in progress as of December 31, 2018 and 2017 was $34 million and $32 million, respectively, and is included in Property, plant and equipment, net.

**Income Taxes**

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the temporary differences between the financial statement and income tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. A valuation allowance is provided for the portion of deferred tax assets that is more likely than not to remain unrealized. Deferred tax assets and liabilities are measured using enacted tax rates and laws. Deferred tax assets for outside basis differences in investments in subsidiaries are only recognized if the difference will be realized in the foreseeable future.

The tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority, based on the technical merits of the position. The tax benefits recognized from such position are measured based on the amount for which there is a greater than 50% likelihood of being realized upon settlement. Liabilities associated with uncertain tax positions are classified as long-term unless expected to be paid within one year. Interest and penalties related to uncertain tax positions, if any, are recorded in the provision for income taxes and classified with the related liability on the consolidated balance sheets.

In accordance with recently issued accounting guidance, the Company has provided for the income tax effects of the Tax Cuts and Jobs Act (the “Tax Act”) which was enacted on December 22, 2017. The Company has finalized the provisional amounts during the year ended December 31, 2018.

**Earnings Per Share**

Basic (Loss) earnings per share attributable to Bausch Health Companies Inc. is calculated by dividing Net (loss) income attributable to Bausch Health Companies Inc. by the weighted-average number of common shares outstanding during the reporting period. Diluted (Loss) earnings per share attributable to Bausch Health Companies Inc. is calculated by dividing Net (loss) income attributable to Bausch Health Companies Inc. by the weighted-average number of common shares outstanding during the reporting period after giving effect to dilutive potential common shares for stock options and RSUs, determined using the treasury stock method.

**Comprehensive Income**

Comprehensive (loss) income comprises Net (loss) income and Other comprehensive (loss) income. Other comprehensive (loss) income includes items such as foreign currency translation adjustments, unrealized holding gains and losses on available-for-sale and other investments and certain pension and other postretirement benefit plan adjustments. Accumulated other comprehensive loss is recorded as a component of shareholders’ equity.

**Contingencies**

In the normal course of business, the Company is subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities, and tax matters. Accruals for loss contingencies are recorded when the Company determines that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the estimate of the amount of the loss is a range and some amount within the range appears to be a better estimate than any other amount within the range, that amount is accrued as a liability. If no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued as a liability. These accruals are adjusted periodically as assessments change or additional information becomes available.

If no accrual is made for a loss contingency because the amount of loss cannot be reasonably estimated, the Company will disclose contingent liabilities when there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

**Employee Benefit Plans**

The Company sponsors various retirement and pension plans, including defined benefit pension plans, defined contribution plans and a participatory defined benefit postretirement plan. The determination of defined benefit pension and postretirement plan obligations and their associated expenses requires the use of actuarial valuations to estimate the benefits employees earn while working, as well as the present value of those benefits. Net actuarial gains and losses that exceed 10 percent of the greater of the plan’s projected benefit obligations or the market-related value of assets are amortized to earnings over the
shorter of the estimated average future service period of the plan participants (or the estimated average future lifetime of the plan participants if the majority of plan participants are inactive) or the period until any anticipated final plan settlements.

Adoption of New Accounting Standards

In May 2014, the FASB issued guidance on recognizing revenue from contracts with customers. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity will: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In addition to these provisions, the new standard provides implementation guidance on several other topics, including the accounting for certain revenue-related costs, as well as enhanced disclosure requirements. The new guidance requires entities to disclose both quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In March 2016, the FASB issued an amendment to clarify the implementation guidance around considerations whether an entity is a principal or an agent, impacting whether an entity reports revenue on a gross or net basis. In April 2016, the FASB issued an amendment to clarify guidance on identifying performance obligations and the implementation guidance on licensing. The guidance is effective for annual reporting periods beginning after December 15, 2017. Entities had the option of using either a full retrospective or a modified retrospective approach to adopt the guidance.

The Company completed its detailed assessment and training program for its personnel. Pursuant to the detailed assessment program, the Company reviewed its revenue arrangements and assessed the differences in accounting for such contracts under the new guidance as compared with prior revenue accounting guidance.

The Company adopted this guidance effective January 1, 2018 using the modified retrospective approach, and therefore, revenue reported for the years 2017 and 2016 have not been restated. Based upon review of customer contracts, the Company concluded the implementation of the new guidance did not have a material quantitative impact on its 2018 Consolidated Financial Statements as the timing of revenue recognition for product sales did not significantly change. The new guidance did however result in additional disclosures as to the nature, amounts, and concentrations of revenue. See "Revenue Recognition" discussed in this Note 2 and Note 22, "SEGMENT INFORMATION" for additional details and the application of this guidance.

In October 2016, the FASB issued guidance requiring an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset has been sold to an outside party. This guidance was effective for the Company January 1, 2018 and was applied using a modified retrospective approach through a cumulative-effect adjustment to accumulated deficit and deferred income taxes as of the effective date. The Company recorded a net cumulative-effect adjustment of $1,209 million to increase deferred income tax assets and decrease the opening balance of Accumulated deficit for the income tax consequences deferred from past intra-entity transfers involving assets other than inventory.

In January 2017, the FASB issued guidance which clarifies the definition of a business with the objective of assisting with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company prospectively applied the new definition to all transactions effective January 1, 2018.

In January 2017, the FASB issued guidance which simplifies the subsequent measurement of goodwill by eliminating “Step 2” from the goodwill impairment test. Instead, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. The guidance is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods, with early adoption permitted. The Company elected to early adopt this guidance effective January 1, 2018. The Company tested goodwill for impairment upon adopting this guidance and recognized impairment charges of $2,213 million, related to its Salix reporting unit and Ortho Dermatologics reporting unit at January 1, 2018. See Note 9, “INTANGIBLE ASSETS AND GOODWILL” for additional details and the application of this guidance.

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In February 2016, the FASB issued guidance on lease accounting to increase transparency and comparability among organizations that lease buildings, equipment and other assets by requiring the recognition of lease assets and lease liabilities on the balance sheet. Consistent with the current lease accounting standard, leases will continue to be classified as finance leases or operating leases. The classification is determined based on whether the risks and rewards, as well as substantive control, have been transferred to the Company and its determination will govern the pattern of lease cost recognition. Finance leases will be accounted for in substantially the same manner as capital leases are accounted for under current U.S. GAAP. Operating leases will be accounted for (both in the statement of operations and statement of cash flows) in a manner consistent with operating leases under existing U.S. GAAP. However, as it relates to the balance sheet, lessees will recognize lease liabilities based upon the present value of remaining lease payments and corresponding right of use lease assets for operating leases with limited exception. The new guidance will also require lessees and lessors to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing and uncertainty of cash flows arising from leases.

The new guidance is effective for annual reporting periods beginning after December 15, 2018. Early application is permitted. The Company has adopted the standard on January 1, 2019, and is electing to apply the modified retrospective approach to recognize a cumulative-effect adjustment to accumulated deficit at the adoption date. The Company also has elected the available practical expedients upon adoption. The Company has updated its systems, processes and controls to track, record and account for its lease portfolio. The Company has implemented a third-party software tool to assist in complying with the new standard. The Company is in the process of completing an analysis of the Company's existing lease arrangements including the Company's assessment of the impact that embedded leases within the Company's service arrangements will have on the Consolidated Balance Sheets.

The inclusion of lease-related assets and liabilities will have a material impact on the Consolidated Balance Sheets. As of December 31, 2018, the Company had undiscounted future minimum lease payments of approximately $419 million under the Company's portfolio of non-cancelable operating leases primarily relating to facilities, vehicles and equipment. The final right-of-use and lease liability to be recorded under the new guidance will be discounted and is not expected to have a material impact on the Consolidated Statements of Operations. The accounting for capital leases will remain substantially unchanged under the new standard. Additionally, the new standard will not have a material impact on the Company's lessor activities.

In June 2016, the FASB issued guidance on the impairment of financial instruments requiring an impairment model based on expected losses rather than incurred losses. Under this guidance, an entity recognizes as an allowance its estimate of expected credit losses. The guidance is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Company is evaluating the impact of adoption of this guidance on its financial position, results of operations and cash flows.

In August 2018, the FASB issued guidance modifying the disclosure requirements for fair value measurement. The guidance is effective for annual periods beginning after December 15, 2019. The Company is permitted to early adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until the effective date. The Company is evaluating the impact of adoption of this guidance on its disclosures.

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

In August 2018, the FASB issued guidance aligning the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years with early adoption permitted. The Company will early adopt this guidance prospectively for all implementation costs incurred after January 1, 2019.
3. ACQUISITIONS

Acquisition Agreement for Synergy Pharmaceuticals Inc.

On December 12, 2018, the Company entered into an agreement to acquire certain assets of Synergy Pharmaceuticals Inc. ("Synergy") in a transaction valued at approximately $200 million plus certain assumed liabilities. Under the terms of the agreement, the Company will serve as the “stalking horse” bidder in a court-supervised auction and sale process pursuant to Section 363 of the Bankruptcy Code, which is expected to be completed in March 2019. Completion of this transaction is subject to other parties having an opportunity to submit competing bids (which may be superior to the Company's), bankruptcy court approval and other customary closing conditions. If the Company's bid is successful, among the assets to be acquired are the worldwide rights to the Trulance® (plecanatide) product; a once-daily tablet for adults with chronic idiopathic constipation and irritable bowel syndrome with constipation.

Noncontrolling Interest in Medpharma

On October 16, 2018, using cash on hand, the Company acquired the 40% noncontrolling interest of Medpharma Pharmaceutical & Chemical Industries LLC (“Medpharma”) for $18 million. The difference between the carrying value and the price paid for the noncontrolling interest in Medpharma of $15 million, is a reduction of additional paid-in capital.

There were no other material business combinations in 2018, 2017 or 2016. The measurement period for all other acquisitions has closed.

Licensing Agreement

On February 21, 2017, EyeGate Pharmaceuticals, Inc. (“EyeGate”) granted a subsidiary of the Company the exclusive worldwide licensing rights to manufacture and sell the EyeGate® II Delivery System and EGP-437 combination product candidate for the treatment of post-operative pain and inflammation in ocular surgery patients. EyeGate will be responsible for the continued development of this product candidate in the U.S. for the treatment of post-operative pain and inflammation in ocular surgery patients, and all associated costs. The Company has the right to further develop the product in the field outside of the U.S. at its cost. In connection with the licensing agreement, the Company paid an initial license fee of $4 million during the three months ended March 31, 2017 and is obligated to make future payments of: (i) up to $34 million upon the achievement of certain development and regulatory milestones, of which $3 million has been paid, (ii) up to $65 million upon the achievement of certain sales-based milestones and (iii) royalties. Based on early stage of development of the asset, and lack of acquired significant inputs, the Company concluded this was an asset acquisition.

On December 14, 2018, the Company issued a notice voluntarily terminating certain licensing agreements dated July 9, 2015 and February 21, 2017 as discussed above, with EyeGate effective March 14, 2019. Following the termination of these agreements on March 14, 2019, the Company will relinquish all rights to the EyeGate® II Delivery System and EGP-437 combination product. During the three months ended September 30, 2018, the Company fully impaired the EyeGate® II Delivery System and EGP-437 combination product intangible assets and reduced the carrying value of the contingent consideration liabilities associated with these licensing agreements to zero. As of December 31, 2018, future payments, if any, to reimburse EyeGate for certain out-of-pocket costs incurred in connection with development work pursuant to its licensing agreements with EyeGate will not be material.

4. DIVESTITURES

The Company did not make any material divestitures during 2018. During 2017 and 2016, the Company has divested certain businesses and assets, which, in each case, was not aligned with its core business objectives.

2017

CeraVe®, AcneFree™ and AMBI® skincare brands

On March 3, 2017, the Company completed the sale of its interests in the CeraVe®, AcneFree™ and AMBI® skincare brands for $1,300 million in cash (the “Skincare Sale”). The CeraVe®, AcneFree™ and AMBI® skincare business was part of the Bausch + Lomb/International segment and was reclassified as held for sale as of December 31, 2016. Included in Other (income) expense, net for the year ended December 31, 2017 is the Gain on the Skincare Sale of $309 million, as adjusted.
Dendreon Pharmaceuticals LLC

On June 28, 2017, the Company completed the sale of all outstanding equity interests in Dendreon Pharmaceuticals LLC (formerly Dendreon Pharmaceuticals, Inc.) (“Dendreon”) for $845 million in cash (the “Dendreon Sale”), as adjusted. Dendreon was part of the former Branded Rx segment and was reclassified as held for sale as of December 31, 2016. Included in Other (income) expense, net for the year ended December 31, 2017 is the Gain on the Dendreon Sale of $97 million, as adjusted.

iNova Pharmaceuticals

On September 29, 2017, the Company completed the sale of its Australian-based iNova Pharmaceuticals (“iNova”) business for $938 million in cash (the “iNova Sale”), as adjusted. iNova markets a diversified portfolio of weight management, pain management, cardiology, and cough and cold prescription and OTC products in more than 15 countries, with leading market positions in Australia and South Africa, as well as an established platform in Asia. The Company will continue to operate in these geographies through the Bausch + Lomb franchise. The iNova business was part of the Bausch + Lomb/International segment and was reclassified as held for sale as of December 31, 2016. Included in Other (income) expense, net for the year ended December 31, 2017 is the Gain on the iNova Sale of $309 million, as adjusted.

Obagi Medical Products, Inc.

On November 9, 2017, certain of the Company’s affiliates completed the sale its Obagi Medical Products, Inc. (“Obagi”) business for $190 million in cash (the “Obagi Sale”). Obagi is a global specialty skin care pharmaceutical business with products focused on premature skin aging, skin damage, hyperpigmentation, acne and sun damage which are primarily available through dermatologists, plastic surgeons and other skin care professionals. The Obagi business was part of the former U.S. Diversified Products segment and was reclassified as held for sale as of March 31, 2017. The carrying value of the Obagi business, including associated goodwill, was adjusted to its estimated fair value less costs to sell and an impairment of $103 million was recognized in Asset impairments in the Consolidated Statement of Operations. Included in Other (income) expense, net for the year ended December 31, 2017 is a $13 million loss related to this transaction.

Sprout Pharmaceuticals, Inc.

On December 20, 2017, the Company completed the sale of Sprout to a buyer affiliated with certain former shareholders of Sprout (the “Sprout Sale”), in exchange for a 6% royalty on global sales of Addyi® (flibanserin 100 mg) beginning June 2019. In connection with the completion of the Sprout Sale, the terms of the October 2015 merger agreement relating to the Company’s acquisition of Sprout were amended to terminate the Company’s ongoing obligation to make future royalty payments associated with the Addyi® product, as well as certain related provisions (including the obligation to make certain marketing and other expenditures). In connection with the completion of the Sprout Sale, the litigation against the Company, initiated on behalf of the former shareholders of Sprout, which disputed the Company’s compliance with certain contractual terms of that same merger agreement with respect to the use of certain diligent efforts to develop and commercialize the Addyi® product (including a disputed contractual term with respect to the spend of no less than $200 million in certain expenditures), was dismissed with prejudice. In connection with the completion of the Sprout Sale, the Company issued the buyer a five-year $25 million loan for initial operating expenses. Addyi®, a once-daily, non-hormonal tablet approved for the treatment of acquired, generalized hypoactive sexual desire disorder in premenopausal women, is Sprout’s only approved and commercialized product. Sprout was part of the former Branded Rx segment and was reclassified as held for sale as of September 30, 2017. The carrying value of the Sprout business, including associated goodwill, was adjusted to its estimated fair value less costs to sell and a $351 million impairment was recognized in Asset impairments in the year ended December 31, 2017. Upon consummation of the transaction, a loss of $98 million was recognized in Other (income) expense, net. The Company will recognize the agreed upon 6% royalty of global sales of Addyi® beginning in June 2019 as these royalties become due, as the Company does not recognize contingent payments until such amounts are realizable.

2016

Portfolio of Neurology Medical Device Products

On April 1, 2016, the Company completed the sale of a portfolio of neurology medical device products, including product rights and related fixed assets, for an upfront payment and a milestone payment. These assets were included in the Bausch + Lomb/International segment and a nominal loss on sale in the second quarter of 2016 was recorded.
On December 7, 2016, the Company completed the sale of all North American commercialization rights to Ruconest ® (recombinant human C1 esterase inhibitor) for up to $125 million in consideration, consisting of $60 million paid at closing and future sales-based milestone payments of up to $65 million. These assets were included in the former Branded Rx segment and were reclassified as held for sale in the second quarter of 2016. At that time, the assets were written down to the fair value of the expected consideration and a loss of $199 million was recorded in Asset impairments in the Consolidated Statement of Operations. Upon consummation of the transaction on December 7, 2016, a loss of $22 million was recognized in Other expense (income) in the year ended December 31, 2016 Consolidated Statement of Operations, representing the estimated fair value of the contingent consideration associated with the sale as the Company does not recognize contingent payments until such amounts are realizable. Through December 31, 2018, $20 million of sales-based milestones have been achieved.

Paragon Holdings I, Inc.

On November 9, 2016, the Company completed the sale of Paragon Holdings I, Inc. In connection with the divestiture, the Company recognized a loss of $19 million in the third quarter of 2016, when the assets of the divested business were classified as held for sale.

5. RESTRUCTURING AND INTEGRATION COSTS

In connection with acquisitions prior to 2016, the Company implemented cost-rationalization and integration initiatives to capture operating synergies and generate cost savings. These measures included: (i) workforce reductions company-wide and other organizational changes, (ii) closing of duplicative facilities and other site rationalization actions company-wide, including research and development facilities, sales offices and corporate facilities, (iii) leveraging research and development spend and (iv) procurement savings. Cost-rationalization and integration initiatives relating to the acquisition of Salix Pharmaceuticals, Ltd. ("Salix Ltd.") in April 2015 (the "Salix Acquisition") were substantially completed by mid-2016 and are included in the amounts listed below. The remaining liability associated with all cost-rationalization and integration initiatives as of December 31, 2018 was $27 million.

During the year ended December 31, 2018, the Company incurred $22 million of restructuring and integration-related costs. These costs included: (i) $11 million of severance costs, (ii) $10 million of facility closure costs and (iii) $1 million of other costs. The Company made payments of $33 million during 2018.

During the year ended December 31, 2017, the Company incurred $52 million of restructuring and integration-related costs. These costs included: (i) $16 million of integration consulting, transition service and other costs, (ii) $16 million of severance costs and (iii) $20 million of facility closure costs. The Company made payments of $85 million during 2017.

During the year ended December 31, 2016, the Company incurred $132 million of restructuring and integration costs. These costs included: (i) $90 million of integration consulting, duplicate labor, transition service and other costs, (ii) $22 million of severance costs, (iii) $19 million of facility closure costs and (iv) $1 million of other costs. These costs primarily related to integration and restructuring costs for other smaller acquisitions. The Company made payments of $121 million during 2016.

The Company continues to evaluate opportunities to improve its operating results and may initiate additional cost savings programs to streamline its operations and eliminate redundant processes and expenses. The expenses associated with the implementation of these cost savings programs could be material and may include, but are not limited to, 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.

6. FAIR VALUE MEASUREMENTS

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

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**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 as of December 31, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2018 Carrying Value</th>
<th>2018 Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>2018 Significant Other Observable Inputs (Level 2)</th>
<th>2018 Significant Unobservable Inputs (Level 3)</th>
<th>2017 Carrying Value</th>
<th>2017 Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>2017 Significant Other Observable Inputs (Level 2)</th>
<th>2017 Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$197</td>
<td>$166</td>
<td>$31</td>
<td>—</td>
<td>$265</td>
<td>$230</td>
<td>$35</td>
<td>$230</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>$2</td>
<td>$2</td>
<td>—</td>
<td>$31</td>
<td>$77</td>
<td>$77</td>
<td>$35</td>
<td>$77</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition-related contingent consideration</td>
<td>$339</td>
<td>—</td>
<td>—</td>
<td>$339</td>
<td>$387</td>
<td>—</td>
<td>—</td>
<td>$387</td>
</tr>
</tbody>
</table>

As of December 31, 2017, Restricted cash of $77 million was deposited with a bank as collateral to secure a bank guarantee for the benefit of the Australian Government in connection with the notice of assessment received on August 8, 2017 from the Australian Taxation Office, as discussed in Note 17, "INCOME TAXES". On January 9, 2018, the cash collateral of $77 million of Restricted cash was returned to the Company in exchange for a $77 million letter of credit.

There were no transfers between Level 1, Level 2 or Level 3 during 2018 and 2017.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)**

The fair value measurement of acquisition-related contingent consideration arising from business combinations is determined via a probability-weighted discounted cash flow analysis or Monte Carlo Simulation, 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; (iii) the risk-adjusted discount rate used to present value the probability-weighted cash flows; and (iv) volatility of projected performance (Monte Carlo Simulation). Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. At December 31, 2018, the fair value measurements of acquisition-related contingent consideration were determined using risk-adjusted discount rates ranging from 5% to 25%.
The following table presents a reconciliation of contingent consideration obligations measured on a recurring basis using significant unobservable inputs (Level 3) for 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning balance, January 1,</strong></td>
<td>$387</td>
<td>$892</td>
</tr>
<tr>
<td><strong>Adjustments to Acquisition-related contingent consideration:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accretion for the time value of money</td>
<td>$24</td>
<td>$54</td>
</tr>
<tr>
<td>Fair value adjustments to the expected future royalty payments for Addyi ®</td>
<td>—</td>
<td>(312)</td>
</tr>
<tr>
<td>Fair value adjustments due to changes in estimates of other future payments</td>
<td>(33)</td>
<td>(31)</td>
</tr>
<tr>
<td>Acquisition-related contingent consideration adjustments</td>
<td>(9)</td>
<td>(289)</td>
</tr>
<tr>
<td>Reclassified to liabilities held for sale and subsequently disposed</td>
<td>—</td>
<td>(168)</td>
</tr>
<tr>
<td>Payments / Settlements</td>
<td>(39)</td>
<td>(49)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment included in other comprehensive loss</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td><strong>Ending balance, December 31,</strong></td>
<td>339</td>
<td>387</td>
</tr>
<tr>
<td>Current portion</td>
<td>41</td>
<td>43</td>
</tr>
<tr>
<td>Non-current portion</td>
<td>$298</td>
<td>$344</td>
</tr>
</tbody>
</table>

During 2017 and prior to identifying the Sprout business as held for sale, the Company recorded fair value adjustments to contingent consideration to reflect management's revised estimates of the future sales of Addyi ®. The Sprout Sale was completed on December 20, 2017 and the remaining contingent consideration related to Addyi ® was eliminated.

**Fair Value of Long-term Debt**

The fair value of long-term debt as of December 31, 2018 and 2017 was $23,357 million and $25,385 million, respectively, and was estimated using the quoted market prices for the same or similar debt issuances (Level 2).

7. **INVENTORIES**

Inventories, net of allowance for obsolescence, as of December 31, 2018 and 2017 consist of:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>$275</td>
<td>$276</td>
</tr>
<tr>
<td>Work in process</td>
<td>95</td>
<td>146</td>
</tr>
<tr>
<td>Finished goods</td>
<td>564</td>
<td>626</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$934</td>
<td>$1,048</td>
</tr>
</tbody>
</table>

8. **PROPERTY, PLANT AND EQUIPMENT**

The major components of property, plant and equipment as of December 31, 2018 and 2017 consist of:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$81</td>
<td>$84</td>
</tr>
<tr>
<td>Buildings</td>
<td>693</td>
<td>687</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>1,527</td>
<td>1,436</td>
</tr>
<tr>
<td>Other equipment and leasehold improvements</td>
<td>366</td>
<td>358</td>
</tr>
<tr>
<td>Equipment on operating lease</td>
<td>46</td>
<td>42</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>162</td>
<td>226</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,875</td>
<td>2,833</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(1,522)</td>
<td>(1,430)</td>
</tr>
<tr>
<td><strong>Net Book Value</strong></td>
<td>$1,353</td>
<td>$1,403</td>
</tr>
</tbody>
</table>

Depreciation expense was $175 million, $168 million and $193 million for 2018, 2017 and 2016, respectively.
9. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The major components of intangible assets as of December 31, 2018 and 2017 consist of:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Finite-lived intangible assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product brands</td>
<td>7</td>
<td>$20,891</td>
<td>$(11,958)</td>
<td>$8,933</td>
<td>$20,913</td>
<td>$(9,281)</td>
<td>$11,632</td>
</tr>
<tr>
<td>Corporate brands</td>
<td>9</td>
<td>926</td>
<td>(263)</td>
<td>663</td>
<td>933</td>
<td>(179)</td>
<td>754</td>
</tr>
<tr>
<td>Product rights/patents</td>
<td>4</td>
<td>3,292</td>
<td>(2,658)</td>
<td>634</td>
<td>3,310</td>
<td>(2,346)</td>
<td>964</td>
</tr>
<tr>
<td>Partner relationships</td>
<td>2</td>
<td>168</td>
<td>(166)</td>
<td>2</td>
<td>179</td>
<td>(169)</td>
<td>10</td>
</tr>
<tr>
<td>Technology and other</td>
<td>3</td>
<td>208</td>
<td>(173)</td>
<td>35</td>
<td>214</td>
<td>(147)</td>
<td>67</td>
</tr>
<tr>
<td>Total finite-lived intangible assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquired IPR&amp;D not in service</td>
<td>NA</td>
<td>36</td>
<td>—</td>
<td>36</td>
<td>86</td>
<td>—</td>
<td>86</td>
</tr>
<tr>
<td>B&amp;L Trademark</td>
<td>NA</td>
<td>1,698</td>
<td>—</td>
<td>1,698</td>
<td>1,698</td>
<td>—</td>
<td>1,698</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$27,219</td>
<td>$(15,218)</td>
<td>$12,001</td>
<td>$27,333</td>
<td>$(12,122)</td>
<td>$15,211</td>
</tr>
</tbody>
</table>

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 in 2018 included impairments of: (i) $348 million reflecting decreases in forecasted sales for the Uceris ® Tablet product in the Company's Salix reporting unit and other product lines due to generic competition, (ii) $132 million reflecting decreases in forecasted sales for the Arestin ® product in the Company's Dentistry reporting unit and other product lines due to changing market conditions, (iii) $55 million, in aggregate, related to certain product/patent assets associated with the discontinuance of specific product lines not aligned with the focus of the Company's core businesses, (iii) $28 million to Acquired IPR&D not in service related to a certain product and (iv) $5 million related to assets being classified as held for sale.

Asset impairments in 2017 included impairments of: (i) $351 million related to the Sprout business being classified as held for sale, (ii) $151 million reflecting decreases in forecasted sales for other product lines, (iii) $114 million to other assets classified as held for sale, primarily related to the Obagi business, (iv) $95 million, in aggregate, to certain product/patent assets associated with the discontinuance of specific product lines not aligned with the focus of the Company's core business and (v) $3 million related to acquired IPR&D.

Asset impairments in 2016 included impairments of: (i) $221 million related to the divestiture of Ruconest ®, (ii) $88 million related to other assets classified as held for sale, (iii) $74 million related to other asset impairments which were individually not material, (iv) $25 million related to IBS Chek ™ due to a decrease in forecasted sales and (v) $14 million related to acquired IPR&D.

The impairments to assets reclassified as held for sale were measured as the difference of the carrying value of these assets as compared to the estimated fair values of these assets less costs to sell determined using a discounted cash flow analysis which utilized Level 3 unobservable inputs. The other impairments and adjustments to finite-lived intangible assets were measured as the difference of the historical carrying value of these finite-lived assets as compared to the estimated fair value as determined using a discounted cash flow analysis using Level 3 unobservable inputs.

Periodically, the Company’s products face the expiration of their patent or regulatory exclusivity. The Company anticipates that product sales for such product would decrease shortly following a loss of exclusivity, due to the possible entry of a generic competitor. Where the Company has the rights, it may elect to launch an authorized generic of such product (either as the Company’s own branded generic or through a third-party). This may occur 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 could still be significant, and the effect on future revenues could be material.

As a result of the launch of a generic competitor in July 2018, the Company revised its near and long term financial projections of the Uceris® Tablet-related intangible assets. As of June 30, 2018, the carrying value of the Uceris® Tablet-related intangible assets exceeded the undiscounted expected cash flows from the Uceris® Tablet. As a result, the Company recognized an impairment of $263 million to reduce the carrying value of the Uceris® Tablet-related intangible assets to their estimated fair value. As of December 31, 2018, the remaining carrying value of the Uceris® Tablet-related intangible assets was $140 million. The Company initiated infringement proceedings against this generic competitor shortly after their launch. The Company continues to believe that its Uceris® Tablet related patents are enforceable and is proceeding in the ongoing litigation between the Company and the generic competitor; however, the ultimate outcome of the matter is not predictable.

Management continually assesses the useful lives related to the Company's long-lived assets to reflect the most current assumptions. In review of the Company’s finite-lived intangible assets, management revised the estimated useful lives of certain intangible assets in 2018 and 2017.

In review of the Company’s finite-lived intangible assets, management revised the estimated useful lives of certain intangible assets in the third and fourth quarters of 2017. As a result, the useful lives of certain product brands, with an aggregate carrying value of $7,618 million as of December 31, 2017, were revised from an average of seven years to four years primarily due to revisions in forecasted sales as a result of revisions to the date each product is expected to lose exclusivity. In addition, the useful life of the Salix Brand, with a carrying value of $569 million as of December 31, 2017, was revised from seventeen years to ten years, due to a change in the forecasted sales of its product portfolio.

Effective September 12, 2018, the Company changed the estimated useful life of its Xifaxan®-related intangible assets due to the positive impact of the agreement between the Company and Actavis resolving the intellectual property litigation regarding Xifaxan® tablets, 550 mg. As discussed in further detail in Note 20, "LEGAL PROCEEDINGS", the parties have agreed to dismiss all litigation related to Xifaxan® tablets, 550 mg and all intellectual property protecting Xifaxan® will remain intact and enforceable. As a result, the useful life of the Xifaxan®-related intangible assets was extended from 2024 to January 1, 2028. As this change in the estimated useful life is a change in accounting estimate, amortization expense is impacted prospectively. The change in the estimated useful life of the Xifaxan®-related intangible assets resulted in a decrease to the Net loss attributable to Bausch Health Companies Inc. of $143 million, and a decrease to the Basic and Diluted Loss per share attributable to Bausch Health Companies Inc. of $0.41 for the year ended December 31, 2018. As of December 31, 2018, the net carrying value of the Xifaxan®-related intangible assets was $4,848 million.

Estimated amortization of finite-lived intangible assets for the five years ending December 31 and thereafter are as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$1,877</td>
</tr>
<tr>
<td>2020</td>
<td>1,613</td>
</tr>
<tr>
<td>2021</td>
<td>1,365</td>
</tr>
<tr>
<td>2022</td>
<td>1,214</td>
</tr>
<tr>
<td>2023</td>
<td>1,063</td>
</tr>
<tr>
<td>Thereafter</td>
<td>3,135</td>
</tr>
<tr>
<td>Total</td>
<td>$10,267</td>
</tr>
</tbody>
</table>

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Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2018, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Developed Markets</th>
<th>Emerging Markets</th>
<th>Bausch + Lomb/International</th>
<th>Branded Rx</th>
<th>U.S. Diversified Products</th>
<th>Salix</th>
<th>Ortho Dermatologics</th>
<th>Diversified Products</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, January 1, 2016</strong></td>
<td>$ 16,141</td>
<td>$ 2,412</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ 18,553</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Divestiture of a portfolio of neurology medical device products</td>
<td>(36)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(36)</td>
</tr>
<tr>
<td>Goodwill related to Ruconest® reclassified to assets held for sale</td>
<td>(37)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(37)</td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>47</td>
<td>(12)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>35</td>
</tr>
<tr>
<td>Impairment of the former U.S. reporting unit</td>
<td>(905)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(905)</td>
</tr>
<tr>
<td>Realignment of segment goodwill</td>
<td>(15,211)</td>
<td>(2,400)</td>
<td>6,708</td>
<td>7,873</td>
<td>3,030</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Impairment of the Salix reporting unit</td>
<td>—</td>
<td>—</td>
<td>(172)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(172)</td>
</tr>
<tr>
<td>Divestitures</td>
<td>—</td>
<td>—</td>
<td>(5)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(5)</td>
</tr>
<tr>
<td>Goodwill of certain businesses reclassified to assets held for sale</td>
<td>—</td>
<td>—</td>
<td>(947)</td>
<td>(431)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,378)</td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>—</td>
<td>—</td>
<td>(257)</td>
<td>(5)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(262)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2016</strong></td>
<td>—</td>
<td>—</td>
<td>5,499</td>
<td>7,265</td>
<td>3,030</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>15,794</td>
</tr>
<tr>
<td>Realignment of segment goodwill</td>
<td>—</td>
<td>—</td>
<td>264</td>
<td>(264)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Goodwill reclassified to assets held for sale and subsequently disposed</td>
<td>—</td>
<td>—</td>
<td>(30)</td>
<td>(61)</td>
<td>(84)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(175)</td>
</tr>
<tr>
<td>Impairment of the former Branded Rx reporting unit</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(312)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(312)</td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>—</td>
<td>—</td>
<td>283</td>
<td>3</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>286</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2017</strong></td>
<td>—</td>
<td>—</td>
<td>6,016</td>
<td>6,631</td>
<td>2,946</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>15,593</td>
</tr>
<tr>
<td>Impairment of the Salix and Ortho Dermatologics reporting units</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,213)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,213)</td>
</tr>
<tr>
<td>Realignment of Global Solta reporting unit goodwill</td>
<td>—</td>
<td>—</td>
<td>(82)</td>
<td>115</td>
<td>(33)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Goodwill reclassified to assets held for sale and subsequently disposed</td>
<td>—</td>
<td>—</td>
<td>(2)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2)</td>
</tr>
<tr>
<td>Realignment of segment goodwill</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(4,533)</td>
<td>(2,913)</td>
<td>3,156</td>
<td>1,267</td>
<td>3,023</td>
<td>—</td>
</tr>
<tr>
<td>Impairment of the Dentistry reporting unit</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(109)</td>
<td>—</td>
<td>(109)</td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>—</td>
<td>—</td>
<td>(127)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(127)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2018</strong></td>
<td>$ —</td>
<td>$ —</td>
<td>$ 5,805</td>
<td>$ —</td>
<td>$ —</td>
<td>$ 3,156</td>
<td>$ 1,267</td>
<td>$ 2,914</td>
<td>$ 13,142</td>
</tr>
</tbody>
</table>

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

The discounted cash flow model relies on assumptions regarding revenue growth rates, gross profit, projected working capital needs, selling, general and administrative expenses, research and development expenses, capital expenditures, income tax rates, discount rates and terminal growth rates. To estimate fair value, the Company discounts the forecasted cash flows of

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each reporting unit. The discount rate the Company uses represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in its reporting unit operations and the rate of return a market participant would expect to earn. The Company performed its annual impairment test as of October 1, 2018, utilizing long-term growth rates for its reporting units ranging from 1.0% to 3.0% and discount rates applied to the estimated cash flows ranging from 7.5% to 14.0% in estimation of fair value. To estimate cash flows beyond the final year of its model, the Company estimates a terminal value by applying an in perpetuity growth assumption and discount factor to determine the reporting unit's terminal value.

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

2016

Prior to the change in operating segments in the third quarter of 2016, the Company operated in two operating and reportable segments: Developed Markets and Emerging Markets. The Developed Markets segment consisted of four geographic reporting units: (i) U.S., (ii) Canada and Australia, (iii) Western Europe and (iv) Japan. The Emerging Markets segment consisted of three geographic reporting units: (i) Central and Eastern Europe, Middle East and Africa, (ii) Latin America and (iii) Asia.

2016 Realignment of Segment Structure

Commencing in the third quarter of 2016, the Company then operated in three operating segments: (i) Bausch + Lomb/International, (ii) Branded Rx and (iii) U.S. Diversified Products. This 2016 segment structure realignment resulted in the Bausch + Lomb/International segment consisting of the following reporting units: (i) U.S. Bausch + Lomb and (ii) International; the Branded Rx segment consisting of the following reporting units: (i) Salix, (ii) Dermatology, (iii) Canada and (iv) Branded Rx Other; and the U.S. Diversified Products segment consisting of the following reporting units: (i) Neurology and other and (ii) Generics. As a result of these changes, goodwill was reassigned to each of the aforementioned reporting units using a relative fair value approach. Goodwill previously reported in the former U.S. reporting unit, after adjustment of impairment as described below, was reassigned, using a relative fair value approach, to the U.S. Bausch + Lomb, Salix, Dermatology, Branded Rx Other, Neurology and other, and Generics reporting units. Similarly, goodwill previously reported in the former Canada and Australia reporting unit was reassigned to the Canada and International reporting units using a relative fair value approach. Goodwill previously reported in the remaining former reporting units was reassigned to the International reporting unit.

In the third quarter of 2016, goodwill impairment testing was performed under the former reporting unit structure immediately prior to the change and under the then-current reporting unit structure immediately subsequent to the change. Using the forecasts and assumptions at the time, management estimated the fair value of each reporting unit using a discounted cash flow analysis. As a result of its test, management determined that goodwill associated with the former U.S. reporting unit and the goodwill associated with the Salix reporting unit under the then-current reporting unit structure were impaired. Consequently, in the aggregate, goodwill impairment charges of $1,077 million were recognized.

2016 Annual Goodwill Impairment Test

The Company conducted its annual goodwill impairment test as of October 1, 2016 and determined that the carrying value of the Salix reporting unit exceeded its fair value and, as a result, the Company proceeded to perform step two of the goodwill impairment test for the Salix reporting unit. After completing step two of the impairment testing, the Company determined that the carrying value of the unit's goodwill did not exceed its implied fair value and, therefore, no impairment was identified to the goodwill of the Salix reporting unit. At the date of testing, the Salix reporting unit had a carrying value of $14,087 million, an estimated fair value of $10,319 million and goodwill with a carrying value of $3,768 million. The Company's remaining reporting units passed step one of the goodwill impairment test as the estimated fair value of each reporting unit exceeded its carrying value at the date of testing and, therefore, there was no impairment to goodwill.
2017 Realignment of Segment Structure

Effective January 1, 2017, revenues and profits from the Company's operations in Canada were reclassified from the former Branded Rx segment to the Bausch + Lomb/International segment. In connection with this change, the prior-period presentation of segment goodwill has been recast to conform to the then-current reporting structure, of which $264 million of goodwill as of December 31, 2016 was reclassified from the former Branded Rx segment to the Bausch + Lomb/International segment. No facts or circumstances were identified in connection with this change in alignment that would suggest an impairment existed.

As detailed in Note 4, "DIVESTITURES", the Sprout business was classified as held for sale as of September 30, 2017. As the Sprout business represented only a portion of a former Branded Rx reporting unit, the Company assessed the remaining reporting unit for impairment and determined the carrying value of the remaining reporting unit exceeded its fair value. After completing step two of the impairment testing, the Company determined and recorded a goodwill impairment charge of $312 million during the three months ended September 30, 2017.

2017 Annual Goodwill Impairment Test

The Company conducted its annual goodwill impairment test as of October 1, 2017 and determined that the carrying value of the Salix reporting unit exceeded its fair value and, as a result, the Company proceeded to perform step two of the goodwill impairment test for the Salix reporting unit. After completing step two of the impairment testing, the Company determined that the carrying value of the unit's goodwill did not exceed its implied fair value and, therefore, no impairment was identified to the goodwill of the Salix reporting unit. As of the date of testing, the Salix reporting unit had an estimated fair value of $10,660 million and a carrying value of $13,404 million, including goodwill of $5,127 million. The Company's remaining reporting units passed step one of the goodwill impairment test as the estimated fair value of each reporting unit exceeded its carrying value at the date of testing and, therefore, there was no impairment to goodwill.

Subsequent to the annual impairment test, the Company considered events occurring after October 1 to determine if further testing was required. The Company considered the impact of the changes in the Tax Act on its reporting units, including the impact on the carrying value, for changes in deferred tax assets and liabilities, and changes in assumptions related to the tax rate when assessing the fair value. The Company concluded that the fair value continued to exceed the carrying value for all reporting units, except Salix, after considering the impact of the changes in the Tax Act. Further, the step 2 impairment test for Salix continued to support the carrying value of goodwill. As a result, no additional impairment charges were recorded.

2018 Adoption of New Accounting Guidance for Goodwill Impairment Testing

In January 2017, the FASB issued guidance which simplifies the subsequent measurement of goodwill by eliminating “Step 2” from the goodwill impairment test. Instead, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value. The Company elected to early adopt this guidance effective January 1, 2018.

Upon adopting the new guidance, the Company tested goodwill for impairment and determined that the carrying value of the Salix reporting unit exceeded its fair value. As a result of the adoption of new accounting guidance, the Company recognized a goodwill impairment of $1,970 million associated with the Salix reporting unit.

As of October 1, 2017, the date of the 2017 annual impairment test, the fair value of the Ortho Dermatologics reporting unit exceeded its carrying value. However, at January 1, 2018, the carrying value of the Ortho Dermatologics reporting unit exceeded its fair value. Unforeseen changes in the business dynamics of the Ortho Dermatologics reporting unit, such as: (i) changes in the dermatology sector, (ii) increased pricing pressures from third-party payors, (iii) additional risks to the exclusivity of certain products and (iv) an expected longer launch cycle for a new product, were factors that negatively impacted the reporting unit's operating results beyond management's expectations as of October 1, 2017, when the Company performed its 2017 annual goodwill impairment test. In response to these adverse business indicators, the Company reduced its near and long term financial projections for the Ortho Dermatologics reporting unit. As a result of the reductions in the near and long term financial projections, the carrying value of the Ortho Dermatologics reporting unit exceeded its fair value at January 1, 2018 and the Company recognized a goodwill impairment of $243 million.

As of January 1, 2018, the fair value of all other reporting units exceeded their respective carrying value by more than 15%.
2018 Realignment of Solta Business

Effective March 1, 2018, revenues and profits from the U.S. Solta business included in the former U.S. Diversified Products segment in prior periods and revenues and profits from the international Solta business included in the Bausch + Lomb/International segment in prior periods, are reported in the new Global Solta reporting unit, which, at that time, was a part of the former Branded Rx segment. As a result of this change, $115 million of goodwill was reallocated to the new Global Solta reporting unit and the Company assessed the impact on the fair values of each of the reporting units affected. After considering, among other matters: (i) the limited period of time between last impairment test (January 1, 2018) and the realignment (March 1, 2018), (ii) the results of the last impairment test and (iii) the amount of goodwill reallocated to the new Global Solta reporting unit, the Company did not identify any indicators of impairment at the time of the realignment.

2018 Realignment of Segment Structure

In the second quarter of 2018, the Company began operating in the following reportable segments: (i) Bausch + Lomb/International segment, (ii) Salix segment, (iii) Ortho Dermatologics segment and (iv) Diversified Products segment. The Bausch + Lomb/International segment consists of the: (i) U.S. Bausch + Lomb and (ii) International reporting units. The Salix segment consists of the Salix 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. There was no triggering event which would require the Company to test goodwill for impairment as a result of the second quarter realignment of the segment structure as it did not result in a change in the reporting units.

2018 Interim Goodwill Impairment Assessments - Salix

As a result of the change in accounting policy for goodwill impairment testing and the resulting impairment to the goodwill of the Salix reporting unit as of January 1, 2018, the carrying value of the Salix reporting unit approximated its fair value at that time. Therefore, during the three months ended March 31, 2018, June 30, 2018 and September 30, 2018, the Company performed qualitative assessments of the Salix reporting unit to determine if testing was warranted.

As part of these qualitative assessments, management considered the revisions made to its forecasts for the Salix reporting unit and compared the reporting unit’s revised operating results to its original forecasts through the date of each assessment. The revisions to the forecasts reflected, among other matters: (i) the launch of a generic competitor in July 2018 to the Company’s Uceris ® Tablet product, (ii) the improved performance of the remaining Salix product portfolio, including the Xifaxan ® products, (iii) the positive impact of the settlement agreement between the Company and Actavis resolving the intellectual property litigation regarding Xifaxan ® tablets, 550 mg and (iv) certain other assumptions used in preparing its discounted cash flow model. As part of these qualitative assessments, management also considered the sensitivity of its conclusions as they relate to changes in the estimates and assumptions used in the latest forecast available for each period. Based on these qualitative assessments, management believed that the carrying value of the Salix reporting unit did not exceed its fair value and, therefore, concluded a quantitative assessment was not required for the Salix reporting unit.

2018 Interim Goodwill Impairment Assessments and Testing - Ortho Dermatologics

As a result of the change in accounting policy for goodwill impairment testing and the resulting impairment to the goodwill of the Ortho Dermatologics reporting unit as of January 1, 2018, the carrying value of the Ortho Dermatologics reporting unit approximated its fair value at that time. Therefore, during the three months ended March 31, 2018, June 30, 2018 and September 30, 2018, the Company performed qualitative assessments of the Ortho Dermatologics reporting unit to determine if testing was warranted.

As part of the qualitative assessment as of March 31, 2018, management compared the reporting unit’s operating results to the forecast used to test the goodwill of the Ortho Dermatologics reporting unit as of January 1, 2018. Based on the qualitative assessment, management believed that the carrying value of Ortho Dermatologics reporting unit did not exceed its fair value and, therefore, concluded a quantitative assessment was not required at March 31, 2018.

During the three months ended June 30, 2018, unforeseen changes in the business dynamics of the Ortho Dermatologics reporting unit, such as changes in the dermatology sector, additional risks to the exclusivity of certain products and a longer than originally expected launch cycle for a certain product, were factors that negatively impacted the reporting unit’s operating results beyond management’s expectations as of January 1, 2018, when the Company performed its last goodwill impairment test. In response to these adverse business indicators, the Company performed a goodwill impairment test of the Ortho
Dermatologics reporting unit. Based on the goodwill impairment test performed, the estimated fair value of the Ortho Dermatologics reporting unit exceeded its carrying value at the date of testing by approximately 5% and, therefore, there was no impairment to goodwill.

As part of the qualitative assessment as of September 30, 2018, management compared the reporting unit’s operating results to the forecast used to test the goodwill of the Ortho Dermatologics reporting unit as of June 30, 2018. Based on the qualitative assessment, management believed that the carrying value of Ortho Dermatologics reporting unit did not exceed its fair value and, therefore, concluded a quantitative assessment was not required at September 30, 2018.

2018 Annual Goodwill Impairment Test

The Company conducted its annual goodwill impairment test as of October 1, 2018 and determined that the carrying value of the Dentistry reporting unit exceeded its fair value and, as a result, the Company recognized a goodwill impairment of $109 million for the Dentistry reporting unit, representing the full amount of goodwill for the reporting unit. Changing market conditions such as: (i) an increasing competitive environment and (ii) increasing pricing pressures negatively impacted the reporting unit's operating results. The Company is taking steps to address these changing market and business conditions.

The Company's remaining reporting units passed the goodwill impairment test as the estimated fair value of each reporting unit exceeded its carrying value at the date of testing and, therefore, there was no impairment to goodwill for any reporting unit other than the Dentistry reporting unit. In order to evaluate the sensitivity of its fair value calculations on the goodwill impairment test, the Company compared the carrying value of each reporting unit to its fair value as of October 1, 2018, the date of testing. As of October 1, 2018, the fair value of each reporting unit with associated goodwill exceeded its carrying value by more than 15%. 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. The Company will continue to perform qualitative interim assessments of the carrying value and fair value of the Ortho Dermatologics reporting unit on a quarterly basis to determine if impairment testing of goodwill will be warranted.

Total accumulated goodwill impairment charges to date are $3,711 million.

10. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities as of December 31, 2018 and 2017 consist of:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product rebates</td>
<td>$998</td>
<td>$1,094</td>
</tr>
<tr>
<td>Product returns</td>
<td>813</td>
<td>863</td>
</tr>
<tr>
<td>Interest</td>
<td>273</td>
<td>324</td>
</tr>
<tr>
<td>Employee compensation and benefit costs</td>
<td>301</td>
<td>259</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>167</td>
<td>202</td>
</tr>
<tr>
<td>Other</td>
<td>645</td>
<td>952</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,197</strong></td>
<td><strong>$3,694</strong></td>
</tr>
</tbody>
</table>

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11. FINANCING ARRANGEMENTS

Principal amounts of debt obligations and principal amounts of debt obligations net of discounts and issuance costs as of December 31, 2018 and 2017 consists of the following:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maturity</td>
<td>Principal Amount</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>Senior Secured Credit Facilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 Revolving Credit Facility</td>
<td>April 2018</td>
<td>$ —</td>
</tr>
<tr>
<td>2020 Revolving Credit Facility</td>
<td>(1)</td>
<td>$ —</td>
</tr>
<tr>
<td>2023 Revolving Credit Facility</td>
<td>June 2023</td>
<td>75</td>
</tr>
<tr>
<td>Series F Tranche B Term Loan Facility</td>
<td>April 2022</td>
<td>—</td>
</tr>
<tr>
<td>June 2025 Term Loan B Facility</td>
<td>June 2025</td>
<td>4,394</td>
</tr>
<tr>
<td>November 2025 Term Loan B Facility</td>
<td>November 2025</td>
<td>1,481</td>
</tr>
<tr>
<td>Senior Secured Notes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.50% Secured Notes</td>
<td>March 2022</td>
<td>1,250</td>
</tr>
<tr>
<td>7.00% Secured Notes</td>
<td>March 2024</td>
<td>2,000</td>
</tr>
<tr>
<td>5.50% Secured Notes</td>
<td>November 2025</td>
<td>1,750</td>
</tr>
<tr>
<td>Senior Unsecured Notes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.375%</td>
<td>March 2020</td>
<td>—</td>
</tr>
<tr>
<td>7.00%</td>
<td>October 2020</td>
<td>—</td>
</tr>
<tr>
<td>6.375%</td>
<td>October 2020</td>
<td>—</td>
</tr>
<tr>
<td>7.50%</td>
<td>July 2021</td>
<td>—</td>
</tr>
<tr>
<td>6.75%</td>
<td>August 2021</td>
<td>—</td>
</tr>
<tr>
<td>5.625%</td>
<td>December 2021</td>
<td>700</td>
</tr>
<tr>
<td>7.25%</td>
<td>July 2022</td>
<td>—</td>
</tr>
<tr>
<td>5.50%</td>
<td>March 2023</td>
<td>1,000</td>
</tr>
<tr>
<td>5.875%</td>
<td>May 2023</td>
<td>3,250</td>
</tr>
<tr>
<td>4.50% euro-denominated debt</td>
<td>May 2023</td>
<td>1,720</td>
</tr>
<tr>
<td>6.125%</td>
<td>April 2025</td>
<td>3,250</td>
</tr>
<tr>
<td>9.00%</td>
<td>December 2025</td>
<td>1,500</td>
</tr>
<tr>
<td>9.25%</td>
<td>April 2026</td>
<td>1,500</td>
</tr>
<tr>
<td>8.50%</td>
<td>January 2027</td>
<td>750</td>
</tr>
<tr>
<td>Other</td>
<td>Various</td>
<td>12</td>
</tr>
<tr>
<td>Total long-term debt and other</td>
<td></td>
<td>$ 24,632</td>
</tr>
<tr>
<td>Less: Current portion of long-term debt and other</td>
<td></td>
<td>228</td>
</tr>
<tr>
<td>Non-current portion of long-term debt</td>
<td></td>
<td>$ 24,077</td>
</tr>
</tbody>
</table>

1 The 2020 Revolving Credit Facility available at December 31, 2017 had a maturity date of April 2020 and was replaced with the 2023 Revolving Credit Facility on June 1, 2018 as discussed below.

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. The 2023 Revolving Credit Facility 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 December 31, 2018, 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 February 13, 2012, the Company and certain of its subsidiaries as guarantors entered into the “Senior Secured Credit Facilities” under the Company’s Third Amended and Restated Credit and Guaranty Agreement, as amended (the “Third Amended Credit Agreement”) with a syndicate of financial institutions and investors, as lenders. As of January 1, 2016, the Third Amended Credit Agreement provided for: (i) a $1,500 million Revolving Credit Facility maturing on April 20, 2018 (the "2018 Revolving Credit Facility"), which included a sublimit for the issuance of standby and commercial letters of credit and a sublimit for swing line loans and (ii) a series of term loans maturing during the years 2016 through 2022.

**2016 Activity**

On April 11, 2016, the Company obtained an amendment and waiver to its Third Amended Credit Agreement (the “April 2016 amendment”). The April 2016 amendment modified, among other things, the interest coverage financial maintenance covenant from 3.00 to 1.00 to 2.75 to 1.00 from the fiscal quarter ending June 30, 2016 through the fiscal quarter ending March 31, 2017. The April 2016 amendment also increased the interest rate margins applicable to the loans under the Credit Agreement by 1.00% until delivery of the Company's Consolidated Financial Statements for the fiscal quarter ending June 30, 2017. Certain financial definitions were also amended in the April 2016 amendment.

On August 23, 2016, the Company entered into an amendment to its Third Amended Credit Agreement (the “August 2016 amendment”). The August 2016 amendment reduced the minimum interest coverage maintenance covenant to 2.00 to 1.00 for all fiscal quarters ending on or after September 30, 2016. The August 2016 amendment increased each of the applicable interest rate margins under the Third Amended Credit Agreement by 0.50%, until delivery of the Company’s Consolidated Financial Statements for the quarter ending June 30, 2017. Thereafter, each of the applicable interest rate margins were determined on the basis of a pricing grid tied to the Company’s secured leverage ratio, which was also increased by 0.50% across the grid.

The April 2016 amendment and August 2016 amendment were accounted for as debt modifications. As a result, repayments to the lenders were recognized as additional debt discounts and were being amortized over the remaining term of each term loan.

**2017 Activity**

On March 3, 2017, the Company used substantially all the proceeds from the Skincare Sale to repay $1,086 million of outstanding debt under its Senior Secured Credit Facilities.

On March 21, 2017, the Company entered into Amendment No. 14 to the Third Amended Credit Agreement (“Amendment No. 14”), which: (i) provided additional financing from an incremental term loan under the Company's Series F Tranche B Term Loan Facility of $3,060 million (the “Series F-3 Tranche B Term Loan Facility”), (ii) amended the financial covenants contained in the Third Amended Credit Agreement, (iii) increased the amortization rate for the Series F-3 Tranche B Term Loan Facility from 0.25% per quarter (1% per annum) to 1.25% per quarter (5% per annum), with quarterly repayments starting March 31, 2017, (iv) amended certain financial definitions, including the definition of Consolidated Adjusted EBITDA and (v) provided additional ability for the Company to, among other things, incur indebtedness and liens, consummate acquisitions and make other investments, including relaxing certain limitations imposed by prior amendments. The proceeds from the additional financing, combined with the proceeds from the issuance of the March 2022 Secured Notes (as they are defined below) and the March 2024 Secured Notes (as they are defined below) and cash on hand, were used to: (i) repay all outstanding balances under the Company’s Series A-3 Tranche A Term Loan Facility, Series A-4 Tranche A Term Loan Facility,
Amendments to the covenants made as part of Amendment No. 14 include: (i) removed the financial maintenance covenants with respect to the Series F Tranche B Term Loan Facility, (ii) reduced the interest coverage ratio maintenance covenant with respect to both the 2018 Revolving Credit Facility and the 2020 Revolving Credit Facility beginning in the quarter ending March 31, 2017 through the quarter ending March 31, 2019 (stepping up to 1.75 :1.00 thereafter), (iii) increased the secured leverage ratio maintenance covenant to 3.00 :1.00 with respect to both the 2018 Revolving Credit Facility and the 2020 Revolving Credit Facility beginning in the quarter ending March 31, 2017 through the quarter ending March 31, 2019 (stepping down to 2.75 :1.00 thereafter) and (iv) modifications to Consolidated Adjusted EBITDA.

Amendment No. 14 was accounted for as a modification of debt to the extent the March 2017 Refinanced Debt was replaced with the incremental Series F-3 Tranche B Term Loan Facility issued to the same creditor and an extinguishment of debt to the extent the March 2017 Refinanced Debt was replaced with Series F-3 Tranche B Term Loan Facility issued to a different creditor. The March 2017 Refinanced Debt that was replaced with the proceeds of the newly issued Senior Secured Notes was accounted for as an extinguishment of debt. For amounts accounted for as an extinguishment of debt, 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 stated principal amount net of unamortized discount and debt issuance costs). Payments made to the lenders of $38 million associated with the issuance of the new Series F-3 Tranche B Term Loan Facility were capitalized and were being amortized as interest expense over the remaining term of the Series F-3 Tranche B Term Loan Facility. Third-party expenses of $3 million associated with the modification of debt were expensed as incurred and included in Interest expense.

On March 28, 2017, the Company entered into Amendment No. 15 to the Third Amended Credit Agreement (“Amendment No. 15”) which provided for the extension of the maturity date of $1,190 million of revolving credit commitments under the 2018 Revolving Credit Facility from April 20, 2018 to the earlier of: (i) April 20, 2020 and (ii) the date that was 91 calendar days prior to the scheduled maturity of any series or tranche of term loans under the Third Amended Credit Agreement, certain Senior Secured Notes or Senior Unsecured Notes and any other indebtedness for borrowed money in excess of $750 million (the "Extended Revolving Maturity Date", and these extended commitments comprising the “2020 Revolving Credit Facility”). Amendment No. 15 was accounted for, in part, as a debt modification, whereby the fees paid to lenders agreeing to extend their commitment through April 20, 2020 and the fees paid to lenders providing additional commitments were recognized as additional debt issuance costs and were being amortized over the remaining term of the 2020 Revolving Credit Facility. Amendment No. 15 was also accounted for, in part, as an extinguishment of debt and the Company incurred a loss on extinguishment of debt of $1 million representing the unamortized debt issuance costs associated with the commitments canceled by lenders in the amendment.

In April 2017, using the remaining net proceeds from the Skinca...e of a manufacturing facility in Brazil, the Company repaid $220 million of its Series F Tranche B Term Loan Facility. On July 3, 2017, using the net proceeds from the Dendreon Sale, the Company repaid $811 million of its Series F Tranche B Term Loan Facility. On October 5, 2017, using the net proceeds from the iNova Sale, the Company repaid $923 million of its Series F Tranche B Term Loan Facility. On November 10, 2017, using the net proceeds from the Obagi Sale, the Company repaid $181 million of its Series F Tranche B Term Loan Facility. On November 21, 2017, using the proceeds from the November 2017 Refinancing Transactions (as defined below), the Company repaid $750 million of its Series F Tranche B Term Loan Facility.

On November 21, 2017, the Company entered into Amendment No. 16 to the Third Amended Credit Agreement (“Amendment No. 16”) to reprice the Series F Tranche B Term Loan Facility. The applicable margins for borrowings under the Series F Tranche B Term Loan Facility, as modified by the repricing, were 2.50% with respect to base rate borrowings and 3.50% with respect to LIBO rate borrowings. Amendment No. 16 also increased the letter of credit facility sublimit under the Third Amended Credit Agreement to $300 million and made certain other amendments to provide the Company with additional flexibility to enter into certain cash management transactions. The Company paid a prepayment penalty of approximately $38 million in connection with Amendment No. 16, recognized in the Loss on extinguishment of debt in the Consolidated Statement of Operations for the year ended December 31, 2017.
2018 Activity

On April 19, 2018, the Company entered into Amendment No. 17 to the Third Amended Credit Agreement which provided for the extension of the maturity date of an additional $60 million of revolving credit commitments under the 2018 Revolving Credit Facility from April 20, 2018 to the Extended Revolving Maturity Date under the 2020 Revolving Credit Facility consistent with the terms of Amendment No. 15 outlined above. The remaining $250 million of revolving credit commitments under the 2018 Revolving Credit Facility matured on April 20, 2018.

On June 1, 2018, the Company entered into a Restatement Agreement in respect of a Fourth Amended and Restated Credit and Guaranty Agreement (the “Restated Credit Agreement”). The Restated Credit Agreement amended and restated in full the Third Amended Credit Agreement. The Restated Credit Agreement replaced the 2020 Revolving Credit Facility with a revolving credit facility of $1,225 million (the “2023 Revolving Credit Facility”) and replaced the Series F Tranche B Term Loan Facility principal amount outstanding of $3,315 million with a seven year Tranche B Term Loan Facility of $4,565 million (the “June 2025 Term Loan B Facility”) borrowed by the Company’s subsidiary, Bausch Health Americas, Inc. (“BHA”) (formerly Valeant Pharmaceuticals International).

The 2023 Revolving Credit Facility 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 or BHA in an aggregate principal amount in excess of $1,000 million. Both the Company and BHA are borrowers with respect to the 2023 Revolving Credit Facility. Borrowings under the 2023 Revolving Credit Facility may be made in U.S. dollars, Canadian dollars or euros.

On June 1, 2018, the Company issued an irrevocable notice of redemption for the remaining outstanding principal amounts of: (i) $691 million of the 5.375% March 2020 Unsecured Notes (as defined below), (ii) $578 million of the 6.75% Senior August 2021 Unsecured Notes (as defined below), (iii) $550 million of the 7.25% July 2022 Unsecured Notes (as defined below) and (iv) $146 million of the 6.375% October 2020 Unsecured Notes (as defined below) (the "6.375% October 2020 Unsecured Notes") and together with the March 2020 Unsecured Notes, August 2021 Unsecured Notes and July 2022 Unsecured Notes (the “June 2018 Unsecured Refinanced Debt”). On June 1, 2018, using the remaining net proceeds from the June 2025 Term Loan B Facility, the net proceeds from the issuance of $750 million in aggregate principal amount of 8.50% Senior Unsecured Notes due 2027 (the “January/2027 Unsecured Notes”) by BHA and cash on hand, the Company prepaid the remaining Series F Tranche B Term Loan Facility and redeemed the June 2018 Unsecured Refinanced Debt at its aggregate redemption price and the indentures governing the June 2018 Unsecured Refinanced Debt were discharged (collectively, the “June 2018 Refinancing Transactions”).

The Restated Credit Agreement was accounted for as a modification of debt, to the extent the June 2018 Unsecured Refinanced Debt was replaced with newly issued debt to the same creditor, and as an extinguishment of debt if: (i) the June 2018 Unsecured Refinanced Debt was replaced with newly issued debt to a different creditor, (ii) a portion of the unamortized deferred financing fees was allocated to debt that was paid down or (iii) the borrowing capacity declined when issuing a new revolving credit facility. The following was accounted for as an extinguishment of debt: (i) the difference between the amounts paid to redeem the June 2018 Unsecured Refinanced Debt and the June 2018 Unsecured Refinanced Debt’s carrying value, (ii) the replacement of the Series F Tranche B Term Loan with the June 2025 Term Loan B Facility to the extent any unamortized deferred financing fees were associated with the portion of the Series F Tranche B Term Loan that was paid down and (iii) the replacement of the 2020 Revolving Credit Facility with the 2023 Revolving Credit Facility to the extent any unamortized deferred financing fees were associated with the decline in borrowing capacity. For amounts accounted for as an extinguishment of debt, the Company incurred a loss on extinguishment of debt of $48 million. Payments made to the lenders and a portion of payments made to third parties of $74 million associated with the June 2018 Refinancing Transactions were capitalized and are being amortized as interest expense over the remaining terms of the debt, ranging from 2023 through 2027. Third-party expenses of $4 million associated with the modification of debt were expensed as incurred and included in Interest expense.

On November 27, 2018, the Company entered into the First Incremental Amendment to the Restated Credit Agreement, which provided an additional seven year Tranche B Term Loan Facility of $1,500 million (the “November 2025 Term Loan B Facility”) and used the net proceeds, along with cash on hand, to repay $1,483 million of 7.50% Senior Unsecured Notes due July 2021 (the “July 2021 Unsecured Notes”) in a tender offer (the “November 2018 Refinancing Transactions”). On December 27, 2018, the Company redeemed, using cash on hand, the remaining outstanding principal amount of $17 million of the July 2021 Unsecured Notes.

The repayment of the July 2021 Unsecured Notes was accounted for as an extinguishment of debt and the Company incurred a loss on extinguishment of debt of $43 million representing the difference between the amount paid to settle the extinguished
debt and the extinguished debt’s carrying value. Payments made to the lenders and other third parties of $25 million associated with the issuance of the November 2025 Term Loan B Facility were capitalized and are being amortized as interest expense over the remaining term of the November 2025 Term Loan B Facility.

As of December 31, 2018, the Company had $75 million of outstanding borrowings, $169 million of issued and outstanding letters of credit, and remaining availability of $981 million under its 2023 Revolving Credit Facility.

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 higher 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 zero), 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 (a) a prime rate determined by reference to the higher of: (1) 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 (2) 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 (b) 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 Consolidated 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 bankers' acceptance rate borrowings. As of December 31, 2018, the stated rate of interest on the Company’s borrowings under the June 2025 Term Loan B Facility and the November 2025 Term Loan B Facility was 5.38% and 5.13% 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 December 31, 2018, the remaining mandatory quarterly amortization payments for the Senior Secured Credit Facilities were $1,857 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 bankers' acceptance rate borrowings. As of December 31, 2018, the stated rate of interest on the 2023 Revolving Credit Facility was 5.38% per annum. 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 $1,000 million of incremental credit facility borrowings, subject to customary terms and conditions, as well as the incurrence of additional incremental credit facility borrowings subject to, in the case of secured debt, 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 indenture 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.

**6.50% Senior Secured Notes due 2022 and 7.00% Senior Secured Notes due 2024 - March 2017 Refinancing Transactions**

As part of the March 2017 Refinancing Transactions, the Company issued $1,250 million aggregate principal amount of 6.50% senior secured notes due March 15, 2022 (the “March 2022 Secured Notes”) and $2,000 million aggregate principal amount of 7.00% senior secured notes due March 15, 2024 (the “March 2024 Secured Notes”), in a private placement, the proceeds of which, when combined with the proceeds from the Series F-3 Tranche B Term Loan Facility and cash on hand, were used to: (i) repay the March 2017 Refinanced Debt, (ii) repurchase $1,100 million in principal amount of August 2018 Senior Unsecured Notes, (iii) repay $350 million of amounts outstanding under the 2018 Revolving Credit Facility and (iv) pay related fees and expenses. Interest on these notes is payable semi-annually in arrears on each March 15 and September 15.

The March 2022 Secured Notes are redeemable at the option of the Company, in whole or in part, at any time on or after March 15, 2019, at the redemption prices set forth in the indenture. The Company may redeem some or all of the March 2022 Secured Notes prior to March 15, 2019 at a price equal to 100% of the principal amount thereof plus a “make-whole” premium. Prior to March 15, 2019, the Company may redeem up to 40% of the aggregate principal amount of the March 2022 Secured Notes using the proceeds of certain equity offerings at the redemption price set forth in the indenture.

The March 2024 Secured Notes are redeemable at the option of the Company, in whole or in part, at any time on or after March 15, 2020, at the redemption prices set forth in the indenture. The Company may redeem some or all of the March 2024 Secured Notes prior to March 15, 2020 at a price equal to 100% of the principal amount thereof plus a “make-whole” premium. Prior to March 15, 2020, the Company may redeem up to 40% of the aggregate principal amount of the March 2024 Secured Notes using the proceeds of certain equity offerings at the redemption price set forth in the indenture.

**5.50% Senior Secured Notes due 2025 - October 2017 Refinancing Transactions and November 2017 Refinancing Transactions**

On October 17, 2017, the Company issued $1,000 million aggregate principal amount of 5.50% Senior Secured Notes due November 2025 (the “November 2025 Secured Notes”), in a private placement, the proceeds of which were used to: (i) repurchase $569 million in principal amount of the 6.375% October 2020 Unsecured Notes (as defined below) and (ii) repurchase $431 million in principal amount of the 7.00% October 2020 Unsecured Notes (as defined below) (collectively, the “October 2017 Refinancing Transactions”). The related fees and expenses were paid using cash on hand. Interest on the November 2025 Secured Notes is payable semi-annually in arrears on each May 1 and November 1.
The November 2025 Secured Notes are redeemable at the option of the Company, in whole or in part, at any time on or after November 1, 2020, at the redemption prices set forth in the indenture. The Company may redeem some or all of the November 2025 Secured Notes prior to November 1, 2020 at a price equal to 100% of the principal amount thereof plus a “make-whole” premium. Prior to November 1, 2020, the Company may redeem up to 40% of the aggregate principal amount of the November 2025 Secured Notes using the proceeds of certain equity offerings at the redemption price set forth in the indenture.

On November 21, 2017, the Company issued $750 million aggregate principal amount of the November 2025 Secured Notes in a private placement. These are additional notes and form part of the same series as the Company’s existing November 2025 Secured Notes. The proceeds were used to prepay $750 million of its Series F Tranche B Term Loan Facility. The related fees and expenses were paid using cash on hand (collectively, the “November 2017 Refinancing Transactions”).

**Senior Unsecured Notes**

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

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

**7.00% Senior Unsecured Notes due 2020**

On September 28, 2010, the Company issued $700 million aggregate principal amount of 7.00% Senior Unsecured Notes due 2020 (the “7.00% October 2020 Unsecured Notes”) in a private placement. The 7.00% October 2020 Unsecured Notes accrued interest at the rate of 7.00% per year and were subsequently repaid in full: (i) as part of the October 2017 Refinancing Transactions, (ii) as part of the December 2017 Refinancing Transactions (as defined below) and (iii) using cash on hand of $71 million in March 2018.

**6.75% Senior Unsecured Notes due 2021**

On February 8, 2011, the Company issued $650 million aggregate principal amount of 6.75% Senior Unsecured Notes due 2021 (the “August 2021 Unsecured Notes”) in a private placement. The August 2021 Unsecured Notes accrued interest at the rate of 6.75% per year and were subsequently repaid in full as part of: (i) the March 2018 Refinancing Transactions (as defined below) and (ii) the June 2018 Refinancing Transactions.

**7.25% Senior Unsecured Notes due 2022**

On March 8, 2011, the Company issued $550 million aggregate principal amount of 7.25% Senior Unsecured Notes due 2022 (the “July 2022 Unsecured Notes”) in a private placement. The July 2022 Unsecured Notes accrued interest at the rate of 7.25% per year and were subsequently repaid in full as part of the June 2018 Refinancing Transactions.

**6.375% Senior Unsecured Notes due 2020**

On October 4, 2012, VPI Escrow Corp. (the “VPI Escrow Issuer”), a newly formed wholly owned subsidiary of the Company, issued $1,750 million aggregate principal amount of 6.375% Senior Unsecured Notes due 2020 (the “6.375% October 2020 Unsecured Notes”) in a private placement. The 6.375% October 2020 Unsecured Notes accrued interest at the rate of 6.375% per year, payable semi-annually in arrears. In December 2012: (i) the VPI Escrow Issuer merged with and into the Company, with the Company continuing as the surviving corporation, (ii) the Company assumed all of the VPI Escrow Issuer’s obligations under the 6.375% October 2020 Unsecured Notes and the related indenture and (iii) the funds previously held in escrow were released to the Company and were used to finance an acquisition.

Concurrently with the offering of the 6.375% October 2020 Unsecured Notes, the Company issued $500 million aggregate principal amount of 6.375% Senior Unsecured Notes due 2020 (the “Exchangeable Notes”) in a private placement, the form and terms of such notes being substantially identical to the form and terms of the 6.375% October 2020 Unsecured Notes, as previously described.
On March 29, 2013, the Company announced that the Company commenced an offer to exchange (the “Exchange Offer”) any and all of its Exchangeable Notes into 6.375% October 2020 Unsecured Notes. The Company conducted the Exchange Offer in order to satisfy its obligations under the indenture governing the Exchangeable Notes with the anticipated result being that some or all of such notes would be part of a single series of 6.375% October 2020 Unsecured Notes under one indenture. The Exchange Offer, which did not result in any changes to existing terms or to the total amount of the Company’s outstanding debt, expired on April 26, 2013. All of the Exchangeable Notes were tendered in the Exchange Offer and exchanged for 6.375% October 2020 Unsecured Notes to form a single series.

The Company subsequently repaid the 6.375% October 2020 Unsecured Notes, in full: (i) as part of the October 2017 Refinancing Transactions, (ii) as part of the December 2017 Refinancing Transactions (as defined below), (iii) as part of the March 2018 Refinancing Transactions (as defined below), (iv) using cash on hand of $104 million in May 2018 and (v) as part of the June 2018 Refinancing Transactions.

6.375% Senior Unsecured Notes due 2018 and 7.50% Senior Unsecured Notes due 2021

On July 12, 2013, VPII Escrow Corp. (the “VPII Escrow Issuer”), a newly formed wholly-owned subsidiary of the Company, issued $1,600 million aggregate principal amount of the August 2018 Unsecured Notes and $1,625 million aggregate principal amount of the July 2021 Unsecured Notes in a private placement. The August 2018 Unsecured Notes accrued interest at the rate of 6.75% per year, payable semi-annually in arrears. The July 2021 Unsecured Notes accrued interest at the rate of 7.50% per year, payable semi-annually in arrears. At the time of the closing of the B&L Acquisition: (i) the VPII Escrow Issuer was voluntarily liquidated and all of its obligations were assumed by, and all of its assets were distributed to, the Company, (ii) the Company assumed all of the VPII Escrow Issuer’s obligations under the August 2018 Unsecured Notes and July 2021 Unsecured Notes and the related indenture and (iii) the funds previously held in escrow were released to the Company and were used to finance the B&L Acquisition.

The Company subsequently repaid the August 2018 Unsecured Notes in full: (i) as part of the March 2017 Refinancing Transactions and (ii) using cash on hand of $500 million in August 2017. Loss on extinguishment of debt during the year ended December 31, 2017 associated with the repurchase of the August 2018 Unsecured Notes was $37 million representing the difference between the amount paid to settle the debt and the debt’s carrying value.

The Company subsequently repaid the July 2021 Unsecured Notes in full: (i) using cash on hand of $125 million in October 2018, (ii) as part of the November 2018 Refinancing Transactions and (iii) using cash on hand of $17 million in December 2018.

5.625% Senior Unsecured Notes due 2021

On December 2, 2013, the Company issued $900 million aggregate principal amount of 5.625% Senior Unsecured Notes due 2021 (the “December 2021 Unsecured Notes”) in a private placement. The December 2021 Unsecured Notes accrue interest at the rate of 5.625% per year, payable semi-annually in arrears. On December 30, 2018, the Company repurchased, using cash on hand, $200 million of outstanding December 2021 Unsecured Notes plus accrued and unpaid interest. The Company may redeem all or a portion of the December 2021 Unsecured Notes at par value, plus accrued and unpaid interest to the date of redemption.

5.50% Senior Unsecured Notes due 2023

On January 30, 2015, the Company issued $1,000 million aggregate principal amount of 5.50% Senior Unsecured Notes due 2023 (the "March 2023 Unsecured Notes") in a private placement. The March 2023 Unsecured Notes accrue interest at the rate of 5.50% per year, payable semi-annually in arrears. The Company may redeem all or a portion of the March 2023 Unsecured Notes at the applicable redemption prices set forth in the March 2023 Unsecured Notes indenture, plus accrued and unpaid interest to the date of redemption.

5.375% Senior Unsecured Notes due 2020, 5.875% Senior Unsecured Notes due 2023, 4.50% Senior Unsecured Notes due 2023 and 6.125% Senior Unsecured Notes due 2025

On March 27, 2015, VRX Escrow Corp. (the "VRX Issuer"), a newly formed wholly owned subsidiary of the Company, issued $2,000 million aggregate principal amount of 5.375% Senior Unsecured Notes due 2020 (the "March 2020 Unsecured Notes"), $3,250 million aggregate principal amount of 5.875% Senior Unsecured Notes due 2023 (the "May 2023 Unsecured Notes"), €1,500 million aggregate principal amount of 4.50% Senior Unsecured Notes due 2023 (the "Euro Notes") and $3,250 million aggregate principal amount of 6.125% Senior Unsecured Notes due 2025 (the "May 2025 Unsecured Notes" and, together

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with the March 2020 Unsecured Notes, the May 2023 Unsecured Notes and the Euro Notes, the “VRX Notes”) in a private placement.

In addition, the VRX Issuer entered into an escrow and security agreement (the “Escrow Agreement”) dated as of March 27, 2015, with an escrow agent. Pursuant to the Escrow Agreement, the proceeds from the issuance of the VRX Notes, together with cash sufficient to fund certain accrued and unpaid interest on the VRX Notes, totaling $10,340 million in the aggregate, were deposited into escrow accounts and held as security for the VRX Issuer’s obligations until the consummation of the Salix Acquisition, which occurred on April 1, 2015. At the time of the closing of the Salix Acquisition, (1) the VRX Issuer was voluntarily liquidated and all of its obligations were assumed by, and all of its assets were distributed to, the Company, (2) the Company assumed all of the VRX Issuer’s obligations under the VRX Notes and the related indenture and (3) the funds previously held in escrow were released to the Company and were used to finance the Salix Acquisition (as such, the $10,340 million referenced in this paragraph was released from restricted cash and cash equivalents in April 2015.)

The March 2020 Unsecured Notes accrued interest at the rate of 5.375% per year and were repaid in full as part of: (i) the December 2017 Refinancing Transactions (as defined below), (ii) the March 2018 Refinancing Transactions (as defined below) and (iii) the June 2018 Refinancing Transactions.

The May 2023 Unsecured Notes and the May 2025 Unsecured Notes accrue interest at the rate of 5.875% , 4.50% and 6.125% per year, respectively, payable semi-annually in arrears. The Company may redeem all or a portion of the May 2025 Unsecured Notes at any time prior to April 15, 2020 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. The Company may redeem all or a portion of the May 2023 Unsecured Notes or the Euro Notes and, on or after April 15, 2020, the Company may redeem all or a portion of the May 2025 Unsecured Notes, at the redemption prices applicable to each series of such notes, as set forth in the applicable indenture, plus accrued and unpaid interest to the date of redemption.

9.00% Senior Unsecured Notes due 2025 - December 2017 Refinancing Transactions

On December 18, 2017, the Company issued $1,500 million aggregate principal amount of 9.00% Senior Unsecured Notes due 2025 (the “December 2025 Unsecured Notes”) in a private placement, the proceeds of which were used to: (i) repurchase $1,021 million in principal amount of the 6.375% October 2020 Unsecured Notes , (ii) repurchase $291 million in principal amount of the March 2020 Unsecured Notes and (iii) repurchase $188 million in principal amount of the 7.00% October 2020 Unsecured Notes (collectively, the “December 2017 Refinancing Transactions”). The related fees and expenses were paid using cash on hand. The December 2025 Unsecured Notes accrue interest at the rate of 9.00% per year, payable semi-annually in arrears on each of June 15 and December 15.

The Company may redeem all or a portion of the December 2025 Unsecured Notes at any time prior to December 15, 2021, 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 December 15, 2020, the Company may redeem up to 40% of the aggregate principal amount of the outstanding December 2025 Unsecured Notes with the net proceeds of certain equity offerings at the redemption price set forth in the December 2025 Unsecured Notes indenture. On or after December 15, 2021, the Company may redeem all or a portion of the December 2025 Unsecured Notes at the applicable redemption prices set forth in the December 2025 Unsecured Notes indenture, plus accrued and unpaid interest to the date of redemption.

9.25% Senior Unsecured Notes due 2026 - March 2018 Refinancing Transactions

On March 26, 2018, BHA issued $1,500 million in aggregate principal amount of 9.25% Senior Unsecured Notes due 2026 (the “April 2026 Unsecured Notes”) in a private placement, the net proceeds of which, along with cash on hand, were used to repurchase $1,500 million in aggregate principal amount of unsecured notes which consisted of: (i) $1,017 million in principal amount of the March 2020 Unsecured Notes, (ii) $411 million in principal amount of the 6.375% October 2020 Unsecured Notes and (iii) $72 million in principal amount of the August 2021 Unsecured Notes. All fees and expenses associated with these transactions were paid with cash on hand (collectively, the “March 2018 Refinancing Transactions”). The March 2018 Refinancing Transactions was accounted for as an extinguishment of debt and the Company incurred a loss on extinguishment of debt of $26 million representing the difference between the amount paid to settle the extinguished debt and the extinguished debt’s carrying value. The April 2026 Unsecured Notes accrue interest at the rate of 9.25% per year, payable semi-annually in arrears on each of April 1 and October 1.
BHA may redeem all or a portion of the April 2026 Unsecured Notes at any time prior to April 1, 2022, 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 April 1, 2021, BHA may redeem up to 40% of the aggregate principal amount of the outstanding April 2026 Unsecured Notes with the net proceeds of certain equity offerings at the redemption price set forth in the April 2026 Unsecured Notes indenture. On or after April 1, 2022, BHA may redeem all or a portion of the April 2026 Unsecured Notes at the applicable redemption prices set forth in the April 2026 Unsecured Notes indenture, plus accrued and unpaid interest to the date of redemption.

8.50% Senior Unsecured Notes due 2027

As part of the June 2018 Refinancing Transactions, BHA issued $750 million in aggregate principal amount of January 2027 Unsecured Notes in a private placement, the proceeds of which, when combined with the remaining net proceeds from the June 2025 Term Loan B Facility and cash on hand, were deposited with The Bank of New York Mellon Trust Company, N.A., as trustee under the indentures governing the June 2018 Unsecured Refinanced Debt, to redeem the June 2018 Unsecured Refinanced Debt at its aggregate redemption price and the indentures governing the June 2018 Unsecured Refinanced Debt were discharged. The January 2027 Unsecured Notes accrue interest at the rate of 8.50% per year, payable semi-annually in arrears on each of January 31 and July 31.

BHA may redeem all or a portion of the January 2027 Unsecured Notes at any time prior to July 31, 2022, 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 July 31, 2021, BHA may redeem up to 40% of the aggregate principal amount of the outstanding January 2027 Unsecured Notes with the net proceeds of certain equity offerings at the redemption price set forth in the January 2027 Unsecured Notes indenture. On or after July 31, 2022, BHA may redeem all or a portion of the January 2027 Unsecured Notes at the applicable redemption prices set forth in the January 2027 Unsecured Notes indenture, plus accrued and unpaid interest to 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 December 31, 2018 and 2017 was 6.23% and 6.07% , respectively.

Maturities

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

<table>
<thead>
<tr>
<th>(in millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 228</td>
</tr>
<tr>
<td>2020</td>
<td>303</td>
</tr>
<tr>
<td>2021</td>
<td>1,003</td>
</tr>
<tr>
<td>2022</td>
<td>1,553</td>
</tr>
<tr>
<td>2023</td>
<td>6,348</td>
</tr>
<tr>
<td>Thereafter</td>
<td>15,197</td>
</tr>
<tr>
<td><strong>Total gross maturities</strong></td>
<td><strong>24,632</strong></td>
</tr>
<tr>
<td><strong>Unamortized discounts</strong></td>
<td>(327)</td>
</tr>
<tr>
<td><strong>Total long-term debt and other</strong></td>
<td><strong>$ 24,305</strong></td>
</tr>
</tbody>
</table>

Under the Restated Credit Agreement, there is no Excess Cash Flow payment due for 2018. On January 29, 2019, using cash on hand, the Company repaid $100 million of outstanding term loans under its Senior Secured Credit Facilities in partial satisfaction of the scheduled mandatory amortization payments due for 2019 in the table above.

12. PENSION AND POSTRETIREMENT EMPLOYEE BENEFIT PLANS

In connection with the acquisition of Bausch & Lomb Holdings Incorporated ("B&L") completed on August 5, 2013, the Company assumed all of B&L’s benefit obligations and related plan assets. This includes defined benefit plans and a participatory defined benefit postretirement medical and life insurance plan, which covers a closed grandfathered group of
legacy B&L U.S. employees and employees in certain other countries. The U.S. defined benefit accruals were frozen as of December 31, 2004 and benefits that were earned up to December 31, 2004 were preserved. Participants continue to earn interest credits on their cash balance. The most significant non-U.S. plans are two defined benefit plans in Ireland. In 2011, both Ireland defined benefit plans were closed to future service benefit accruals; however, additional accruals related to annual salary increases continued. In December 2014, one of the Ireland defined benefit plans was amended effective August 2014 to eliminate future benefit accruals related to salary increases. All of the pension benefits accrued through the plan amendment date were preserved. As a result of the plan amendment, there are no active plan participants accruing benefits under the amended Ireland defined benefit plan. The U.S. postretirement benefit plan was amended effective January 1, 2005 to eliminate employer contributions after age 65 for participants who did not meet the minimum requirements of age and service on that date. The employer contributions for medical and prescription drug benefits for participants retiring after March 1, 1989 were frozen effective January 1, 2010. Effective January 1, 2014, the Company no longer offers medical and life insurance coverage to new retirees.

In addition to the B&L benefit plans, outside of the U.S., a limited group of the Company's employees are covered by defined benefit pension plans.

The Company uses December 31 as the year-end measurement date for all of its defined benefit pension plans and the postretirement benefit plan.

Accounting for Pension Benefit Plans and Postretirement Benefit Plan

The Company recognizes in its Consolidated Balance Sheets an asset or liability equal to the over- or under-funded benefit obligation of each defined benefit pension plan and postretirement benefit plan. Actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost are recognized, net of tax, as a component of other comprehensive income (loss).

The amounts included in accumulated other comprehensive loss as of December 31, 2018, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Pension Benefit Plans</th>
<th>U.S. Postretirement Benefit Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S. Plan</td>
<td>Non-U.S. Plans</td>
</tr>
<tr>
<td>Unrecognized actuarial losses</td>
<td>$ (31)</td>
<td>$ (18)</td>
</tr>
<tr>
<td>Unrecognized prior service credits</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Of the December 31, 2018 amounts, the Company expects to recognize $3 million and $1 million of unrecognized prior service credits related to the U.S. postretirement benefit plan and the non-U.S. defined benefit plans, respectively, in net periodic (benefit) cost during 2019. In addition, the Company expects to recognize $1 million of unrecognized actuarial losses related to the non-U.S. pension benefit plans in net periodic (benefit) cost during 2019.

Net Periodic (Benefit) Cost

The following table provides the components of net periodic (benefit) cost for the Company’s defined benefit pension plans and postretirement benefit plan in 2018, 2017 and 2016:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Pension Benefit Plans</th>
<th>U.S. Postretirement Benefit Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S. Plan</td>
<td>Non-U.S. Plans</td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 2</td>
<td>$ 2</td>
</tr>
<tr>
<td>Interest cost</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(15)</td>
<td>(13)</td>
</tr>
<tr>
<td>Amortization of net loss</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of prior service credit</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net periodic (benefit) cost</td>
<td>$ (6)</td>
<td>$ (3)</td>
</tr>
</tbody>
</table>
The table below presents components of the change in projected benefit obligation, change in plan assets and funded status for 2018 and 2017:

<table>
<thead>
<tr>
<th>Change in Projected benefit Obligation</th>
<th>U.S. Plan</th>
<th>Non-U.S. Plans</th>
<th>U.S. Postretirement Benefit Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation, beginning of year</td>
<td>$234</td>
<td>$230</td>
<td>$254</td>
</tr>
<tr>
<td>Service cost</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Interest cost</td>
<td>7</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Settlements</td>
<td>—</td>
<td>—</td>
<td>(2)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(16)</td>
<td>(15)</td>
<td>(5)</td>
</tr>
<tr>
<td>Actuarial (gains) losses</td>
<td>(13)</td>
<td>9</td>
<td>(10)</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td>—</td>
<td>—</td>
<td>(10)</td>
</tr>
<tr>
<td>Projected benefit obligation, end of year</td>
<td>214</td>
<td>234</td>
<td>235</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Plan Assets</th>
<th>U.S. Plan</th>
<th>Non-U.S. Plans</th>
<th>U.S. Postretirement Benefit Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets, beginning of year</td>
<td>206</td>
<td>181</td>
<td>155</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(11)</td>
<td>30</td>
<td>(2)</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Company contributions</td>
<td>8</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Settlements</td>
<td>—</td>
<td>—</td>
<td>(2)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(16)</td>
<td>(15)</td>
<td>(5)</td>
</tr>
<tr>
<td>Currency translation adjustments</td>
<td>—</td>
<td>—</td>
<td>(6)</td>
</tr>
<tr>
<td>Fair value of plan assets, end of year</td>
<td>187</td>
<td>206</td>
<td>147</td>
</tr>
<tr>
<td>Funded Status at end of year</td>
<td>$ (27)</td>
<td>$ (28)</td>
<td>$ (88)</td>
</tr>
</tbody>
</table>

Recognized as:

- Accrued and other current liabilities: $ (27) $ (28) $ (88) $ (99) $ (41) $ (48)
- Other non-current liabilities: $ (27) $ (28) $ (86) $ (97) $ (36) $ (42)

A number of the Company’s pension benefit plans were underfunded as of December 31, 2018 and 2017, having accumulated benefit obligations exceeding the fair value of plan assets. Information for the underfunded pension benefit plans is as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>U.S. Plan</th>
<th>Non-U.S. Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation</td>
<td>$214</td>
<td>$234</td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>$214</td>
<td>$234</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>187</td>
<td>206</td>
</tr>
</tbody>
</table>

The Company’s policy for funding its pension benefit plans is to make contributions that meet or exceed the minimum statutory funding requirements. These contributions are determined based upon recommendations made by the actuary under accepted actuarial principles. In 2019, the Company expects to contribute $2 million, $7 million and $5 million to the U.S. pension benefit plan, the non-U.S. pension benefit plans and the U.S. postretirement benefit plan, respectively. The Company plans to use postretirement benefit plan assets and cash on hand, as necessary, to fund the U.S. postretirement benefit plan benefit payments in 2019.

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Estimated Future Benefit Payments

Future benefit payments over the next 10 years for the pension benefit plans and the postretirement benefit plan, which reflect expected future service, as appropriate, are expected to be paid as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Pension Benefit Plans</th>
<th>U.S. Postretirement Benefit Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S. Plan</td>
<td>Non-U.S. Plans</td>
</tr>
<tr>
<td>2019</td>
<td>$</td>
<td>14</td>
</tr>
<tr>
<td>2020</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td>2021</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>2022</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>2023</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>2024-2028</td>
<td>79</td>
<td>37</td>
</tr>
</tbody>
</table>

Assumptions

The weighted-average assumptions used to determine net periodic benefit costs and benefit obligations for 2018, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>For Determining Net Periodic (Benefit) Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Plans:</td>
</tr>
<tr>
<td>Discount rate</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>3.56%</td>
</tr>
<tr>
<td>Expected rate of return on plan assets</td>
</tr>
<tr>
<td>7.50%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
</tr>
<tr>
<td>—</td>
</tr>
<tr>
<td>Non-U.S. Plans:</td>
</tr>
<tr>
<td>Discount rate</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2.29%</td>
</tr>
<tr>
<td>Expected rate of return on plan assets</td>
</tr>
<tr>
<td>3.66%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
</tr>
<tr>
<td>2.87%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For Determining Benefit Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Plans:</td>
</tr>
<tr>
<td>Discount rate</td>
</tr>
<tr>
<td>4.25%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
</tr>
<tr>
<td>—</td>
</tr>
<tr>
<td>Non-U.S. Plans:</td>
</tr>
<tr>
<td>Discount rate</td>
</tr>
<tr>
<td>2.39%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
</tr>
<tr>
<td>2.89%</td>
</tr>
</tbody>
</table>

The expected long-term rate of return on plan assets was developed based on a capital markets model that uses expected asset class returns, variance and correlation assumptions. The expected asset class returns were developed starting with current Treasury (for the U.S. pension plan) or Eurozone (for the Ireland pension plans) government yields and then adding corporate bond spreads and equity risk premiums to develop the return expectations for each asset class. The expected asset class returns are forward-looking. The variance and correlation assumptions are also forward-looking. They take into account historical relationships, but are adjusted to reflect expected capital market trends. The expected return on plan assets for the Company’s U.S. pension plan for 2018 was 7.50%. The expected return on plan assets for the Company’s Ireland pension plans was 3.75% for 2018.

The discount rate used to determine benefit obligations represents the current rate at which the benefit plan liabilities could be effectively settled considering the timing of expected payments for plan participants.

F-45
The 2019 expected rate of return for the U.S. pension benefit plan will be 7.25%. The 2019 expected rate of return for the Ireland pension benefit plans will be 3.50%.

**Pension Benefit Plans Assets**

Pension benefit plan assets are invested in several asset categories. The following presents the actual asset allocation as of December 31, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Plan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>52%</td>
<td>60%</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>47%</td>
<td>30%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Non-U.S. Plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>20%</td>
<td>23%</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>69%</td>
<td>66%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
<td>2%</td>
</tr>
</tbody>
</table>

The investment strategy underlying pension plan asset allocation is to manage the assets of the plan to provide for the non-current liabilities while maintaining sufficient liquidity to pay current benefits. Pension plan assets are diversified to protect against large investment losses and to reduce the probability of excessive performance volatility. Diversification of assets is achieved by allocating funds to various asset classes and investment styles within asset classes, and retaining investment management firm(s) with complementary investment philosophies, styles and approaches.

The Company’s pension plan assets are managed by outside investment managers using a total return investment approach, whereby a mix of equity and debt securities investments are used to maximize the long-term rate of return on plan assets. A significant portion of the assets of the U.S. and Ireland pension plans have been invested in equity securities, as equity portfolios have historically provided higher returns than debt and other asset classes over extended time horizons. Correspondingly, equity investments also entail greater risks than other investments. Equity risks are balanced by investing a significant portion of plan assets in broadly diversified fixed income securities.

**Fair Value of Plan Assets**

The Company measured the fair value of plan assets based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6, "FAIR VALUE MEASUREMENTS" for details on the Company's fair value measurements based on a three-tier hierarchy.

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The table below presents total plan assets by investment category as of December 31, 2018 and 2017 and the classification of each investment category within the fair value hierarchy with respect to the inputs used to measure fair value. There were no transfers between Level 1 and Level 2 during the years ended December 31, 2018 and 2017.

### Pension Benefit Plans - U.S. Plans

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>As of December 31, 2018</th>
<th>As of December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quoted Prices in Active Markets for Identical Assets (Level 1)</td>
<td>Significant Other Observable Inputs (Level 2)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2</td>
<td>$—</td>
</tr>
<tr>
<td>Commingled funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. broad market</td>
<td>—</td>
<td>51</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>—</td>
<td>13</td>
</tr>
<tr>
<td>Worldwide developed markets</td>
<td>—</td>
<td>21</td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
<td>13</td>
</tr>
<tr>
<td>Fixed income securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment grade</td>
<td>—</td>
<td>87</td>
</tr>
</tbody>
</table>

### Pension Benefit Plans - Non-U.S. Plans

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>As of December 31, 2018</th>
<th>As of December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quoted Prices in Active Markets for Identical Assets (Level 1)</td>
<td>Significant Other Observable Inputs (Level 2)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$7</td>
<td>$—</td>
</tr>
<tr>
<td>Commingled funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging markets</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Worldwide developed markets</td>
<td>—</td>
<td>29</td>
</tr>
<tr>
<td>Fixed income securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment grade</td>
<td>—</td>
<td>9</td>
</tr>
<tr>
<td>Global high yield</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td>Government bond funds</td>
<td>—</td>
<td>90</td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
<td>9</td>
</tr>
</tbody>
</table>

Cash equivalents consisted primarily of term deposits and money market instruments. The fair value of the term deposits approximates their carrying amounts due to their short term maturities. The money market instruments also have short maturities and are valued using a market approach based on the quoted market prices of identical instruments.

Commingled funds are not publicly traded. The underlying assets in these funds are publicly traded on the exchanges and have readily available price quotes. The Ireland pension plans held approximately 93% and 92% of the non-U.S. commingled funds in 2018 and 2017, respectively. The commingled funds held by the U.S. and Ireland pension plans are primarily invested in index funds.

The underlying assets in the fixed income funds are generally valued using the net asset value per fund share, which is derived using a market approach with inputs that include broker quotes, benchmark yields, base spreads and reported trades.

The insurance policies held by the postretirement benefit plan consist of variable life insurance contracts whose fair value is their cash surrender value. Cash surrender value is the amount currently payable by the insurance company upon surrender.

F-47
of the policy and is based principally on the net asset values of the underlying trust funds. The trust funds are commingled funds that are not publicly traded. The underlying assets in these funds are primarily publicly traded on exchanges and have readily available price quotes.

Defined Contribution Plans

The Company sponsors defined contribution plans in the U.S., Ireland and certain other countries. Under these plans, employees are allowed to contribute a portion of their salaries to the plans, and the Company matches a portion of the employee contributions. The Company contributed $36 million, $22 million and $28 million to these plans during the years ended December 31, 2018, 2017 and 2016, respectively.

13. 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 is 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.

Approximately 14,423,000 common shares were available for future grants as of December 31, 2018. The Company uses reserved and unissued common shares to satisfy its obligation under its share-based compensation plans.

The components and classification of share-based compensation expense related to stock options and RSUs for the years ended December 31, 2018, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock options</td>
<td>$23</td>
<td>$18</td>
<td>$16</td>
</tr>
<tr>
<td>RSUs</td>
<td>64</td>
<td>69</td>
<td>149</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>$87</td>
<td>$87</td>
<td>$165</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>$9</td>
<td>$8</td>
<td>$7</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>78</td>
<td>79</td>
<td>158</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>$87</td>
<td>$87</td>
<td>$165</td>
</tr>
</tbody>
</table>

During 2017, the Company introduced a new long-term incentive program with the objective of realigning 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 RSUs and performance-based RSUs. Performance-based RSUs are comprised of: (i) awards that vest upon achievement of certain share price appreciation conditions that are based on total shareholder return (“TSR”) and (ii) awards that vest upon attainment of certain performance targets that are based on the Company’s return on tangible capital (“ROTC”).
The fair value of the ROTC performance-based RSUs is estimated based on the trading price of the Company’s common shares on the date of grant. Expense recognized for the ROTC performance-based RSUs in each reporting period reflects the Company’s latest estimate of the number of ROTC performance-based RSUs that are expected to vest. If the ROTC performance-based RSUs do not ultimately vest due to the ROTC targets not being met, no compensation expense is recognized and any previously recognized compensation expense is reversed.

In March 2016, the Company announced that its Board of Directors had initiated a search to identify a candidate for a new CEO to succeed the Company’s then current CEO, who would continue to serve in that role until his replacement was appointed. On May 2, 2016, the Company’s new CEO assumed the role, succeeding the Company’s former CEO. Pursuant to the terms of his employment agreement dated January 2015, the former CEO was entitled to certain share-based awards and payments upon termination. Under his January 2015 employment agreement, the former CEO received performance-based RSUs that vest when certain market conditions (namely total shareholder return) are met at the defined dates, provided continuing employment through those dates. Under the termination provisions of his employment agreement, upon termination of the former CEO, the defined dates for meeting the market conditions of the performance-based RSUs were eliminated and, as a result, vesting was based solely on the attainment of the applicable level of total shareholder return through the date of termination and the resulting number of common shares, if any, to be awarded to the former CEO was determined on a pro-rata basis for service provided under the original performance period, with credit given for an additional year of service. Because the total shareholder return at the time of the former CEO’s termination did not meet the performance threshold, no common shares were issued and no value was ultimately received by the former CEO pursuant to this performance-based RSU award. However, an incremental share-based compensation expense of $28 million was recognized in the six-month period ended June 30, 2016, which represents the additional year of service credit consistent with the grant date fair value calculated using a Monte Carlo Simulation Model in the first quarter of 2015, notwithstanding the fact that no value was ultimately received by the former CEO. In addition to the acceleration of his performance-based RSUs, the former CEO was also entitled to a cash severance payment of $9 million and a pro-rata annual cash bonus of approximately $2 million pursuant to his employment agreement. The cash severance payments, the pro-rata cash bonus and the associated payroll taxes were also recognized as expense in the first quarter of 2016.

The granted stock options, time-based RSUs and performance-based RSUs includes long-term incentive awards granted to the Company’s Chief Executive Officer (“CEO”) which had an aggregate value of $10 million. In connection with his award, approximately 933,000 performance-based RSUs received by the CEO upon his hire in 2016 were canceled, and the shares underlying those performance-based RSUs were permanently retired and are not available for future grants under the 2014 Plan. The CEO's long-term incentive award was accounted for as an award modification whereby the Company continues to recognize the unamortized compensation associated with the original award plus the incremental fair value of the new award measured at the date of grant, over the vesting period of the new award.

Stock Options

Stock options granted under the 2011 Plan and the Amended and Restated 2014 Plan generally expire on the fifth or tenth anniversary of the grant date. The exercise price of any stock option granted under the 2011 Plan and the Amended and Restated 2014 Plan will not be less than the closing price per common share preceding the date of grant. Stock options generally vest 33% and 25% each year over a three-year and four-year period, respectively, on the anniversary of the date of grant.

The fair values of all stock options granted for the years ended December 31, 2018 , 2017 and 2016 were estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected stock option life (years)</td>
<td>3.0</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>54.0%</td>
<td>67.3%</td>
<td>75.0%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.7%</td>
<td>1.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>—%</td>
<td>—%</td>
<td>—%</td>
</tr>
</tbody>
</table>

The expected stock option life was determined based on historical exercise and forfeiture patterns. The expected volatility was determined based on implied volatility in the market traded options of the Company’s common stock. The risk-free interest rate was determined based on the rate at the time of grant for zero-coupon U.S. or Canadian government bonds with maturity dates equal to the expected life of the stock option. The expected dividend yield was determined based on the stock option’s exercise price and expected annual dividend rate at the time of grant.
The Black-Scholes option-pricing model used by the Company to calculate stock option values was developed to estimate the fair value of freely tradeable, fully transferable stock options without vesting restrictions, which significantly differ from the Company’s stock option awards. This model also requires highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values.

The following table summarizes stock option activity during 2018:

<table>
<thead>
<tr>
<th>(in millions, except per share amounts)</th>
<th>Options</th>
<th>Weighted-Average Exercise Price Per Share</th>
<th>Weighted-Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1, 2018</td>
<td>4.5</td>
<td>$34.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>2.1</td>
<td>$15.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(0.2)</td>
<td>$16.73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expired or forfeited</td>
<td>(0.5)</td>
<td>$37.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, December 31, 2018</td>
<td>5.9</td>
<td>$27.88</td>
<td>7.9</td>
<td>$11</td>
</tr>
<tr>
<td>Vested and expected to vest, December 31, 2018</td>
<td>5.5</td>
<td>$28.61</td>
<td>7.9</td>
<td>$10</td>
</tr>
<tr>
<td>Vested and exercisable, December 31, 2018</td>
<td>2.2</td>
<td>$43.85</td>
<td>6.8</td>
<td>$2</td>
</tr>
</tbody>
</table>

The weighted-average fair values of all stock options granted in 2018, 2017 and 2016 were $7.83, $5.97 and $14.50, respectively. The total intrinsic values of stock options exercised in 2018, 2017 and 2016 were $1 million, $1 million and $65 million, respectively. Proceeds received on the exercise of stock options in 2018, 2017 and 2016 were $2 million, $1 million and $33 million, respectively.

As of December 31, 2018, the total remaining unrecognized compensation expense related to non-vested stock options amounted to $18 million, which will be amortized over the weighted-average remaining requisite service period of approximately 1.5 years. The total fair value of stock options vested in 2018, 2017 and 2016 were $17 million, $20 million and $26 million, respectively.

RSUs

RSUs generally vest either on the third anniversary date from the date of grant or 33% a year over a three-year period. Annual RSUs granted to non-management directors vest immediately prior to the next Annual Meeting of Shareholders. Pursuant to the applicable unit agreement, certain RSUs may be subject to the attainment of any applicable performance goals specified by the Board of Directors. If the vesting of the RSUs is conditional upon the attainment of performance goals, any RSUs that do not vest as a result of a determination that the prescribed performance goals failed to be attained will be forfeited immediately upon such determination. RSUs are credited with dividend equivalents, in the form of additional RSUs, when dividends are paid on the Company’s common shares. Such additional RSUs will have the same vesting dates and will vest under the same terms as the RSUs in respect of which such additional RSUs are credited.

To the extent provided for in a RSU agreement, the Company may, in lieu of all or a portion of the common shares which would otherwise be provided to a holder, elect to pay a cash amount equivalent to the market price of the Company’s common shares on the vesting date for each vested RSU. The amount of cash payment will be determined based on the average market price of the Company’s common shares on the vesting date. The Company’s current intent is to settle vested RSUs through the issuance of common shares.

**Time-Based RSUs**

Each vested time-based RSU represents the right of a holder to receive one of the Company’s common shares. The fair value of each RSU granted is estimated based on the trading price of the Company’s common shares on the date of grant.
The following table summarizes non-vested time-based RSU activity during 2018:

<table>
<thead>
<tr>
<th>(in millions, except per share amounts)</th>
<th>Time-Based RSUs</th>
<th>Weighted-Average Grant-Date Fair Value Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested, January 1, 2018</td>
<td>4.7</td>
<td>$19.09</td>
</tr>
<tr>
<td>Granted</td>
<td>3.0</td>
<td>$17.59</td>
</tr>
<tr>
<td>Vested</td>
<td>(1.5)</td>
<td>$20.19</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(0.4)</td>
<td>$16.48</td>
</tr>
<tr>
<td>Non-vested, December 31, 2018</td>
<td>5.8</td>
<td>$18.29</td>
</tr>
</tbody>
</table>

As of December 31, 2018, the total remaining unrecognized compensation expense related to non-vested time-based RSUs amounted to $47 million, which will be amortized over the weighted-average remaining requisite service period of approximately 1.8 years. The total fair value of time-based RSUs vested in 2018, 2017 and 2016 were $30 million, $58 million and $43 million, respectively.

**Performance-Based RSUs**

Each vested performance-based RSU represents the right of a holder to receive a number of the Company’s common shares up to a specified maximum. Performance-based RSUs vest upon achievement of certain share price appreciation conditions or attainment of certain performance targets. If the Company’s performance is below a specified performance level, no common shares will be paid.

The fair value of each performance-based RSU granted during 2018, 2017 and 2016 was estimated using a Monte Carlo Simulation model, which utilizes multiple input variables to estimate the probability that the performance condition will be achieved. The fair values of performance-based RSUs granted during 2018, 2017 and 2016 were estimated with the following assumptions:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual term (years)</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0 - 4.0</td>
</tr>
<tr>
<td>Expected Company share volatility</td>
<td>54.2%</td>
<td>67.2% - 77.2%</td>
<td>78.2% - 81.4%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.7%</td>
<td>1.7% - 1.8%</td>
<td>1.0% - 1.2%</td>
</tr>
</tbody>
</table>

The expected company share volatility was determined based on historical volatility over the contractual term of the performance-based RSU. The risk-free interest rate was determined based on the rate at the time of grant for zero-coupon U.S. government bonds with maturity dates equal to the contractual term of the performance-based RSUs.

The following table summarizes non-vested performance-based RSU activity during 2018:

<table>
<thead>
<tr>
<th>(in millions, except per share amounts)</th>
<th>Performance-based RSUs</th>
<th>Weighted-Average Grant-Date Fair Value Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested, January 1, 2018</td>
<td>1.8</td>
<td>$48.55</td>
</tr>
<tr>
<td>Granted</td>
<td>0.9</td>
<td>$24.44</td>
</tr>
<tr>
<td>Vested</td>
<td>(0.1)</td>
<td>$247.04</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(1.1)</td>
<td>$39.63</td>
</tr>
<tr>
<td>Non-vested, December 31, 2018</td>
<td>1.5</td>
<td>$34.06</td>
</tr>
</tbody>
</table>

During 2018, the Company granted approximately 878,000 performance-based RSUs, consisting of approximately 469,000 units of TSR performance-based RSUs with an average grant date fair value of $29.35 per RSU and approximately 409,000 units of ROTC performance-based RSUs with a weighted-average grant date fair value of $18.80 per RSU.
As of December 31, 2018, the total remaining unrecognized compensation expense related to non-vested performance-based RSUs amounted to $24 million, which will be amortized over the weighted-average remaining requisite service period of approximately 1.7 years. A maximum of 2,860,510 common shares could be issued upon vesting of the performance-based RSUs outstanding as of December 31, 2018.

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss as of December 31, 2018 and 2017 consists of:

(in millions) | 2018 | 2017 |
---|---|---|
Foreign currency translation adjustment | $(2,111) | $(1,877) |
Pension adjustment, net of tax | $(26) | $(19) |
| **Total** | $(2,137) | $(1,896) |

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.

15. 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 for the years ended December 31, 2018, 2017 and 2016 consist of:

(in millions) | 2018 | 2017 | 2016 |
---|---|---|---|
Product related research and development | $376 | $328 | $385 |
Quality assurance | 37 | 33 | 36 |
Research and development | $413 | $361 | $421 |

16. OTHER (INCOME) EXPENSE, NET

Other (income) expense, net for the years ended December 31, 2018, 2017 and 2016 were as follows:

(in millions) | 2018 | 2017 | 2016 |
---|---|---|---|
Gain on the Skincare Sale | — | $(309) | — |
Gain on the iNova Sale | — | (309) | — |
Gain on the Dendreon Sale | — | (97) | — |
Loss on the Sprout Sale | — | 98 | — |
Net loss (gain) on other sales of assets | 6 | 37 | (6) |
Litigation and other matters | (27) | 226 | 59 |
Other, net | — | 1 | 20 |
Other (income) expense, net | $(21) | $(353) | $73 |

In 2018, Litigation and other matters includes a favorable adjustment of $40 million related to the Salix SEC litigation. In 2017, Litigation and other matters includes: (i) $96 million related to the settlement of the Allergan shareholder class actions, (ii) $93 million related to the settlement of the Solodyn® antitrust class actions litigation and (iii) $20 million related to the Mimetogen Pharmaceuticals litigation. In 2016, Litigation and other matters includes: (i) an unfavorable adjustment of $90 million from the settlement of the Salix securities litigation and (ii) a favorable adjustment of $39 million from the settlement of the investigation into Salix's pre-acquisition sales and promotional practices for the Xifaxan®, Relistor® and Apriso® products. See Note 20, "LEGAL PROCEEDINGS" for additional information.
17. **INCOME TAXES**

The components of Loss before benefit from income taxes for the years ended December 31, 2018, 2017 and 2016 consist of:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>$(1,475)</td>
<td>$(2,032)</td>
<td>$(1,804)</td>
</tr>
<tr>
<td>Foreign</td>
<td>$(2,679)</td>
<td>291</td>
<td>$(631)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$(4,154)</td>
<td>$(1,741)</td>
<td>$(2,435)</td>
</tr>
</tbody>
</table>

The components of Benefit from income taxes for the years ended December 31, 2018, 2017 and 2016 consist of:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>–</td>
<td>$(20)</td>
<td>–</td>
</tr>
<tr>
<td>Foreign</td>
<td>$(327)</td>
<td>$(146)</td>
<td>$(241)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$(327)</td>
<td>$(166)</td>
<td>$(241)</td>
</tr>
<tr>
<td>Deferred:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>17</td>
<td>(2)</td>
<td>–</td>
</tr>
<tr>
<td>Foreign</td>
<td>320</td>
<td>4,313</td>
<td>268</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>337</td>
<td>4,475</td>
<td>268</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$(10)</td>
<td>$4,145</td>
<td>$27</td>
</tr>
</tbody>
</table>

The Benefit from income taxes differs from the expected amount calculated by applying the Company’s Canadian statutory rate of 26.9% to Loss before benefit from income taxes for the years ended December 31, 2018, 2017 and 2016 as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before benefit from income taxes</td>
<td>$ (4,154)</td>
<td>$ (1,741)</td>
<td>$ (2,435)</td>
</tr>
<tr>
<td>Benefit from income taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected benefit from income taxes at Canadian statutory rate</td>
<td>$1,117</td>
<td>$468</td>
<td>$655</td>
</tr>
<tr>
<td>Non-deductible amount of share-based compensation</td>
<td>(10)</td>
<td>(37)</td>
<td>(30)</td>
</tr>
<tr>
<td>Adjustments to tax attributes</td>
<td>(4)</td>
<td>(242)</td>
<td>147</td>
</tr>
<tr>
<td>Impact of changes in enacted income tax rates</td>
<td>–</td>
<td>747</td>
<td>–</td>
</tr>
<tr>
<td>Canadian tax impact of foreign exchange gain or loss on U.S. dollar denominated debt held by BHC and its Canadian Affiliates</td>
<td>(8)</td>
<td>157</td>
<td>(11)</td>
</tr>
<tr>
<td>Change in valuation allowance related to foreign tax credits and NOLs</td>
<td>(3)</td>
<td>139</td>
<td>(155)</td>
</tr>
<tr>
<td>Change in valuation allowance on Canadian deferred tax assets and tax rate changes</td>
<td>(867)</td>
<td>(517)</td>
<td>(472)</td>
</tr>
<tr>
<td>Change in uncertain tax positions</td>
<td>(47)</td>
<td>(65)</td>
<td>(10)</td>
</tr>
<tr>
<td>Foreign tax rate differences</td>
<td>(3)</td>
<td>933</td>
<td>(101)</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(488)</td>
<td>(139)</td>
<td>(377)</td>
</tr>
<tr>
<td>Tax differences on divestitures of businesses</td>
<td>–</td>
<td>203</td>
<td>–</td>
</tr>
<tr>
<td>Tax benefit on intra-entity transfers</td>
<td>356</td>
<td>2,480</td>
<td>399</td>
</tr>
<tr>
<td>Other</td>
<td>(33)</td>
<td>18</td>
<td>(18)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10</td>
<td>$4,145</td>
<td>$27</td>
</tr>
</tbody>
</table>
Deferred tax assets and liabilities as of December 31, 2018 and 2017 consist of:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>$2,886</td>
<td>$2,485</td>
</tr>
<tr>
<td>Provisions</td>
<td>519</td>
<td>589</td>
</tr>
<tr>
<td>Research and development tax credits</td>
<td>143</td>
<td>140</td>
</tr>
<tr>
<td>Scientific Research and Experimental Development pool</td>
<td>52</td>
<td>57</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>46</td>
<td>59</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Unrealized FX on U.S. dollar debt and other financing cost</td>
<td>262</td>
<td>61</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>44</td>
<td>—</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td>3,980</td>
<td>3,424</td>
</tr>
<tr>
<td>Less valuation allowance</td>
<td>(2,913)</td>
<td>(2,001)</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td>1,067</td>
<td>1,423</td>
</tr>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>163</td>
<td>2,014</td>
</tr>
<tr>
<td>Plant, equipment and technology</td>
<td>55</td>
<td>18</td>
</tr>
<tr>
<td>Outside basis differences</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>—</td>
<td>35</td>
</tr>
<tr>
<td>Other</td>
<td>29</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities</strong></td>
<td>276</td>
<td>2,170</td>
</tr>
<tr>
<td><strong>Net deferred tax asset (liability)</strong></td>
<td>$791</td>
<td>$(747)</td>
</tr>
</tbody>
</table>

On December 22, 2017, the Tax Act was signed into law and includes a number of changes in the U.S. tax law, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. The Tax Act also implements a modified territorial tax system that includes a one-time transition tax on the accumulated previously untaxed earnings of foreign subsidiaries (the “Transition Toll Tax”) equal to 15.5% (reinvested in liquid assets) or 8% (reinvested in non-liquid assets). At the taxpayer's election, the Transition Toll Tax can be paid over an eight-year period without interest, starting in 2018. The Company elected not to use this option and instead used a portion of its U.S. net operating losses ("NOLs") to offset this income inclusion.

The Tax Act also includes two new U.S. tax base erosion provisions: (i) the base-erosion and anti-abuse tax (“BEAT”) and (ii) the global intangible low-taxed income (“GILTI”). BEAT provides a minimum tax on U.S. tax deductible payments made to related foreign parties after December 31, 2017. GILTI requires an entity to include in its U.S. taxable income the earnings of its foreign subsidiaries in excess of an allowable return on each foreign subsidiary’s depreciable tangible assets. Accounting guidance provides that the impacts of GILTI can be included in the consolidated financial statements either by recording the impacts in the period in which GILTI has been incurred or by adjusting deferred tax assets or liabilities in the period of enactment related to basis differences expected to reverse as a result of the GILTI provisions in future years. The Company has elected to provide for the GILTI tax in the period in which it is incurred and, therefore, the 2017 benefit for income taxes did not include a provision for GILTI. The tax expense in 2018 includes the effects of the Tax Act including both GILTI and BEAT.

As part of the Tax Act, the Company’s U.S. interest expense is subject to limitation rules which limit U.S. interest expense to 30% of adjusted taxable income, defined similar to EBITDA through 2021 and EBIT thereafter. Disallowed interest can be carried forward indefinitely and any unused interest deduction assessed for recoverability. The Company considered such provisions in 2018 and expects to fully utilize any interest carry forwards in future periods.

For the year ended December 31, 2017, the Company provided for income taxes, including the impacts of the Tax Act, in accordance with the accounting guidance issued through the date of issuance of its audited Consolidated Financial Statements. In accordance with that accounting guidance, the Company had provisionally provided for the income tax effects of the Tax Act as of December 31, 2017. The Company’s Benefit from income taxes for the year 2017 included provisional net tax
benefits of $975 million attributable to the Tax Act which included: (i) the re-measurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future of $774 million, (ii) the one-time Transition Toll Tax of $88 million and (iii) the decrease in deferred tax assets attributable to certain legal accruals, the deductibility of which is uncertain for U.S. federal income tax purposes, of $10 million. The Company has utilized NOLs to offset the provisionally determined $88 million Transition Toll Tax and therefore no amount was recorded as payable. The Company had previously provided for residual U.S. federal income tax on its outside basis differences in certain foreign subsidiaries which, due to the Tax Act, are no longer taxable. As such, the Company's residual U.S. federal income tax liability of $299 million prior to the law change was reversed and the Company recognized a deferred tax benefit of $299 million in the fourth quarter of 2017.

The provisional amounts included in the Company's Benefit from income taxes for the year 2017, including the Transition Toll Tax, were finalized during the three months ended December 31, 2018. In finalizing the Benefit from income taxes for the year 2017, the Company considered the guidance issued by accounting regulatory bodies, the U.S. Internal Revenue Service, state and local governments, and the proposed regulations regarding the one-time Transition Toll Tax on the pre-2018 earnings of certain non-U.S. subsidiaries issued by the U.S. Treasury Department on August 1, 2018. As part of its full assessment, the Company also assessed the impact of the Tax Act on the Company's tax filings for the year 2017. Differences between the provisional net income tax benefits in 2017 attributable to the Tax Act of $975 million, as previously disclosed, and the benefit for income taxes as finalized are included in the Benefit from income taxes for the year ended December 31, 2018 and were not material to the Company’s financial results for the year ended December 31, 2018. Although the Company has completed its full assessment and finalized its accounting for the impact of the Tax Act, the Company will monitor guidance issued in the future and assess the impact, if any, on the amounts provided.

The Company has provided for income taxes, including the impacts of the Tax Act, in accordance with guidance issued by accounting regulatory bodies, the U.S. Internal Revenue Service and state and local governments through the date of the issuance of these Consolidated Financial Statements. Additional guidance and interpretations can be expected and such guidance, if any, could impact future results. While management continues to monitor these matters, the ultimate impact, if any, as a result of the application of any guidance issued in the future cannot be determined at this time.

On December 21, 2018, the U.S. Treasury Department released proposed regulations under the new dividend received deduction and anti-hybrid rules. The Company has evaluated the proposed regulations, the impact of which was not material and has been included in the Benefit from income taxes.

On September 5, 2018, Ireland’s Minister for Finance and Public Expenditure and Reform published Ireland’s Corporation Tax Roadmap incorporating implementation of the European Union Anti-Tax Avoidance Directives. The regulations have no impact for 2018 and the Company is in the process of evaluating these proposals and the impacts on its future financial results.

In 2017, the Company liquidated its top U.S. subsidiary (Biovail Americas Corp.) in a taxable transaction that resulted in a taxable loss which was of a character that offset certain gains from internal restructurings and third-party divestitures, the excess of which was, under U.S. tax law, able to be carried back to offset previously recognized gains in 2016, 2015 and 2014. This carryback resulted in an increase in the deferred tax asset for NOLs previously utilized against such gains. In connection with this taxable transaction, the Company recognized a net income tax benefit of approximately $400 million primarily related to the carryback of losses and reversed a previously established deferred tax liability of approximately $1,900 million.

The realization of deferred tax assets is dependent on the Company generating sufficient domestic and foreign taxable income in the years that the temporary differences become deductible. A valuation allowance has been provided for the portion of the deferred tax assets that the Company determined is more likely than not to remain unrealized based on estimated future taxable income and tax planning strategies. As a result of taxable losses in Canada and deferred tax assets generated in conjunction with internal restructurings, the valuation allowance increased by $912 million and $144 million during the years ended December 31, 2018 and 2017, respectively. Given the Company’s history of pre-tax losses and expected future losses in Canada, the Company maintained that there was insufficient objective evidence to release the valuation allowance against Canadian tax loss carryforwards, International Tax Credits (“TTC”) and pooled Scientific Research and Experimental Development Tax Incentive (“SR&ED”) expenditures.

As of December 31, 2018 and 2017, the Company had accumulated taxable losses available to offset future years’ federal and provincial taxable income in Canada of approximately $5,655 million and $5,047 million, respectively. As of December 31, 2018 and 2017, unclaimed ITCs available to offset future federal taxes in Canada were approximately $34 million and $37 million, respectively, which expire in the years 2019 through 2036. In addition, as of December 31, 2018 and 2017, pooled SR&ED expenditures available to offset against future taxable income in Canada were approximately $192 million and $210

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As of December 31, 2018 and 2017, the Company had accumulated taxable losses available to offset future years' federal taxable income in the U.S. of approximately $1,552 million and $1,703 million, respectively, including acquired losses which expire in the years 2021 through 2037. While the remaining taxable losses are subject to multiple annual loss limitations as a result of previous ownership changes, the Company believes that the recoverability of the deferred tax assets associated with these taxable losses are more likely than not to be realized. As of December 31, 2018 and 2017 U.S. research and development credits available to offset future years' federal income taxes in the U.S. were approximately $345 million and $342 million, respectively, which includes acquired research and development credits and which expire in the years 2021 through 2038. The Company intends to amend prior U.S. tax filings in order to deduct foreign taxes rather than take a foreign tax credit. Therefore, during 2017, the Company reversed the deferred tax asset and associated valuation allowance of approximately $342 million in U.S. foreign tax credits, including acquired U.S. foreign tax credits. The Company recorded a deferred tax benefit of $84 million for such deduction and adjusted its expected NOL carryforward accordingly. In conjunction with the Sprout Sale in 2017, the Company recognized a capital loss and established a valuation allowance on the portion of the loss for which a benefit is not expected to be realized.

The Company provides for Canadian tax on the unremitted earnings of its direct foreign affiliates except for its direct U.S. subsidiaries. The Company continues to assert that the unremitted earnings of its U.S. subsidiaries will be permanently reinvested and not repatriated to Canada. As of December 31, 2018, the Company estimates there will be no Canadian tax liability attributable to the permanently reinvested U.S. earnings.

As of December 31, 2018 and 2017, unrecognized tax benefits (including interest and penalties) were $654 million and $598 million, of which $345 million and $273 million would affect the effective income tax rate, respectively. In 2018 and 2017, the remaining unrecognized tax benefits would not impact the effective tax rate as the tax positions are offset against existing tax attributes or are timing in nature. In 2018 and 2017, the Company recognized net increases to unrecognized tax benefits for current year tax positions of $18 million and $147 million, respectively. In 2018 and 2017, the Company recognized net increases to unrecognized tax benefits related to tax positions taken in the prior years of $18 million and $28 million, respectively.

The Company provides for interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2018 and 2017, accrued interest and penalties related to unrecognized tax benefits were approximately $42 million and $41 million. In 2018 and 2017, the Company recognized an increase of approximately $1 million and $2 million of interest and penalties, respectively.

The Company and one or more of its subsidiaries file federal income tax returns in Canada, the U.S., and other foreign jurisdictions, as well as various provinces and states in Canada and the U.S. The Company and its subsidiaries have open tax years, primarily from 2005 to 2017, with significant taxing jurisdictions, respectively, including Canada and the U.S. These open years contain certain matters that could be subject to differing interpretations of applicable tax laws and regulations and tax treaties, as they relate to the amount, timing, or inclusion of revenues and expenses, or the sustainability of income tax positions of the Company and its subsidiaries. Certain of these tax years are expected to remain open indefinitely.

### Jurisdiction: Open Years

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Open Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States - Federal</td>
<td>2014 - 2017</td>
</tr>
<tr>
<td>Canada</td>
<td>2005 - 2017</td>
</tr>
<tr>
<td>Germany</td>
<td>2013 - 2017</td>
</tr>
<tr>
<td>France</td>
<td>2013 - 2017</td>
</tr>
<tr>
<td>China</td>
<td>2015 - 2017</td>
</tr>
<tr>
<td>Ireland</td>
<td>2013 - 2017</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2015 - 2017</td>
</tr>
<tr>
<td>Australia</td>
<td>2011 - 2017</td>
</tr>
</tbody>
</table>

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

The Company is currently under examination by the Canada Revenue Agency for three separate cycles: (a) years 2005 through 2006, (b) years 2007 through 2009 and (c) years 2012 through 2013. The Company received from the Canada Revenue Agency a proposed audit adjustment for the years 2005 through 2009. The Company disagrees with the adjustments and has filed the respective Notices of Objection. The total proposed adjustment will result in a loss of tax attributes which are subject to a full valuation allowance and will not result in material change to the provision for income taxes. The Canada Revenue Agency audits of the 2010 and 2011 tax years were closed in 2016, and resulted in no material adjustments. The Company received an assessment for certain transfer pricing matters in 2012 for CAD 88 million. The Company disagrees the adjustments and will file a Notice of Objection. Of the total proposed adjustment, all but CAD 2 million will result in a loss of tax attributes which are subject to a full valuation allowance and will not result in a material change to the provision for income taxes.

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 2010. On August 8, 2017, the Australian Taxation Office issued a notice of assessment for the tax years 2011 through 2017 in the aggregate amount of $117 million, which includes penalties and interest. The Company disagrees with the assessment and continues to believe that its tax positions are appropriate and supported by the facts, circumstances and applicable laws. The Company intends to defend its tax position in this matter vigorously and has filed a holding objection against the assessment by the Australian Taxation Office and has secured a bank guarantee to cover any potential cash outlays regarding this assessment. As of December 31, 2017, Restricted cash of $77 million was deposited with a bank as collateral to secure a bank guarantee for the benefit of the Australian Government. On January 9, 2018, the cash collateral of $77 million of Restricted cash was returned to the Company in exchange for a $77 million letter of credit.

The Company's U.S. affiliates remain under examination for various state tax audits in the U.S. for years 2012 through 2017.

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.

The following table presents a reconciliation of the unrecognized tax benefits for 2018, 2017 and 2016:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$ 598</td>
<td>$ 423</td>
<td>$ 344</td>
</tr>
<tr>
<td>Additions based on tax positions related to the current year</td>
<td>18</td>
<td>145</td>
<td>16</td>
</tr>
<tr>
<td>Additions for tax positions of prior years</td>
<td>55</td>
<td>57</td>
<td>96</td>
</tr>
<tr>
<td>Reductions for tax positions of prior years</td>
<td>(11)</td>
<td>(18)</td>
<td>(20)</td>
</tr>
<tr>
<td>Lapse of statute of limitations</td>
<td>(6)</td>
<td>(9)</td>
<td>(13)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ 654</td>
<td>$ 598</td>
<td>$ 423</td>
</tr>
</tbody>
</table>

The Company estimates that unrecognized tax benefits realized during the next 12 months will not be material.

On February 15, 2019, the Company received a ruling from the Polish tax authorities confirming the deductibility of royalties paid to certain Canadian subsidiaries. In connection with this ruling, the Company expects to recognize a tax benefit and will reduce its uncertain tax benefit liability for the full amount of the previously recorded liability for this matter of $32 million during the quarter ending March 31, 2019.
18. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share attributable to Bausch Health Companies Inc. for 2018, 2017 and 2016 were calculated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income attributable to Bausch Health Companies Inc.</td>
<td>$(4,148)</td>
<td>$2,404</td>
<td>$(2,409)</td>
</tr>
<tr>
<td>Basic weighted-average number of common shares outstanding</td>
<td>351.3</td>
<td>350.2</td>
<td>347.3</td>
</tr>
<tr>
<td>Dilutive effect of stock options, RSUs and other</td>
<td>—</td>
<td>1.6</td>
<td>—</td>
</tr>
<tr>
<td>Diluted weighted-average number of common shares outstanding</td>
<td>351.3</td>
<td>351.8</td>
<td>347.3</td>
</tr>
</tbody>
</table>

(Loss) earnings per share attributable to Bausch Health Companies Inc.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>$(11.81)</td>
<td>6.86</td>
<td>$(6.94)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$(11.81)</td>
<td>6.83</td>
<td>$(6.94)</td>
</tr>
</tbody>
</table>

In 2018 and 2016, all potential common shares issuable for stock options and RSUs were excluded from the calculation of diluted loss per share, as the effect of including them would have been anti-dilutive. The dilutive effect of potential common shares issuable for stock options and RSUs on the weighted-average number of common shares outstanding would have been approximately 3,763,000 and 2,795,000 common shares for 2018 and 2016, respectively.

Additionally, in 2018, 2017 and 2016, stock options, time-based RSUs and performance-based RSUs to purchase approximately 4,185,000, 7,050,000 and 7,825,000 common shares of the Company, 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.

19. SUPPLEMENTAL CASH FLOW DISCLOSURES

The Supplemental cash flow disclosures for 2018, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>$1,665</td>
<td>$1,708</td>
<td>$1,718</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>$138</td>
<td>$179</td>
<td>$149</td>
</tr>
</tbody>
</table>

20. 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 below.

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 December 31, 2018, the Company's Consolidated Balance Sheets includes accrued current loss contingencies of $11 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

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

In October 2015, the Company received a subpoena from the U.S. Attorney's Office for the District of Massachusetts, and, in June 2016, the Company received a follow-up subpoena. The materials requested, pursuant to the subpoenas and follow-up requests, include documents and witness interviews with respect to the Company's patient assistance programs and contributions to patient assistance organizations that provide financial assistance to Medicare patients taking products sold by the Company, and the Company’s pricing of its products. The Company is cooperating with this investigation. The Company cannot predict the outcome or the duration of this investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of this investigation.

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

In October 2015, the Company received a subpoena from the U.S. Attorney's Office for the Southern District of New York. The materials requested, pursuant to the subpoena and follow-up requests, include documents and witness interviews with respect to the Company's patient assistance programs; its former relationship with Philidor Rx Services, LLC ("Philidor") and other pharmacies; the Company's accounting treatment for sales by specialty pharmacies; information provided to the Centers for Medicare and Medicaid Services; the Company’s pricing (including discounts and rebates), marketing and distribution of its products; the Company’s compliance program; and employee compensation. The Company is cooperating with this investigation. 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.

SEC Investigation

Beginning in November 2015, the Company received from the staff of the Los Angeles Regional Office of the SEC subpoenas for documents, as well as various document, testimony and interview requests, related to its investigation of the Company, including requests concerning the Company's former relationship with Philidor, its accounting practices and policies, its public disclosures and other matters. The Company is cooperating with the SEC in this matter. The Company cannot predict the outcome or the duration of the SEC investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of the SEC investigation.

AMF Investigation

On April 12, 2016, the Company received a request letter from the Autorité des marchés financiers (the “AMF”) requesting documents concerning the work of the Company's ad hoc committee of independent directors (established to review certain allegations regarding the Company's former relationship with Philidor and related matters), the Company's former relationship with Philidor, the Company's accounting practices and policies and other matters. The Company is cooperating with the AMF in this matter. In July 2018, the Company was advised by the AMF that it had issued a formal investigation order in respect of the Company on February 2, 2018. The Company cannot predict whether any enforcement action against the Company will result from such investigation.

Investigation by the State of Texas

On May 27, 2014, the State of Texas served Bausch & Lomb Incorporated (“B&L Inc.”) with a Civil Investigative Demand concerning various price reporting matters relating to the State's Medicaid program and the amounts the State paid in reimbursement for B&L products for the period from 1995 to the date of the Civil Investigative Demand. The Company and B&L Inc. have cooperated fully with the State's investigation and have produced all of the documents requested by the State. In April 2016, the State sent B&L Inc. a demand letter claiming damages in the amount of $20 million. The Company and B&L Inc. have evaluated the letter and disagree with the allegations and methodologies set forth in the letter. In June 2016, the Company and B&L Inc. responded to the State. In July 2018, the State responded to the Company's June 2016 letter and indicated that it disagreed with certain of the Company's positions and would send a response to the Company's June 2016 letter, which the Company has not yet received.

Securities and RICO Class Actions and Related Matters

U.S. Securities Litigation

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. 3:15-cv-07658. On June 24, 2016, the lead plaintiff filed a consolidated complaint asserting claims under Sections 10(b) and 20(a) of the Exchange Act against the Company, and certain current or former officers and directors, as well as claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the “Securities Act”) against the Company, certain current or former officers and directors, and certain other parties. The lead plaintiff seeks to bring these claims on behalf of a putative class of persons who purchased the Company’s equity securities and senior notes in the United States between January 4, 2013 and March 15, 2016, including all those who purchased the Company’s securities in the United States in the Company’s debt and stock offerings between July 2013 to March 2015. On September 13, 2016, the Company and the other defendants moved to dismiss the consolidated complaint. On April 28, 2017, the Court dismissed certain claims arising out of the Company’s private placement offerings and otherwise denied the motions to dismiss. On September 20, 2018, lead plaintiff filed an amended complaint, adding claims against ValueAct Capital Management L.P. and affiliated entities. On October 31, 2018, ValueAct filed a motion to dismiss and the parties then agreed that the action was stayed pursuant to the Private Securities Litigation Reform Act.

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. 2:18-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. 3:15-cv-07658). On January 14, 2019, Defendants filed a motion to dismiss the Timber Hill complaint. Briefing on that motion was completed on February 13, 2019.

These individual shareholder actions assert claims under Sections 10(b), 18, and 20(a) of the Exchange Act, Sections 11, 12(a)(2), and 15 of the Securities Act, common law fraud, and negligent misrepresentation under state law, based on alleged purchases of Company stock, options, and/or debt at various times between January 3, 2013 and August 10, 2016. Plaintiffs in the Lord Abbett, Boeing, Mississippi, NYCERS, Hound Partners, Blackrock, Catalyst, 2012 Dynasty cases and Northwestern Mutual additionally assert claims under the New Jersey Racketeer Influenced and Corrupt Organizations Act. The allegations in the complaints are similar to those made by plaintiffs in the putative class action. Motions to dismiss have been filed 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.

The Company believes the individual complaints and the consolidated putative class action are without merit 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. These actions are captioned: (a) Alladina v. Valeant, et al. (Case No. S-1594B6) (Supreme Court of British Columbia) (filed November 17, 2015); (b) Kowalshyshyn v. Valeant, et al. (CV-15-540593-00CP) (Ontario Superior Court) (filed November 16, 2015); (c) Kowalshyshyn et al. v. Valeant, et al. (CV-15-541082-00CP) (Ontario Superior Court) (filed November 23, 2015); (d) O’Brien v. Valeant et al. (CV-15-543678-00CP) (Ontario Superior Court) (filed December 30, 2015); (e) Catucci v. Valeant, et al. (Court File No. 540-17-011743159) (Quebec Superior Court) (filed October 26, 2015); and (f) Rousseau-Godbout v. Valeant, et al. (Court File No. 500-06-000770-152) (Quebec Superior Court) (filed October 27, 2015).

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 US Securities Litigation description above.

The Rosseau-Godbout action was stayed by the Quebec Superior Court by consent order. The Kowalshyshyn action has been consolidated with the O’Brien action and that the consolidated action is stayed in favor of the Catucci action. 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. A timetable for certain pre-trial procedural matters in the action has been set and the notice of certification has been disseminated to class members. Among other things, the timetable established a deadline of June 19, 2018 for class members to exercise their right to opt-out of the class.

The Company is aware of two additional putative class actions that have been filed with the applicable court but which have not yet been served on the Company. These actions are captioned: (i) Okeley v. Valeant, et al. (Case No. S-159991) (Supreme Court of British Columbia) (filed December 2, 2015); and (ii) Sukhna v Valeant et al. (CV-15-540567-00CP) (Ontario Superior Court) (filed November 16, 2015), and the factual allegations made in these actions are substantially similar to those outlined above. The Company has been advised that the plaintiffs in these actions do not intend to pursue the actions.

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. That application has been scheduled to be heard on May 14, 2019. 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 who exercised their opt-out rights 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, California State Teachers’ Retirement System 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.

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

**Insurance Coverage Lawsuit**

On December 7, 2017, the Company filed a lawsuit against its insurance companies that issued insurance policies covering claims made against the Company, its subsidiaries, and its directors and officers during two distinct policy periods, (i) 2013-14 and (ii) 2015-16. The lawsuit is currently pending in the United States District Court for the District of New Jersey (Valeant Pharmaceuticals International, Inc., et al. v. AIG Insurance Company of Canada, et al.; 3:18-CV-00493). In the lawsuit, the Company seeks coverage for (1) the costs of defending and resolving claims brought by former shareholders and debtholders of Allergan, Inc. in In re Allergan, Inc. Proxy Violation Securities Litigation and Timber Hill LLC, individually and on behalf of all others similarly situated v. Pershing Square Capital Management, L.P., et al. (under the 2013-2014 coverage period), and (2) costs incurred and to be incurred in connection with the securities class actions and opt-out cases described in this section and certain of the investigations described above (under the 2015-2016 coverage period).

**RICO Class Actions**

Between May 27, 2016 and September 16, 2016, three virtually identical actions were filed in the U.S. District Court for the District of New Jersey against the Company and various third-parties, alleging claims under the federal Racketeer Influenced and 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. On November 30, 2016, the Court entered an order consolidating the three actions under the caption In re Valeant Pharmaceuticals International, Inc. Third-Party Payor Litigation, No. 3:16-cv-03087. A consolidated class action complaint was filed on December 14, 2016. 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 Company moved to dismiss the consolidated complaint on February 13, 2017. On March 14, 2017, other defendants filed a motion to stay the RICO class action pending the resolution of criminal proceedings against Andrew Davenport and Gary Tanner. On August 9, 2017, the Court granted the motion to stay and entered an order staying all proceedings in the case and accordingly terminating other pending motions.

The Company believes these claims are without merit and intends to defend itself vigorously.

**Hound Partners Lawsuit**

On October 19, 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. This action is captioned Hound Partners Offshore Fund, LP et al., v. Valeant Pharmaceuticals International, Inc., et al. (No. MER-L-002185-18). This suit asserts claims for common law fraud, negligent misrepresentation, and violations of the New Jersey Racketeer Influenced and Corrupt Organizations Act. The factual allegations made in this complaint are similar to those made in the District of New Jersey Hound Partners action. The Company disputes the claims and intends to vigorously defend this matter.

**Antitrust**

**Contact Lens Antitrust Class Actions**

Beginning in March 2015, a number of civil antitrust class action suits were filed by purchasers of contact lenses against B&L Inc., three other contact lens manufacturers, and a contact lens distributor, alleging that the defendants engaged in an anticompetitive scheme to eliminate price competition on certain contact lens lines through the use of unilateral pricing policies.
The plaintiffs in such suits alleged violations of Section 1 of the Sherman Act, 15 U.S.C. § 1, and of various state antitrust and consumer protection laws, and further alleged that the defendants have been unjustly enriched through their alleged conduct. The plaintiffs sought declaratory and injunctive relief and, where applicable, treble, punitive and/or other damages, including attorneys’ fees. By order dated June 8, 2015, the Judicial Panel for Multidistrict Litigation (“JPML”) centralized the suits in the Middle District of Florida, under the caption In re Disposable Contact Lens Antitrust Litigation, Case No. 3:15-md-02626-HES-JRK, before U.S. District Judge Harvey E. Schlesinger. After the class plaintiffs filed a corrected consolidated class action complaint on December 16, 2015, the defendants jointly moved to dismiss those complaints. On June 16, 2016, the Court granted the defendants’ motion to dismiss with respect to claims brought under the Maryland Consumer Protection Act, but denied the motion to dismiss with respect to claims brought under Sherman Act, Section 1 and other state laws. On December 4, 2018, the Court certified six classes, four of which relate to B&L Inc. On December 18, 2018, the defendants filed petitions seeking leave from the Eleventh Circuit Court of Appeals to file an immediate appeal of the class certification order (the “Petitions”). On August 20, 2018, B&L Inc. individually and jointly with defendants filed motions for summary judgment. The Court indicated that resolution of the motions for summary judgment may require the trial (currently set for May 2019) to be rescheduled for a later date. On January 29, 2019, the Court ordered the parties to file briefs addressing whether the litigation should be stayed pending a ruling on the Petitions. On February 12, 2019, defendants requested that the Court enter a stay until resolution of the Petitions, including the ensuing appeal should the Petitions be granted. Plaintiffs oppose a stay of the litigation, but both parties requested the Court reschedule the May 2019 trial date. The Company intends to vigorously defend this matter.

Generic Pricing Antitrust Class Action

On June 22, 2018, 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”), were added as defendants in putative class action multidistrict antitrust litigation 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 complaint was filed by direct purchaser plaintiffs on behalf of themselves and others similarly situated. The plaintiffs seek damages under federal antitrust laws. Separate complaints by other plaintiffs which had been consolidated in the same multidistrict litigation did not name the Company or any of its subsidiaries as a defendant. The direct purchaser plaintiffs assert that the Company’s subsidiaries purportedly entered into a conspiracy to fix, stabilize, and raise prices, rig bids and engage in market and customer allocation for generic pharmaceuticals. Specific claims against the Company’s subsidiaries relate to generic pricing of the Company’s metronidazole vaginal product as part of an alleged overarching conspiracy among generic drug manufacturers. Prior to the Company’s subsidiaries being added to the case, some of the defendants moved to dismiss certain of the consolidated amended complaints. On October 16, 2018, the Court granted in part and denied in part these defendants’ motions to dismiss. On December 21, 2018, the direct purchaser plaintiffs filed an amended complaint alleging similar claims against the Company’s subsidiaries as the earlier-filed putative class action complaint. On December 20, 2018, three direct purchaser plaintiffs that had opted out of the putative class filed an amended complaint in the MDL that added Oceanside, Bausch Health US and Bausch Health Americas, alleging similar claims as the direct purchaser plaintiffs’ putative class action complaint. The current deadline for filing motions to dismiss is February 21, 2019. Discovery against the Company’s subsidiaries has commenced. The Company intends to vigorously defend this matter.

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Intellectual Property

Patent Litigation/Paragraph IV Matters

From time to time, the Company (and/or certain of its affiliates) is also party to certain patent infringement proceedings in the United States and Canada, including as arising from claims filed by the Company (or that the Company anticipates filing within the required time periods) in connection with Notices of Paragraph IV Certification (in the United States) and Notices of Allegation (in Canada) received from third-party generic manufacturers respecting their pending applications for generic versions of certain products sold by or on behalf of the Company, including Relistor®, Apriso®, Uceris® and Jublia® in the United States and Glumetza® in Canada, or other similar suits. These matters are proceeding in the ordinary course. 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 US 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 US Patent and Trial Appeal Board, in May 2017, instituted inter partes review for an Orange Book-listed patent covering Jublia® and, on June 6, 2018, issued a written determination invalidating such patent. An appeal of this decision was filed on August 7, 2018. Jublia® continues to be covered by seven other Orange Book-listed patents owned by the Company, which expire in the years 2028 through 2034.

Product Liability

Shower to Shower Products Liability Litigation

The Company has been named in one hundred sixty-five lawsuits involving the Shower to Shower body powder product acquired in September 2012 from Johnson & Johnson.

These lawsuits include one case originally filed in the In re Johnson & Johnson Talcum Powder Litigation, Multidistrict Litigation 2738, pending in the United States District Court for the District of New Jersey. The Company and Bausch Health US were first named in a lawsuit filed directly into the MDL alleging that the use of the Shower to Shower product caused the plaintiff to develop ovarian cancer. The plaintiff agreed to a dismissal of all claims against the Company and Bausch Health US without prejudice. The Company has been named in one additional lawsuit, originally filed in the District of Puerto Rico and subsequently transferred into the MDL, but has not been served in that case. The Company was also named in two additional lawsuits filed directly into the MDL that have also not yet been served.

These lawsuits also include a number of matters filed in the Superior Court of Delaware and five cases filed in the Superior Court of New Jersey alleging that the use of Shower to Shower caused the plaintiffs to develop ovarian cancer. The Company has been voluntarily dismissed from nearly all of these cases, with claims against Bausch Health US only remaining in most of these cases. Four of the five cases in the Superior Court of New Jersey were voluntarily dismissed as to Bausch Health US as well. The allegations in these cases specifically directed to Bausch Health US include failure to warn, design defect, negligence, gross negligence, breach of express and implied warranties, civil conspiracy concert in action, negligent misrepresentation, wrongful death, and punitive damages. One hundred forty-nine of the Delaware actions were voluntarily dismissed without prejudice in January 2019, but, pursuant to a stipulation among the parties, will be refiled in either the MDL or in coordinated proceedings in Atlantic County, New Jersey Superior Court, depending on the state of residence of each plaintiff. As of the date of this Form 10-K, these re-filings have not yet occurred.

In addition, these lawsuits also include a number of cases filed in certain state courts in the United States (including the Superior Courts of California, Delaware and New Jersey); the District Court of Louisiana; the Supreme Court of New York (Niagara County); the District Court of Oklahoma City, Oklahoma; the South Carolina Court of Common Pleas (Richland County); and the District Court of Nueces County, Texas (transferred to the asbestos MDL docket in the District Court of Harris County, Texas for pre-trial purposes) alleging use of Shower to Shower and other products resulted in the plaintiffs developing mesothelioma. The Company has been successful in obtaining voluntarily dismissals in most of these cases or the plaintiffs have not opposed summary judgment. The allegations in these cases generally include design defect, manufacturing defect, failure to warn, negligence, and punitive damages, and in some cases breach of express and implied warranties, misrepresentation, and loss of consortium. The damages sought by the various Plaintiffs include compensatory damages, including medical expenses, lost wages or earning capacity, and loss of consortium. In addition, Plaintiffs seek 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.
On February 11, 2019, seven plaintiffs filed a pre-suit notice letter with the California Attorney General notifying the Attorney General’s office of their intent to file suit after 60 days against the Company and certain of its subsidiaries, alleging they committed violations of the California Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65) by manufacturing and distributing Shower to Shower that they allege contained chemical compounds known to cause cancer. By statute, a private lawsuit may not be filed until at least 60 days have passed following service of this pre-suit notice letter.

Finally, 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). The Company also acquired the rights to the Shower to Shower product in Canada from Johnson & Johnson in September 2012. In the British Columbia matter, the plaintiff seeks to certify a proposed class action on behalf of persons in British Columbia and Canada who have purchased or used Johnson & Johnson’s Baby Powder or Shower to Shower, including their estates, executors and personal representatives, and is alleging that the use of this product increases certain health risks. In the Quebec matter, the plaintiff sought to certify a proposed class action on behalf of persons in Quebec who have used Johnson & Johnson’s Baby Powder or Shower to Shower, as well as their family members, assigns and heirs, and is alleging 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. A certification (also known as authorization) hearing in the Quebec matter and the Court certified (or as stated under Quebec law, authorized) the bringing of a class action by a representative plaintiff on behalf of people in Quebec who have used Johnson & Johnson's Baby Powder and/or Shower to Shower in their perineal area and have been diagnosed with ovarian cancer and/or family members, assigns and heirs. The plaintiffs in these actions are seeking awards of general, special, compensatory and punitive damages.

The Company intends to defend itself vigorously in each of the remaining actions that are not voluntarily dismissed or subject to a grant of summary judgment. The Company believes that its potential liability (including its attorneys’ fees and costs) arising out the Shower to Shower lawsuits filed against the Company is subject to certain indemnification obligations of Johnson & Johnson owed to the Company, and legal fees and costs have been and are currently being reimbursed by Johnson & Johnson. The Company has provided Johnson & Johnson with notice that the lawsuits filed against the Company relating to Shower to Shower are subject to indemnification by Johnson & Johnson. While Johnson & Johnson continues to indemnify the Company, the Company has initiated proceedings in arbitration against Johnson & Johnson relating to the scope and amount of such indemnification.

**General Civil Actions**

**Mississippi Attorney General Consumer Protection Action**

The Company and Bausch Health US are named in an action brought by James Hood, Attorney General of Mississippi, in the Chancery Court of the First Judicial District of Hinds County, Mississippi (Hood ex rel. State of Mississippi, Civil Action No. G2014-1207013, filed on August 22, 2014), alleging consumer protection claims against Johnson & Johnson and Johnson Consumer Companies, Inc., the Company and Bausch Health US related to the Shower body powder product and its alleged causal link to ovarian cancer. As indicated above, the Company acquired the Shower to Shower body powder product in September 2012 from Johnson & Johnson. The State seeks compensatory damages, punitive damages, injunctive relief requiring warnings for talc-containing products, removal from the market of products that fail to warn, and to prevent the continued violation of the Mississippi Consumer Protection Act (“MCPA”). The State also seeks disgorgement of profits from the sale of the product and civil penalties. In October 2017, plaintiffs dismissed certain claims under the MCPA related to advertising/marketing that did not appear on the label and/or packaging of Shower to Shower. The State has not made specific allegations as to the Company or Bausch Health US. The Company intends to defend itself vigorously in this action. The Company believes that its potential liability (including its attorneys’ fees and costs) arising out this Shower to Shower matter filed against the Company is subject to certain indemnification obligations of Johnson & Johnson owed to the Company, and legal fees and costs have been and are currently being reimbursed by Johnson & Johnson.

**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, Index No. 651597/2018. Doctors Allergy asserts 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. On June 14, 2018, Bausch Health Americas filed a motion to dismiss the complaint in part and a motion to strike. Oral argument on this motion was held on November 13, 2018. Discovery is proceeding. Bausch Health Americas disputes the claims and intends to vigorously defend this matter.
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, Case No. 2019-0059, 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 and intends to vigorously defend the matter.

Completed or Inactive Matters

The following matters have concluded, have settled, are the subject of an agreement to settle or have otherwise been closed since January 1, 2018, have been inactive from the Company's perspective for several quarters or the Company anticipates that no further material activity will take place with respect thereto. Due to the closure, settlement, inactivity or change in status of the matters referenced below, these matters will no longer appear in the Company's next public reports and disclosures, unless required. With respect to inactive matters, to the extent material activity takes place in subsequent quarters with respect thereto, the Company will provide updates as required or as deemed appropriate.

Allergan Shareholder Class Actions

On December 16, 2014, Anthony Basile, an alleged shareholder of Allergan filed a lawsuit on behalf of a putative class of Allergan shareholders against the Company, Bausch Health Americas (then Valeant Pharmaceuticals International (“VPI”)), AGMS, Pershing Square, PS Management, GP, LLC, PS Fund 1 and William A. Ackman in the U.S. District Court for the Central District of California (Basile v. Valeant Pharmaceuticals International, Inc., et al., Case No. 14-cv-02004-DOC). On June 26, 2015, lead plaintiffs the State Teachers Retirement System of Ohio, the Iowa Public Employees Retirement System and Patrick T. Johnson filed an amended complaint against the Company, Bausch Health Americas (then VPI), J. Michael Pearson, Pershing Square, PS Management, GP, LLC, PS Fund 1 and William A. Ackman. The amended complaint alleged claims on behalf of a putative class of sellers of Allergan securities between February 25, 2014 and April 21, 2014, against all defendants contending that various purchases of Allergan securities by PS Fund were made while in possession of material, non-public information concerning a potential tender offer by the Company for Allergan stock, and asserting violations of Section 14(e) of the Exchange Act and rules promulgated by the SEC thereunder and Section 20A of the Exchange Act. The amended complaint also alleged violations of Section 20(a) of the Exchange Act against Pershing Square, various Pershing Square affiliates, William A. Ackman and J. Michael Pearson. The amended complaint sought, among other relief, money damages, equitable relief, and attorneys’ fees and costs. On March 15, 2017, the Court entered an order certifying a plaintiff class comprised of persons who sold Allergan common stock contemporaneously with purchases of Allergan common stock made or caused by defendants during the period February 25, 2014 through April 21, 2014.

On June 28, 2017, Timber Hill LLC, a Connecticut limited liability company that allegedly traded in Allergan derivative instruments, filed a lawsuit on behalf of a putative class of derivative traders against the Company, Bausch Health Americas (then VPI), AGMS, Michael Pearson, Pershing Square, PS Management, GP, LLC, PS Fund 1 and William A. Ackman in the U.S. District Court for the Central District of California (Timber Hill LLC v. Pershing Square Capital Management, L.P., et al., Case No. 17-cv-04776-DOC). The complaint alleged claims on behalf of a putative class of investors who sold Allergan call options, purchased Allergan put options and/or sold Allergan equity forward contracts between February 25, 2014 and April 21, 2014, against all defendants contending that various purchases of Allergan securities by PS Fund 1 were made while in possession of material, non-public information concerning a potential tender offer by the Company for Allergan stock, and asserting violations of Section 14(e) of the Exchange Act and rules promulgated by the SEC thereunder and Section 20A of the Exchange Act. The complaint also alleged violations of Section 20(a) of the Exchange Act against Pershing Square, various Pershing Square affiliates, William A. Ackman and Michael Pearson. The complaint sought, among other relief, money damages, equitable relief, and attorneys’ fees and costs. On July 25, 2017, the Court decided not to consolidate this lawsuit with the Basile action described above.

On December 28, 2017, all parties agreed to settle the ongoing, related Allergan shareholder class actions for a total of $290 million. As part of that proposed settlement, the Company parties paid $96 million, being 33% of the settlement amount (which amount was paid in January 2018), while the Pershing Square parties are to pay $195 million, being 67% of the settlement amount. The Court preliminarily approved the settlement on March 19, 2018. Following a hearing held on June 12, 2018, the Court granted final approval of the settlement.
Beginning in July 2013, a number of civil antitrust class action suits were filed against Medicis Pharmaceutical Corporation ("Medicis") a subsidiary of the Company, Valeant Pharmaceuticals International, Inc. ("VPII") (now named Bausch Health Companies Inc.) and various manufacturers of generic forms of Solodyn ®, alleging that the defendants engaged in an anticompetitive scheme to exclude competition from the market for minocycline hydrochloride extended release tablets, a prescription drug for the treatment of acne marketed by Medicis under the brand name, Solodyn ®. The plaintiffs in such suits alleged violations of Sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1, 2, and of various state antitrust and consumer protection laws, and further alleged that the defendants have been unjustly enriched through their alleged conduct. The plaintiffs sought declaratory and injunctive relief and, where applicable, treble, multiple, punitive and/or other damages, including attorneys’ fees. By order dated February 25, 2014, the JPML centralized the suits in the District of Massachusetts, under the caption In re Solodyn (Minocycline Hydrochloride) Antitrust Litigation, Case No. 1:14-md-02503-DJC, before U.S. District Judge Denise Casper. After the Direct Purchaser Class Plaintiffs and the End-Payor Class Plaintiffs each filed a consolidated amended class action complaint on September 12, 2014, the defendants jointly moved to dismiss those complaints. On August 14, 2015, the Court granted the Defendants' motion to dismiss with respect to claims brought under Sherman Act, Section 2 and various state laws but denied the motion to dismiss with respect to claims brought under Sherman Act, Section 1 and other state laws. VPII was dismissed from the case, but the litigation continued against Medicis and the generic manufacturers as to the remaining claims.

On March 26, 2015, and on April 6, 2015, while the motion to dismiss the class action complaints was pending, two additional non-class action complaints were filed against Medicis by certain retail pharmacy and grocery chains ("Individual Plaintiffs") making similar allegations and seeking similar relief to that sought by Direct Purchaser Class Plaintiffs. Those suits have been centralized with the class action suits in the District of Massachusetts. Following the Court's August 14, 2015 decision on the motion to dismiss, the Individual Plaintiffs each filed amended complaints on October 1, 2015, and Medicis answered on December 7, 2015. A third non-class action was filed by another retail pharmacy against Medicis on January 26, 2016, and Medicis answered on March 28, 2016.

Plaintiffs reached settlements with two of three generic manufacturer defendants prior to the close of discovery. On April 14, 2017, the Court granted the Direct Purchaser Plaintiffs’ and End-Payor Plaintiffs’ motions for preliminary approval of those settlements. The Court granted final approval on November 27, 2017. For the remaining parties, following the close of fact discovery and expert discovery, the Court granted Direct Purchaser Plaintiffs’ and End-Payor Plaintiffs’ motions for class certification for the purposes of damages, but denied End-Payor Plaintiffs’ motion for class certification for the purposes of injunctive and declaratory relief. The remaining defendants petitioned to appeal the certification of the End-Payor Class and this petition was denied. Plaintiffs and the remaining defendants each filed motions for summary judgment. The Court heard oral argument on the parties’ summary judgment motions on January 12, 2018. On January 25, 2018, the Court issued a Memorandum and Order denying the parties’ motions, except for partially allowing defendants’ motion on market power. In February 2018, Medicis agreed to resolve the class action litigation with the End-Payor and Direct Purchaser classes for an amount of $58 million and has resolved related litigation with opt-out retailers for additional consideration. On July 18, 2018, the district court granted final approval of these settlements with the End-Payor and Direct Purchaser classes.

GAF Realty Lawsuit

In January 2018, GAF Realty Advisors, Inc. filed a lawsuit against the Company ( GAF Realty Advisors, Inc. v. Valeant Pharmaceuticals International, Inc. , Case No. 30-2018-00967586-CU-BC-CJC) in the Superior Court of the State of California (Orange County), which alleged breach of contract and related claims with respect to a dispute over real estate commissions. In March 2018, the Company settled this matter, which included the payment of a de minimus amount by the Company.

Uceris ® Arbitration

On or about December 5, 2016, Cosmo Technologies Ltd. and Cosmo Technologies III Ltd. (collectively, “Cosmo”), the licensor of certain intellectual property rights in, and supplier of, the Company’s Uceris ® extended release tablets, commenced arbitration against certain affiliates of the Company, Santarus Inc. ("Santarus") and Valeant Pharmaceuticals Ireland (now named Bausch Health Ireland Limited) ("Bausch Ireland"), under the Rules of Arbitration of the International Chamber of Commerce (No. 22453/GR, Cosmo Technologies Ltd. et al. v. Santarus, Inc. et al.). In the arbitration, Cosmo alleged breach of contract with respect to certain terms of the license agreement, including the obligations on Santarus to use certain commercially reasonable efforts to promote the Uceris ® extended release tablets. Cosmo sought a declaration that both the license agreement and a supply agreement with Bausch Ireland had been terminated, plus audit and attorney fees. A hearing on liability issues was conducted from October 5, 2017 to October 8, 2017. On April 12, 2018, the Arbitral Tribunal issued a
ruling rejecting Cosmo's claims; accordingly, both the license agreement and supply agreement remain in effect. Additionally, the Arbitral Tribunal ordered Cosmo to pay the entirety of the Company's legal costs of approximately $3 million, which Cosmo has paid. The parties subsequently informed the Tribunal and the International Chamber of Commerce ("ICC") that the remaining issues in the arbitration have been resolved, and, accordingly, the case has been dismissed.

Investigation by the California Department of Insurance

On or about September 16, 2016, the Company received an investigative subpoena from the California Department of Insurance. The materials requested include documents concerning the Company’s former relationship with Philidor and certain California-based pharmacies, the marketing and distribution of its products in California, the billing of insurers for its products being used by California residents, and other matters. On May 1, 2018, the Company and the California Department of Insurance signed an agreement to resolve this investigation, with the Company making a payment to the California Department of Insurance in the amount of approximately $2 million, with no admission of facts or liability by the Company.

Mimetogen Litigation

In November 2014, B&L Inc. filed a lawsuit against Mimetogen Pharmaceuticals Inc. ("MPI") in the United States District Court for the Western District of New York ( Bausch & Lomb Incorporated v. Mimetogen Pharmaceuticals Inc. , Case No. 6:14-06640 (FPG-JWF) (W.D.N.Y.)) relating to the Development Collaboration and Exclusive Option Agreement between B&L Inc. and MPI dated July 17, 2013 (the “MIM-D3 Agreement”) for MIM-D3, a compound created by MPI to treat dry eye syndrome. In particular, B&L Inc. sought a declaratory judgment that the Initial Phase III Trial regarding the safety and efficacy of MIM-D3 conducted pursuant to the MIM-D3 Agreement was “Not Successful” as defined in the MIM-D3 Agreement and, as a result, B&L Inc. had no further obligation to MPI when B&L Inc. elected not to exercise or extend its option to obtain an exclusive license to the MIM-D3 technology to develop and commercialize certain products pursuant to the MIM-D3 Agreement before the end of the applicable option period. MPI filed a counterclaim against B&L Inc., in which it contended that the result of the clinical trial did not meet the definition of “Not Successful” under the MIM-D3 Agreement and that, as a result, a $20 million termination fee was due by B&L Inc. to MPI under the terms of the MIM-D3 Agreement and that B&L Inc. had breached the MIM-D3 Agreement by failing to pay this termination fee. MPI also contended that B&L Inc. acted intentionally and consequently was entitled to additional damages. MPI also brought certain third-party claims against the Company, alleging that the Company intentionally interfered with the MIM-D3 Agreement with the intent to harm MPI. MPI also asserted a claim against the Company for unfair and deceptive acts under Massachusetts law, and sought recovery of the $20 million fee, as well as additional damages related to this claimed delay and injury to the value of its developmental product. In May 2016, the Court dismissed all claims against the Company, other than the claim for tortious interference, and declined to dismiss the claims against B&L Inc. and the Company for extra-contractual damages. On June 30, 2017, the Court issued a Decision and Order granting MPI’s motion for partial summary judgment, awarding MPI the amount of $20 million (based on a finding that the termination fee was due based on the outcome of the clinical trial) and denying the cross-motion for summary judgment filed by B&L Inc. and the Company. On March 1, 2018, final judgment was entered against B&L Inc. in the amount of $26 million. On March 30, 2018, B&L Inc. filed its appeal of the final judgment and all prior decisions in the case, including the Court’s June 30, 2017 Decision and Order granting MPI partial summary judgment. While the appeal was pending, the parties entered into a confidential settlement agreement and dismissed the appeal, concluding the case.
Settlement of Xifaxan® Patent Litigation

On or about February 16, 2016, the Company received a Notice of Paragraph IV Certification dated February 11, 2016, from Actavis Laboratories FL, Inc. (“Actavis”), in which Actavis asserted that the U.S. patents listed in the U.S. Food and Drug Administration’s (the “FDA”) Orange Book for Salix Inc. Xifaxan® tablets, 550 mg (the “Xifaxan® Patents”), were either invalid, unenforceable and/or would not be infringed by the commercial manufacture, use or sale of Actavis’ generic rifaximin tablets, 550 mg, for which an Abbreviated New Drug Application (“ANDA”) has been filed by Actavis. On March 23, 2016, Salix Inc. and its affiliates, Salix Ltd. and Valeant Pharmaceuticals Luxembourg S.à r.l., Alfa Wasserman S.p.A. (“Alfa Wasserman”) (as owner of certain of the Xifaxan® Patents) and Cedars-Sinai Medical Center (as owner of certain of the Xifaxan® Patents) (collectively, the “Plaintiffs”) filed suit against Actavis in the U.S. District Court for the District of Delaware (Case No. 1:16-cv-00188), pursuant to the Hatch-Waxman Act, alleging infringement by Actavis of one or more claims of each of the Xifaxan® Patents, thereby triggering a 30-month stay of the approval of Actavis’ ANDA for rifaximin tablets, 550 mg. On May 24, 2016, Actavis filed its answer to this matter.

On September 12, 2018, the Company announced that it had agreed to resolve all outstanding intellectual property litigation regarding Actavis’ ANDA. 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, with drug supply being provided by Salix Ltd. In the case an authorized generic is marketed, the volume of the authorized generic will be subject to manufacturing and supply quantities until final patent expiry, and the Company will receive a share of the economics from Actavis on its sales of such an authorized generic. The parties have agreed to dismiss all litigation related to Xifaxan®, and all intellectual property protecting Xifaxan® will remain intact and enforceable. The Company will not make any financial payments or other transfers of value as part of the agreement. Actavis acknowledges the validity of the Xifaxan® Patents.

Settlement of Salix Ltd. SEC Investigation

In the fourth quarter of 2014, the SEC commenced a formal investigation into alleged securities law violations by Salix Ltd. The investigation related to certain disclosures made prior to the Salix Acquisition by Salix Ltd. and its then-chief financial officer relating to the amounts of Salix Ltd. drugs held in inventory by certain wholesaler customers. The Company cooperated with the SEC’s investigation. On September 28, 2018, the Company reached a settlement of the relevant charges with the SEC, which settlement remains subject to approval by the U.S. District Court for the Southern District of New York. Under the terms of the settlement, Salix Ltd. neither admitted or denied the SEC’s allegations. No monetary penalty against the Company or Salix Ltd. was assessed by the terms of the settlement. As a result, the Company recorded a favorable adjustment of $40 million reflecting the reversal of the contingent liability assumed in connection with the Salix Acquisition.

Settlement of Arbitration with Alfasigma S.p.A. ("Alfasigma") (formerly Alfa Wasserman S.p.A.)

On or about July 21, 2016, Alfasigma commenced arbitration against the Company and its subsidiary, Salix Pharmaceuticals, Inc.’s (“Salix Inc.”) under the Rules of Arbitration of the International Chamber of Commerce (No. 22132/GR, Alfa Wasserman S.p.A. v. Salix Pharmaceuticals, Inc. et al.), pursuant to the terms of the Amended and Restated License Agreement between Alfasigma and Salix Inc. (the “ARLA”). In the arbitration, Alfasigma made certain allegations respecting a development project for a formulation of the rifaximin compound (a different formulation to the current formulation, not the Xifaxan® product) that is being conducted under the terms of the ARLA, including allegations that Salix Inc. has failed to use the required efforts with respect to this development and that the Company’s acquisition of Salix Ltd. resulted in a change of control under the ARLA, which entitled Alfasigma to assume control of this development. Alfasigma sought, among other things, a declaration that the provisions of the ARLA relating to the development product and the rights relating to the rifaximin formulation being developed had been terminated and such development and rights shall be returned to Alfasigma, an order requiring the Company and Salix Inc. to pay for the costs of such development (in an amount of at least $80 million), and alleged damages in the amount of approximately $285 million plus arbitration costs and attorney fees. The Company’s Xifaxan® products (and Salix Inc.’s rights thereto under the ARLA) were not the subject of any of the relief sought in this arbitration.

On October 25, 2018, Alfasigma, the Company and Salix Inc. entered into a settlement agreement, pursuant to which the parties released each other from all of the claims raised in the arbitration. In connection with the settlement, the parties requested a dismissal of the arbitration on a with prejudice basis. The ICC has granted the requested dismissal. In addition, in connection with the settlement, the parties also entered into an amendment to the ARLA providing for the initiation of a late-stage clinical program to study an investigational formulation of the rifaximin compound in patients with Postoperative Crohn’s disease.

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Settlement of Horizon Blue Cross Blue Shield of New Jersey Lawsuit

On July 26, 2018, Horizon Blue Cross Blue Shield of New Jersey filed a lawsuit against the Company in the Superior Court of New Jersey Law Division/Essex County. This action was captioned Horizon Blue Cross Blue Shield of New Jersey v. Valeant Pharmaceuticals International Inc., et. al., (No. ESX-L-005234-18). This suit asserted a claim under the New Jersey Insurance Fraud Prevention Act, N.J.S.A. 17:33A-1 to -30, as well as claims for common law fraud and negligent misrepresentation. In its complaint, Horizon alleged that the Company and other defendants submitted and caused Horizon to pay fraudulent insurance claims. On October 5, 2018, the Company filed a motion to dismiss the claims against it. While that motion was pending, plaintiffs and the Company entered into a confidential settlement agreement, pursuant to which the Company was dismissed from the action on January 8, 2019.

Afexa Class Action

On March 9, 2012, a Notice of Civil Claim was filed in the Supreme Court of British Columbia which sought an order certifying a proposed class proceeding against the Company and a predecessor, Afexa Life Sciences Inc. ("Afexa") (Case No. NEW-S-S-140954). The proposed claim asserted that Afexa and the Company made false representations respecting Cold-FX® to residents of British Columbia who purchased the product during the applicable period and that the proposed class has suffered damages as a result. On November 8, 2013, the plaintiff served an amended notice of civil claim which sought to re-characterize the representation claims and broaden them from what was originally claimed. On December 8, 2014, the Company filed a motion to strike certain elements of the plaintiff’s claim for failure to state a cause of action. In response, the plaintiff proposed further amendments to its claim. The hearing on the motion to strike and the plaintiff’s amended claim was held on February 4, 2015. The Court allowed certain additional subsequent amendments, while it struck others. The hearing to certify the class was held on April 4-8, 2016 and, on November 16, 2016, the Court issued a decision dismissing the plaintiff’s application for certification of this action as a class proceeding. On December 15, 2016, the plaintiff filed a notice of appeal in the British Columbia Court of Appeal appealing the decision to dismiss the application for certification. The plaintiff filed its appeal factum on March 15, 2017 and the Company filed its appeal factum on April 19, 2017. The appeal hearing was held on September 19, 2017 and, on April 30, 2018, the British Columbia Court of Appeal dismissed the appeal. On June 29, 2018, the plaintiff filed leave to appeal to the Supreme Court of Canada in this matter and, on February 7, 2019, the Supreme Court of Canada dismissed the application for leave to appeal with costs.

Letter from the U.S. Department of Justice Civil Division and the U.S. Attorney’s Office for the Eastern District of Pennsylvania

The Company has received a letter dated September 10, 2015 from the U.S. Department of Justice Civil Division and the U.S. Attorney’s Office for the Eastern District of Pennsylvania stating that they are investigating potential violations of the False Claims Act arising out of Biovail Pharmaceuticals, Inc.'s (“Biovail Pharmaceuticals”) treatment of certain service fees under agreements with wholesalers when calculating and reporting Average Manufacturer Prices in connection with the Medicaid Drug Rebate Program. The letter requests that the Company voluntarily produce documents and information relating to the investigation. The Company produced certain documents and clarifying information in response to the government’s request and has cooperated with the government’s investigation; although, during 2018, there has been no material activity on the part of the Company with respect to this matter nor has the Company had contact from the government with respect to this matter. The Company cannot predict the outcome or the duration of this investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of these investigations.

On October 12, 2017, the underlying qui tam complaint asserting claims under the federal and certain state False Claims Acts was unsealed in the Eastern District of Pennsylvania, after the United States and the states on whose behalf claims were asserted declined to intervene in the case. The complaint named Biovail Pharmaceuticals and three other pharmaceutical manufacturers as defendants. The complaint alleged that Biovail Pharmaceuticals and other manufacturers failed to accurately account for service fees in its calculation of Average Manufacturer Prices reported to the federal government, and as a result underpaid Medicaid rebates. On January 10, 2018, the Relator in this matter filed a voluntary dismissal in this matter, dismissing Biovail Pharmaceuticals, Inc. and two of the other defendants, on a without prejudice basis. The United States and the states on whose behalf claims were asserted have consented to the voluntary dismissal on March 2, 2018.

Investigation by the State of North Carolina Department of Justice

In the beginning of March 2016, the Company received an investigatory demand from the State of North Carolina Department of Justice. The materials requested relate to the Company's Nitropress®, Isuprel® and Cuprimine® products, including documents relating to the production, marketing, distribution, sale and pricing of, and patient assistance programs covering, such products, as well as issues relating to the Company’s pricing decisions for certain of its other products. The Company
has cooperated with this investigation; although, during 2018, there has been no material activity on the part of the Company with respect to this matter nor has the Company had contact from the State with respect to this matter. The Company cannot predict the outcome or the duration of this investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of this investigation.

**California Department of Insurance Investigation**

On May 4, 2016, B&L International, Inc. ("B&L International") received from the Office of the California Insurance Commissioner an administrative subpoena to produce books, records and documents. On September 1, 2016, a revised and corrected subpoena, issued to B&L Inc., was received naming that entity in place of B&L International and seeking additional books records and documents. The requested books, records and documents are being requested in connection with an investigation by the California Department of Insurance and relate to, among other things, consulting agreements and financial arrangements between Bausch & Lomb Holdings Incorporated and its subsidiaries ("B&L") and health care professionals in California, the provision of ocular equipment, including the Victus ® femtosecond laser platform, by B&L to health care professionals in California and prescribing data for prescriptions written by health care professionals in California for certain of B&L’s products, including the Crystalens ® , Lotemax ® , Besivance ® and Prolensa ® . B&L Inc. and the Company have cooperated with the investigation, although, during 2018, there has been no material activity on the part of either B&L Inc. or the Company with respect to this matter nor has B&L Inc. nor the Company had contact from the California Department of Insurance with respect to this matter. The Company cannot predict the outcome or the duration of this investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of this investigation.

**21. COMMITMENTS AND CONTINGENCIES**

**Lease Commitments**

The Company leases certain facilities, vehicles and equipment principally under operating leases. Rental expense related to operating lease agreements was $92 million , $102 million and $103 million and for 2018 , 2017 and 2016 , respectively. Minimum future rental payments under noncancelable operating leases for each of the five succeeding years ending December 31 and thereafter are as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Operating Lease Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 78</td>
</tr>
<tr>
<td>2020</td>
<td>60</td>
</tr>
<tr>
<td>2021</td>
<td>44</td>
</tr>
<tr>
<td>2022</td>
<td>39</td>
</tr>
<tr>
<td>2023</td>
<td>32</td>
</tr>
<tr>
<td>Thereafter</td>
<td>166</td>
</tr>
<tr>
<td>Total</td>
<td>$ 419</td>
</tr>
</tbody>
</table>

Minimum future rental payments under noncancelable capital leases are not material.

**Other Commitments**

The Company has commitments related to capital expenditures of approximately $64 million as of December 31, 2018 .

Under certain agreements, the Company may be required to make payments contingent upon the achievement of specific developmental, regulatory, or commercial milestones. In connection with certain business combinations and divestitures, the Company may make contingent consideration payments, as further described in Note 4, "DIVESTITURES" and Note 6, "FAIR VALUE MEASUREMENTS" . In addition to these contingent consideration payments, as of December 31, 2018 , the Company estimates that it may pay other potential milestone payments and license fees, including sales-based milestones, of up to approximately $1,150 million over time, in the aggregate, to third parties, primarily consisting of the following:

- Under the terms of the co-promotion agreement with US WorldMeds, LLC, the Company may be required to make potential sales-based milestone payments over time up to $335 million , in the aggregate.
• The Company has made specific regulatory milestone payments related to and shares the profits for brodalumab with AstraZeneca under the terms of the October 2015 license agreement. The Company may be required to pay up to an additional $20 million in regulatory milestone payments and up to $175 million in sales-related milestone payments in accordance with the October 2015 license agreement.

• Under the terms of a March 2010 development and licensing agreement between B&L and Nicox Inc., the Company has exclusive worldwide rights to develop and commercialize, for certain indications, products containing latanoprostene bunod, a nitric oxide donating compound for the treatment of glaucoma and ocular hypertension. The Company may be required to make potential regulatory, commercialization and sales-based milestone payments over time up to $145 million, in the aggregate, as well as royalties on future sales.

• Under the term of the 2012 acquisition of Medicis Pharmaceutical Corporation, the Company may be required to make potential regulatory, commercialization and sales-based milestone payments over time up to approximately $111 million, in the aggregate.

• In connection with certain agreements assumed in the Salix Acquisition which was consummated in April 2015, the Company estimates that it may pay to third parties potential milestones of up to approximately $88 million over time, in the aggregate.

Due to the nature of these arrangements, the future potential payments related to the attainment of the specified milestones over a period of several years are inherently uncertain.

**Indemnification Provisions**

In the normal course of business, the Company enters into agreements that include indemnification provisions for product liability and other matters. These provisions are generally subject to maximum amounts, specified claim periods and other conditions and limits. As of December 31, 2018 and 2017, no material amounts were accrued for the Company’s obligations under these indemnification provisions. In addition, the Company is obligated to indemnify its officers and directors in respect of any legal claims or actions initiated against them in their capacity as officers and directors of the Company in accordance with applicable law. Pursuant to such indemnities, the Company is indemnifying certain former officers and directors in respect of certain litigation and regulatory matters.

22. **SEGMENT INFORMATION**

**Reportable Segments**

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

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

• **The Bausch + Lomb/International segment** consists of: (i) sales in the U.S. of pharmaceutical products, OTC products and medical device products, primarily comprised of Bausch + Lomb products, with a focus on the Vision Care, Surgical, Consumer and Ophthalmology Rx products and (ii) with the exception of sales of Solta products, sales in Canada, Europe, Asia, Australia, Latin America, Africa and the Middle East of branded pharmaceutical products, branded generic pharmaceutical products, OTC products, medical device products and Bausch + Lomb products.

• **The Salix segment** consists of sales in the U.S. of gastrointestinal (“GI”) products.

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

• **The Diversified Products segment** consists of sales: (i) in the U.S. of pharmaceutical products in the areas of neurology and certain other therapeutic classes, (ii) in the U.S. of generic products, (iii) in the U.S. of dentistry products and (iv) of certain other businesses divested during 2017 that were not core to the Company’s operations, including the Company’s
equity interests in Dendreon (June 28, 2017) and Sprout (December 20, 2017). As a result of the divestitures of Dendreon and Sprout, the Company exited the oncology and women’s health businesses, respectively.

Segment profit is based on operating income after the elimination of intercompany transactions (including transactions with any consolidated variable interest entities). Certain costs, such as amortization and impairments of intangible assets, goodwill impairments, certain R&D expenses not specific to the Company’s active portfolio, acquired in-process research and development costs, restructuring, integration and acquisition-related costs and other (income) expense are not included in the measure of segment profit, as management excludes these items in assessing financial performance. In addition, a portion of share-based compensation, representing the difference between actual and budgeted expense, is not allocated to segments. The Company evaluates segment performance at the segment revenue and segment profit levels. Additionally, the Company does not evaluate total assets at the segment level.

Corporate includes the finance, treasury, certain research and development programs, tax and legal operations of the Company’s businesses and maintains and/or incurs certain assets, liabilities, 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. In addition, 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 Profit

Segment revenues and profits for the years ended December 31, 2018, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bausch + Lomb/International</td>
<td>$4,664</td>
<td>$4,795</td>
<td>$4,857</td>
</tr>
<tr>
<td>Salix</td>
<td>1,749</td>
<td>1,566</td>
<td>1,530</td>
</tr>
<tr>
<td>Ortho Dermatologics</td>
<td>625</td>
<td>725</td>
<td>949</td>
</tr>
<tr>
<td>Diversified Products</td>
<td>1,342</td>
<td>1,638</td>
<td>2,338</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$8,380</td>
<td>$8,724</td>
<td>$9,674</td>
</tr>
<tr>
<td><strong>Segment profit:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bausch + Lomb/International</td>
<td>$1,330</td>
<td>$1,412</td>
<td>$1,456</td>
</tr>
<tr>
<td>Salix</td>
<td>1,149</td>
<td>935</td>
<td>946</td>
</tr>
<tr>
<td>Ortho Dermatologics</td>
<td>265</td>
<td>336</td>
<td>408</td>
</tr>
<tr>
<td>Diversified Products</td>
<td>1,004</td>
<td>1,112</td>
<td>1,712</td>
</tr>
<tr>
<td><strong>Total segment profit</strong></td>
<td>3,748</td>
<td>3,795</td>
<td>4,522</td>
</tr>
<tr>
<td>Corporate</td>
<td>(605)</td>
<td>(562)</td>
<td>(690)</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>(2,644)</td>
<td>(2,690)</td>
<td>(2,673)</td>
</tr>
<tr>
<td>Goodwill impairments</td>
<td>(2,322)</td>
<td>(312)</td>
<td>(1,077)</td>
</tr>
<tr>
<td>Asset impairments</td>
<td>(568)</td>
<td>(714)</td>
<td>(422)</td>
</tr>
<tr>
<td>Restructuring and integration costs</td>
<td>(22)</td>
<td>(52)</td>
<td>(132)</td>
</tr>
<tr>
<td>Acquired in-process research and development costs</td>
<td>(1)</td>
<td>(5)</td>
<td>(34)</td>
</tr>
<tr>
<td>Acquisition-related contingent consideration</td>
<td>9</td>
<td>289</td>
<td>13</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>21</td>
<td>353</td>
<td>(73)</td>
</tr>
<tr>
<td><strong>Operating (loss) income</strong></td>
<td>(2,384)</td>
<td>102</td>
<td>(566)</td>
</tr>
<tr>
<td>Interest income</td>
<td>11</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,685)</td>
<td>(1,840)</td>
<td>(1,836)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(119)</td>
<td>(122)</td>
<td>—</td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>23</td>
<td>107</td>
<td>(41)</td>
</tr>
<tr>
<td><strong>Loss before benefit from income taxes</strong></td>
<td>$ (4,154)</td>
<td>$ (1,741)</td>
<td>$ (2,435)</td>
</tr>
</tbody>
</table>

### Capital Expenditures

Capital expenditures by segment for the years ended December 31, 2018, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bausch + Lomb/International</td>
<td>$139</td>
<td>$159</td>
<td>$221</td>
</tr>
<tr>
<td>Salix</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Ortho Dermatologics</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Diversified Products</td>
<td>2</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total capital expenditures</strong></td>
<td>$144</td>
<td>168</td>
<td>229</td>
</tr>
<tr>
<td>Corporate</td>
<td>13</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total capital expenditures</strong></td>
<td>$157</td>
<td>$171</td>
<td>$235</td>
</tr>
</tbody>
</table>
Revenues by Product and by Product Category

The top ten products for the years ended December 31, 2018, 2017 and 2016 represented 36%, 32% and 31% of total revenues for the years ended December 31, 2018, 2017 and 2016, respectively. Revenues by segment and product category were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Bausch + Lomb/ International</th>
<th>Salix</th>
<th>Ortho Dermatologics</th>
<th>Diversified Products</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>$892</td>
<td>$956</td>
<td>$966</td>
<td>$1,752</td>
<td>$1,564</td>
</tr>
<tr>
<td>Devices</td>
<td>1,505</td>
<td>1,421</td>
<td>1,407</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>OTC</td>
<td>1,412</td>
<td>1,529</td>
<td>1,581</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Branded and Other Generics</td>
<td>784</td>
<td>819</td>
<td>830</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other revenues</td>
<td>71</td>
<td>70</td>
<td>73</td>
<td>(3)</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>$4,664</td>
<td>$4,795</td>
<td>$4,857</td>
<td>$1,740</td>
<td>$1,566</td>
</tr>
</tbody>
</table>

Geographic Information

Revenues are attributed to a geographic region based on the location of the customer for the years ended December 31, 2018, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. and Puerto Rico</td>
<td>$5,011</td>
<td>$5,225</td>
<td>$6,247</td>
</tr>
<tr>
<td>China</td>
<td>361</td>
<td>331</td>
<td>300</td>
</tr>
<tr>
<td>Canada</td>
<td>319</td>
<td>326</td>
<td>320</td>
</tr>
<tr>
<td>Japan</td>
<td>226</td>
<td>223</td>
<td>232</td>
</tr>
<tr>
<td>Poland</td>
<td>218</td>
<td>201</td>
<td>140</td>
</tr>
<tr>
<td>Mexico</td>
<td>211</td>
<td>201</td>
<td>189</td>
</tr>
<tr>
<td>France</td>
<td>205</td>
<td>188</td>
<td>186</td>
</tr>
<tr>
<td>Egypt</td>
<td>178</td>
<td>152</td>
<td>196</td>
</tr>
<tr>
<td>Germany</td>
<td>170</td>
<td>157</td>
<td>157</td>
</tr>
<tr>
<td>Russia</td>
<td>154</td>
<td>200</td>
<td>165</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>117</td>
<td>108</td>
<td>104</td>
</tr>
<tr>
<td>Italy</td>
<td>85</td>
<td>78</td>
<td>72</td>
</tr>
<tr>
<td>Spain</td>
<td>83</td>
<td>77</td>
<td>70</td>
</tr>
<tr>
<td>Other</td>
<td>1,042</td>
<td>1,257</td>
<td>1,296</td>
</tr>
<tr>
<td>Total</td>
<td>$8,380</td>
<td>$8,724</td>
<td>$9,674</td>
</tr>
</tbody>
</table>
Long-lived assets consisting of property, plant and equipment, net of accumulated depreciation, are attributed to geographic regions based on their physical location as of December 31, 2018 and 2017 were as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. and Puerto Rico</td>
<td>$593</td>
<td>$599</td>
</tr>
<tr>
<td>Ireland</td>
<td>217</td>
<td>235</td>
</tr>
<tr>
<td>Canada</td>
<td>99</td>
<td>98</td>
</tr>
<tr>
<td>Poland</td>
<td>94</td>
<td>100</td>
</tr>
<tr>
<td>Germany</td>
<td>66</td>
<td>70</td>
</tr>
<tr>
<td>Egypt</td>
<td>50</td>
<td>47</td>
</tr>
<tr>
<td>Mexico</td>
<td>48</td>
<td>50</td>
</tr>
<tr>
<td>France</td>
<td>31</td>
<td>34</td>
</tr>
<tr>
<td>Serbia</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>China</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>Italy</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>South Korea</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Other</td>
<td>65</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,353</strong></td>
<td><strong>$1,403</strong></td>
</tr>
</tbody>
</table>

**Major Customers**

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

<table>
<thead>
<tr>
<th>Company</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>AmerisourceBergen Corp.</td>
<td>18%</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>McKesson Corp.</td>
<td>18%</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>Cardinal Health, Inc.</td>
<td>13%</td>
<td>13%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Selected unaudited quarterly consolidated financial data are shown below:

### 2018

*(in millions, except per share amounts)*

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$ 1,995</td>
<td>$ 2,128</td>
<td>$ 2,136</td>
<td>$ 2,121</td>
</tr>
<tr>
<td>Expenses</td>
<td>4,276</td>
<td>2,373</td>
<td>2,019</td>
<td>2,096</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>$ (2,281)</td>
<td>$ (245)</td>
<td>$ 117</td>
<td>$ 25</td>
</tr>
<tr>
<td>Net loss attributable to Bausch Health Companies Inc.</td>
<td>$ (2,581)</td>
<td>$ (873)</td>
<td>$ (350)</td>
<td>$ (344)</td>
</tr>
</tbody>
</table>

**Loss per share attributable to Bausch Health Companies Inc.:**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ (7.36)</td>
<td>$ (7.36)</td>
</tr>
<tr>
<td></td>
<td>$ (2.49)</td>
<td>$ (2.49)</td>
</tr>
<tr>
<td></td>
<td>$ (1.00)</td>
<td>$ (1.00)</td>
</tr>
<tr>
<td></td>
<td>$ (0.98)</td>
<td>$ (0.98)</td>
</tr>
</tbody>
</table>

|                      | $ 438 | $ 222 |
|                      | $ 522 | $ 319 |

During the second quarter of 2018, the Company identified a $112 million understatement to the Benefit from income taxes as originally reported for the three months ended March 31, 2018, due to an error in the forecasted effective tax rate. The understatement resulted in overstatements of the Company's Net loss attributable to Bausch Health Companies Inc. of $112 million and Basic and Diluted loss per share of $0.32 for the three months ended March 31, 2018. Based on its evaluation, the Company concluded that the misstatement was not material to its financial position and statements of operations, comprehensive loss and cash flows as of and for the three months ended March 31, 2018 or the related disclosures. The first quarter 2018 financial information presented above was revised to correct this misstatement.

### 2017

*(in millions, except per share amounts)*

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$ 2,109</td>
<td>$ 2,233</td>
<td>$ 2,219</td>
<td>$ 2,163</td>
</tr>
<tr>
<td>Expenses</td>
<td>1,898</td>
<td>2,058</td>
<td>2,181</td>
<td>2,485</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$ 211</td>
<td>$ 175</td>
<td>$ 38</td>
<td>$ (322)</td>
</tr>
<tr>
<td>Net income (loss) attributable to Bausch Health Companies Inc.</td>
<td>$ 628</td>
<td>$ (38)</td>
<td>$ 1,301</td>
<td>$ 513</td>
</tr>
</tbody>
</table>

**Earnings (loss) per share attributable to Bausch Health Companies Inc.:**

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1.80</td>
<td>$ 1.79</td>
</tr>
<tr>
<td></td>
<td>$ (0.11)</td>
<td>$ (0.11)</td>
</tr>
<tr>
<td></td>
<td>$ 3.71</td>
<td>$ 3.69</td>
</tr>
<tr>
<td></td>
<td>$ 1.46</td>
<td>$ 1.45</td>
</tr>
</tbody>
</table>

|                      | $ 954 | $ 268 |
|                      | $ 490 | $ 578 |
AMENDED AND RESTATED SUPPLY AGREEMENT

dated October 24, 2018

by and between

ALFASIGMA S.p.A. (formerly Alfa Wassermann S.P.A.),

and

SALIX PHARMACEUTICALS, INC.,

VALEANT PHARMACEUTICALS IRELAND LIMITED, and

VALEANT PHARMACEUTICALS LUXEMBOURG, S.à.r.l.
AMENDED AND RESTATED SUPPLY AGREEMENT

This Amended and Restated Supply Agreement (this “Agreement”), dated October 24, 2018 (the “Effective Date”), is entered into by and between ALFASIGMA S.p.A. (formerly, Alfa Wassermann S.p.A.), a società per azioni (joint stock company) duly incorporated under the laws of Italy, having its headquarters at Via Ragazzi del 99, 40133, Bologna, Italy (“Alfa”), on the one hand, and SALIX PHARMACEUTICALS, INC., a corporation duly organized and existing under the laws of the State of California, United States of America, having its principal place of business at 400 Somerset Corporate Blvd., Bridgewater, NJ 08807, USA (“Salix Inc.”), VALEANT PHARMACEUTICALS IRELAND LIMITED, a corporation duly organized and existing under the laws of Ireland, having its principal place of business at 3013 Lake Drive, Citywest Business Campus, Dublin 24, D24 PPT3 Ireland (“VIRL”), and VALEANT PHARMACEUTICALS LUXEMBOURG S.à.r.l., a company duly organized and existing under the laws of Luxembourg, having its principal place of business at 9 Allée Scheffer, L-2520 Luxembourg, R.C.S. Luxembourg B097 128 (“VPL”), on the other hand (collectively, Salix Inc. together with VIRL and VPL, “Salix”) (each a “Party” and collectively, the “Parties”).

WITNESSETH:

WHEREAS, Alfa and Salix Inc. entered into that certain Supply Agreement dated June 24, 1996 (the “1996 Supply Agreement”);

WHEREAS, Alfa and Salix Inc. subsequently amended the 1996 Supply Agreement by entering into that certain Amendment to Supply Agreement dated as of September 10, 2007, Amendment Number Two to Supply Agreement dated as of August 6, 2012, Amendment Number Three to Supply Agreement dated as of July 30, 2014, and Amendment Number Four to Supply Agreement dated as of September 4, 2014;

WHEREAS, Alfa, Salix Inc., and Valeant Pharmaceuticals International, Inc., n/k/a Bausch Health Companies, Inc., a corporation duly incorporated under the laws of British Columbia, Canada, have entered into that certain Settlement Agreement dated as of the date hereof (the “Settlement Agreement”), pursuant to which Alfa and Salix Inc. have agreed, among other things, to make certain changes to the 1996 Supply Agreement, as subsequently amended;

WHEREAS, in addition to making certain changes to the 1996 Supply Agreement as set forth herein, Salix Inc. desires to add VIRL and VPL as parties to this Agreement because VPL and VIRL hold and/or own certain intellectual property rights governed by this Agreement, with the understanding that Salix Inc. shall remain solely responsible to Alfa for the exercise of the rights and the performance (and any breach) of the obligations of Salix under the terms of this Agreement;

WHEREAS, Alfa and Salix Inc., together with VIRL and VPL, desire to enter into this Agreement for the purpose of incorporating the terms of such 1996 Supply Agreement, as subsequently amended, and modifying certain of the agreements and terms set forth therein to reflect the terms and mutual agreement of the Parties pursuant to the Settlement Agreement;
WHEREAS, Alfa and Salix Inc. have also entered into an Amended and Restated License Agreement, dated August 6, 2012 (such agreement, as amended from time to time, the “ARLA”), with respect to the Products (as defined below); and

WHEREAS, Alfa desires to continue to supply Salix with Compound (as defined below), and Salix desires to continue to purchase such Compound from Alfa, subject to the terms and conditions hereof.

NOW THEREFORE, in consideration of the foregoing and the mutual promises of the Parties set forth herein, Alfa and Salix, intending to be legally bound, agree to the following:

ARTICLE 1 – DEFINITIONS

All capitalized terms used in this Agreement and not otherwise defined have the meanings set forth in the ARLA, as subsequently amended. The following words and expressions used in this Agreement shall have the following meanings:

“1996 Supply Agreement” shall have the meaning set forth in the Recitals to this Agreement.

“Act” shall mean the United States Food, Drug, and Cosmetic Act and rules and regulations promulgated thereunder and the equivalent legislation, rules and regulations in any other country in the Territory, as amended from time to time.

“Additional Quantity” shall have the meaning set forth in ARTICLE 2.1.

“Additional Term” shall have the meaning set forth in ARTICLE 10.1.1.

“Affiliate(s)” shall mean any corporation, joint venture or other entity which directly or indirectly controls, is controlled by or is under common control with a Party to this Agreement. “Control” shall mean the possession of the power to direct or cause the direction of the management and policies of a person or business entity, whether through ownership of voting securities, by contract, or otherwise.

“Agreement” shall have the meaning set forth in the Preamble to this Agreement.

“Alfa” shall have the meaning set forth in the Preamble to this Agreement.
“Application(s)” shall mean the NDA for the Products to be filed by Salix with the FDA or any other applicable regulatory authority.

“ARLA” shall have the meaning set forth in the Recitals to this Agreement.

“cGMPs” shall have the meaning set forth in ARTICLE 6.1.2.

“Claimant” shall have the meaning set forth in ARTICLE 7.3.

“Committed Quantity” shall have the meaning set forth in ARTICLE 2.1.

“Compound” shall have the meaning set forth in the ARLA.

Compound shall not, for purposes of this Agreement, include the EIR Formulation and [***] nor any rifaximin required for the production of the EIR Formulation, [***] or any product containing the same, as it is the Parties’ intent that the manufacture of EIR Formulation, [***] and products containing the same by Alfa and their supply by Alfa to Salix shall be governed solely and exclusively by the EIR Supply Agreement and an agreement for the supply of Compound required for the production of [***] (when such agreement is entered into in the future), respectively.

“Compound Requirements” shall mean, in the aggregate, the Salix’s and its Affiliates’ and Sublicensees’ annual (calendar year) requirements of the Compound for use in the Manufacture of the Products for Development and/or sale in the Territory, on a year-by-year basis.

“Delivery Date” shall have the meaning set forth in ARTICLE 5.2.

“Effective Date” shall mean the date as first written in the Preamble to this Agreement.

“Facility” shall mean the plants where the Compound will be manufactured for the purposes of Alfa supplying the Compound to Salix hereunder. Such plants, unless Salix is notified otherwise under ARTICLE 2.4, shall be the plants located at (a) [***] and (b) [***].
“FDA” shall mean the United States Food and Drug Administration or any successor agency performing a similar function or an equivalent foreign regulatory agency (including without limitation, the Health Protection Branch in Canada).

“First Term” shall have the meaning set forth in ARTICLE 10.1.1.

“Indemnitor” shall have the meaning set forth in ARTICLE 7.3.

“Initial Term” shall have the meaning set forth in ARTICLE 10.1.1.

“[***]” shall mean [***].

“Manufacturer” shall mean, collectively, the manufacturers appointed by Alfa to manufacture the Compound on behalf of Alfa, which are as of the date hereof [***] and [***], and which manufacturers shall be changed only as provided in ARTICLE 2.4.

“Manufacturing License” shall mean the license granted by Alfa to Salix to manufacture the Compound in accordance with the ARLA and the terms of ARTICLE 9.

“NDA” shall mean applications filed with the FDA requesting approval to market a new drug.

“[***]” shall mean [***].

“Party” or “Parties” shall have the meaning set forth in the Preamble to this Agreement.

“Patents” shall mean the patents and/or patent applications listed in SCHEDULE A and any other patent rights in the Territory now existing or hereafter acquired by or licensed to Alfa pertaining to the subject matter of such patents and patent applications or otherwise to the Compound and/or the Product and any divisions, continuations and continuations-in-part of any such patents or patent rights and any patent granted in respect thereof for the full terms thereof including any reexaminations, renewals, extensions and reissues thereof and including any supplementary protection certificates.
“Products” shall mean those pharmaceutical products for human use in the Field containing the Compound as an active ingredient, excluding the pharmaceutical products using and containing the EIR Formulation and [***], which supply shall be governed solely and exclusively, respectively, by the EIR Supply Agreement and an agreement for the supply of Compound required for the production of [***] (when such agreement is entered into in the future).

“Putting into Commerce” shall mean the date of the first commercial sale of Products to Third Parties (excluding Affiliates or sublicensees or distributors of Salix or its Affiliates) by or on behalf of Salix or any sublicensees or distributors of Salix or its Affiliates made in any part of the Territory after all relevant marketing and pricing approvals shall have been granted by the relevant regulatory authorities in respect of the Product in such part of the Territory.

“Quality Agreement” shall have the meaning set forth in ARTICLE 5.5.

“Salix” shall have the meaning set forth in the Preamble to this Agreement.

“Salix Inc.” shall have the meaning set forth in the Preamble to this Agreement.

“Schedules” shall mean, collectively, SCHEDULE A, SCHEDULE B, and SCHEDULE C.

“Second Term” shall have the meaning set forth in ARTICLE 10.1.1.

“Settlement Agreement” shall have the meaning set forth in the Recitals to this Agreement.

“Specifications” shall mean the requirements, standards and other items for Compound attached as SCHEDULE B, as amended from time to time in accordance with ARTICLE 4.1.
“Technology Rights” shall mean all intellectual property and other proprietary rights and all confidential information and know-how pertaining to the Compound and/or the Product or otherwise to the Patents in any respect (including without limitation all improvements, inventions, derivatives, formulation data, specifications, manufacturing procedures and technology, technical information, know-how, trade secrets, pharmacology, toxicology and other pre-clinical data, clinical data, regulatory information and marketing data) within the possession or control of Alfa (whether developed by or licensed to Alfa) (and all such rights and information within the possession or control of any other licensee of Alfa having rights in respect of the Compound or the Product) in existence as of the date hereof or arising during the Term and which are available to Alfa for the Territory.

“Term” shall have the meaning set forth in ARTICLE 10.1.1.

“Territory” shall mean the United States (its territorial possessions, territories and the Commonwealth of Puerto Rico) and Canada.

“Third Party” shall mean any individual or entity other than Alfa or Salix and their respective Affiliates.

“Third Party Manufacturer” shall have the meaning set forth in ARTICLE 2.2.2.

“Third Term” shall have the meaning set forth in ARTICLE 10.1.1.

“VIRL” shall have the meaning set forth in the Preamble to this Agreement.

“VPL” shall have the meaning set forth in the Preamble to this Agreement.

ARTICLE 2 – SUPPLY

2.1 General Supply Requirements. Subject to the terms hereof and during the Term, Alfa agrees to sell to Salix, and Salix agrees to purchase from Alfa, such quantities of the Compound Requirements as may be ordered by Salix from time to time for use in the Manufacture of the Products for Development and/or sale in the Territory in a manner consistent with the ARLA.

2.2 Purchase Obligations. From January 1, 2019 until the expiration of the Term:
2.2.1 Subject to ARTICLE 2.2.4, Salix shall be obligated to purchase from Alfa at least [***] of the Compound Requirements (the “Committed Quantity”). The Compound Requirements ordered by Salix from Alfa in excess of the Committed Quantity shall be referred to herein as the “Additional Quantity”, with respect to which Salix shall have the right (but not the obligation, except as set forth in ARTICLE 2.2.3) to purchase from Alfa pursuant to the terms hereof.

2.2.2 Salix may purchase up to a total of: (a) [***] of the Compound Requirements (which is part of the Additional Quantity) from [***], and (b) [***] of the Compound Requirements (which is part of the Additional Quantity) from [***]; provided, however, that if Salix is unable to purchase from [***] any amount of the Compound Requirements under paragraph (b) above in any given year, then Salix may purchase such amount from [***]; and provided, further, that if Salix is unable to purchase any such amount from [***] in a given year, then Salix may purchase such amount from [***] designated by Salix from time to time and reasonably satisfactory to Alfa (the “Third Party Manufacturer”).

2.2.3 Subject to ARTICLE 2.2.4, Salix shall be obligated to purchase from Alfa (a) [***] of the Additional Quantity that it does not purchase from [***] pursuant to paragraph (a) of ARTICLE 2.2.2, and (b) [***] of the Additional Quantity that it does not purchase from [***], [***], or [***]. For the avoidance of any doubt, in no event shall Salix be entitled during any calendar year to purchase from [***] an amount of the Compound in excess of [***] of the Compound Requirements.

2.2.4 In the event that Alfa is unable or unwilling to provide the amounts of the Compound ordered from Salix to meet Salix’s purchase obligations under ARTICLE 2.2.1 and ARTICLE 2.2.3, Salix may purchase such amounts from Third Party manufacturers selected by Salix in its sole discretion.

2.3 Costs. Alfa, at its sole expense, will provide all labor, utilities, equipment, raw materials and components necessary for manufacturing, shipping and storage of the Compound in compliance with the Specifications and the warranties contained in ARTICLE 6.1.

2.4 Change of Manufacturer and/or Facility by Alfa. The Compound to be provided by Alfa to Salix under this Agreement shall be from the Manufacturer and the Facility. Subject to the prior written approval of Salix (which approval shall not be unreasonably withheld or delayed but will be conditional upon receipt of necessary FDA approvals), Alfa may change the Manufacturer and/or the Facility. In such event, the obligations of Alfa under this Agreement shall continue and Alfa shall remain solely responsible for the performance of its obligations under this Agreement notwithstanding the appointment of a new Manufacturer or designation of a new Facility. Alfa shall use its commercially reasonable efforts to procure that the Manufacturer shall comply with all obligations of Alfa hereunder.
3.1 **Price Terms.** During the Term, Alfa shall sell the Compound to Salix, and Salix shall purchase the Compound from Alfa, at the price(s) and on the conditions set forth in SCHEDULE C, which prices shall be inclusive of the cost of carriage insurance and freight of the Compound to Salix subject to ARTICLE 3.2.

3.2 **Delivery.** Alfa shall deliver or have delivered the Compound [***] or [***]. Title and risk shall pass to Salix when the Compound is delivered by the carrier to the plant as set forth above or as otherwise designated by Salix from time to time. Anything to the contrary under this Agreement notwithstanding, any cost and expense arising out of delivery of the Compound from the major airport or seaport to [***] or to the plant in the Territory designated by Salix from time to time exceeding [***] miles shall be promptly reimbursed by Salix to Alfa.

3.3 **Payment Terms.** Salix will pay for each shipment within [***] after the relevant date of invoice. Payment shall be made by SWIFT (international communications) wire transfer in U.S. dollars to such bank account in Italy as designated by Alfa in writing for such purpose. Alfa shall be responsible for securing any governmental permits, or making any filings, with the Italian government required in connection with such payment.

**ARTICLE 4 – SPECIFICATIONS**

4.1 **Specifications.** The Compound shall be manufactured, packaged, stored and shipped by Alfa fully in accordance with the Specifications set forth in SCHEDULE B. Alfa shall not make any change to the Specifications without the prior written consent of Salix, not to be unreasonably withheld or delayed, with both Parties acting in good faith. The Specifications may be changed by mutual agreement of the Parties, negotiations in respect of which will be conducted in good faith by the Parties; provided, however, that in the event such changes are required by the FDA, any regulatory authority, or cGMPs, such changes shall be made without the prior written consent of either Party.

4.2 **Filings.** At Salix’s request, Alfa shall promptly (but not later than [***] after receipt of such request) provide all technical data, know-how and other information relating to the Patents or the Technology Rights required and necessary to enable Salix to file the Applications with respect to the Products in compliance with all relevant FDA regulations.

**ARTICLE 5 – ORDERS AND QUALITY ASSURANCE**

5.1 **Forecasts.** Within the [***] of each month, commencing with the execution of this Agreement, Salix shall submit to Alfa on a monthly basis a forecast listing the amounts of the Compound expected to be purchased from Alfa pursuant to ARTICLE 2.1 and ARTICLE 2.2 for the subsequent [***], updated monthly on a rolling basis. Except for the first [***] of any such forecast as provided in ARTICLE 5.3, each forecast shall be non-binding and shall be used for planning purposes only.
5.2 **Delivery Date**. Salix will place firm orders by transmitting purchase orders for the Compound either electronically, by fax, or by mail. Each such purchase order shall identify the specific quantity of Compound ordered and the date of delivery for such Compound (the “**Delivery Date**”), which Delivery Date shall be no less than [***] from the date of delivery of the purchase order. Alfa shall notify Salix in writing within [***] of receipt of a purchase order if it is unable to make any scheduled delivery of Compound by the Delivery Date and shall state the reasons therefor. The absence of such notice constitutes a deemed acceptance by Alfa of the purchase order and a binding commitment by Alfa to the terms and conditions thereof, including the delivery terms and the Delivery Date.

5.3 **Quantity**. Subject to **ARTICLE 2.2** and **ARTICLE 5.2**, there shall be no minimum purchase quantity obligations hereunder. Notwithstanding anything contained herein to the contrary, Salix will place purchase orders for quantities of Compound (a) equal to [***] of the amount listed in the first [***] of the forecast, and (b) no lower than [***], or higher than [***], of the amount listed in the subsequent [***] of the forecast. Except as provided in this **ARTICLE 5.3**, Alfa shall use commercially reasonable efforts to fulfill the purchase orders for quantities in excess by [***] of the quantities set forth in the forecast.

5.4 **Quality Assurance**. Alfa, at its sole expense, will perform all testing for the release of raw materials and components listed in the Specifications. Alfa will supply a chemical Certificate of Analysis with each batch of Compound and any other documentation required by law in connection therefor. Complete copies of all test results and/or assays will be submitted to Salix promptly following any reasonable request therefor during the Term.

5.5 **Quality Agreement**. On the Effective Date the Parties have entered into a Quality Agreement (the “**Quality Agreement**”), setting out the respective obligations of each Party with respect to quality matters relating to the Compound. Each Party shall comply with its obligations set forth in the Quality Agreement. The Parties may mutually agree to change the terms of the Quality Agreement from time to time, as needed. In the event of a conflict between the terms of the Quality Agreement and the terms of this Agreement, the terms of this Agreement shall control, except with respect to quality matters.

**ARTICLE 6 – WARRANTIES AND INSPECTION**

6.1 **Alfa Warranties**. Alfa warrants and undertakes that in respect of all Compound delivered:

6.1.1 as of the date of actual delivery to Salix, such Compound will comply fully with the Specifications and the Certificate of Analysis therefor provided pursuant to **ARTICLE 5.4**;

6.1.2 as of the date of actual delivery to Salix, (a) such Compound shall have been manufactured, packaged, labeled, stored and shipped fully in accordance with: (i) all relevant current good manufacturing practices (“**cGMPs**”); (ii) all applicable laws and regulations and requirements; (iii) and all commitments and undertakings made in any applicable regulatory filings; (b) title to such Compound shall pass to Salix.
free and clear of any security interest, lien or other encumbrance; (c) the expiration date of such Compound as defined in the Specifications shall be no earlier than [***] after the Delivery Date assuming storage in conformance with the Specifications; (d) such Compound shall not have been adulterated or misbranded under any Act; and (e) neither Alfa nor any of its Affiliates has been debarred, is subject to disbarment for regulatory or government contracting purposes, or is listed on any regulatory or government contracting exclusion list of the FDA;

6.1.3 it will prepare and maintain all such batch records and samples as may be required for the manufacture of chemical compounds for pharmaceutical use of this type by any relevant regulatory authority, for the full period required under any applicable regulations.

6.2 Inspection Rights. Alfa confirms that it: (a) shall grant to Salix and its authorized representatives full access to all such records, documentation and data of Alfa or its Manufacturers, as Salix may reasonably require for the purpose of inspecting Alfa’s compliance with the warranties as set forth above; and (b) shall procure access for Salix to any Facility at which the Compound is manufactured, notwithstanding whether such Facility is within the control of Alfa or any Manufacturer; provided, however, that any such inspection or access will be at Salix’s sole cost and expense and will take place not more than once in each calendar year and shall take place upon reasonable notice to Alfa and during normal business hours; provided further, that Salix may exercise such audit and inspection rights on a more frequent basis to the extent required for cause due to (i) material quality reasons that necessitate immediate audit or inspection to the Facility (including with respect to compliance with cGMPs), or (ii) any notice or intimation from any regulatory authority.

6.3 Reporting. The Parties agree that:

6.3.1 both Parties shall promptly notify the other Party of any FDA inspection of the Facility by the FDA or any other government agency which relates to or could adversely affect the manufacture and/or supply of Compound hereunder;

6.3.2 both Parties shall promptly supply the other Party with all written communications to or from the FDA relating to the above; and

6.3.3 within [***] after the end of each calendar year, Salix shall provide Alfa with a written report detailing the quantities of the Compound purchased by Salix during such calendar year, from, respectively, [***], [***] and/or [***] pursuant to this Agreement; provided, however, that the provision of such information (a) shall be limited to only such information as required to detail the quantities of Compound purchased by Salix; (b) shall otherwise contain no confidential or proprietary information of [***], [***], or [***], which is not required for determining and detailing the quantities of Compound purchased by Salix; and (c) shall at all times be subject to Alfa’s obligations under Section 8.2 of this Agreement.
6.4 **Quality Control Evaluation.** Within [***] of receipt of each shipment of Compound, Salix may make a customary visual or other quality control evaluation of such shipment. To the extent Salix determines that any shipment of Compound hereunder fails to conform to the Specifications or shall have been manufactured, packaged or shipped under conditions which do not comply with this Agreement, Salix may reject the same by giving prompt written notice to Alfa within such [***] period. Such rejection notice shall specify the manner in which the Compound delivered fails to conform to the Specifications or otherwise meet the requirements hereof. If Salix fails to give such notice within such [***] period, Salix shall be deemed to have waived its right under this ARTICLE 6.4 to reject such shipment due to failure to conform to the Specifications or otherwise meet the requirements hereof; provided, however, that such waiver shall be without prejudice to the rights of Salix against Alfa in connection with any latent defect contained in the Compound supplied hereunder that could not be discovered within the [***] period above upon a customary or visual or other quality control evaluation on delivery; provided further, that if Salix becomes aware of any such latent defect, then Salix shall give written notice to Alfa relating to any such latent defect within [***] thereafter.

6.5 **Disposal.** Subject to ARTICLE 6.6, Salix shall not dispose of any non-conforming shipment without written authorization and instructions from Alfa, and Alfa shall promptly notify Salix as to the disposal thereof (at Alfa’s cost and expense) at the conclusion of any investigation by Alfa. In no event shall this investigation exceed [***] from receipt by Alfa of Salix’s written notice provided for in ARTICLE 6.4.

6.6 **Disputes.** Any dispute as to whether any shipment of Compound fails in whole or in part to meet the requirements hereof shall be resolved by an independent testing organization of recognized repute within the U.S. pharmaceutical industry agreed upon by the Parties, the appointment of which shall not be unreasonably withheld or delayed by either Party. The determination of such independent testing organization shall be in writing and, in the absence of fraud or manifest error, shall be final and binding upon the Parties. The cost and expense of such independent testing organization shall be paid by the Party who did not meet the requirements as determined by the independent testing organization with respect to such shipment.

6.7 **Compound and Product.** At any time during the Term, Alfa and its authorized representatives shall have the right to inspect or cause to be inspected (at Alfa’s sole cost and expense): (a) samples of (i) the Products for the sole purpose of ascertaining whether they are manufactured using the Compound, and (ii) the Compound for the sole purpose of ascertaining how it is used and handled, all in compliance with the manufacturing and quality standards established by FDA, and for only such purpose Alfa shall also have the right to visit such facilities where the Compound is stored and processed and/or such facilities where Product is manufactured to inspect the records and samples held at such facilities; and (b) books and records and any other documentation and data maintained by Salix or its Affiliates for the purpose of ascertaining the compliance by Salix with its purchase obligations under ARTICLE 2.2; provided, however, that such inspection under subsection (a) or (b) above shall not take
ARTICLE 7 – INDEMNIFICATION AND DAMAGES

7.1 In Favor of Salix. Except as otherwise provided in ARTICLE 7.1, Alfa shall defend, indemnify and hold Salix and its Affiliates and their respective officers, directors and employees harmless from and against any and all claims, demands, losses, damages, liabilities (including without limitation, Product liability), settlement amounts, costs or expenses whatsoever (including reasonable legal fees and court costs) arising from or relating to any claim, action or proceeding made or brought against such person by a Third Party as a result of Alfa’s negligence, willful misconduct or breach of this Agreement (including, without limitation, Alfa’s failure to comply with the Specifications, any breach by Alfa of the warranties contained in ARTICLE 6.1 or otherwise any breach of the provisions of this Agreement by Alfa).

7.2 In Favor of Alfa. Except as otherwise provided in ARTICLE 7.1, Salix shall defend, indemnify and hold Alfa and its Affiliates and their respective officers, directors and employees harmless from and against any and all claims, demands, losses, damages, liabilities (including without limitation Product liability), settlement amounts, costs or expenses whatsoever (including reasonable legal fees and court costs) arising from or relating to any claim, action or proceeding made or brought against such person by a Third Party as a result of Salix’s manufacture, use, handle, sale and/or distribution of the Products and/or the storage, use and handle of the Compound, or otherwise any breach of the provisions of this Agreement by Salix.

7.3 Notice: Defense. In the event of any claim, action or proceeding for which a person is entitled to indemnity hereunder, the person seeking indemnity (“Claimant”) shall promptly notify the relevant Party (“Indemnitor”) of such matter in writing. Indemnitor shall then promptly assume responsibility for and shall have full control over such matter, including settlement negotiations and any legal proceedings. Claimant shall fully cooperate in Indemnitor’s handling and defense thereof; provided, however, that Indemnitor shall keep Claimant fully informed of the progress and conduct of any such negotiations or legal proceedings and shall not in any settlement or defense of the same make any admission or otherwise act in such a manner as may prejudice the continuing business or reputation of Claimant without the prior written consent of Claimant (such consent not to be unreasonably withheld or delayed).

7.4 Consequential Damages. Notwithstanding any provision of this Agreement to the contrary, neither Party shall under any circumstance be liable to the other for any indirect losses, lost profits, economic losses or other consequential damages, and in the event of any breach by either Party of the terms of this Agreement or otherwise in the event of the negligence of either Party, the damages recoverable shall be limited to such damages as may be suffered as a direct consequence of any such breach or negligence; provided, however, that such
limitation shall not apply to the indemnity provisions contained in ARTICLES 7.1 and 7.2, and any such indemnity shall extend to the full amount of any sums paid by the Claimant to any Third Party in connection with such matters (whether or not such sums paid to the Third Party include consequential or indirect losses).

**ARTICLE 8 – CONFIDENTIALITY UNDERTAKING**

8.1 **Confidentiality by Salix.** During the Term and for a period of [***] thereafter, Salix shall keep secret and confidential, and shall use all reasonable endeavors to procure that the same is kept confidential, all technical and scientific data, information, know-how and documentation disclosed by Alfa to Salix under the terms of this Agreement together with all information developed by it from any such information or documentation and all information, data and documentation supplied to it by Alfa in connection with this Agreement; provided, however, that such technical and scientific data, information, know-how and documentation received from Salix is at the time of disclosure and at all times remains Alfa’s confidential information and is not otherwise in the public domain. Salix shall not disclose the same to any Third Party except only as may be required in connection with the performance of its obligations hereunder or otherwise in connection with any license or sublicense granted or any potential investor in Salix, provided, however, that any such licensees, sublicensees or potential investors shall agree to be bound by the same conditions of confidentiality provisions agreed to by Salix herein.

8.2 **Confidentiality by Alfa.** During the Term and for a period of [***] thereafter, Alfa shall keep secret and confidential, and shall use all reasonable endeavors to procure that the same is kept confidential, all technical and scientific data, information, know-how and documentation disclosed by Salix to Alfa under the terms of this Agreement together with all information developed by it from any such information or documentation and all information, data and documentation supplied to it by Salix in connection with this Agreement; provided, however, that such technical and scientific data, information, know-how and documentation received from Alfa is at the time of disclosure and at all times remains Salix’s confidential information and is not otherwise in the public domain. Alfa shall not disclose the same to any Third Party except only as may be required in connection with the performance of its obligations hereunder or otherwise in connection with any other licensee of the Patent and/or Technology Rights in respect of any territory outside the Territory or any potential investor in Alfa; provided, however, that any such licensees or potential investors shall agree to be bound by the same conditions of confidentiality provisions agreed to by Alfa herein.

8.3 **Exclusions.** The obligations contained in ARTICLES 8.1 and 8.2 shall not apply to any part of such data information or documentation which:

8.3.1 shall, other than by reason of default of the recipient after the date hereof, enter the public domain.
8.3.2 the recipient can show was in its possession free of any obligation of confidentiality prior to the date of receipt in connection with this Agreement; and/or

8.3.3 the recipient is obligated by law or statutory or regulatory authority to disclose.

ARTICLE 9 – LICENSE TO MANUFACTURE

9.1 In accordance with Section 4.1.8 of the ARLA, Salix is granted by Alfa a non-exclusive, perpetual, irrevocable, [***] right and license, with the right to grant sublicenses to Sublicensees (other than [***] and [***]) in accordance with Section 4.1.6 of the ARLA, under the Patents and the Technology Rights to manufacture or have manufactured, anywhere in the world, (a) Products for use and sale by Salix and its Affiliates within the Field in the Territory, and (b) the Compound for the purpose only of the use of the Compound for use and sale of Products within the Field in the Territory (the “Manufacturing License”). [***].

For the purpose of Salix establishing any such manufacturing facility, at Salix’s reasonable request Alfa shall deliver to Salix, at Salix’s cost and expense, all such information, data and technology relating to the Patents and the Technology Rights or otherwise relating to processes for the manufacture of the Compound as Salix may reasonably require to: (x) enable it to establish a manufacturing facility; (y) to permit such manufacturing facility to produce the test batches of the Compound; and (z) to enable such manufacturing facility to qualify as a supplier under the Applications and all regulatory provisions. In this respect, Salix shall be entitled to procure that the NDA shall permit the substitution of Salix and/or its Third Party contract manufacturer at any time, at Salix’s request, for up to [***] of the Compound Requirements, subject to ARTICLE 2.2.

9.2 To ensure the provision by Alfa of continuity of supply of the Compound, Alfa shall ensure at all times that it will have at least [***] fully qualified by FDA and capable of manufacturing such Compound in compliance with ARTICLE 6 for and on behalf of Salix.

ARTICLE 10 – TERM AND TERMINATION

10.1 Term.

10.1.1 Unless sooner terminated in accordance with ARTICLE 10.2, the term of this Agreement shall commence on the Effective Date and continue until [***] (the “First Term”); provided, that no later than [***], Salix shall provide Alfa with written notice of its election to extend the First Term through [***] (the “Second Term”), in which case it shall continue until such date (the First Term and, to the extent so extended, together with the Second Term, collectively, the “Initial Term”). Unless sooner terminated in accordance with ARTICLE 10.2, only at the end of the Second Term, this Agreement shall automatically be renewed for further periods of [***] (each, an “Additional Term” and together with the Initial Term, the “Term”). Either Party may terminate this Agreement without cause and with effect at the end of the Second Term by providing [***] advance written notice to the other Party; provided,
However, that if Alfa exercises such right, Alfa shall, at its sole cost and expense, have delivered to Salix by the effective date of such termination, all such information, data and technology relating to the Patents and the Technology Rights and such other information and data otherwise relating to processes for the manufacture of the Compound, in each case as Salix may reasonably have requested in writing to Alfa at the latest by [***] prior to such effective date of termination.

10.1.2 For clarity, (a) except for cause pursuant to ARTICLE 10.2, in the event Salix fails to provide notice of its intent to extend the First Term pursuant to the timeline set forth in ARTICLE 10.1.1 above, this Agreement shall terminate effective as of the end of the First Term, and (b) during any Additional Term, either Party shall have the right to terminate this Agreement by providing [***] prior written notice to the other Party, which termination shall be effective at the end of such [***] notice period; provided, however, that in the event Alfa terminates this Agreement pursuant to this Section 10.1.2(b), (i) Alfa shall provide Salix the option, at Salix’s election, to at the latest by [***] prior to the effective date of such termination, request that Alfa continue to supply Salix with the Compound at the price set forth in SCHEDULE C and the other terms and conditions hereunder for an additional [***] period following the effective date of termination of this Agreement; and (ii) Alfa shall, at its sole cost and expense, have delivered to Salix, by the effective date of such termination, all such information, data and technology relating to the Patents and the Technology Rights and such other information and data otherwise relating to processes for the manufacture of the Compound, in each case as Salix may reasonably have requested in writing to Alfa at the latest by [***] prior to such effective date of termination.

10.1.3 Subject to receipt by Alfa of the written notice from Salix of its intent to extend the First Term pursuant to the timeline set forth in ARTICLE 10.1.1 above, beginning no later than [***], the Parties hereby agree to discuss and negotiate in good faith potential modified supply terms, but neither Party is obligated to modify any such terms except for by mutual agreement of the Parties.

10.2 Termination for Cause. In addition to any other rights or remedies a Party may have under this Agreement, either Party may terminate this Agreement upon the occurrence of any of the following events of default, provided that such event of default is not cured within [***] after written notice thereof is received from the other Party:

10.2.1 breach by the other Party of any of its material obligations hereunder; or

10.2.2 should the other Party become subject to proceedings involving bankruptcy, receivership administration, insolvency, moratorium of payment, reorganization or liquidation, or should any Party make any assignation for the benefit of the creditors or any equivalent measures in any relevant jurisdiction.
10.3 **Manufacturing License**. Anything to the contrary in this Agreement and/or in the ARLA notwithstanding, if this Agreement is terminated by Alfa for cause pursuant to **ARTICLE 10.2**, then the Manufacturing License shall automatically terminate and Salix shall (and shall procure its Affiliates and/or Sublicensees, including any Third Party manufacturer to) immediately (a) cease to manufacture or have manufactured the Compound in accordance with the Manufacturing License, and (b) transfer to Alfa all information, data and technology delivered by Alfa pursuant to **ARTICLE 9.1**; provided, however, that notwithstanding any termination of the Manufacturing License in the event that this Agreement is terminated by Alfa for cause pursuant to **ARTICLE 10.2**, Salix shall not be restricted in manufacturing or having manufactured the Compound with any Third Party independent of the Manufacturing License so long as such manufacturing does not rely upon or use any information, data and technology relating to the Patents and the Technology Rights of Alfa. Except for in the event of termination by Alfa for cause pursuant to **ARTICLE 10.2**, in the event of termination or expiration of this Agreement for any other reason, Salix shall continue to be permitted to manufacture or have manufactured the Compound under the terms of the Manufacturing License.

10.4 **General Survival**. The obligations under **ARTICLES 6, 7, 8, 9** and **10.3** (except for in the event of termination by Alfa for cause pursuant to **ARTICLE 10.2**) shall survive any expiration or other termination of this Agreement in accordance with their terms.

**ARTICLE 11 –NOTICES**

Except as otherwise herein provided, all notices to be served or notified to the Parties hereunder shall (a) be mailed by internationally recognized courier service or by registered airmail return receipt requested to their respective addresses listed below or to any other address subsequently communicated in writing, or (b) delivered by e-mail marked as being of high importance to the e-mail address set forth below (to be confirmed by written notice sent in the manner set forth in clause (a)), and shall be deemed to have been given seven (7) Business Days after the day on which such mailing is made, or on the next Business Day after the day on which it is sent in the case of any e-mail which is followed by written notice as aforesaid.

**If to Salix, to:**

Salix Pharmaceuticals, Inc.
400 Somerset Corporate Blvd.
Bridgewater, NJ 08807
USA
Attn: General Manager
Fax: (908) 927-1926
Email: [***]

**with copies to:**
ARTICLE 12 – ENTIRE AGREEMENT; MODIFICATION

This Agreement (including all Schedules hereto) constitutes the entire agreement between the Parties, and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to the subject matter hereof. All prior agreements or arrangements, written or oral, between the Parties relating to the subject matter hereof are hereby cancelled and superseded. Each Party agrees that it shall have no remedies in respect of any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Agreement and that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Agreement. This Agreement may not be modified except in a writing signed by both Parties.

ARTICLE 13 – ASSIGNMENT

13.1 Alfa shall have the right to assign this Agreement, in whole but not in part, to any Affiliate of its choice to whom the Patents and Technology Rights may have been transferred, and Salix hereby acknowledges and accepts any such assignment; provided, however, that Alfa
shall not assign or purport to assign this Agreement (in whole or in part) to any Third Party without the prior written consent of Salix.

13.2 Salix shall have the right to assign this Agreement, in whole but not in part, to any Affiliate of its choice, and Alfa hereby acknowledges and accepts any such assignment; provided, however, that Salix shall not assign or purport to assign this Agreement (in whole or in part) to any Third Party without the prior written consent of Alfa.

13.3 This Agreement shall be binding upon the successors and assignees (and any subsequent assignee) of each of the Parties.

ARTICLE 14 – WAIVER OF DEFAULT

No waiver of any default by either Party shall be deemed to constitute a waiver of any subsequent default with respect to the same or any other provision hereof. No waiver shall be effective unless made in writing with specific reference to the relevant provision(s) of this Agreement and signed by a duly authorized representative of the Party granting the waiver.

ARTICLE 15 – GOVERNING LAW

This Agreement is written and executed in two (2) originals in the English language. All notices, communications and proceedings shall be in English. This Agreement and any dispute or claim (including non-contractual disputes or claims, and disputes or claims with respect to the Manufacturing License) arising out of or in connection with it or its subject matter (including with respect to the Manufacturing License) or formation shall be governed by and construed in accordance with the laws of England and Wales.

ARTICLE 16 – FORCE MAJEURE

Neither Party shall be liable in any manner in respect of any breach by such Party of its obligations hereunder (other than any breach of any obligation to make payment on the due date), where such breach arises from any circumstance outside such Party’s reasonable control. Amongst said circumstances are included, by way of example only and not implying any limitation, fires, floods, earthquakes, accidents, explosions, quarantine restrictions, strikes, labor shortages, shortages of raw materials for the manufacturing of the Products, or acts of any public authority, including foreign ones.

ARTICLE 17 – LITIGATION

Each Party irrevocably agrees that the courts of [***] shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation.

ARTICLE 18 – HEADINGS

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ARTICLE 19 – THIRD PARTIES

19.1 Subject to ARTICLE 19.2, the parties to this Agreement do not intend that any term of this Agreement should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

19.2 Certain provisions of this Agreement confer benefits on the Affiliates of Salix and the Affiliates of Alfa (each such Affiliate being, for the purposes of this ARTICLE 19, a “Third Party”) and, subject to ARTICLE 19.3, are intended to be enforceable by each such Third Party by virtue of the Contracts (Rights of Third Parties) Act 1999.

19.3 Notwithstanding ARTICLE 19.2, this Agreement may be varied or amended in any way and at any time by the Parties without the consent of any such Third Party.

(Signature Page Follows)
IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

SALIX PHARMACEUTICALS, INC.

By: /s/ Mark McKenna
Name: Mark McKenna
Title: Senior Vice President & General Manager, GI

VALEANT PHARMACEUTICALS IRELAND LIMITED

By: /s/ Michael Kennan
Name: Michael Kennan
Title: Director

VALEANT PHARMACEUTICALS LUXEMBOURG, S.à.r.l.

By: /s/ Michael Kennan /s/ Daniela Italia
Name: Michael Kennan Daniela Italia
Title: Manager Manager

(Signature Page to Amended and Restated Supply Agreement)
SCHEDULE A

Patents

[***]
SCHEDULE B

Specifications

[***]
SCHEDULE C

Prices

[***]
AMENDMENT NUMBER TWO

dated October 24, 2018

to

AMENDED AND RESTATED LICENSE AGREEMENT

dated August 6, 2012

by and between

ALFASIGMA S.P.A. (formerly Alfa Wassermann S.P.A.)

and

SALIX PHARMACEUTICALS, INC.,

VALEANT PHARMACEUTICALS IRELAND LIMITED, and

VALENT PHARMACEUTICALS LUXEMBOURG, S.á.r.l.
AMENDMENT NUMBER TWO

to

AMENDED AND RESTATED LICENSE AGREEMENT

AMENDMENT NUMBER TWO (this “Amendment”) dated October 24, 2018 (the “Amendment Number Two Effective Date”), to the AMENDED AND RESTATED LICENSE AGREEMENT dated August 6, 2012, as amended on September 5, 2012, by and among Alfasigma S.p.A. (formerly, Alfa Wassermann, S.P.A.), a società per azioni (joint stock company) duly incorporated under the laws of Italy (“Alfasigma”), on the one hand, and Salix Pharmaceuticals, Inc., a corporation incorporated under the laws of the State of California, United States of America (“Salix Inc.”), Valeant Pharmaceuticals Ireland Limited, a corporation duly organized under the laws of Ireland (“VIRL”), and Valeant Pharmaceuticals Luxembourg, S.à.r.l., a company duly organized under the laws of Luxembourg (“VPL”) (collectively, Salix Inc. together with VIRL and VPL, “Salix”), on the other hand (each a “Party,” and collectively “the Parties”).

WITNESSETH:

WHEREAS, Alfasigma and Salix Inc. entered into a certain License Agreement, dated June 24, 1996 (the “1996 License Agreement”);

WHEREAS, Alfasigma and Salix Inc. amended and restated the 1996 License Agreement by entering into the Amended and Restated License Agreement dated August 6, 2012 (the “ARLA”), which was subsequently amended by a letter dated September 5, 2012;

WHEREAS, Alfasigma, Salix Inc., and Valeant Pharmaceuticals International, Inc., n/k/a Bausch Health Companies, Inc., a public corporation incorporated under the laws of British Columbia, Canada (“Valeant”), have entered into on the date hereof a Settlement Agreement, pursuant to which Alfasigma and Salix Inc. have agreed to make certain changes to the ARLA, as described in this Amendment; and

WHEREAS, in addition to making certain changes to the ARLA as set forth herein, Salix Inc. desires to add VIRL and VPL as parties to the ARLA because VPL and VIRL hold and/or own certain intellectual property rights governed by the ARLA, with the understanding that Salix Inc. shall remain solely responsible to Alfasigma for the exercise of the rights and the performance (and any breach) of the obligations of Salix under the terms of the ARLA.

NOW THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, the Parties hereby agree as follows:

1. All capitalized terms used in this Amendment and not otherwise defined have the meanings set forth in the ARLA.

2. The preamble of the ARLA is hereby amended by replacing “Alfa Wassermann S.p.A.” with “Alfasigma S.p.A.” The term “Alfa” as used in the ARLA is hereby defined as meaning Alfasigma

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S.p.A. The preamble of the ARLA is further amended by replacing “Salix Pharmaceuticals, Inc., a corporation incorporated under the laws of the State of California, United States of America (“Salix”)” with the following: “Salix Pharmaceuticals, Inc., a corporation incorporated under the laws of the State of California, United States of America (“Salix Inc.”), Valeant Pharmaceuticals Ireland Limited, a corporation duly organized under the laws of Ireland (“VIRL”), and Valeant Pharmaceuticals Luxembourg, S.à.r.l. a company duly organized under the laws of Luxembourg (“VPL”) (collectively, Salix Inc. together with VIRL and VPL, “Salix”).” The term “Salix” as used in the ARLA is hereby defined as meaning Salix Inc., VIRL, and VPL.

3. Article 3 of the ARLA is hereby amended by adding thereto and/or modifying the following definitions:

   “POCD EIR Product” means a Crohn’s EIR Product for the prevention of post-operative Crohn’s disease.

   “Compound Supply Agreement” is hereby amended to mean the Amended and Restated Supply Agreement between Alfa and Salix dated as of the date hereof.

   “EIR Supply Agreement” is hereby amended to mean the Supply Agreement between Alfa and Salix dated August 6, 2012, as amended by the Amendment to EIR Supply Agreement dated as of the date hereof.

   “Transaction Documents” means the ARLA, as amended by this Amendment Number Two, the Compound Supply Agreement, the EIR Supply Agreement and the Trademark License Agreements.

4. For the purpose of the definition of “Net Sales” in Article 3 of the ARLA (which definition shall not be amended under this Amendment), the term “payable” shall be interpreted to mean the amounts determined to be payable, in accordance with GAAP, regardless of the time when such amount is actually paid or required to be paid. Salix will provide to Alfa the calculations of the “Net Sales” within [***] following the last day of each quarter. Such calculation shall include the actual amounts of “Net Sales.”. For the avoidance of doubt, it is the intent of the Parties that “Net Sales” for purposes of the POCD EIR Product pursuant to this Amendment shall be consistent with the GAAP net sales reported by Salix or Valeant, as applicable, in its periodic reports with the U.S. Securities and Exchange Commission. Such GAAP net sales shall be reported to Alfa on a [***] basis and reflect details of the component parts of Net Sales ([***]) reflecting [***] activity and any adjustments to prior reported amounts. Any adjustments of final Net Sales of previous [***], if such Net Sales had been communicated to Alfa, should be included in a separate line in the following [***] net sales report and named “adjustments to previous [***]”.

5. For the purpose of the definition of “Field” in Article 3 of the ARLA (which definition shall not be amended under this Amendment), the term “Field” shall not include [***], but for clarity, shall include any general indication for [***].

6. Section 4.1.2(b)(ii), Section 4.1.2(b)(iii) and Section 4.1.2(b)(iv) shall apply, mutatis mutandis, with respect to the POCD EIR Product.
7. In Section 4.10 of the ARLA, the phrase, “except for the restriction on unauthorized sales set forth in Section 5.1,” is hereby deleted and replaced with the following phrase: “except for the restrictions set forth in Section 5.1.”

8. New Section 5.1.4 of the ARLA is hereby added as follows:

5.1.4 During the time period starting on [***] and ending on: (a) [***], Alfa shall not, and Alfa shall cause its Affiliates not to, Exploit or provide to any Third Party a license to Exploit within the Salix Territory, whether inside or outside the Field, any Rifaximin Product (excluding any Rifaximin Product having the EIR Formulation) having [***]; and (b) the earlier of (i) [***], (ii) [***], or (iii) [***], Alfa shall not, and Alfa shall cause its Affiliates not to, Exploit or provide to any Third Party a license to Exploit within the Salix Territory, whether inside or outside the Field, any Rifaximin Product that has the EIR Formulation and that has [***]; provided, however, that the foregoing restrictions shall not limit Alfa’s right to Exploit the license grants set forth in Section 4.2.2 and Section 4.2.3 in accordance with their respective terms. For clarity, nothing in Section 4.1 or in this Section 5.1.4 shall be construed as restricting Alfa from Developing and/or Manufacturing (with the right to sublicense as set forth herein) in the Salix Territory any Rifaximin Product (including any Rifaximin Product having the EIR Formulation) for Commercialization in the Alfa Territory. Notwithstanding anything else to the contrary in any of the Transaction Documents, except as required for Alfa to practice the license grants set forth in Section 4.2.2 and Section 4.2.3 in accordance with their respective terms or for the Development of the POCD EIR Product according to Article 6 (including, for clarity, in the Alfa Territory), Alfa and/or its Affiliates shall have no right to use, and shall not use, at any time, any Confidential Information or Know-How of Salix or any of Salix’s Sublicensees or Affiliates in connection with the Development of any Rifaximin Product having [***], and such restriction shall also apply to Development of any Rifaximin Product that has the EIR Formulation having [***].

9. Article 6 of the ARLA is hereby deleted and replaced by the following:

Article 6

PRODUCT DEVELOPMENT

6.1 Development Activities Overview. Salix and Alfa shall discuss and coordinate studies, trials and regulatory activities to Develop a POCD EIR Product and generate a package of information satisfactory to the Regulatory Authorities of both the United States and [***], to the extent that, however, the Party’s coordination of such Development activities to the satisfaction of Regulatory Authorities in the [***] shall be necessary or required to obtain Initial U.S. Marketing Approval for the POCD EIR Product. The Parties shall establish a Steering Committee to plan and oversee such Development for purposes of obtaining the Initial U.S. Marketing Approval for the POCD EIR Product. Notwithstanding anything else to the contrary in any of the Transaction Documents, Alfa shall be primarily responsible for managing and controlling the Development of the POCD.
EIR Product, including the preparation and filing of the Regulatory Documentation to obtain the Initial U.S. Marketing Approval for the POCD EIR Product, in accordance with the Initial Development Plan (as defined below) or the Development Plan (as defined below) (as the case may be). Salix shall be solely responsible for funding (including reimbursing Alfa for) the Third Party costs and expenses associated with the Development of the POCD EIR Product, including with respect to the preparation and filing of the Regulatory Documentation to obtain the Initial U.S. Marketing Approval for the POCD EIR Product, as set forth in the Initial Development Budget (as defined below) or the Development Budget (as defined below) (as the case may be); provided, however, that for clarity, Salix’s sole responsibility for funding the Third Party costs and expenses associated with Development of the POCD EIR Product hereunder shall be limited only to those activities, including any Development activities outside the United States [***], and Salix shall not be obligated to [***]. The Parties acknowledge and agree that, notwithstanding anything else in this Agreement to the contrary, Salix does not have any obligations to Develop a Rifaximin Product other than by funding the Development of the POCD EIR Product according to this Article 6.

6.2 POCD EIR Product Development.

6.2.1 Development Plan and Development Budget.

(a) The Parties acknowledge that it is their intent to conduct the Development of the POCD EIR Product in accordance with the initial development plan (the “Initial Development Plan”), attached as Exhibit F(i), and the initial development budget (the “Initial Development Budget”), also attached as Exhibit F(i). The Parties acknowledge that the Initial Development Plan and the Initial Development Budget are subject to revision in accordance with and subject to the procedures set forth, respectively, in Section 6.2.1(c) and Section 6.2.1(d), and that the Development Plan and the Development Budget shall be substituted for, respectively, the Initial Development Plan and the Initial Development Budget. For clarity, in the event of any disagreement with respect to the Development Plan, the Development Budget, or the Development of the POCD EIR Product as set forth in this Article 6, such issue shall be resolved by the independent expert panel of Qualified Persons pursuant to the procedure set forth in Section 6.5.

(b) As promptly as practicable after the Amendment Number Two Effective Date, Alfa shall submit a request for a meeting to the FDA to discuss the Clinical Trials, other studies, and other activities that are necessary or required for obtaining Initial U.S. Marketing Approval for the POCD EIR Product. Alfa shall take the lead in coordinating the meeting as the sponsor of the Development of the POCD EIR Product. Salix shall have the right, but not the obligation, to attend the meeting.

(c) As promptly as practicable after Alfa meets with and receives guidance from the FDA, Alfa shall propose to the Steering Committee the revisions to the Initial Development Plan to reflect the FDA’s guidance and to include in detail the Development activities that are necessary or required to obtain Initial U.S. Marketing Approval for the POCD EIR Product. Salix shall have the right, but not the obligation, to participate in such meetings and to provide comments on the Development Plan and Development Budget. Salix shall also have the right, but not the obligation, to attend such meetings.
Approval for the POCD EIR Product, including Clinical Trials and other studies necessary to meet the FDA’s requirements for Initial U.S. Marketing Approval for the POCD EIR Product (such revised plan, as approved by the Steering Committee, the “Development Plan”). The Development Plan shall be similar in scope and style to the Crohn’s EIR Product Development Plan attached as Exhibit F.

(d) Development Budget.

(i) As promptly as practicable after the approval of the Development Plan, the Steering Committee shall revise the Initial Development Budget to reflect only what is necessary or required to fund the Development activities set forth in the Development Plan to obtain the Initial U.S. Marketing Approval for the POCD EIR Product (such revised budget, the “Development Budget”). The Development Budget shall include the price for the Compound as set forth in the Compound Supply Agreement needed to conduct the Clinical Trials provided for in the Development Plan, and shall further include only amounts to be paid to Third Parties in carrying out the Development of the POCD EIR Product, including for the preparation and filing of the Regulatory Documentation for obtaining the Initial U.S. Marketing Approval for the POCD EIR Product, and the submission of any investigational new drug application to the FDA pursuant to Section 6.2.3(d). For clarity, the Development Budget shall not include internal costs or expenses (which shall include the cost of any Party’s employees and/or other personnel retained by such Party, except as otherwise herein set forth) incurred by the Parties or any Development costs beyond those necessary or required for obtaining the Initial U.S. Marketing Approval for the POCD EIR Product.

(ii) Each budget item in the Development Budget must be for the Development activities that are necessary or required to obtain the Initial U.S. Marketing Approval for the POCD EIR Product.

(iii) In determining the Development Budget costs for the Development activities to be performed by Third Party service providers, the Steering Committee shall solicit and consider quotes for each such activity from the Third Party service providers set forth in the Initial Development Plan (the “Service Providers”). If the Steering Committee is unable to agree on a single Service Provider, Salix shall have final decision on which Service Provider is chosen to be notified to Alfa within thirty (30) days of considering the issue, and such decision shall not, for clarity, be governed by Section 6.2.5(f).

(e) The Parties acknowledge that the Development Plan and the Development Budget are subject to modification, in accordance with and subject to the procedures set forth in Section 6.2.1(f), and that any modified Development Plan or Development Budget shall be substituted for any previous version of the Development Plan or Development Budget. The Parties shall at all times conduct their activities in respect of the Development of the POCD EIR Product in accordance with the Development Plan and Development Budget as they are then in effect.
(f) In the event that either Party desires any change to the Development Plan and the Development Budget during the term of this Agreement, such Party shall provide written notice to the other Party specifying the requested change. The Parties shall consider any such change that is requested in good faith. If the Parties are unable to reach agreement on a change, the matter shall be referred to the Steering Committee for resolution pursuant to Section 6.2.5(f). All changes to the Development Plan and the Development Budget, whether agreed between the Parties, approved by the Steering Committee, or effected pursuant to the procedure set forth in Section 6.5, shall be set forth in a written document and shall be deemed incorporated into the Development Plan and the Development Budget. Any changes to the Development Budget required as a result of a change to the Development Plan shall be made according to Section 6.2.1(d).

6.2.2 Alfa’s Duties. Subject to Section 6.2.3, Alfa shall carry out the following duties with respect to the Development of the POCD EIR Product:

(a) Alfa shall use Commercially Reasonable Efforts to carry out the Development of the POCD EIR Product in accordance with the Development Plan and the Development Budget and may propose such adjustments to the Development Plan as may from time to time be necessary or appropriate as contemplated in Section 6.2.1.

(b) Without limiting the provisions of Section 6.2.2(a):

(i) Alfa shall use Commercially Reasonable Efforts to perform and complete (or procure the performance or completion on its behalf) all work, Clinical Trials and other studies, formalities and actions that are necessary or required to achieve Initial U.S. Marketing Approval for the POCD EIR Product.

(ii) Alfa shall use Commercially Reasonable Efforts to perform and complete (or procure the performance or completion on its behalf) all Development activities within the time periods provided for in the Development Plan, including for the preparation and filing of an NDA to the FDA with all required materials, including any further materials requested by the FDA after the initial NDA is submitted or accepted for filing.

(c) Alfa shall comply with all local, state and federal laws and regulations applicable to its performance of the Development activities, including, where appropriate, cGLP and cGMP, and with all applicable regulations of the FDA and other Regulatory Authorities in jurisdictions in which Development activities are being carried out.

(d) Alfa shall be entitled to perform the Development activities with respect to the POCD EIR Product in the Alfa Territory; provided, that [***] and [***], including but not limited to, [***].

6.2.3 Salix’s Duties.
(a) Development Costs and Expenses. Subject to Section 6.1, Salix shall pay for all Third Party costs and expenses required for Development of the POCD EIR Product, including the preparation and filing of the Regulatory Documentation for obtaining the Initial U.S. Marketing Approval for the POCD EIR Product, as set forth in the Initial Development Budget or the Development Budget (as the case may be), but excluding internal costs or expenses (which shall include the cost of any Party’s employees and/or other personnel retained by such Party, except as otherwise herein set forth). Any changes to the Development Budget shall be made in accordance with the process set forth in Section 6.2.1(d). If at any time the Salix’s expenditure toward the Development Plan or the Development Budget exceeds an amount equal to [***] (the “Budget Cap”), Salix shall have the right to terminate this Agreement as provided for and subject to Section 16.4.4(d)(ii). Notwithstanding the foregoing, if at any time Salix’s expenditure toward the Development Plan or the Development Budget reaches [***] (the “Preliminary Budget Threshold”), Alfa shall provide prompt written notice to Salix (but, in any event, no later than [***] after notification in writing by Salix that its expenditure toward the Development Plan or the Development Budget reached the Preliminary Budget Threshold, which notification shall be promptly provided by Salix to Alfa), and Salix shall have [***] from receipt of such written notice from Alfa (the “Salix Budget Consideration Period”) to decide whether to terminate this Agreement with respect to the POCD EIR Product and those costs and expenses associated with ceasing such Development related to the Crohn’s EIR Product and those costs and expenses shall not be included in the Initial Development Budget or the Development Budget (as the case may be).

(b) Within [***] of the end of each calendar quarter (such quarters to end on the last days of March, June, September and December in each Calendar Year), Alfa shall submit to Salix a written report setting out the details of all costs and expenses incurred for the Development of the POCD EIR Product in such calendar quarter that are subject to payment by Salix under this Agreement, together with an invoice for the aggregate amount of such costs and expenses, plus any applicable taxes, including VAT, if any. Such report shall include any receipts or vouchers (including the receipts or vouchers issued by the Service Providers) or such other evidence as reasonably required as proof of such costs and expenses payable hereunder. Subject to Section 6.2.3(c), any amounts owed by Salix to Alfa under this Agreement shall be paid by Salix no later than [***] after receipt of the invoice. In the event that any payment due hereunder shall not be paid by the due date, then such payment shall from the due date until the actual date of payment bear interest at the annual rate of [***].

(c) If Salix reasonably and in good faith disagrees with respect to a payment amount alleged to be due under Section 6.2.3(b), then (i) notwithstanding such dispute, all undisputed payment amounts due under Section 6.2.3(b) must be paid within the time periods provided for under this Agreement (i.e., within [***] of receipt of invoice
as provided in Section 6.2.3(b)), including together with payment of applicable interest payments due thereon with respect to late payments, and (ii) the Parties shall promptly resolve such dispute with respect to the disputed payment amount in accordance with Section 6.2.5(f); provided, however, that if any such payment dispute is not resolved by the senior executives or board of directors members as set forth in Section 6.2.5(f)(ii), then Salix shall pay any such disputed amount to Alfa within [***] after receipt of invoice as provided in Section 6.2.3(b) and seek further resolution of (including potential reimbursement from Alfa of) such disputed amount pursuant to Section 6.5.

(d) Transfer of IND. Subject to ceasing all Development related to the Crohn’s EIR Product pursuant to Section 6.2.3(a), within thirty (30) days of the Amendment Number Two Effective Date, Salix shall transfer to Alfa the IND for the EIR Formulation pursuant to the form of FDA IND transfer letter attached hereto as Schedule 6.2.3(d); provided, however, that if the IND for the EIR Formulation is not sufficient for purposes of POCD EIR Development hereunder, Alfa shall be responsible for submitting another investigational new drug application to the FDA.

(e) Supply of data. Salix shall provide to Alfa (i) within [***] of the Amendment Number Two Effective Date, all data, test results and other information in its Control as of the Amendment Number Two Effective Date pertaining to the IND under Section 6.2.3(d) and the Clinical Trials and studies regarding the EIR Formulation and the Crohn’s EIR Product, including but not limited to, Regulatory Documentation, Clinical Data and/or Know-How, and (ii) all final results and final reports of any such Clinical Trials promptly as such materials become available to Salix.

(f) Post-Approval Studies. After the POCD EIR Product receives Initial U.S. Marketing Approval, Alfa shall transfer the IND back to Salix, and Salix shall manage and control (at its sole cost and expense) any post-approval marketing studies, as agreed and directed by the Steering Committee.
Confidential Information of Alfa and accordingly shall be subject to the provisions of Article 12. For clarification, the designation by Alfa of any information as confidential which is based on or derived from source information provided by Salix shall not result in any transfer of the ownership of or right to the underlying information from Salix to Alfa.

(b) **Attendance at Meetings with Regulatory Authorities**.

(i) Salix shall have the right, but not the obligation, to attend all meetings with the FDA, and, if any, HPFB, regarding the POCD EIR Product. In preparation for such meetings, subject to Section 6.1 Salix shall have the right at its election, but not the obligation, to work together with Alfa to prepare and file briefing materials for meetings with the FDA in support of obtaining the Initial U.S. Marketing Approval for the POCD EIR Product.

(ii) Alfa shall give Salix at least [***] advance written notice of the scheduling of all meetings with the FDA, and, if any, HPFB relating to the POCD EIR Product, or if that is not feasible, as much advance notice as is practical under the circumstances.

6.2.5 **Steering Committee**.

(a) Within [***] following the Amendment Number Two Effective Date, the Parties shall establish a Steering Committee (the “**Steering Committee**”), which shall oversee and coordinate the Development of the POCD EIR Product for obtaining the Initial U.S. Marketing Approval for the POCD EIR Product as contemplated by this Section 6.2.

(b) **Functions**. Without limiting the foregoing or any other functions the Parties agree to delegate to the Steering Committee, the Steering Committee shall:

(i) prepare and revise the Development Plan and the Development Budget;

(ii) review and approve protocols for all Clinical Trials commenced after the Amendment Number Two Effective Date related to the POCD EIR Product;

(iii) review progress of all Clinical Trials related to the POCD EIR Product;

(iv) review the progress of preparing and filing Regulatory Documentation in connection with obtaining the Initial U.S. Marketing Approval for the POCD EIR Product;
(v) facilitate the exchange of information between Alfa and Salix relating to all Clinical Trials, studies and data for submissions and applications, including applications for the Initial U.S. Marketing Approval, related to the POCD EIR Product;

(vi) discuss strategy and principal sales and promotion plans, including a marketing plan, Product Labeling and Promotional Materials, for the POCD EIR Product;

(vii) establish such subcommittees or task forces to investigate and make recommendations with respect to particular matters affecting the POCD EIR Product, including Development and Commercialization, as the Steering Committee deems necessary or advisable; and

(viii) otherwise facilitate communications between the Parties, including by coordinating and maintaining contact information for key personnel in each Party’s organization with oversight of Development and Commercialization activities relating to the POCD EIR Product.

(c) **Membership.** The Steering Committee shall be comprised of [***] from each of Alfa and Salix, selected by such Party. At least [***] and at least [***]. Each of Alfa and Salix may replace [***] of its Steering Committee representatives at any time by providing prior written notice to the other Party. Other representatives of Alfa and Salix may attend Steering Committee meetings as non-voting attendees; provided, that such representatives are bound by obligations of confidentiality and non-use with respect to any Confidential Information disclosed in the course of such meetings at least as stringent as those set forth in Article 12.

(d) **Meetings.**

(i) Prior to the receipt of Initial U.S. Marketing Approval for POCD EIR Product, the Steering Committee shall meet no less than [***], and as otherwise requested by any of the Steering Committee members. Such meetings shall be conducted in person or by videoconference or teleconference; provided, that at least [***] meetings of the Steering Committee each Calendar Year shall be conducted in person. Such in-person meetings shall alternate between [***] and [***].

(ii) In addition to the [***] meetings set forth in Section 6.2.5(d)(i), for the duration of any Clinical Trials or other studies for the POCD EIR Product, the Steering Committee shall hold [***] teleconferences to discuss the progress of such Clinical Trials or studies.

(iii) Following receipt of the Initial U.S. Marketing Approval for the POCD EIR Product, the Steering Committee shall meet no less than [***] in each Calendar Year and as otherwise requested by any of the Steering Committee members. Such meetings shall be conducted in person or by videoconference or teleconference;
provided, that at least [***] of the Steering Committee each Calendar Year shall be conducted in person. Such in-person meetings shall alternate between [***] and [***].

(iv) A quorum of the Steering Committee shall exist whenever there is present at or participating in a meeting at least [***] appointed by each Party.

(v) Each Party shall bear its own personnel and travel costs and expenses relating to Steering Committee meetings.

(vi) If for any reason a Steering Committee meeting is cancelled or postponed, the Steering Committee shall endeavor to meet no later than [***] following the original date of such cancelled or postponed meeting. The Steering Committee shall follow such other administrative procedures as it may adopt for the efficient conduct of its meetings and other matters.

(e) Steering Committee Officers; Minutes. Salix shall select the chairperson of the Steering Committee, who shall convene and chair meetings of the Steering Committee. Except as otherwise provided herein, the chairperson shall have no additional powers or rights beyond those held by the other Steering Committee representatives. Alfa shall select a secretory to prepare and circulate the meeting agendas and minutes. Such minutes shall be distributed in draft form not later than [***] following each meeting and shall be deemed accepted and effective unless the other Party has objected to the same within [***] of its receipt of such minutes; final minutes shall be promptly distributed to the Parties.

(f) Decision-Making.

(i) Decisions by Consensus. The members of the Steering Committee shall endeavor to reach a consensus on all decisions within its jurisdiction. Except as set forth below, all actions, decisions or rulings of the Steering Committee with respect to the Development of the POCD EIR Product must be made by a consensus of the members of the Steering Committee or in a writing signed by all of the members of the Steering Committee.

(ii) Dispute Resolution. If the members of the Steering Committee cannot agree with respect to any other action, decision or ruling relating to the Development Plan, the Development Budget, and/or the Development of the POCD EIR Product within [***] (or such shorter time as may be reasonable under the circumstances) following the day that the Steering Committee first considers such matter, then such issue shall be referred to a senior executive or board of directors member designated by each Party. Such senior executives or board of directors’ members shall meet for attempted resolution by good faith negotiations within [***] after such issue is referred to them. In the event such designated senior executives or board of directors’ members are not able to resolve such issue within such [***] period, then such issue shall be finally and definitively resolved pursuant to the procedure set forth in Section 6.5.
(g) **Limitations of Authority.** Each Party shall retain the rights, powers and discretion granted to it under this Agreement, and no such rights, powers or discretion shall be delegated to or vested in the Steering Committee unless the Parties expressly so agree in writing. The Steering Committee shall not have the power to amend, modify or waive compliance with this Agreement, which may only be amended or modified as provided in Article 20 or compliance with which may only be waived as provided in Article 22. The Steering Committee shall not have the power to determine compliance with this Agreement.

(h) **Termination of Responsibilities for Development Product Indications.** Upon the receipt of (i) the Initial U.S. Marketing Approval for the POCD EIR Product, and (ii) confirmation from Regulatory Authorities in the United States (and Canada, if applicable) that Salix has fully complied with all post-marketing requirements for the POCD EIR Product, unless otherwise mutually agreed in writing, the Steering Committee shall no longer have the powers and responsibilities with respect to the POCD EIR Product set forth in this Section 6.2.5 but shall serve as a general forum for Alfa and Salix to discuss the global Development, Commercialization and other Exploitation of the POCD EIR Product.

6.3 **Life Cycle Committee.**

6.3.1 The Parties shall have the right, but not the obligation, to establish, not later than [***] following the Amendment Number Two Effective Date, a global life cycle committee (the “Life Cycle Committee”). If established by the Parties, the Life Cycle Committee shall be composed of the same number of members as the Steering Committee. Salix shall select the chairperson of the Life Cycle Committee initially. Thereafter, the chairperson of the Life Cycle Committee shall alternate between the Parties on an annual basis. Except for the power to convene and chair meetings of the Life Cycle Committee, the chairperson shall have no additional powers or rights beyond those held by the other Life Cycle Committee representatives. The Life Cycle Committee may meet simultaneously with and as part of the meetings of the Steering Committee.

6.3.2 If established by the Parties, the Life Cycle Committee shall serve as a general forum to discuss global Development, Commercialization and other Exploitation of Rifaximin Products for the New Indications. Each of the Parties shall use its Commercially Reasonable Efforts to cause the Life Cycle Committee to function effectively and efficiently so as to support the global commercial success of Rifaximin Products for the Existing Indications and the New Indications. For clarity, the Life Cycle Committee shall not have the power to bind the Parties in any way nor to amend, modify or waive compliance with this Agreement. The Life Cycle Committee shall exist only to facilitate discussion regarding the global development, Commercialization and other Exploitation of Rifaximin Products for the Existing Indications and the New Indications.

6.4 **Certain Restrictions.**
6.4.1 **Salix Development of EIR Formulation.**

(a) Salix shall be free to pursue, but shall not have the obligation to pursue, Development work in respect of the EIR Formulation other than the POCD EIR Product, but Salix shall consult with Alfa on an ongoing basis and coordinate any such Development work with Alfa’s ongoing Development activities in respect of the EIR Formulation so as to avoid duplication of effort and facilitate the Development of the EIR Formulation as viable pharmaceutical products.

6.4.2 **Alfa Development of [***].** Alfa shall be free to pursue Development work in respect of [***]; provided, that notwithstanding the grant of [***] License, Alfa shall consult with Salix on an ongoing basis and coordinate any Development work carried out by Alfa on [***] with Salix’s ongoing Development activities in respect of [***], as applicable, so as to avoid duplication of effort and facilitate the Development of [***] as viable pharmaceutical products; provided, however, that (a) if and when Alfa exercises its right to take a license to the Salix Designated Indication Product pursuant to Section 4.2.2, Alfa can exercise its right to carry out Development on [***], and (b) if Alfa had been conducting Development on an Other New Formulation prior to Salix identifying the Other New Formulation to Alfa pursuant to Section 4.2.2 as a Salix Designated Indication Product, then Alfa and Salix shall discuss in good faith the best manner of proceeding with the Development.

6.5 **POCD EIR Product Dispute Resolution.** In the event the Parties, subject to Section 6.2.5(f), are unable to mutually agree to the Development Plan, the Development Budget, and/or the Development of the POCD EIR Product as provided for in this Article 6, including if any dispute arises with respect to any amendments thereto at any other time during the Term, either Party may refer such matter for resolution by an independent expert panel comprised of [***] Qualified Persons. The independent expert panel shall reach resolution on any matter within the scope of this Section 6.5 no later than [***] following receipt of either Party’s intent to refer such matter for resolution by such panel. Within [***] (the “Initial Selection Period”) after either Party’s receipt of written notice from the other Party of such Party’s intent to refer any matter subject to this Section 6.5 for resolution by the independent expert panel comprised of [***] Qualified Persons, each Party shall select and propose [***] to serve on behalf of such Party on the independent expert panel. Within [***] following the end of the Initial Selection Period (the “Final Selection Period”), the [***] Party-selected Qualified Persons shall select [***] Qualified Person to serve on the independent expert panel. Within [***] following the end of the Final Selection Period, each Party shall submit to the independent expert panel such Party’s position on the disputed matter and a written memorandum in support of such Party’s position. The independent expert panel must, no later than [***] after receipt of each Party’s position and written support memorandum, submit to each Party a diligence questionnaire requiring each Party’s prompt response, and each Party shall provide a written response no later than [***] after receipt of the diligence questionnaire. The independent expert panel shall consider and issue a written opinion within [***] of receipt of each Party’s responses to the diligence questionnaire, which, in the absence of fraud or manifest error, shall be final and binding.
The independent expert panel’s written opinion shall take into consideration each Party’s responses to the diligence questionnaire, the optimal course of action for the Development matter in dispute, and all other relevant factors that are customarily considered when reaching such determination under the applicable circumstances. Notwithstanding anything to the contrary set forth herein, if the Parties, acting in good faith, are unable to appoint the independent expert panel or the independent expert panel is otherwise unable to resolve any dispute pursuant to this Section 6.5, then the dispute shall be resolved by arbitration pursuant to the procedures set forth in Section 18.2.

For purposes of this Section 6.5, “Qualified Person” means an independent, conflict-free, and qualified and experienced technical expert having at least [***] experience with respect to the pharmaceutical development of products in the same Field as the POCD EIR Product in question, together with significant experience pertaining to regulatory, technical and/or economic issues in connection with such development, and having some experience in mediating and arbitrating issues relating to agreements of the type of this Agreement.

10. Article 7 of the ARLA is hereby deleted and replaced with the following:

**Article 7**

**SUPPLY**

7.1 Supply of Compound for Commercial Rifaximin Product. Supply of the Compound from Alfa to Salix for commercial sales by or on behalf of Salix of the Compound as of the Amendment Number Two Effective Date shall be governed by the Compound Supply Agreement.

7.2 Supply of EIR Formulation. Supply of the Compound having the EIR Formulation from Alfa to Salix for commercial sales by Salix shall be governed by the EIR Supply Agreement.

7.3 Supply of Compound for SSD Product. At Salix’s election, and at a future date prior to the commercial launch of the SSD Product, the Parties or their Affiliates shall negotiate and enter into a supply agreement governing supply of the Compound required for the production of the SSD Formulation from Alfa to Salix for commercial sales by Salix.

11. The heading and first sentence of Section 8.2 of the ARLA are hereby deleted and replaced by the following:

8.2 Indications Outside the Field. Subject to Section 5.1.4, there shall be no limitation on either Party’s right to Exploit any indication outside the Field, either independently or in cooperation with any of its Affiliates or any Third Party, so long as such Exploitation does not infringe the Intellectual Property Rights of the other Party.

For clarity, the remainder of Section 8.2 remains unchanged.
12. The heading and words at the beginning of Article 9.1 of the ARLA before the colon are hereby deleted and replaced with the following:

9.1 Regulatory Responsibilities; Attendance at Meetings. Without limiting the provisions of Section 6.2.4, and except as otherwise set forth in Section 6.2.2 in respect of the POCD EIR Product:

For clarity, the remainder of Section 9.1 remains unchanged.

13. Section 9.1.2(d) of the ARLA is hereby deleted and replaced with the following:

(d) This Section 9.1.2 does not apply to meetings with Regulatory Authorities regarding the PCOD EIR Product, which is governed by Section 6.2.4(b).

14. The heading and first two sentences of Article 10.1 of the ARLA are hereby deleted and replaced with the following:

10.1 Salix’s Marketing Obligations. Salix shall [***]. For the avoidance of doubt, the Parties acknowledge and agree that the provisions of the preceding sentence do not necessarily require Salix to Commercialize the POCD EIR Product [***].

For clarity, the remainder of Section 10.1 remains unchanged.

15. Section 16.4.4 of the ARLA is hereby deleted and replaced with the following:

16.4.4 Salix may terminate this Agreement with respect to the POCD EIR Product:

(a) without cause at any time, by providing [***] prior written notice to Alfa;

(b) [***];

(c) [***]; or

(d) if, following receipt of the required written notice from Alfa as provided in Section 6.2.3(a) that Salix’s expenditure toward the Development Plan or the Development Budget has reached the Preliminary Budget Threshold, (i) Salix elects to terminate this Agreement with respect to the POCD EIR Product, Salix shall provide written notice to Alfa thereof, and such termination shall be effective at the end of the Salix Budget Consideration Period, or (ii) Salix elects not to terminate this Agreement with respect to the POCD EIR Product within the Salix Budget Consideration Period but Salix elects to terminate this Agreement later, either prior to or after exceeding the Budget Cap, then Salix shall provide to Alfa at least a [***] prior written notice of termination and shall remain responsible during such [***] notice period for solely those costs and expenses associated with the Development of the POCD EIR Product pursuant to the Development Plan and
Development Budget in effect at the time of Salix’s notice of termination and/or associated with ceasing any existing Clinical Trials in connection therewith; provided, however, that notwithstanding anything to the contrary set forth herein, during the [***] notice period set forth above, Alfa shall be entitled, at its sole cost and expense, to change or modify at its own discretion the Development Plan and/or the Development Budget (which may include increases in vendor or investigator fees, number of Clinical Trial sites, changes to any vendor agreement, or any changes to the protocol), without any further obligation of Salix with respect to any such change or modification, except, for clarity, for those costs and expenses associated with ceasing any existing Clinical Trials during such [***] notice period as set forth above (for which Salix shall remain fully responsible);

provided, that, in the event of any termination by Salix of this Agreement with respect to the POCD EIR Product pursuant to this Section 16.4.4, the provisions of Section 17.2 shall apply; provided, further, that Alfa’s rights and Salix’s obligations under Section 4.1.2(b)(vi) with respect to any Additional Crohn’s Product shall survive any termination pursuant to this Section 16.4.4, subject to the provisions of Section 4.1.2(b)(vi).

For clarity, any termination by Salix of this Agreement with respect to the POCD EIR Product pursuant to the provisions of Section 16.4.4(a), Section 16.4.4(b) or Section 16.4.4(c) shall be without prejudice to the provisions of Section 16.4.4(d) which shall apply in accordance with their terms.

16. Section 16.4.5 of the ARLA is hereby deleted and replaced with the following:

16.4.5 Alfa may terminate this Agreement with respect to the POCD EIR Product:

(a) without cause at any time, by giving [***] written notice to Salix; provided, that, in the event of any termination of this Agreement with respect to the POCD EIR Product by Alfa pursuant to this Section 16.4.5, (a) the provisions of Section 17.2 shall not apply; (b) Alfa shall not have any further right to request any additional payment that remains due under Section 6.2.3(a) after such termination; and (c) Alfa’s exercise of such termination will not result in any financial, indemnification or any other termination penalty or compensation owed to Salix as it relates to such termination; or

(b) anything to the contrary set forth herein notwithstanding, immediately upon notice to Salix, if Salix fails to pay any amount due pursuant to Sections 6.2.3(b) through (c) within [***] from receipt of the relevant invoice; provided, that in the event of any termination of this Agreement with respect to the POCD EIR Product by Alfa pursuant to this Section 16.4.5(b), the provisions of Section 17.2 shall apply and shall be the sole remedy of Alfa with respect to any failure to pay by Salix pursuant to this Section 16.4.5(b).

17. Section 17.2 of the ARLA is hereby deleted and replaced with the following:

17.2 Effect of Termination in Respect of the POCD EIR Product.
17.2.1 Upon termination of this Agreement with respect to the POCD EIR Product by Salix pursuant to Section 16.4.4 or by Alfa pursuant to Section 16.4.5(b):

(a) the licenses set forth in Sections 4.1.2 (Crohn’s EIR License), 4.1.3 (Existing Indications EIR License) and 4.1.4 (Salix New Indications License, but only as it pertains to the EIR Formulation) and all other rights and obligations of Salix and obligations of Alfa under this Agreement insofar as they relate to the POCD EIR Product, the Crohn’s EIR Product, the Other EIR Products, the EIR Formulation and all underlying Alfa Technology Rights (including rights granted to Salix under clause (b) of Section 16.2.4) shall terminate (other than the obligations of Salix set forth in this Section 17.2 and Section 4.1.2(b)(vi), which shall survive any such termination);

(b) Salix shall transfer to Alfa all data, files, records and other materials in its possession or control produced within the scope of the activities performed pursuant to the Development Plan relating to the POCD EIR Product; provided, however, that Salix shall not be required to provide to Alfa, and in no event shall Alfa and/or its Affiliates use for purposes of further Development or Exploitation in the Salix Territory, any data, files, records, and other materials in Salix’s possession or Control related to any Rifaximin Product having [***], including any Rifaximin Product that has the EIR Formulation having [***], except as may be required for Alfa to practice the license grants set forth in Section 4.2.2 and Section 4.2.3 in accordance with their respective terms;

(c) Alfa and/or its Affiliates shall be free to Exploit the EIR Formulation and Rifaximin Products containing the EIR Formulation, itself, or may license such rights to one or more licensees, anywhere in the world;

(d) all rights granted to Salix under this Agreement with respect to the receipt of information, data, Regulatory Documentation and the like, and the right to participate in meetings with Regulatory Authorities, shall terminate with regard to all matters pertaining to the POCD EIR Product, the Crohn’s EIR Product, the Other EIR Products, the EIR Formulation and the Rifaximin Products containing the EIR Formulation; and

(e) the licenses set forth in Section 4.2.2 (Salix Designated Indication License) and Section 4.2.3 (SSD/Other New Formulation License) shall not be affected thereby but shall remain in effect in accordance with their respective terms set forth in this Agreement.

17.2.2 Upon termination of this Agreement with respect to the POCD EIR Product by Salix pursuant to Section 16.4.4 or by Alfa pursuant to Section 16.4.5(b), in addition to the effects set forth in Section 17.2.1, if the then-current Initial Development Budget or Development Budget (as the case may be) for the POCD EIR Product has not been exhausted, within thirty (30) Business Days from the effective date of termination Salix shall pay to Alfa an amount equal to the positive difference between (a) [***] and (b) the aggregate amount of all costs and expenses actually paid by Salix pursuant to Section 6.2.3(a). The payment to be made pursuant to this Section 17.2.2 shall be made in in United States.
Dollars by SWIFT (international communications) wire transfer of immediately available funds to such bank as Alfa shall designate in writing. Salix shall not be entitled in any circumstances to withhold any money due to Alfa under the terms of this Agreement in respect of any possible (justified or unjustified) claims against Alfa related to this Agreement or any of the Related Agreements. For clarity, the provisions of Section 4.7 shall apply to the payment to be made pursuant to this Section 17.2.2.

18. The last sentence in Section 18.1 is hereby amended and replaced with the following: “Notwithstanding anything set forth in this Article 18 to the contrary, disputes that (a) are governed by Section 6.5 shall be resolved pursuant to the procedure set forth thereunder; or (b) concern inventorship, ownership or validity of any Intellectual Property Rights pertaining to the Compound or the Crohn’s EIR Products or Licensed Products shall be resolved in the manner set forth in Section 11.5; and (c) concern actions pertaining to breaches of Article 12 shall be governed by Section 12.5.”

For clarity, the remainder of Section 18.1 remains unchanged.

19. Article 23 of the ARLA is hereby amended to replace the existing notices to Salix with the following notice to Salix:

All notices to Salix shall be sent to the following address, or to such other address as Salix may designate by written notice to Alfa:

Salix Pharmaceuticals, Inc.
400 Somerset Corporate Blvd.
Bridgewater, NJ 08807
USA
Attn: General Manager
Fax: (908) 927-1926
Email: [***]

With copies to:

Bausch Health Companies, Inc.
400 Somerset Corporate Blvd.
Bridgewater, NJ 08807
USA
Attn: General Counsel
Fax: (908) 927-1926
Email: [***]

with copies to:

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
All notices to Alfa shall be sent to the following address, or to such other address as Alfa may designate by written notice to Salix:

Alfasigma S.p.A.
Via Ragazzi del '99, n. 5
40133 Bologna
Italy
Attn: General Counsel
Fax: (051) 6489532
Email: [***]

20. The Parties hereby agree and acknowledge that this Amendment and the ARLA, taken together, constitute one and the same agreement and the ARLA, as amended and supplemented by this Amendment, continues in full force and effect in accordance with its terms and, for clarity, Article 21 of the ARLA is hereby incorporated by reference into this Amendment. Except as otherwise expressly provided for herein, no other amendments or supplements to the ARLA are made. If any of the provisions of the ARLA that are, expressly or by implication, amended by this Amendment may be construed in different ways, the interpretation that is most consistent with the text and the purpose of this Amendment shall prevail.

(Signature Page Follows)
IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first above written.

SALIX PHARMACEUTICALS, INC.

By: /s/ Mark McKenna
Name: Mark McKenna
Title: Senior Vice President & General Manager, GI

ALFASIGMA S.p.A.

By: /s/ Pier Vincenzo Colli
Name: Pier Vincenzo Colli
Title: Chief Executive Officer

VALEANT PHARMACEUTICALS IRELAND LIMITED

By: /s/ Michael Kennan
Name: Michael Kennan
Title: Director

VALEANT PHARMACEUTICALS LUXEMBOURG, S.à.r.l.

By: /s/ Michael Kennan /s/ Daniela Italia
Name: Michael Kennan Daniela Italia
Title: Manager Manager

(Signature Page to Amendment Number Two to Amended and Restated License Agreement)
EXHIBIT F(i)

Initial Development Plan and Initial Development Budget

[***]

Schedule F(i)
Schedule 6.2.3(d)

Form of FDA IND Transfer Letter

[***]
AMENDED AND RESTATED
ASSET PURCHASE AGREEMENT
BY AND AMONG
SYNERGY PHARMACEUTICALS INC.,
SYNERGY ADVANCED PHARMACEUTICALS, INC.,
BAUSCH HEALTH COMPANIES INC.
AND
BAUSCH HEALTH IRELAND LIMITED
DATED AS OF JANUARY 4, 2019
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AMENDED AND RESTATED ASSET PURCHASE AGREEMENT

THIS AMENDED AND RESTATED ASSET PURCHASE AGREEMENT, dated as of January 4, 2019 (this “Agreement”), is made by and among Synergy Pharmaceuticals Inc., a Delaware corporation (the “Parent”), its wholly-owned subsidiary, Synergy Advanced Pharmaceuticals, Inc., a Delaware corporation (together with the Parent, in their capacities as debtors and debtors-in-possession, the “Sellers”), Bausch Health Companies Inc., a corporation organized under the laws of British Columbia, Canada (the “BH”), and its wholly-owned subsidiary Bausch Health Ireland Limited, a private limited company organized under the laws of Ireland (the “Purchaser”). Each of the Sellers, BH and the Purchaser is referred to individually herein as a “party” and collectively as the “parties.” Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in ARTICLE IX.

WHEREAS, the Sellers are engaged in the business of, directly or indirectly, developing, making or having made, promoting, using, licensing and selling the Products (such business, as conducted by the Sellers as of the date hereof, the “Business”);

WHEREAS, the Sellers filed voluntary petitions for relief commencing cases (collectively, the “Chapter 11 Case”) under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on December 12, 2018 (the “Petition Date”);

WHEREAS, the Purchaser desires to purchase and accept, and the Sellers desire to sell, convey, assign, transfer and deliver, or cause to be sold, conveyed, assigned, transferred and delivered, to the Purchaser, all of the Acquired Assets, and the Purchaser is willing to assume, and the Sellers desire to assign and delegate to the Purchaser, all of the Assumed Liabilities, all in the manner and subject to the terms and conditions set forth herein and in accordance with Sections 105, 363 and 365 of the Bankruptcy Code, subject to the Purchaser’s right to assign its rights and obligations hereunder to one of more of its Affiliates (such sale and purchase of the Acquired Assets and such assignment and assumption of the Assumed Liabilities, the “Acquisition”);

WHEREAS, the parties acknowledge and agree that the purchase by the Purchaser of the Acquired Assets, and the assumption by the Purchaser of the Assumed Liabilities, are being made at arm’s length and in good faith and without intent to hinder, delay or defraud creditors of the Sellers or their Affiliates;

WHEREAS, the parties entered into that certain asset purchase agreement (the “Original Asset Purchase Agreement”), dated as of December 11, 2018 (the “Execution Date”) and now desire to amend and restate the terms and provisions of the Original Asset Purchase in its entirety in accordance with and subject to the terms and conditions of this Agreement;

WHEREAS, the execution and delivery of this Agreement and the Sellers’ ability to consummate the transactions set forth in this Agreement are subject to, among other things, the entry of the Sale Order under, inter alia, Sections 363 and 365 of the Bankruptcy Code; and
WHEREAS, the parties desire to consummate the proposed transaction as promptly as practicable after the Bankruptcy Court enters the Sale Order.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to amend and restate the Original Asset Purchase Agreement in its entirety as follows; provided that this Agreement and the rights and obligations of the parties hereunder shall continue to be effective as of the Execution Date and references herein to the date of this Agreement or the date hereof or similar phrases shall be deemed to be the Execution Date:

ARTICLE I

THE ACQUISITION

Section 1.1. Acquired Assets. On the terms and subject to the conditions set forth in this Agreement and, subject to approval of the Bankruptcy Court, pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, at the Closing, the Sellers shall sell, assign, transfer, convey and deliver, or cause to be sold, assigned, transferred, conveyed and delivered, to the Purchaser, and the Purchaser shall purchase and accept from the Sellers, free and clear of all Encumbrances of any and every kind, nature and description, other than Permitted Post-Closing Encumbrances, all right, title and interest of the Sellers in, to or under all of the rights, properties and assets of the Sellers of every kind and description, wherever located, real, personal, or mixed, tangible or intangible, to the extent owned, leased, licensed, used or held for use in or relating to the Business, as the same shall exist on the Closing Date, other than the Excluded Assets (collectively, the “Acquired Assets”), including all right, title and interest of the Sellers in, to and under the Acquired Assets that are listed or described below:

(a) other than as set forth in Section 1.2(k), all of the Sellers’ accounts receivable (but excluding any noncurrent accounts receivable) and any other receivables of the Sellers, in each case as of the Closing Date;

(b) all credits, claims for refunds, deposits for the benefit of third parties and prepaid expenses (other than (x) all credits, refunds, deposits and prepaid amounts with respect to Excluded Taxes and (y) to the extent not in respect of Taxes, all credits, refunds, deposits and prepaid amounts that relate primarily to any of the Excluded Assets or the Excluded Liabilities);

(c) the Contracts listed, described or otherwise identified on Section 1.1(c) of the Seller Disclosure Schedule, as such schedule may be amended from time to time pursuant to Section 1.5(e) (such Contracts, the “Assigned Contracts”) and the rights thereunder;

(d) all raw materials, work-in-process, finished goods, supplies (including clinical drug supplies), samples (including samples held by sales representatives), components, packaging materials, and other inventories to which the Sellers have title that are in the possession of the Sellers or any third party and used or held for use in connection with any Product or an Acquired Asset (collectively, “Inventory”);
all machinery, equipment, apparatus, appliances, implements, computers and computer-related hardware, files, documents, network and internet and information technology systems-related equipment and all other tangible personal and intangible property including all other fixed assets and items of personal property used or held for use in the conduct of the Business or otherwise owned by the Sellers, which shall include all servers and computers used to develop and maintain code in various operating environments, all development environment and software currently residing on such computers;

(f) all Seller Intellectual Property, including Seller Registered Intellectual Property (including the items listed on Section 1.1(f) of the Seller Disclosure Schedule) and all of the Sellers’ rights therein, including all rights to sue for and recover and retain damages for present and past infringement thereof and, in the case of Trademarks that are Seller Intellectual Property, all goodwill appurtenant thereto;

(g) all rights under non-disclosure or confidentiality, invention and Intellectual Property assignment agreements executed for the benefit of the Sellers with current or former employees, consultants or contractors of the Sellers or with third parties (in the case of rights under the Parent Confidentiality Agreement, solely to the extent provided in Section 5.15(b));

(h) all Books and Records, other than Retained Books and Records;

(i) to the extent transferable, all Permits and all pending applications therefor;

(j) other than as set forth in Section 1.2(b) or Section 1.2(i), to the extent transferable, all insurance policies and rights thereunder;

(k) all goodwill and other intangible assets associated with the Business, the Acquired Assets and the Assumed Liabilities;

(l) all rights, claims, rebates, refunds, causes of action, actions, suits or proceedings, hearings, audits, rights of recovery, rights of setoff, rights of recoupment, rights of reimbursement, rights of indemnity or contribution and other similar rights (known and unknown, matured and unmatured, accrued or contingent, regardless of whether such rights are currently exercisable) against any Person, including all warranties, representations, guarantees, indemnities and other contractual claims (express, implied or otherwise) to the extent related to the Business, the Acquired Assets or the Assumed Liabilities (including any claims for past infringement or misappropriation) (without duplication of the rights, claims or causes of action of any of the Sellers set forth in Sections 1.2(f), 1.2(g), 1.2(h), 1.2(i), 1.2(j) and 1.2(k));

(m) all avoidance claims or causes of action available to the Sellers under Chapter 5 of the Bankruptcy Code (including Sections 544, 545, 547, 548, 549, 550 and 553) or any similar actions under any other applicable Law (collectively, “Avoidance Actions”) against the following (collectively, the “Designated Parties”): (i) any of the Sellers’ vendors, suppliers, customers or trade creditors with whom the Purchaser continues to conduct business in regard to the Acquired Assets after the Closing, (ii) any of the Sellers’ counterparties under any licenses of
EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE III OF THIS AGREEMENT OR ANY ANCILLARY DOCUMENT DELIVERED BY ANY SELLER PURSUANT TO THIS AGREEMENT (I) THE SELLERS MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, RELATING TO THE BUSINESS, THE ACQUIRED ASSETS OR THE ASSUMED LIABILITIES, INCLUDING ANY REPRESENTATION OR WARRANTY AS TO VALUE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR FOR ORDINARY PURPOSES, OR ANY OTHER MATTER, (II) THE SELLERS MAKE NO, AND HEREBY DISCLAIM ANY, OTHER REPRESENTATION OR WARRANTY REGARDING THE BUSINESS, THE ACQUIRED ASSETS OR THE ASSUMED LIABILITIES, AND (III) THE ACQUIRED ASSETS AND THE ASSUMED LIABILITIES ARE CONVEYED ON AN “AS IS, WHERE IS” BASIS AS OF THE CLOSING, AND THE PURCHASER SHALL RELY UPON ITS OWN EXAMINATION THEREOF. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE III OF THIS AGREEMENT OR ANY ANCILLARY DOCUMENT DELIVERED BY ANY SELLER PURSUANT TO THIS AGREEMENT, THE SELLERS MAKE NO REPRESENTATION OR WARRANTY REGARDING ANY BUSINESS OTHER THAN THE BUSINESS, ANY ASSETS OTHER THAN THE ACQUIRED ASSETS OR ANY LIABILITIES OTHER THAN THE ASSUMED LIABILITIES, AND NONE SHALL BE IMPLIED AT LAW OR IN EQUITY.

Section 1.2. Excluded Assets. Notwithstanding anything contained in this Agreement to the contrary, the Acquired Assets shall not include any of the following (collectively, the “Excluded Assets”):

(a) all Cash, other than any and all rights of the Sellers in and to any restricted cash, security deposits, escrow deposits and cash collateral (including cash collateral given to obtain or maintain letters of credit and cash drawn or paid on letters of credit) that primarily

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relate to the Assumed Liabilities or the Acquired Assets; *provided, however*, that any Encumbrance created under the Prepetition Credit Agreement or the Final DIP Order shall not, in and of itself, render any Cash restricted for purposes of this paragraph and such Cash shall be an “Excluded Asset”;

(b) all current and prior director and officer or similar fiduciary or errors and omissions insurance policies and all rights thereunder and all proceeds thereof;

(c) any credits, refunds, deposits and prepaid amounts with respect to Excluded Taxes;

(d) any shares of capital stock or other equity interests of any Seller or any Affiliate thereof or any securities convertible into, exchangeable or exercisable for shares of capital stock or other equity interests of any Seller or any Affiliate thereof;

(e) Retained Books and Records;

(f) (i) any avoidance actions against any Person other than any of the Designated Parties, (ii) any proceeds of any settlement from and after the date hereof through the Closing of any claims, counterclaims, rights of offset or other causes of action of any of the Sellers against any Person other than any Designated Party, and (iii) all claims or causes of action of the Sellers other than those identified in Section 1.1(l) and Section 1.1(m);

(g) all rights, claims or causes of action of any Seller arising under this Agreement, the Ancillary Documents or the Confidentiality Agreement or arising under the Parent Confidentiality Agreements (to the extent not assigned to the Purchaser pursuant to Section 5.15(b));

(h) all rights, claims or causes of action by or in the right of any of the Sellers against any current or former director or officer of any such Seller;

(i) all Benefit Plans, all assets of such Benefit Plans and all trust agreements, administrative service contracts, insurance policies and other Contracts related thereto and all rights of the Sellers with respect to any of the foregoing;

(j) all Contracts that are not Assigned Contracts, including the Contracts listed or described on Section 1.2(i) of the Seller Disclosure Schedule, which schedule may be modified in accordance with Section 1.5(e);

(k) all receivables, claims or causes of action that relate primarily to any of the Excluded Assets or the Excluded Liabilities, other than any receivables, claims or causes of action that relate to the Contracts set forth on Section 1.2(k) of the Seller Disclosure Schedule;

(l) any assets set forth on Section 1.2(l) of the Seller Disclosure Schedule;

(m) all leases, subleases or Contracts under which Sellers occupy any real property;
Section 1.3. **Assumed Liabilities.** On the terms and subject to the conditions set forth in this Agreement, at the Closing, in consideration for the sale, assignment, conveyance, transfer and delivery of the Acquired Assets to the Purchaser, the Purchaser shall assume from the Sellers and agree to pay, perform and discharge, when due, in accordance with their respective terms and subject to the respective conditions thereof, only the following liabilities and obligations (of any nature or kind, and whether based in common law or statute or arising under written contract or otherwise, known or unknown, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, asserted or unasserted) of the Sellers (collectively, the “**Assumed Liabilities**”):

(a) except as expressly set forth herein, all liabilities and obligations arising from the ownership, possession or use of the Acquired Assets and the operation of the Business, in each case from and after the Closing, it being understood that liabilities and obligations arising from the ownership, possession or use of the Acquired Assets or the operation of the Business prior to the Closing (including the sale of Products by the Sellers and their Affiliates prior to the Closing) other than Cure Costs shall not constitute Assumed Liabilities regardless of when the obligation to pay such liabilities and obligations arises;

(b) all liabilities and obligations arising under the Assigned Contracts, arising after the Closing (other than Cure Costs);

(c) all Cure Costs;

(d) (i) all current accounts payable (and excluding any noncurrent accounts payable) as to which any of the Sellers is responsible or liable and which are owed by any of the Sellers as of the Closing, in each case to the extent such amounts are in respect of (1) manufacturing costs related to Inventory, but excluding any payables related to API (including related to any purchases of API pursuant to **Section 5.23** ) which shall be deemed to be a Cure Cost, or (2) accrued liabilities as of the Closing Date for research and development related to the Products up to $312,000 and (ii) all claims related to or arising from rebates, coupon programs, chargebacks and credits;

(e) any liability in respect of royalty payments that initially become due and payable after the Closing Date and are due to third parties arising with respect to sales occurring before the Closing;

(f) claims related to or arising from returns or expirations of the Products to the extent arising after the Closing;

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(g) all liabilities and obligations relating to the employment or termination of the Transferred Employees, solely to the extent arising after the Closing.

The transactions contemplated by this Agreement shall in no way expand the rights or remedies of any third party against the Purchaser or Sellers as compared to the rights and remedies that such third party would have had against Sellers absent the Chapter 11 Case had the Purchaser not assumed such Assumed Liabilities.

Section 1.4. Excluded Liabilities. Notwithstanding anything contained in this Agreement to the contrary, none of BH, the Purchaser or any Affiliate of either of the foregoing shall assume, be obligated to assume, be deemed to have assumed, or be obliged to pay, perform or otherwise discharge, and the Sellers shall be solely and exclusively liable with respect to, any liabilities or obligations (of any nature, and whether based in common law or statute or arising under written Contract or otherwise, known or unknown, fixed or contingent, accrued or unaccrued,liquidated or unliquidated, asserted or unasserted) of the Sellers and any Affiliate thereof other than the Assumed Liabilities (such liabilities and obligations other than Assumed Liabilities, the “Excluded Liabilities”). Without limiting the foregoing, BH and the Purchaser do not (nor do any of their Affiliates) assume or agree to pay, perform or otherwise discharge the liabilities or obligations (whether known or unknown, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, asserted or unasserted) of the Sellers or their Affiliates with respect to, arising out of or relating to, the following Excluded Liabilities:

(a) except as expressly set forth in Sections 1.3(d) and 1.3(e), and other than the Cure Costs, any liability arising out of facts or circumstances in existence prior to the Closing and from or related to any breach, default under, failure to perform, torts related to the performance of, violations of Law, infringements or indemnities under, guaranties pursuant to and overcharges, underpayments or penalties on the part of the Sellers or any of their Affiliates under any Contract, agreement, arrangement or understanding to which any Seller or any of its Affiliates is a party prior to the Closing;

(b) other than the Cure Costs, any liability arising from or related to any Action against any Seller or its Affiliates, or related to the Business, the Acquired Assets or the Assumed Liabilities, pending or threatened or based on facts, actions, omissions, circumstances or conditions existing, occurring or accruing prior to the Closing Date even if instituted after the Closing Date;

(c) except as set forth in Sections 1.3(b), 1.3(c), 1.3(d) and 1.3(e), any liability arising from or related to the operation of the Business or any of the Sellers’ products or services, or the operation or condition of the Acquired Assets or the Assumed Liabilities prior to the Closing or facts, actions, omissions, circumstances or conditions existing, occurring or accruing prior to the Closing;

(d) all Indebtedness of the Sellers (other than obligations with respect to capitalized leases that are Assigned Contracts);
(e) all guarantees of third-party Indebtedness made by the Sellers and reimbursement obligations to guarantors of the Sellers’ obligations or under letters of credit or other similar agreements or instruments;

(f) all liabilities or obligations arising out of or related to the matters set forth on Section 1.4(f) of the Seller Disclosure Schedule;

(g) all liabilities or obligations to any current or former owner of capital stock or other equity interests of the Sellers or any securities convertible into, exchangeable or exercisable for shares of capital stock or other equity interests of the Sellers, any current or former holder of indebtedness for borrowed money of the Sellers or, in respect of obligations for indemnification or advancement of expenses, any current or former officer or director of the Sellers;

(h) all drafts or checks outstanding at the Closing under which the Sellers are obligated;

(i) all liabilities or obligations of the Sellers under futures contracts, options on futures, swap agreements or forward sale agreements;

(j) all liabilities for or in respect of Excluded Taxes;

(k) all liabilities and obligations relating to (i) the Benefit Plans (whether arising prior to, on or after the Closing Date) or (ii) the employment or termination of any current or former employee of the Sellers (including any Transferred Employees), and including any current, threatened or potential claims for compensation or benefits, in each such case, to the extent related to employment with the Sellers or termination thereof, whether arising prior to, on or after the Closing Date;

(l) all fees, charges, expenditures, expenses, costs and other payments incurred or otherwise payable by any of the Sellers or their respective affiliates, or for which any of the Sellers or their respective affiliates is liable, in connection with in connection with the administration of the Chapter 11 Case or the negotiation, execution and consummation of the transactions contemplated by this Agreement or any Ancillary Document (including any preparation for a transaction process, bankruptcy process, any sale process involving other potential buyers or any contemplated public offering or financing), including the fees and expenses of financial advisors, accountants, legal counsel, consultants, brokers and other advisors with respect thereto, whether incurred, accrued or payable on or prior to or after the date of this Agreement or the Closing Date;

(m) all liabilities or obligations to the extent relating to the ownership, possession or use of the Excluded Assets;

(n) all liabilities or obligations (x) under Environmental Laws to the extent relating to (i) facts, actions, omissions, circumstances or conditions existing, occurring or accruing, or noncompliance with or violations of Environmental Laws by the Sellers, on or
before the Closing Date, (ii) the transportation, off-site storage or off-site disposal of any Hazardous Substances generated by or on behalf of the Sellers on or before the Closing Date or (iii) real property not acquired under this Agreement, including any real property formerly owned, operated or leased by Sellers prior to the Closing Date and (y) for toxic torts arising as a result of or in connection with loss of life or injury to Persons (whether or not such loss or injury was made manifest on or after the Closing Date);

(o) any liability relating to any Product that is or has been manufactured, tested, distributed, held or marketed by or on behalf of any Seller arising from any recall, withdrawal or suspension (whether voluntarily or otherwise), except to the extent that such recall, withdrawal or suspension results from Purchaser’s operation of the Business or the Acquired Assets following the Closing; and

(p) all intercompany accounts payable, liabilities and obligations that are owed or payable to any Seller as to which any Seller is an obligor or is otherwise responsible or liable.

Section 1.5. Assignment of Assigned Contracts.

(a) Section 1.5(a) of the Seller Disclosure Schedule sets forth with respect to each Contract of the Sellers, the Sellers’ good-faith estimate of the amount required to be paid with respect to each Contract to cure all monetary defaults under such Contract to the extent required by Section 365(b) and otherwise satisfy all requirements imposed by Section 365(d) of the Bankruptcy Code (the actual amount of such costs with respect to the Assigned Contracts, the “Cure Costs”). Prior to the Sale Hearing, the Sellers shall commence appropriate proceedings before the Bankruptcy Court and otherwise take all reasonably necessary actions in order to determine the Cure Costs with respect to any Assigned Contract entered into prior to the Petition Date, including, the right (subject to Section 5.1 hereof) to negotiate in good faith and litigate, if necessary, with any Contract counterparty the Cure Costs needed to cure all monetary defaults under such Assigned Contract. Notwithstanding the foregoing, prior to the Designation Deadline, the Purchaser may identify any Assigned Contract that the Purchaser no longer desires to have assigned to it in accordance with Section 1.5(e).

(b) To the maximum extent permitted by the Bankruptcy Code and subject to the other provisions of this Section 1.5, on the Closing Date, the Sellers shall assign the Assigned Contracts pursuant to Section 365 of the Bankruptcy Code and the Sale Order, subject to the provision of adequate assurance by the Purchaser as may be required under Section 365 of the Bankruptcy Code and payment by the Purchaser of the Cure Costs, in respect of the Assigned Contracts.

(c) To the maximum extent permitted by the Bankruptcy Code and subject to the other provisions of this Section 1.5, the Sellers shall assume and transfer and assign all of the Acquired Assets to the Purchaser and the Purchaser shall assume all of the Acquired Assets from the Sellers, as of the Closing Date, pursuant to Sections 363 and 365 of the Bankruptcy Code. Notwithstanding any other provision of this Agreement or in any Ancillary Document to the contrary, this Agreement shall not constitute an agreement to assign any asset or any right
thereunder if an attempted assignment without the consent of a third party, which consent has not been obtained prior to the Closing (after giving effect to the Sale Order and the Bankruptcy Code), would constitute a breach or in any way adversely affect the rights of the Purchaser or the Sellers thereunder.

(d) Notwithstanding anything in this Agreement to the contrary, to the extent that the sale, transfer, assignment, conveyance or delivery of any asset that would be an Acquired Asset or any claim or right or any benefit arising thereunder or resulting therefrom is prohibited by any applicable Law or would require any consent from any Governmental Entity or any other third party and such consents shall not have been obtained prior to the Closing (after giving effect to the Sale Order and the Bankruptcy Code), the Closing shall proceed without any reduction in Purchase Price without the sale, transfer, assignment, conveyance or delivery of such asset unless there is a failure of one or more of the conditions set forth in Article VI; in which case, the Closing shall proceed only if each failed condition is waived by the party entitled to the benefit thereof. In the event that any failed condition is waived and the Closing proceeds without the transfer or assignment of any such asset, then following the Closing, each of the Purchaser and each of the Sellers shall use its reasonable best efforts, subject to any approval of the Bankruptcy Court that may be required, and shall cooperate with the other parties, to obtain such consent as promptly as practicable following the Closing. Pending the receipt of such consent, the parties shall, subject to any approval of the Bankruptcy Court that may be required, reasonably cooperate with each other to provide the Purchaser with all of the benefits of use of such asset. Once consent for the sale, transfer, assignment, conveyance or delivery of any such asset not sold, transferred, assigned, conveyed or delivered at the Closing is obtained, the Sellers shall promptly transfer, assign, convey and deliver such asset to the Purchaser. To the extent that any such asset cannot be transferred or the full benefits or use of any such asset cannot be provided to the Purchaser, then as promptly as practicable following the Closing, the Purchaser and the Sellers shall enter into such arrangements (including subleasing, sublicensing or subcontracting), and shall reasonably cooperate with each other to provide the Purchaser with all of the benefits of use of such asset. The Sellers shall hold in trust for, and pay to the Purchaser, promptly upon receipt thereof, all income, proceeds and other monies received by the Sellers derived from their use of any asset that would be an Acquired Asset in connection with the arrangements under this Section 1.5(d). The parties agree to treat any asset the benefits of which are transferred pursuant to this Section 1.5(d) as having been sold to Purchaser for Tax purposes to the extent permitted by Law. Each of the Sellers and Purchaser agrees to notify the other parties promptly in writing if it determines that such treatment (to the extent consistent with the relevant arrangement agreed to by such Seller and Purchaser pursuant to this Section 1.5(d)) is not permitted for Tax purposes under applicable Law. Where such treatment is not so permitted, and subject to the terms of any relevant arrangement agreed to by Sellers and Purchaser pursuant to this Section 1.5(d) (and without duplication of any such Taxes economically borne by Purchaser or any of its Affiliates pursuant thereto), Purchaser shall indemnify and hold harmless the applicable Seller for any Taxes imposed on such Seller or any of its Affiliates with respect to any such Acquired Asset for any Post-Closing Tax Period (determined on a “with and without” basis).
(c) Notwithstanding anything in this Agreement to the contrary, the Purchaser may, in its sole and absolute discretion, amend or revise Section 1.1(c) of the Seller Disclosure Schedule setting forth the Assigned Contracts, in order to add any Contract to, or eliminate any Contract from, such schedule at any time during the period commencing from the date hereof and ending at the end of the Auction (or if no Auction occurs, the date that is two (2) Business Days before the commencement of the Sale Hearing) (the “Designation Deadline”). Automatically upon the addition of any Contract to Section 1.1(c) of the Seller Disclosure Schedule, it shall be an Assigned Contract for all purposes of this Agreement. Automatically upon the removal of any Contract from Section 1.1(c) of the Seller Disclosure Schedule it shall be an Excluded Asset for all purposes of this Agreement, and no liabilities arising thereunder shall be assumed or borne by the Purchaser.

Section 1.6. **Purchase Price; Deposit Funds.**

(a) In consideration for the Acquired Assets, the Purchaser shall, in addition to the assumption of the Assumed Liabilities by the Purchaser, pay the following amounts (the “**Purchase Price**”):

(i) (x) one hundred eighty five million five hundred fifty thousand dollars ($185,550,000) in cash, minus (y) the Cure Costs Deduction, minus (z) the GTN Adjustment Amount (the “**Cash Consideration**”), net of any Deposit Funds paid to the Parent at the Closing pursuant to **Section 1.6(b)(i)**, which Cash Consideration shall be paid to the Parent on behalf of the Sellers at the Closing; and

(ii) an amount in cash (the “**Severance Consideration**”) to the Parent on behalf of the Sellers equal to the lesser of (x) fourteen million four hundred fifty thousand dollars ($14,450,000) and (y) the amount of severance obligations (inclusive, for the avoidance of doubt, of any payments and benefits in respect of any notice periods under the Worker Adjustment and Retraining Notification Act (and any similar state or local Law) (all such laws collectively, the “**WARN Acts**”) and any other termination benefits), plus any employer portion of payroll taxes due in respect of such obligations and benefits, that are both (A) payable to any employee of the Sellers who either (1) is an “Eligible Employee” under the severance pay plan of the Parent on the Closing Date and has not received on or before the third (3rd) Business Day following the Auction an offer from BH or its Affiliate for employment commencing on the Closing Date and has rejected, prior to the Closing Date, and rejected (including by not performing services for BH or its Affiliates as of the Closing Date) an offer from BH or its Affiliate for employment commencing on the Closing Date that meets the requirements set forth in **Section 5.14**, (2) is an “Eligible Employee” under the severance pay plan of the Parent on the Closing Date, is a Relocation Employee and has received, prior to the Closing Date, and rejected (including by not performing services for BH or its Affiliates as of the Closing Date) an offer from BH or its Affiliate for employment commencing on the Closing Date that meets the requirements set forth in **Section 5.14**, and (B) administrative expenses in the Chapter 11 Case pursuant to Sections 503(b)(1) and 507(a)(2) of the Bankruptcy Code; **provided, however**, that in the event that the Sellers are not authorized to pay severance to employees at the Closing pursuant to the Sale Order, the

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Purchaser shall instead deposit the Severance Consideration into an escrow account for the benefit of the employees entitled thereto, to be paid to such employees upon the earlier of (X) the Sellers’ emergence from bankruptcy or (Y) Bankruptcy Court approval, with any remaining unused funds being remitted to the Purchaser following payment of all severance obligations.

If the Closing shall occur, at the Closing, the Purchaser and the Parent shall provide joint written instructions, executed by their respective authorized representatives under the Escrow Agreement, to the Escrow Agent that instruct the Escrow Agent to release the Deposit Funds to the Parent on the Closing Date. The Deposit Funds received by the Parent shall be applied at the Closing toward the payment of the Cash Consideration portion of the Purchase Price.

(b) Within three (3) Business Days of the entry of the Bidding Procedures Order, subject to the execution of an escrow agreement reasonably acceptable to the Sellers and the Purchaser (the “Escrow Agreement”), with an escrow agent reasonably acceptable to the Sellers and the Purchaser (the “Escrow Agent”), the Purchaser shall deposit into escrow with the Escrow Agent an amount equal to eighteen million five hundred thousand dollars ($18,500,000) (such amount, together with all interest and other earnings accrued thereon, the “Deposit Funds”), by wire transfer of immediately available funds pursuant to the terms of the Escrow Agreement. The Deposit Funds shall be released by the Escrow Agent and delivered to either (x) the Purchaser or (y) the Parent on behalf of the Sellers, as follows:

(i) if the Closing shall occur, the Deposit Funds shall be applied towards the portion of the Purchase Price payable by Purchaser to the Parent pursuant to Section 1.6(a)(i) hereof;

(ii) if this Agreement is terminated by the Sellers (A) pursuant to Section 7.1(b)(iii) or (B) pursuant to Section 7.1(a) in any circumstance where the Purchaser is not entitled to terminate pursuant to Section 7.1(a) because the failure of the Closing to occur results from the failure of the Purchaser to materially perform its obligations under Section 5.3 required to be performed by it at or prior to the Closing, in each case unless at the time of such termination the Purchaser would have been entitled to terminate this Agreement and has given prior written notice to the Sellers of such claimed right, then the Deposit Funds shall be delivered to the Parent; or

(iii) if this Agreement is terminated other than in a manner provided by Section 1.6(b)(ii), the Deposit Funds shall be delivered to the Purchaser.

Section 1.7. Withholding. Notwithstanding anything to the contrary in this Agreement, BH and the Purchaser shall be entitled to deduct and withhold from any consideration payable hereunder such amounts as are required to be deducted and withheld with respect thereto under the Code or any other Tax Law. To the extent that amounts are so deducted and withheld, such amounts shall be treated for all purposes of this Agreement as having been paid to the person in respect of which such deduction or withholding was made. Notwithstanding the foregoing, the Purchaser shall consult with the Sellers in good faith prior to withholding any amounts payable to the Sellers promptly, and in any event no later than five (5) Business Days prior to the Closing Date, notify the Sellers in writing if the Purchaser determines that any withholding or deduction
is required under the Code or any applicable Law with respect to any portion of payment to the Sellers, and provide the Sellers with reasonable opportunity to provide such forms or other evidence that would eliminate or reduce any such required deduction or withholding. The Purchaser further acknowledges that no such deduction or withholding in respect of Taxes is anticipated as of the date hereof.

Section 1.8. Designation Rights. Notwithstanding anything in this Agreement to the contrary, the Purchaser reserves the right to designate any asset as an Acquired Asset or Excluded Asset under this Agreement by the Designation Deadline, and (x) automatically upon the addition of any asset to Section 1.1(a)-(p) of the Seller Disclosure Schedule prior to the Designation Deadline, such asset shall be an Acquired Asset for all purposes of this Agreement, and (y) automatically upon the addition of any asset to Section 1.2(a)-(o) of the Seller Disclosure Schedule prior to the Designation Deadline, such asset shall be an Excluded Asset for all purposes of this Agreement.

Section 1.9. Purchase Price Allocation. The parties agree to allocate for Tax purposes (and, as applicable, to cause their respective Affiliates to allocate for Tax purposes) the Purchase Price (as adjusted to take into account any payments pursuant to Section 1.10 as applicable) and any other amounts treated as additional consideration for Tax purposes among the Acquired Assets in accordance with the following procedures and, to the extent applicable, in accordance with Section 1060 of the Code, the Treasury Regulations promulgated thereunder. The parties agree that no more than $45,000,000 will be allocated to those certain licensing, development, and commercialization agreements with Cipher Pharmaceuticals, Inc. and Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. and other Intellectual Property located outside of the United States (the “Non-US Asset Allocation”). Within ninety (90) days after the Closing Date, BH shall deliver to Parent a proposed allocation of the Purchase Price (as adjusted to take into account any payments pursuant to Section 1.10 as applicable) and any other amounts treated as additional consideration for Tax purposes as of the Closing Date (the “Purchaser’s Allocation”). No later than thirty (30) days following the delivery of the Purchaser’s Allocation, Parent may deliver to BH a statement setting forth in reasonable detail any objections thereto, the basis for such objections, and Parent’s proposed allocation (“Sellers’ Allocation Notice”). If Parent timely delivers to BH a Sellers’ Allocation Notice, Parent and BH shall, during the twenty (20) days following such delivery, use commercially reasonable efforts to reach agreement on the disputed items or amounts. The Purchaser’s Allocation, if no Sellers’ Allocation Notice is timely delivered, or as adjusted pursuant to any agreement between the Parent and BH during the twenty (20)-day period following the timely delivery of Sellers’ Allocation Notice (the “Allocation”) shall be final and binding on the parties; provided, that if Sellers’ Allocation Notice is timely delivered and Parent and BH are unable to reach agreement within such twenty (20)-day period, they shall not be required to reach agreement, and each party shall file its respective Tax Returns in accordance with such allocation as it determines to be correct and consistent with applicable Law. If an Allocation is determined pursuant to the foregoing provisions of this Section 1.9, each of the parties (a) shall (and shall cause its Affiliates to) prepare and file all Tax Returns (and Internal Revenue Service Forms 8594) in a manner consistent with the Allocation and (b) shall not (and shall cause its Affiliates not to) take any position on any Tax Return or in connection with any Tax proceeding inconsistent with the Allocation, in each case, except to the
Section 1.10. **GTN Receivables**. No later than five (5) Business Days prior to the anticipated Closing Date, the Sellers shall provide the Purchaser with their good faith estimate of GTN Receivables as of the Closing. The parties shall cooperate in good faith to resolve any dispute regarding such estimate, and shall work to update such estimate to arrive at a final and agreed calculation of GTN Receivables as of the Closing Date. In the event that the parties fail to reach agreement as to such final calculation as of the Closing Date, the amount of Cash Consideration payable at Closing shall be calculated using the Purchaser’s good faith calculation of GTN Receivables and the parties shall submit the dispute as expeditiously as practicable (and in any event within thirty (30) days) to a mutually agreeable, nationally recognized accounting firm for resolution, the costs and fees relating to which shall be borne fifty percent (50%) by the Sellers and fifty percent (50%) by the Purchaser. In the event that such accounting firm’s final calculation of GTN Receivables differs from the amount used in calculation of Cash Consideration pursuant to the preceding sentence, the Sellers or the Purchaser, as applicable, shall make prompt payment to the other in the amount of such difference, which shall be deemed for all purposes hereof to be an adjustment to the Purchase Price.

**ARTICLE II**

**THE CLOSING**

Section 2.1. **Closing**. Upon the terms and subject to the conditions hereof, the closing of the sale of the Acquired Assets and the assumption of the Assumed Liabilities contemplated hereby (the “Closing”) shall take place at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, at 10:00 a.m. local time as soon as possible (and in any event within two (2) Business Days) after the conditions set forth in Article VI shall have been satisfied or (if permissible) waived (except for such conditions that, by their nature, are to be satisfied at the Closing, but subject to the satisfaction or (if permissible) waiver thereof at the Closing), or at such time, date and place as the parties hereto may mutually agree (the date of the Closing being herein referred to as the “Closing Date”). For financial, accounting and economic purposes, including risk of loss, and for all other purposes under this Agreement, upon the occurrence of the Closing, the Closing shall be deemed to have occurred at 12:01 a.m., New York City time, on the Closing Date.

Section 2.2. **Deliveries at the Closing**.

(a) At the Closing, the Sellers shall deliver to the Purchaser:

(i) a duly executed bill of sale substantially in the form of Exhibit B attached hereto (the “Bill of Sale”), transferring the Acquired Assets to the Purchaser;

(ii) the Acquired Assets by making the Acquired Assets available to the Purchaser at their present location;
(iii) the assignment and assumption agreement to be entered into between the Sellers and the Purchaser substantially in the form of Exhibit C attached hereto (the “Assignment and Assumption Agreement”), duly executed by the Sellers;

(iv) assignments of the Seller Intellectual Property, including the Seller Registered Intellectual Property, substantially in the forms of Exhibit D attached hereto (the “Intellectual Property Assignment Agreements”), duly executed by the Sellers;

(v) a certificate duly executed by each Seller and dated as of the Closing Date, in the form prescribed under Treasury Regulations Section 1.1445-2(b) and reasonably acceptable to the Purchaser, that such Seller is not a foreign person within the meaning of Section 1445(f)(3) of the Code;

(vi) the certificates described in Section 6.3(f);

(vii) [reserved;]

(viii) a copy of the Sale Order entered by the Bankruptcy Court; and

(ix) such other documents reasonably satisfactory to the Purchaser as the Purchaser may reasonably request in writing no later than three (3) Business Days prior to the Closing Date in order to give effect to the Acquisition.

(b) At the Closing, BH or the Purchaser shall deliver to the Sellers:

(i) the Cash Consideration (including any portion of the Purchase Price to be paid by release of the Deposit Funds to the Sellers) and the Severance Consideration by wire transfer of immediately available funds to an account or accounts designated by the Sellers;

(ii) the Assignment and Assumption Agreement duly executed by the Purchaser (and/or its designated Affiliate or Affiliates);

(iii) the Intellectual Property Assignment Agreements, duly executed by the Purchaser (and/or its designated Affiliate or Affiliates);

(iv) the certificate(s) described in Section 6.2(d);

(v) the Bill of Sale, duly executed by the Purchaser (and/or its designated Affiliate or Affiliates);

(vi) evidence of the payment of all Cure Costs to the applicable Assigned Contract counterparties; and

(vii) such other documents reasonably satisfactory to the Sellers as the Sellers may reasonably request in writing no later than three (3) Business Days prior to the Closing Date in order to give effect to the Acquisition.
c) At the Closing, each of the Parent and the Purchaser shall deliver to the Escrow Agent, the joint written instructions contemplated by Section 1.6(b)(i), duly executed by the Parent and the Purchaser.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Except as disclosed in (x) the Parent SEC Documents publicly available prior to the date hereof (but excluding any predictive, cautionary or forward looking disclosures contained under the captions “risk factors,” “forward looking statements” or any similar precautionary sections and any other disclosures contained therein that are predictive, cautionary or forward looking in nature) or (y) the applicable section of the disclosure schedule delivered by the Sellers to BH and the Purchaser immediately prior to the execution of the Original Asset Purchase Agreement (the “Seller Disclosure Schedule”) (it being understood that any information set forth in one section or subsection of the Seller Disclosure Schedule shall be deemed to apply to and qualify the representation and warranty set forth in this Agreement to which it corresponds in number and, whether or not an explicit reference or cross-reference is made, each other representation and warranty set forth in this Article III for which it is reasonably apparent on its face that such information is relevant to such other section), the Sellers represent and warrant to BH and the Purchaser, solely with respect to the Business, the Acquired Assets and the Assumed Liabilities, as follows:

Section 3.1. Qualification, Organization, Subsidiaries, etc. Each Seller is a legal entity duly organized, validly existing and in good standing (with respect to jurisdictions that recognize such concept) under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted. Each Seller is qualified to do business and is in good standing (with respect to jurisdictions that recognize such concept) as a foreign corporation or other entity in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so qualified or, where relevant, in good standing, has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. The Sellers have made available to BH and the Purchaser a complete and accurate copy of the organizational documents of each Seller as in effect on the date hereof. None of the Sellers is in violation of any of the provisions of its certificate of incorporation and bylaws (or equivalent organizational documents), in each case, except for violations that have not and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Synergy Advanced Pharmaceuticals, Inc. (a) is the sole Subsidiary of the Parent and (b) does not have any Subsidiaries.

Section 3.2. Authority of the Sellers. Each Seller has all requisite corporate power and authority to execute and deliver and, subject to the entry and effectiveness of the Bidding Procedures Order and Sale Order, to perform its obligations under this Agreement and each of the Ancillary Documents to which each such Seller is a party. The execution, delivery and
Section 3.3. Consents and Approvals. No consent, approval, permit or authorization of, or declaration, filing or registration with, any Governmental Entity is necessary or required to be made or obtained by any Seller or their Affiliates in connection with the execution, delivery and performance of this Agreement and the Ancillary Documents to which a Seller is a party and the consummation of the transactions contemplated hereby and thereby, except in connection with or compliance with (a) any applicable requirements of the Bankruptcy Court, and (b) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), except for such consents, approvals, permits, authorizations, declarations, filings or registrations, which, if not made or obtained, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.4. No Violations. Except as described in Sections 3.3 and 4.3, neither the execution, delivery or performance of this Agreement and the Ancillary Documents by the Sellers nor the consummation by the Sellers of the transactions contemplated hereby or thereby will (a) conflict with or result in any violation or breach of any provisions of the certificate of incorporation, bylaws or other organizational documents of any Seller, (b) with or without notice or lapse of time or both, conflict with or result in any breach or violation of or constitute a default or change of control under, or give rise to a right of, or result in, modification, cancellation, first offer, first refusal or acceleration of any obligation or to the loss of a benefit under any Contract to which any Seller is a party or by or to which any of their respective properties, rights or assets are bound or subject, (c) result in the creation or imposition of any Encumbrance on any Acquired Asset other than (i) with respect to the execution and delivery of this Agreement, Permitted Pre-Closing Encumbrances and (ii) with respect to the execution and delivery of the Ancillary Documents and with respect to the performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, the Permitted Post-Closing Encumbrances or (d) conflict with or violate any Order or Law applicable to any Seller or their respective properties, rights or assets, except in the case of the foregoing clauses (b), (c) and (d), for breaches, violations, defaults, rights, creations or impositions that (y) have not had and would not reasonably be expected to have, individually
Section 3.5. **Financial Statements; Books and Records**.

(a) The consolidated financial statements (including all related notes and schedules) of the Parent included or incorporated by reference in the Parent SEC Documents (the “Financial Statements”) when filed, complied in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC with respect thereto and fairly present in all material respects the consolidated financial position of the Parent and its consolidated Subsidiaries, as at the respective dates thereof, and the consolidated results of their operations and their consolidated cash flows for the respective periods then ended (subject, in the case of the unaudited quarterly financial statements, to normal year-end audit adjustments that are not material and the absence of notes) in conformity with GAAP, applied on a consistent basis during the periods involved (except as indicated in the notes thereto including, in the case of the unaudited quarterly financial statements, for normal and recurring year-end adjustments that are not material and for the absence of notes).

(b) The Parent has established and maintains, and at all times since January 1, 2016 has maintained, disclosure controls and procedures and internal control over financial reporting (as such terms are defined in paragraphs (e) and (f), respectively, of Rule 13a-15 under the Exchange Act) as required by Rule 13a-15 under the Exchange Act designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and which includes policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Parent, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Parent and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Parent that could have a material effect on the financial statements. Since January 1, 2016, the Parent’s principal executive officer and its principal financial officer have disclosed to the Parent’s auditors and the audit committee of the Parent’s Board of Directors (which disclosure (if any) and significant facts learned during the preparation of such disclosure have been made available to BH and the Purchaser prior to the date hereof) (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, (ii) any fraud, whether or not material, that involves management or other employees and (iii) any claim or allegation regarding any of the foregoing. Since January 1, 2016, neither the Parent nor any Subsidiary of the Parent has received any material, unresolved, complaint, allegation, assertion or claim regarding the accounting or auditing practices, procedures, methodologies or methods of the Parent or any Subsidiary of the Parent or their respective internal accounting controls.
(c) The Books and Records maintained with respect to the Business and used in the preparation of the Financial Statements accurately and fairly reflect, in all material respects, the transactions and the assets and liabilities of the Sellers with respect to the Business.

Section 3.6.  Title to Property; Sufficiency of Assets.

(a) The Sellers have good and marketable title to, a valid leasehold interest in or all rights to use, all of the Acquired Assets, free and clear of all Encumbrances other than Permitted Pre-Closing Encumbrances. Upon the entry and effectiveness of the Sale Order, the Sellers will have the power and right to sell, assign, transfer, convey and deliver, as the case may be, to the Purchaser the Acquired Assets, and at the Closing, the Sellers will sell, assign, transfer, convey and deliver to the Purchaser good and marketable title to, or, in the case of personal property leased by the Sellers, a valid leasehold interest in, or all rights to use, the Acquired Assets, free and clear of all Encumbrances other than Permitted Post-Closing Encumbrances.

(b) After giving effect to Section 1.5(c) and Section 1.5(d), the Acquired Assets together with the Excluded Assets (x) constitute all of the material assets, rights and properties used by the Sellers and their Affiliates in the conduct of the Business, and (y) are sufficient to conduct the Business in all material respects as it is conducted on the date hereof.

Section 3.7.  Absence of Certain Changes.

(a) From December 31, 2017 through the date hereof: (i) the Business has been conducted in all material respects in the ordinary course of business consistent with past practice and (ii) none of the Sellers has taken any action that, if taken after the date hereof, would constitute a breach of, or require the consent of BH or the Purchaser under, Section 5.1.

(b) From December 31, 2017, there has not occurred any Effect that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.8.  Brokers or Finders. Other than Centerview Partners, none of the Sellers has employed or engaged any investment banker, broker or finder who is entitled to any fee or any commission in connection with this Agreement, the Ancillary Documents or the transactions contemplated hereby or thereby. A true and complete copy of the engagement letter with Centerview Partners has been made available to BH and the Purchaser prior to the date hereof.

Section 3.9.  Litigation. Except as would not, individually or in the aggregate, have a Material Adverse Effect and except for the Chapter 11 Case, there are no Actions pending or, to the Knowledge of the Sellers, threatened against the Sellers or any of their respective properties, rights or assets by or before, and there are no orders, judgments or decrees of or settlement agreements with, any Governmental Entity.
Section 3.10. **Intellectual Property**

(a) **Section 3.10(a)** of the Seller Disclosure Schedule sets forth a true and complete list, as of the date hereof, of each item of Seller Registered Intellectual Property and any Product IP that is Registered Intellectual Property, including the current owner, the jurisdiction in which each item has been registered or filed, the applicable registration, application or serial number or similar identifier, the filing date, and the applicable issuance, registration or grant date.

(b) The Sellers exclusively own all right, title and interest in and to all Seller Intellectual Property, including all Seller Registered Intellectual Property, free and clear of any Encumbrances, except for Permitted Pre-Closing Encumbrances. Following the Closing, the Purchaser will exclusively own, all right, title and interest in and to all Seller Intellectual Property, including all Seller Registered Intellectual Property, free and clear of any Encumbrances, except for Permitted Post-Closing Encumbrances. Without limiting the generality of the foregoing, all Seller Intellectual Property is fully transferable, alienable and licensable by the Sellers, and following the Closing, will be fully transferable, alienable and licensable by the Purchaser without restriction and without payment of any kind to any third party. No Seller Intellectual Property, or to the Knowledge of the Sellers, Product IP, is or was subject to any Action or settlement agreement that restricts in any material respect the use, provision, transfer, assignment or licensing thereof, as the case may be, by any Seller or that may affect the validity, ownership, use or enforceability of any material Seller Intellectual Property or, to the Knowledge of the Sellers, material Product IP. Each item of Seller Registered Intellectual Property is subsisting, and to the Knowledge of the Sellers, not unenforceable or invalid.

(c) No Seller is a party to or has initiated or threatened in writing any Action that challenges the legality, validity, enforceability, registration, use or ownership of a third party’s Intellectual Property.

(d) No Seller has granted or transferred (or is obligated to grant or transfer) to any Person or is obligated to permit any Person to retain an ownership interest, including any joint ownership interest, or any exclusive rights in any Intellectual Property that is or was material Seller Intellectual Property.

(e) No Actions are pending or, to the Knowledge of the Sellers, threatened against any Seller alleging that any Seller is infringing, misappropriating, diluting or otherwise violating the Intellectual Property of any Person. Neither the operation of the Business, nor any Product (i) infringes or misappropriates (or has in the past infringed or misappropriated to the extent there is any current liability therefor or a liability is reasonably expected to arise) any Intellectual Property of any Person and (ii) following the Closing will (when conducted in substantially the same manner by the Purchaser), infringe or misappropriate any Intellectual Property of any Person, in each case except as would not result in any material liability to any of the Sellers. Since January 1, 2016, no Seller has received any written offer to license or notice from any Person that would reasonably be construed to be claiming that the operation of the Business, or any Product, conflicts with, infringes or misappropriates any Intellectual Property of
any Person or constitutes unfair competition or trade practices under the Laws of any jurisdiction.

(f) Since January 1, 2016, no Seller has brought, or threatened in writing to bring, any Action against a third party alleging infringement or misappropriation of any material Seller Intellectual Property.

(g) In each case in which a Seller has engaged or hired an employee, consultant or contractor (whether current or former) for the purpose of developing or creating any material Intellectual Property, such Seller has obtained an assignment or transfer of all such Intellectual Property to such Seller or otherwise is the owner of such Intellectual Property by operation of Law. Each Seller has taken commercially reasonable actions to maintain and protect Trade Secrets in its possession that are material Intellectual Property of the Sellers or any third party. To the Knowledge of the Sellers, there has been no unauthorized disclosure of any Trade Secrets that are material Seller Intellectual Property.

(h) Section 3.10(h) of the Seller Disclosure Schedule sets forth a true and complete list of all Contracts that grant any Seller a license (including covenants not to sue), ownership rights, or other rights in or to (1) any material Product IP or (2) any other Intellectual Property or technology (including any software) owned by a third party that is material to the operation of the Business, other than Ordinary Course Licenses. Section 3.10(h) of the Seller Disclosure Schedule sets forth a true and complete list of all material Contracts to which any Seller is a party under which such Seller grants any third party a license (including covenants not to sue) or other rights in or to any material Seller Intellectual Property, other than non-exclusive licenses pursuant to written agreements entered into in the ordinary course of business consistent with past practice (the foregoing, together with the Ordinary Course Licenses, the “IP Contracts.”).

(i) The consummation of the transactions contemplated hereby will not result in (i) a material breach, violation, modification, cancellation, termination, or suspension of any rights under the IP Contracts set forth on Section 6.3(c) of the Seller Disclosure Schedule, (ii) the grant of (or requirement to grant) any material license, covenant not to assert, release, agreement not to enforce or prosecute, or other immunity to any Seller Intellectual Property (or any Intellectual Property of BH or the Purchaser) to any Person, or (iii) BH or the Purchaser being obligated to pay any material royalties, or other material amounts, to any third party in excess of those payable by, or required to be offered by, any of them, respectively, in the absence of this Agreement or the transactions contemplated hereby.

(j) All IP Contracts set forth on Section 6.3(c) of the Seller Disclosure Schedule are fully transferable and assumable by Purchaser pursuant to the transactions contemplated hereby and shall remain in full force and effect following the Closing in accordance with their terms, and, as of immediately after the Closing, the Purchaser will be entitled to exercise all of the Sellers’ rights under all IP Contracts to the same extent as prior to the Closing.
Section 3.11. Privacy and Data Protection.

(a) Since January 1, 2016, each Seller’s receipt, collection, maintenance, transmission, use, analysis, disclosure, storage and disposal of Protected Information and, to the Knowledge of Sellers, any such activities performed by authorized third parties on such Seller’s behalf, has complied in all material respects with (i) applicable Information Privacy and Security Laws and (ii) all applicable policies and procedures (which meet or exceed applicable industry standards) adopted by the Sellers relating to Protected Information, including the Privacy Statements. The Sellers have executed Business Associate Agreements (as such agreements are defined in HIPAA) with any Business Associate (as defined in HIPAA), in compliance with HIPAA. The Sellers have obtained all material consents and authorizations necessary to receive, access, use and disclose the Protected Information in their possession or under their control in connection with the operation of the Business. Since January 1, 2016, the Sellers have complied in all material respects with their published privacy policies as in effect from time to time.

(b) Since January 1, 2016, there has been no material data security breach or unauthorized access to, as the case may be, any of Seller’s material systems, networks or information technology that transmits or maintains Protected Information or other incidents involving the unauthorized access, acquisition, use or disclosure of any Protected Information, owned, used, maintained or controlled by a Seller, including any such unauthorized access, acquisition, use or disclosure of Protected Information that would, to the Knowledge of the Sellers, constitute a breach for which notification to individuals and/or Governmental Entities is required under any applicable Information Privacy and Security Laws or Contracts to which any Seller is a party. To the Knowledge of the Sellers, none of the Sellers’ vendors, suppliers and subcontractors, or the Sellers, have (i) suffered any breach that has resulted in any unauthorized access to, use of, disclosure of or other loss of any Protected Information, (ii) materially breached any Contracts with any Seller relating to Protected Information or (iii) materially violated any Information Privacy and Security Laws.

(c) Since January 1, 2016, the Sellers have implemented and maintained a written information security program reasonably designed to (i) identify and address material internal and external risks to the security of any proprietary or confidential information in its possession, including Protected Information, (ii) implement administrative, technical and physical safeguards to control such risks and (iii) maintain notification procedures in compliance with applicable Information Privacy and Security Laws in the case of any applicable breach of security compromising data containing Protected Information. The Sellers have made available to BH and the Purchaser true and complete copies of all currently effective privacy policies under which any Seller collects, uses or stores any Protected Information.

(d) Since January 1, 2016, no Person has (i) provided a written notice or audit request to any Seller, (ii) made any written claim against any Seller or (iii) to the Knowledge of the Sellers, commenced any Action against any Seller or any party acting on behalf of a Seller, in each case, with respect to (A) any alleged violation of Information Privacy and Security Laws by any Seller or any authorized third party acting on any Seller’s behalf or (B) any of the Sellers’ privacy or data security practices, including any loss, damage or unauthorized access,
acquisition, use, disclosure, modification or other misuse of any Protected Information maintained by or on behalf of any of the
Sellers. No Person has provided a complaint (written or otherwise) to a Seller, nor, to the Knowledge of the Sellers, to any third
party, regarding the improper disclosure of Protected Health Information (as defined in HIPAA) by any of the Sellers. Except as has
not been and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, the execution,
delivery, and performance of this Agreement will not cause, constitute, or result in a breach or violation of any contractual obligation
of the Sellers relating to Protected Information.

Section 3.12. Real Property Leases.

(a) None of the Sellers owns any real property.

(b) Section 3.12(b) of the Seller Disclosure Schedule sets forth a complete and correct list, as of the date hereof, of
each Contract pursuant to which any Seller leases, subleases or occupies any real property (the “Leases”). Complete and correct
copies of the Leases have been made available to BH and the Purchaser prior to the date hereof. No Seller has subleased, licensed or
otherwise granted any Person the right to use or occupy any real property subject to a Lease or any material portion thereof. Each
Lease is valid, binding and in full force and effect, subject to the Enforceability Limitations, and no uncured default of a material
nature on the part of any Seller or, to the Knowledge of the Sellers, the landlord thereunder exists with respect to any Lease. The
Sellers have good and valid leasehold interest in or contractual right to use or occupy, subject to the terms of the applicable Lease,
each real property subject to the Leases.


(a) Section 3.13(a) of the Seller Disclosure Schedule contains a complete and correct list, as of the date hereof, of
each Contract described below in this Section 3.13(a) under which any Seller has any current or future rights, responsibilities,
obligations or liabilities (in each case, whether contingent or otherwise) or to which any Seller is a party or to which any of their
respective properties or assets is subject, other than Seller Benefit Plans listed on Section 3.15(a) of the Seller Disclosure Schedule
(all Contracts of the type described in this Section 3.13(a), whether or not set forth on Section 3.13(a) of the Seller Disclosure
Schedule, being referred to herein as the “Material Contracts”):

(i) each Contract that limits the freedom of any Seller or any of their respective Affiliates to compete or
engage in any line of business or geographic region or with any Person, sell, supply or distribute any product or service or that
otherwise has the effect of restricting any Seller or any of their respective Affiliates from the development, marketing or distribution
of products and services, in each case, in any geographic area;

(ii) any partnership, joint venture, strategic alliance, limited liability company agreement or similar
Contract;

(iii) each acquisition or divestiture Contract that contains representations, covenants, indemnities or other
obligations (including “earnout” or other
(iv) each IP Contract (other than Ordinary Course Licenses);
(v) any settlement or similar Contract (x) with a third party that imposes operational restrictions on the Business or (y) with a Governmental Entity;
(vi) each Contract not otherwise described in any other subsection of this Section 3.13(a) pursuant to which a Seller is obligated to pay, or entitled to receive, payments in excess of $250,000 in the twelve (12) month period following the date hereof;
(vii) any Contract that obligates a Seller to make any capital investment or capital expenditure outside the ordinary course of business and in excess of $100,000;
(viii) each Contract with any (x) Material Customer, (y) Material Supplier with whom the Sellers have spent at least $1,000,000 during the fiscal year ended December 31, 2017, or (z) that is otherwise material to the Sellers or the conduct of the Business;
(ix) each Contract that grants any right of first refusal or right of first offer or that limits the ability of a Seller or any of their respective Affiliates to own, operate, sell, transfer, pledge or otherwise dispose of any material businesses or material assets;
(x) each Contract that contains any exclusivity rights or “most favored nations” provisions or minimum use, supply or display requirements that is binding on a Seller;
(xi) each Lease;
(xii) each Contract relating to outstanding Indebtedness (or commitments in respect thereof) of a Seller (whether incurred, assumed, guaranteed or secured by any asset) in an amount in excess of $250,000;
(xiii) each Contract that contains any material indemnification obligations by a Seller;
(xiv) each Contract involving derivative financial instruments or arrangements (including swaps, caps, floors, futures, forward contracts and option agreements) for which the aggregate exposure (or aggregate value) to a Seller is reasonably expected to be in excess of $250,000 or with a notional value in excess of $250,000;
(xv) any material Contract that relates to the research, development, distribution, marketing (excluding Contracts with agencies that generate advertising, disease awareness or marketing materials), supply or manufacturing of any of the Products; and
(xvi) any Contract not otherwise described in any other subsection of this Section 3.13(a) that would constitute a “material contract” (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC) with respect to the Parent.
(b) True and complete copies of each Material Contract in effect as of the date hereof have been made available to BH and the Purchaser or publicly filed with the SEC prior to the date hereof. No Seller is in breach of or default under the terms of any Material Contract, except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. To the Knowledge of the Sellers, as of the date hereof, no other party to any Material Contract is in breach of or default under the terms of any Material Contract where such breach or default has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, each Material Contract is a valid, binding and enforceable obligation of the Seller party thereto and, to the Knowledge of the Sellers, of each other party thereto, and is in full force and effect, subject to the Enforceability Limitations.

Section 3.14. Compliance with Laws; Permits.

(a) The Sellers are and have been since January 1, 2016 in compliance with and are not in default under or in violation of any Laws (including Environmental Laws and employee benefits and labor Laws) applicable to the Sellers or any of their respective properties or assets, except where such non-compliance, default or violation has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) The Sellers are and since January 1, 2016 have been in possession of all franchises, grants, authorizations, business licenses, permits, easements, variances, exceptions, consents, certificates, approvals, registrations, clearances and orders of any Governmental Entity or pursuant to any applicable Law necessary for the Sellers to own, lease and operate their properties and assets or to carry on their businesses at the relevant time (the “Permits”), except where the failure to have any of the Permits has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, all Permits are in full force and effect, no default (with or without notice, lapse of time or both) has occurred under any such Permit and no Seller has received any written notice from any Governmental Entity threatening to suspend, revoke, withdraw or modify any such Permit.

(c) Except as has not been and would not reasonably be expected to be, individually or in the aggregate, material to the Sellers or the conduct of the Business, since January 1, 2015, no Seller, in connection with the Business, or, to the Knowledge of the Sellers, any other third party (including any of the Sellers’ Representatives) acting on behalf of any Seller, has (i) taken any action in violation of any applicable Anti-Corruption Law, (ii) offered, authorized, provided or given any payment or thing of value to any Person for the purpose of influencing any act or decision of such Person to unlawfully obtain or retain business or other advantage or (iii) taken any other action that would constitute an offer to pay, a promise to pay or a payment of money or anything else of value, or an authorization of such offer, promise or payment, directly or indirectly, to any Representative of another company or entity in the course of their business dealings with any Seller, in order to unlawfully induce such Person to act against the interest of his or her employer or principal.
(d) Except as has not been and would not reasonably be expected to be, individually or in the aggregate, material to the Sellers or the conduct of the Business, since January 1, 2015, no Seller has been subject to any actual, pending, or, to the Knowledge of the Sellers, threatened civil, criminal, or administrative actions, suits, demands, claims, hearings, notices of violation, investigations, proceedings, demand letters, settlements, or enforcement actions, or made any voluntary or mandatory disclosures to any Governmental Entity, involving any Seller in any way relating to applicable Anti-Corruption Laws. The Sellers have established and maintain a compliance program and reasonable internal controls and procedures appropriate to the requirements of applicable Anti-Corruption Laws.

(e) Except as has not been and would not reasonably be expected to be, individually or in the aggregate, material to the Sellers or the conduct of the Business, since January 1, 2015, the Sellers have at all times conducted their businesses in all respects in accordance with United States economic sanctions Laws administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"), the Bureau of Industry and Security of the U.S. Department of Commerce ("BIS") and all other applicable Import Restrictions and Export Controls in any countries in which any of the Sellers conduct business. Since January 1, 2015, the Sellers have maintained all records required to be maintained in the Sellers’ possession as required under the Import Restrictions and Export Controls.

(f) Except as has not been and would not reasonably be expected to be, individually or in the aggregate, material to the Sellers or the conduct of the Business, since January 1, 2015, no Seller has sold, exported, reexported, transferred, diverted, or otherwise disposed of any products, or technology to any destination, entity, or Person prohibited by the Laws of the United States or any other country, without obtaining prior authorization from the competent Governmental Entities as required by those Laws. The Sellers have complied in all material respects with all terms and conditions of any license issued or approved by the Directorate of Defense Trade Controls, BIS, or OFAC that is or has been in force since January 1, 2015. Since January 1, 2015, except pursuant to valid licenses, the Sellers have not released or disclosed controlled technical data or technology to any foreign national whether in the United States or abroad.

(g) Except as has not been and would not reasonably be expected to be, individually or in the aggregate, material to the Sellers or the conduct of the Business, neither the Sellers, nor, to the Knowledge of the Sellers, any director, officer, agent, employee or Affiliate of the Sellers: (x) is, or is owned or controlled by, a Person or entity subject to the sanctions administered by OFAC, BIS or included on the List of Specially Designated Nationals and Blocked Persons or Foreign Sanctions Evaders, Denied Persons List, Entities List, Debarred Parties List, Excluded Parties List and Terrorism Exclusion List, or any other lists of known or suspected terrorists, terrorist organizations or other prohibited Persons made publicly available or provided to the Sellers by any Governmental Entity (such entities, Persons or organizations collectively, the “Restricted Parties.”) or (y) has, since January 1, 2015, conducted any business with or engaged in any transaction or arrangement with or involving, directly or indirectly, any Restricted Parties or countries subject to economic or trade sanctions in violation of applicable Law, or has otherwise been in violation of any such sanctions, restrictions or any similar Law.

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No Seller is subject to any pending or, to the Knowledge of the Sellers, threatened action by any Governmental Entity that would restrict its ability to engage in export transactions, bar it from exporting or otherwise limit in any material respect its exporting activities or sales to any Governmental Entity. No Seller has, since January 1, 2015, received any written notice of material deficiencies in connection with any export controls, trade embargoes or economic sanctions matter from OFAC, BIS or any other Governmental Entity in its compliance efforts nor made any voluntary disclosures to OFAC, BIS or any other Governmental Entity of facts that could result in any material action being taken or any material penalty being imposed by a Governmental Entity against any Seller.

(h) Subject to the entry of the Bidding Procedures Order and Sale Order, the Sellers have complied in all material respects with all requirements of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure in connection with obtaining approval of the sale of the Acquired Assets (including the assumption and assignment to the Purchaser of any Assigned Contracts) to the Purchaser pursuant to this Agreement.

Section 3.15. Employee Benefit Matters.

(a) Section 3.15(a) of the Seller Disclosure Schedule sets forth a complete and correct list of each material Benefit Plan as of the date hereof. The Sellers have made available to the Purchaser copies of documents embodying each of the material Benefit Plans. The Sellers have furnished the Purchaser with the most recent Internal Revenue Service determination or opinion letter issued with respect to each Benefit Plan subject to Section 401(a) of the Code and, to the Knowledge of the Sellers, nothing has occurred since the issuance of each such letter that could reasonably be expected to cause the loss of the tax-qualified status of any such Benefit Plan.

(b) (i) Each Benefit Plan has been administered in all material respects in accordance with its terms and in compliance with applicable Law; (ii) none of the Benefit Plans promises or provides retiree medical or other retiree welfare benefits to any person except as required by applicable Law; (iii) all material contributions and payments required to be made by the Sellers or any ERISA Affiliate to any Benefit Plan have been paid when due; and (iv) no material Action (other than routine claims for benefits) is currently pending or, to the Knowledge of the Sellers, is currently threatened, against or with respect to any Benefit Plan, including any audit or inquiry by the Internal Revenue Service or United States Department of Labor.

(c) No Seller or any ERISA Affiliate maintains, sponsors, participates in, or contributes to, or has any obligation to contribute to, or has, since January 1, 2013, ever maintained, sponsored, participated in, contributed to, or been obligated to contribute to, or otherwise incurred any obligation or liability (including any contingent liability) under any “multiemployer plan” (as defined in Section 3(37) of ERISA) or to any “pension plan” (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA or Section 412 of the Code. No Seller nor any ERISA Affiliate has any actual or potential withdrawal liability for any complete or partial withdrawal (as defined in Sections 4203 and 4205 of ERISA) from any multiemployer plan.
The consummation of the Acquisition, whether alone or in combination with any other event, will not (i) entitle any current or former employee of the Sellers or any ERISA Affiliate to severance benefits or any other payment (including unemployment compensation, golden parachute, bonus or benefits) under any Benefit Plan; or (ii) accelerate the time of payment or vesting of any such benefits or increase the amount of compensation due any such current or former employee under any Benefit Plan. No Benefit Plan includes any obligation to compensate any Person for excise Taxes payable pursuant to Section 4999 of the Code or Section 409A of the Code.

Section 3.16. Labor Matters.

(a) No Seller is a party to, or bound by, any agreement with respect to employees with any labor union or any other employee organization, group or association organized for purposes of collective bargaining. To the Knowledge of the Sellers, there are, and since January 1, 2015 there have been, no labor union organizing activities with respect to any employees of the Sellers. As of the date hereof, there is no pending or, to the Knowledge of the Sellers, threatened labor strike, slowdown, lockout or work stoppage involving the Sellers or any of their respective employees, which would, individually or in the aggregate, have a Material Adverse Effect.

(b) Each Seller is and, during the preceding ninety (90) days, has been, in compliance in all material respects with the Worker Adjustment and Retraining Notification Act of 1988, as amended, and any similar state, local or foreign Law relating to plant closings or mass layoffs.

Section 3.17. Environmental Matters. Except for matters that, have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect: (a) each Seller is, and has been since January 1, 2016, in compliance with all applicable Environmental Laws, (b) the Sellers possess all permits and approvals issued pursuant to any applicable Law relating to the protection of the environment or, as such relates to exposure to Hazardous Substances, to health and safety that are required to conduct the Business, and are, and have been since January 1, 2016, in compliance with all such permits and approvals, (c) no releases of Hazardous Substances have occurred at, on, from or under any real property currently or, to the Knowledge of the Sellers, formerly owned or operated by any Seller in a manner that would reasonably be expected to result in a liability under any Environmental Laws, (d) no Seller has received any written claim or notice from any Governmental Entity or other Person alleging that a Seller is or may be in violation of or liable under, any Environmental Law, and (e) no Seller has entered into or agreed to any consent decree or order or is subject to any judgment, decree or judicial order relating to compliance with Environmental Laws or the investigation, sampling, monitoring, treatment, remediation, removal or cleanup of Hazardous Substances.


(a) Section 3.18(a) of the Seller Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, and the Sellers have made available to the Purchaser true and complete copies of, all Regulatory Authorizations from the FDA, the EMA
and all other applicable Regulatory Authorities held by the Sellers relating to the Products and/or necessary to conduct the Business. All such Regulatory Authorizations are (i) in full force and effect, (ii) validly registered and on file with applicable Regulatory Authorities, (iii) in compliance with all material filing and maintenance requirements, and (iv) in good standing, valid and enforceable. Each Seller has fulfilled and performed all of its material obligations with respect to such Regulatory Authorizations, and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof. Except as have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (x) each Seller has filed, maintained or furnished with the applicable Regulatory Authorities all required filings, declarations, listings, registrations, submissions, amendments, modifications, notices and responses to notices, applications and supplemental applications, reports (including all adverse event/experience reports) and other information (collectively, the “Health Care Submissions.”) with the FDA, the EMA and all other applicable Regulatory Authorities and (y) all such Health Care Submissions were complete and accurate and in compliance with applicable Health Laws when filed (or were corrected or completed in a subsequent filing).

(b) (i) Each Seller is in material compliance with all applicable Health Laws that affect the Business, Products, properties, assets and activities of such Seller, (ii) as of the date of this Agreement, no Seller has received any written notice or written communication from any Regulatory Authority (A) withdrawing or placing any of the Products on “clinical hold” or requiring the termination or suspension or investigation of any pre-clinical studies or clinical trials of the Products or (B) alleging any material violation of any Health Law and (iii) there are no investigations (except routine audits), suits, claims, actions or proceedings pending, or to the Knowledge of the Sellers, threatened against any Seller with respect to any of the Products or alleging any violation by a Seller or the Products of any such Health Law.

(c) All pre-clinical studies and clinical trials conducted or being conducted with respect to the Products by or at the direction of any Seller have been and are being conducted in material compliance with the required experimental protocols, procedures and controls, and all applicable Health Laws and Information Privacy and Security Laws. No clinical trial conducted by or, on behalf of, any Seller has been terminated or suspended by any Regulatory Authority and no Seller has received any written notification or other written communication from any institutional review board, ethics committee or safety monitoring committee raising any issues that may result in a clinical hold or otherwise delay or materially restrict any clinical studies proposed or currently conducted by, or on behalf of, a Seller, or in which a Seller has participated and, to the Knowledge of the Sellers, no such action has been threatened against any Seller. With respect to each Product, the Sellers have made available to the Purchaser complete and accurate copies of all material clinical and preclinical data in the possession of the Sellers and all material written correspondence that exists as of the date hereof between any of the Sellers and the applicable Regulatory Authorities (including letters, memoranda and emails).

(d) All manufacture of the Products, including any clinical supplies used in any clinical trials, by or on behalf of any Seller has been conducted in all material respects in
compliance with the applicable specifications and requirements of Good Manufacturing Practices and applicable Health Law. None of the Sellers or, to the Knowledge of the Sellers, any Person acting on any Seller’s behalf has, with respect to any Product, (i) been subject to a Regulatory Authority shutdown or import or export prohibition or (ii) received any FDA Form 483, or other written Regulatory Authority notice of inspectional observations, “warning letters,” “untitled letters” or written demand or written request to make any change to any Product or any processes or procedures of any of the Sellers, or any similar correspondence from any Regulatory Authority in respect of a Seller or its business operations alleging or asserting non-compliance with any applicable Health Law or Regulatory Authorization and, to the Knowledge of the Sellers, no Regulatory Authority is considering such action.

(e) None of the Sellers or, to the Knowledge of the Sellers, any of their respective officers, employees, or agents, or, any clinical investigator acting for any Seller, has (i) made an untrue statement of a material fact or fraudulent statement to any Regulatory Authority or any other Governmental Entity, including the Centers for Medicare and Medicaid Services, the U.S. Department of Health and Human Services, HHS Office of Inspector General or the Center for Medicare and Medicaid Innovation, (ii) failed to disclose a material fact required to be disclosed to any Regulatory Authority or any other Governmental Entity, including the Centers for Medicare and Medicaid Services, the U.S. Department of Health and Human Services, HHS Office of Inspector General or the Center for Medicare and Medicaid Innovation, or (iii) committed an act, made a statement, or failed to make a statement, including with respect to any scientific data or information, that, at the time such disclosure was made or failure to disclose occurred, would reasonably be expected to provide a basis for the FDA or any other Governmental Entity to invoke its policy respecting “Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities”, set forth in 56 Fed. Reg. 46191 (September 10, 1991), and any amendments thereto, or any similar policy or any other statute or regulation regarding the communication or submission of false information to any applicable Regulatory Authority or Governmental Entity. No Seller has committed or engaged in any fraud or falsification or forgery of any research or development data, report, studies or publications or of any document or statement voluntarily submitted or required to be submitted to any Regulatory Authority or any other Governmental Entity, including the Centers for Medicare and Medicaid Services, the U.S. Department of Health and Human Services, HHS Office of Inspector General or the Center for Medicare and Medicaid Innovation. None of the Sellers or, to the Knowledge of the Sellers, any of their respective officers, employees, agents, or, any clinical investigator acting for any of the Sellers, is or has been convicted of any crime or engaged in any conduct that has resulted in, or would reasonably be expected to result in, debarment from participation in any program related to pharmaceutical products pursuant to 21 U.S.C. Section 335a (a) or (b) or exclusion from participation in any federal health care program pursuant to 42 U.S.C. Section 1320a-7.

(f) No Product that is or has been manufactured, tested, distributed, held or marketed by or on behalf of any Seller has been recalled, withdrawn or suspended (whether voluntarily or otherwise) or, to the Knowledge of the Sellers, has been adulterated or misbranded. No Actions (whether complete or pending) seeking the recall, withdrawal, suspension or seizure of any such Product or pre-market approvals or marketing authorizations are pending or, to the Knowledge of the Sellers, threatened against any Seller, nor have any such
Actions been pending at any time. The Sellers have made available to the Purchaser all information about adverse drug experiences obtained or otherwise received by the Sellers from any source, in the United States or outside of the United States as of the date hereof, including information derived from clinical investigations, surveillance studies or registries, reports in the scientific literature and unpublished scientific papers relating to any Product that is or has been manufactured, tested, distributed, held or marketed by or on behalf of any Seller or any of their respective licensors or licensees in the possession of the Sellers (or to which any Seller has access). In addition, each Seller has filed all annual and periodic reports, amendments and safety reports required for any Product required to be made to any Regulatory Authority.

(g) The Sellers have complied in all material respects with all applicable security and privacy standards regarding protection of health information under (i) the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and their implementing regulations and agency guidance and (ii) any other applicable state or foreign privacy Laws.

Section 3.19. Taxes.

(a) (i) All material Tax Returns required to be filed with respect to the Business, the Acquired Assets and Assumed Liabilities have been timely filed with the appropriate Taxing Authority in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings), and all such Tax Returns are true, complete and correct in all material respects; and (ii) all material amounts of Taxes payable with respect to the Business, the Acquired Assets and Assumed Liabilities have been timely paid.

(b) No audit or other proceeding with respect to any material Taxes or material Tax Returns with respect to the Business, the Acquired Assets or Assumed Liabilities is currently in progress, or has been proposed or threatened in writing.

(c) Neither the Sellers nor any of their respective Subsidiaries has received written notice of any material Tax deficiency outstanding, proposed or assessed, nor has any of the Sellers or any of their respective Subsidiaries executed any waiver of any statute of limitations in respect of material Taxes nor agreed to any extension of time with respect to a material Tax assessment, collection or deficiency with respect to the Business, the Acquired Assets or Assumed Liabilities.

(d) There are no liens for Taxes other than Permitted Pre-Closing Encumbrances upon any of the Acquired Assets.

(e) None of the Acquired Assets constitutes stock, partnership interests or other equity interest in any Person for U.S. federal income tax purposes.

(f) The Sellers and each of their respective Subsidiaries have complied in all material respects with all applicable Laws relating to the withholding, collection and payment of
Taxes and have timely withheld, collected and paid over to the appropriate Taxing Authority all material amounts required to be so withheld, collected and paid under all applicable Laws.

Section 3.20. Customers; Suppliers.

(a) Section 3.20(a) of the Seller Disclosure Schedule sets forth a list, as of the date hereof, of the five (5) largest customers of the Sellers based upon revenue for the fiscal year ended December 31, 2017 (each, a “Material Customer”). No Material Customer has cancelled, terminated or adversely modified, or, to the Knowledge of the Sellers, threatened to cancel, terminate or adversely modify, its relationship with any of the Sellers.

(b) Section 3.20(b) of the Seller Disclosure Schedule sets forth a list, as of the date hereof, of the suppliers and vendors of the Sellers with whom the Sellers have spent at least $500,000 during the fiscal year ended December 31, 2017 (each, a “Material Supplier”). No Material Supplier has cancelled, terminated or adversely modified, or, to the Knowledge of the Sellers, threatened to cancel, terminate or adversely modify, its relationship with any of the Sellers.

Section 3.21. Insurance. Section 3.21 of the Seller Disclosure Schedule sets forth a complete and accurate list of the insurance policies and insurance Contracts of the Sellers as of the date hereof, and the Sellers have made available to the Purchaser true and correct copies of all of such policies and Contracts prior to the date hereof. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (a) all insurance policies and insurance Contracts of the Sellers are in full force and effect and are valid and enforceable and cover against the risks as are customary for companies of similar size in the same lines of business, (b) none of the Sellers is in breach of or default under any such insurance policies and insurance Contracts, (c) no Seller has taken any action or failed to take any action that (with or without notice or lapse of time, or both), would constitute such a breach or default or permit termination or modification of any of the insurance policies or insurance Contracts, and (d) all premiums due thereunder have been paid. There are no material claims under any of the insurance policies or insurance Contracts for which coverage has been denied or disputed by the applicable insurance carrier (other than a customary reservation of rights notice). None of the Sellers has received notice of cancellation or termination with respect to any third-party insurance policies or insurance Contracts (other than in connection with normal renewals of any such insurance policies or Contracts).

Section 3.22. State Takeover Statutes. The Board of Directors of the Parent has taken all action necessary to render inapplicable to this Agreement and the transactions contemplated hereby (including the consummation of the Acquisition) Section 203 of the General Corporation Law of the State of Delaware and any similar provisions in the organizational documents of the Parent or any other Takeover Statute.

Section 3.23. Related Party Transactions. Except as set forth in the Parent SEC Documents filed with the SEC prior to the date hereof, there are no transactions, agreements, arrangements or understandings between any Seller, on the one hand, and any Affiliate (including any officer or director) thereof (but not including any wholly owned Subsidiary of the
Section 3.24. **Sufficiency of DIP Budget.** Funds permitted to be expended for such purposes under the budget set forth in the DIP Facility will be sufficient to permit the Sellers to comply with the terms of this Agreement and any Ancillary Documents and consummate all transactions contemplated by this Agreement and any Ancillary Documents.

Section 3.25. **No Other Representations.** Except for the representations and warranties contained in Article IV, each of the Sellers acknowledges that it (a) has had an opportunity to conduct any and all due diligence with respect to BH and the Purchaser and any of their respective Subsidiaries in connection with the transactions contemplated hereby, (b) has relied solely upon its own independent review, investigation, and/or inspection of any documents in connection with the transactions contemplated hereby, and (c) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied, by operation of law, or otherwise regarding BH or the Purchaser or any of their respective Subsidiaries or with respect to any other information provided or made available to such Seller in connection with the transactions contemplated hereby, or the completeness of any information provided in connection therewith, except, in each case for the representations and warranties contained in Article IV.

**ARTICLE IV**

**REPRESENTATIONS AND WARRANTIES OF BH AND THE PURCHASER**

Except as disclosed in the BH SEC Documents publicly available prior to the date hereof (but excluding any predictive, cautionary or forward looking disclosures contained under the captions “risk factors,” “forward looking statements” or any similar precautionary sections and any other disclosures contained therein that are predictive, cautionary or forward looking in nature), each of BH and the Purchaser jointly and severally represent and warrant to the Sellers as follows:

Section 4.1. **Qualification; Organization.** Each of BH and the Purchaser is a legal entity duly organized, validly existing and in good standing (with respect to jurisdictions that recognize such concept) under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted, except where the failure to be so existing and in good standing or to have such power and authority would not, individually or in the aggregate, materially impair or materially delay its ability to perform its obligations under this Agreement. Each of BH and the Purchaser is qualified to do business and is in good standing (with respect to jurisdictions that recognize such concept) as a foreign corporation or other entity in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so
qualified or, where relevant, in good standing, would not, individually or in the aggregate, materially impair or materially delay its ability to perform its obligations under this Agreement.

Section 4.2. Authority of BH and the Purchaser. Each of BH and the Purchaser has all requisite corporate power and authority to execute and deliver and perform its obligations under this Agreement and each of the Ancillary Documents to which it is a party (subject to entry of the Bidding Procedures Order and Sale Order). The execution, delivery and performance of this Agreement and such Ancillary Documents by BH and the Purchaser and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by all requisite corporate action of BH or the Purchaser, as applicable, and no other corporate proceedings (pursuant to any of BH or the Purchaser’s organizational documents or otherwise) on the part of BH or the Purchaser is necessary to authorize the consummation of, and to consummate the transactions contemplated hereby and thereby. This Agreement and each such Ancillary Document have been, or at or prior to Closing (as the case may be) will be, duly and validly executed and delivered by BH and the Purchaser to the extent a party thereto, and, assuming the due authorization, execution and delivery of this Agreement and each such Ancillary Document by the Sellers, constitute a valid and binding agreement of BH and the Purchaser, as applicable, enforceable against BH and the Purchaser (as applicable) in accordance with its terms, subject to the Enforceability Limitations.

Section 4.3. Consents and Approvals. No consent, approval, permit or authorization of, or declaration, filing or registration with, any Governmental Entity is necessary or required to be made or obtained by BH or the Purchaser or their Affiliates in connection with the execution, delivery and performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, except in connection with or compliance with the HSR Act, except for such consents, approvals, permits, authorizations, declarations, filings or registrations that would not, individually or in the aggregate, materially impair or materially delay BH’s or the Purchaser’s ability to perform its obligations under this Agreement.

Section 4.4. No Violations. Except as described in Sections 3.3 and 4.3, neither the execution, delivery or performance of this Agreement and the Ancillary Documents by BH and the Purchaser to the extent a party thereto nor the consummation by BH or the Purchaser of the transactions contemplated hereby or thereby will (a) conflict with or result in any violation or breach of any provisions of the certificate of incorporation, bylaws or other organizational documents of BH or the Purchaser, (b) with or without notice or lapse of time or both, conflict with or result in any breach or violation of or constitute a default or change of control under, or give rise to a right of, or result in, termination, modification, cancellation, first offer, first refusal or acceleration of any obligation or to the loss of a benefit under any Contract to which BH or the Purchaser is a party or by or to which any of their respective properties, rights or assets are bound or subject or (c) conflict with or violate any Order or Law applicable to BH or the Purchaser or their respective properties, rights or assets, except in the case of the preceding clauses (b) and (c), for breaches, violations, defaults, rights, creations or impositions that would not reasonably be expected to, individually or in the aggregate, materially impair or materially delay BH’s or the Purchaser’s ability to perform its obligations under this Agreement.

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Section 4.5.  **Brokers.** Neither BH nor the Purchaser has employed any investment banker, broker or finder in connection with the transactions contemplated hereby who might be entitled to any fee or any commission from the Sellers in connection with this Agreement or upon consummation of the Acquisition or any of the other transactions contemplated hereby based upon arrangements made by BH or the Purchaser.

Section 4.6.  **Financing.** As of the date hereof, BH has, and on the Closing Date, BH will have and will make available to the Purchaser, sufficient funds available to deliver the Purchase Price to the Sellers and consummate the transactions contemplated by this Agreement, including the timely satisfaction of the Assumed Liabilities.

Section 4.7.  **Interested Stockholders.** Neither the Purchaser nor any of its “affiliates” or “associates” has been an “interested stockholder” of the Parent at any time within three (3) years of the date hereof, as those terms are used in Section 203 of the General Corporation Law of the State of Delaware.

Section 4.8.  **No Other Representations.** Except for the representations and warranties contained in Article III, each of BH and the Purchaser acknowledges that it (a) has had an opportunity to conduct any and all due diligence with respect to the Sellers’ assets and liabilities in connection with the transactions contemplated hereby, (b) has relied solely upon its own independent review, investigation, and/or inspection of any documents in connection with the transactions contemplated hereby, and (c) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied, by operation of law, or otherwise regarding Sellers’ assets or liabilities, or the completeness of any information provided in connection therewith, except, in each case for the representations and warranties contained in Article III.

ARTICLE V
COVENANTS

Section 5.1.  **Conduct of Business Pending the Closing.**

(a) The Sellers agree that between the date hereof and the earlier of the Closing or the date, if any, on which this Agreement is validly terminated pursuant to Article VII, except as set forth in Section 5.1(a) of the Seller Disclosure Schedule, and except (1) as expressly provided in this Agreement, (2) as required by applicable Law (including the Bankruptcy Code), (3) as consented to in writing by the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed) or (4) as required by any Order of the Bankruptcy Court, the Sellers shall use reasonable best efforts to conduct the Business (including make and collect payments, and selling Inventory) in all material respects in the ordinary course of business consistent with past practice, and use reasonable best efforts to (%4) preserve intact their present business organizations, goodwill and ongoing businesses, (%4) keep available the services of their present officers and employees (other than where termination of such services is for cause), (%4) preserve in all material respects their present relationships with customers,
suppliers, vendors, licensors, licensees, Governmental Entities, employees and other Persons with whom they have material business relations, (iv) maintain in effect in all material respects the Permits, (v) perform in all material respects all of its post-petition obligations under the Assigned Contracts as and when such obligations become due, and (vi) comply in all material respects with the budget and other obligations set forth by the DIP Facility, in each case, taking into account the Sellers’ status as debtors in possession.

(b) The Sellers agree that between the date hereof and the earlier of the Closing or the date, if any, on which this Agreement is validly terminated pursuant to Article VII, except as set forth in Section 5.1(b) of the Seller Disclosure Schedule, and except (i) as expressly provided in this Agreement, (ii) as required by applicable Law (including the Bankruptcy Code), (iii) as consented to in writing by the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed) or (iv) as required by any Order of the Bankruptcy Court, the Sellers shall not, with respect to the Business, the Acquired Assets or the Assumed Liabilities, directly or indirectly:

(i) authorize, declare, set aside, make or pay any dividends on or make any distribution with respect to its outstanding shares of capital stock or other equity interests (whether in cash, assets, shares or other securities of any Seller), other than such cash distributions from Synergy Advanced Pharmaceuticals, Inc. to Parent, or enter into any agreement and arrangement with respect to voting or registration of its capital stock or other equity interests or securities;

(ii) acquire (including by merger, consolidation or acquisition of stock or assets or any other means) or authorize or announce an intention to so acquire, or enter into any agreements providing for any acquisitions of, any equity interests in or assets of any Person or any business or division thereof, or otherwise engage in any mergers, consolidations or business combinations, except for transactions solely between Sellers or acquisitions of supplies or equipment in the ordinary course of business consistent with past practice;

(iii) make any loans, advances or capital contributions to, or investments in, any other Person, except for advances for reimbursable employee expenses made in the ordinary course of business consistent with past practice;

(iv) other than sales of Inventory in the ordinary course of business consistent with past practice, sell, lease, license, assign, abandon, permit to lapse, transfer, exchange, swap or otherwise dispose of, or subject to any Encumbrance (other than Permitted Pre-Closing Encumbrances) any of the Acquired Assets, except (A) dispositions of obsolete or worthless equipment, in the ordinary course of business consistent with past practice and (B) transactions solely among the Sellers;

(v) fail to maintain, or allow to lapse, or abandon any Seller Registered Intellectual Property, except in each case as Sellers may elect in their reasonable business discretion in the ordinary course of business;
(vi) enter into or become bound by, terminate or materially amend or modify any Contract relating to the acquisition or disposition or granting of any license with respect to any Seller Intellectual Property, or otherwise subject to an Encumbrance (other than Permitted Pre-Closing Encumbrances) any Seller Intellectual Property (including by the granting of any covenant-not-to-sue or covenant-not-to-assert), other than license grants in the ordinary course of business consistent with past practice;

(vii) (A) enter into any Contract that would, if entered into prior to the date hereof, be a Material Contract or (B) modify, amend, extend or terminate any Assigned Contract or waive, release or assign any rights or claims thereunder;

(viii) (A) except in accordance with the capital budget provided to the Purchaser prior to the date hereof, make any capital expenditure or expenditures, enter into agreements or arrangements providing for capital expenditure or expenditures or otherwise commit to do so, or (B) fail to make any capital expenditure or expenditures in accordance with such capital budget;

(ix) commence, waive, release, assign, compromise or settle any claim, litigation, investigation or Action (for the avoidance of doubt, including with respect to matters in which a Seller is a plaintiff, or in which any of their officers or directors in their capacities as such are parties) affecting the Business, the Acquired Assets or the Assumed Liabilities, other than the compromise or settlement of any claim, litigation or Action not brought by a Governmental Entity and that: (A) is for an amount not to exceed, for any such compromise or settlement individually or in the aggregate, $250,000 (determined, in each case, net of insurance proceeds), (B) does not impose any injunctive or nonmonetary relief on the Sellers and does not involve the admission of wrongdoing by any Seller or any of their respective officers or directors or otherwise establish a materially adverse precedent for similar settlements by the Purchaser and (C) does not provide for the license of any Intellectual Property or the termination, modification or amendment of any license of Seller Intellectual Property;

(x) make any change in financial accounting policies, practices, principles or procedures or any of its methods of reporting income, deductions or other material items for financial accounting purposes, except as required by GAAP or applicable Law;

(xi) make, change or revoke any material Tax election, adopt or change any material method of Tax accounting, file any amended material Tax Return, enter into any “closing agreement” within the meaning of Section 7121 of the Code (or any similar provision of state, local or non-U.S. Law), or surrender any right to claim a material refund of Taxes, in each case, except to the extent such action would not be binding on BH, the Purchaser or any of their respective Affiliates and would not reasonably be expected to affect the Taxes of BH, the Purchaser or any of their respective Affiliates;

(xii) redeem, repurchase, prepay, defease, incur, assume, endorse, guarantee or otherwise become liable for or modify in any material respects the terms of any Indebtedness or any derivative financial instruments or arrangements (including swaps, caps, floors, futures, forward contracts and option agreements), or issue or sell any debt securities or
calls, options, warrants or other rights to acquire any debt securities (directly, contingently or otherwise), other than Indebtedness outstanding under the DIP Facility in an aggregate principal amount outstanding at any time not to exceed $155,000,000;

   (xiii) (A) enter into any transactions or Contracts with any Affiliate or other Person that would be required to be disclosed by the Parent under Item 404 of Regulation S-K of the SEC or (B) any Person who beneficially owns, directly or indirectly, more than five percent (5%) of the outstanding shares of Parent Common Stock;

   (xiv) cancel or fail to use commercially reasonable efforts to maintain in the ordinary course the Sellers’ insurance policies included in, or covering any, Acquired Assets or to renew or replace existing insurance policies included in, or covering any, Acquired Assets following their termination;

   (xv) (A) enter into any lease or sublease of real property as lessee or sublessee, or (B) materially modify or amend any Lease or other lease or sublease of real property, in each case other than in the ordinary course of business consistent with past practice;

   (xvi) fail to maintain its Books and Records;

   (xvii) terminate or modify or waive in any material respect any right under any Permit;

   (xviii) adopt or otherwise implement any stockholder rights plan, “poison-pill” or other comparable agreement;

   (xix) convert the Chapter 11 Case into a liquidation proceeding under Chapter 7 of the Bankruptcy Code;

   (xx) participate in any scheduled meetings or teleconferences with, or correspond in writing, communicate or consult with the FDA or any similar Governmental Entity without providing the Purchaser (whenever feasible and to the extent permitted under applicable Law) with prior written notice and, within twenty four (24) hours from the time such written notice is delivered, the opportunity to consult with the Parent with respect to such correspondence, communication or consultation, in each case to the extent permitted by applicable Law;

   (xxi) except as contemplated by and in accordance with this Agreement and the Bidding Procedures, take or cause to be taken any action that would reasonably be expected to materially delay, materially impede or prevent the consummation of the Acquisition;

   (xxii) make any material change in billing, inventory management or cash management practices (including with respect to the timing and frequency of collection of receivables and paying of payables) or in working capital practices, or encourage any distributor or customer directly or indirectly to accelerate purchases of the Products or modify discounting, rebate and similar practices;
(xxiii) voluntarily terminate, enter into or amend any Benefit Plan;

(xxiv) with respect to all Business Employees, except as required by any Benefit Plan as in effect on the date hereof, (A) increase any compensation or benefits of such employees; or (B) grant any incentive, bonus, severance, retention or termination pay or benefits;

(xxv) hire any employees or terminate any Offer Employees (other than for cause);

(xxvi) enter into a collective bargaining agreement or other labor union Contract with respect to the Offer Employees;

(xxvii) amend, restate, supplement or otherwise modify the DIP Facility; or

(xxviii) agree or authorize, in writing or otherwise, to take any of the foregoing actions.

Without in any way limiting any party’s rights or obligations under this Agreement, the parties understand and agree that (i) nothing contained in this Agreement shall give BH or the Purchaser, directly or indirectly, the right to control or direct the operations of the Sellers, or the Business prior to the Closing and (ii) prior to the Closing, the Sellers shall exercise, consistent with, and subject to, the terms and conditions of this Agreement, complete control and supervision over the Business and their operations.

Section 5.2. Access and Information.

(a) Subject to the Bidding Procedures and applicable Law, (x) the Sellers shall afford to BH, the Purchaser and their Representatives reasonable access during normal business hours and upon reasonable advance notice to all of the Sellers’ properties, offices, Assigned Contracts, employees and Books and Records, (y) the Sellers shall use reasonable best efforts to afford to BH, the Purchaser and their Representatives, acting in good faith, reasonable access during normal business hours and upon reasonable advance notice (and notwithstanding any other restriction in the Confidentiality Agreement) to all of the Sellers’ suppliers and manufacturers, and, with the consent of the Sellers (not to be unreasonably withheld, conditioned or delayed), to the Sellers’ Regulatory Authorities, and, (z) during such period, the Sellers shall furnish as promptly as practicable to BH and the Purchaser all information (financial or otherwise) the Purchaser may reasonably request, in each case, related to the Business, the Acquired Assets or the Assumed Liabilities, for any purpose related to the transactions contemplated by this Agreement. Notwithstanding the foregoing, the Sellers shall not be required by this Section 5.2(a) to provide BH, the Purchaser, or their Representatives with access to or to disclose information (i) that is prohibited from being disclosed pursuant to the terms of a confidentiality agreement with a third party entered into prior to the date hereof (provided, however, that the Sellers shall, at the Purchaser’s sole cost and expense, use reasonable best efforts to obtain the required consent of such third party to such access or disclosure or, if unable to do so, to make appropriate substitute arrangements to permit reasonable access or disclosure.
not in violation of such consent requirement), (ii) the disclosure of which would violate applicable Law (provided, however, that the Sellers shall, at the Purchaser’s sole cost and expense, use reasonable best efforts to make appropriate substitute arrangements to permit reasonable disclosure not in violation of such Law) or (iii) the disclosure of which would cause the loss of any attorney-client, attorney work product or other legal privilege (provided, however, that the Sellers shall, at the Purchaser’s sole cost and expense, use reasonable best efforts to allow for such access or disclosure to the maximum extent that does not result in a loss of such attorney-client, attorney work product or other legal privilege); provided, however, that such access and information shall be disclosed or granted, as applicable, to counsel for BH and the Purchaser to the extent reasonably required for the purpose of obtaining required approvals or consents, or making filings or providing notices, subject to prior execution of a common interest or joint defense agreement in customary form. For the avoidance of doubt, information obtained pursuant to this Section 5.2(a) shall be subject to the Confidentiality Agreement.

(b) From and after the Closing for a period of three (3) years following the Closing Date (or, if later, the confirmation of the Chapter 11 plan), Purchaser will provide the Sellers and their advisors with reasonable access, during normal business hours, at Sellers’ sole expense and upon reasonable advance notice, to the books and records, including work papers, schedules, memoranda, tax returns, tax schedules, tax rulings, and other documents (for the purpose of examining and copying) relating to the Acquired Assets or the Assumed Liabilities with respect to periods or occurrences prior to the Closing and reasonable access, during normal business hours, at Sellers’ sole expense and upon reasonable advance notice, to employees, officers, advisors and accountants of Purchaser (solely for the purpose of better understanding such books and records), in each case, for purposes relating to the Chapter 11 Case, the wind-down of the operations of Sellers and their estates, actions to which any Seller is a party (other than in connection with any litigation or dispute with the Purchaser or BH), insurance claims, tax payments, returns or audits, the functions of any trusts established under a Chapter 11 plan of Sellers or any other successors of Sellers. For purposes of this Section 5.2(b), references to “Sellers” shall be construed, where applicable, to include any liquidating trust, plan administrator, or comparable person or body bearing responsibility for the administration and wind-down of the Sellers’ operations, estates and Chapter 11 Case.

Section 5.3. Approvals and Consents; Cooperation; Notification.

(a) Subject to the terms and conditions of this Agreement, each party hereto shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Law to consummate the transactions contemplated hereby as soon as practicable after the date hereof, including (i) preparing and filing or otherwise providing, in consultation with the other parties and as promptly as practicable and advisable after the date hereof, all documentation to effect all necessary applications, notices, petitions, filings, and other documents and to obtain as promptly as practicable all waiting period expirations or terminations, consents, clearances, waivers, licenses, orders, registrations, approvals, permits, and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the transactions contemplated hereby, and (ii) taking all steps as may be necessary, subject to the

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limitations in this Section 5.3, to obtain all such waiting period expirations or terminations, consents, clearances, waivers, licenses, registrations, permits, authorizations, orders and approvals from any third party and/or any Governmental Entity. In furtherance and not in limitation of the foregoing, each party agrees to (x) make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the Acquisition as promptly as practicable, and in any event no later than the Business Day following the approval of the Bidding Procedures and the entry of the Bidding Procedures Order pursuant to Section 5.7, and to supply as promptly as practicable and advisable any additional information and documentary materials that may be requested pursuant to the HSR Act and to take all other actions necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act as soon as practicable and (y) make all other necessary filings as promptly as practicable after the date hereof, and to supply as promptly as practicable and advisable any additional information and documentary materials that may be requested under any Antitrust Laws. BH and Purchaser shall have responsibility for the filing fees associated with the HSR filings and any other similar filings required under any Antitrust Laws. Notwithstanding anything to the contrary in this Agreement, none of the parties shall be required to, and the Sellers may not, without the prior written consent of BH and the Purchaser, become subject to, consent to or offer or agree to, or otherwise take any action with respect to, any requirement, condition, limitation, understanding, agreement or order to (A) sell, license, assign, transfer, divest, hold separate or otherwise dispose of any assets, business or portion of business of any Seller, BH, the Purchaser or any Subsidiary of any of the foregoing, (B) conduct, restrict, operate, invest or otherwise change the assets, the business or portion of the business of any Seller, BH, the Purchaser or any Subsidiary of any of the foregoing in any manner or (C) impose any restriction, requirement or limitation on the operation of the business or portion of the business of any Seller, BH, the Purchaser or any Subsidiary of any of the foregoing; provided that if requested by BH and the Purchaser, the Sellers or their Subsidiaries will become subject to, consent to or offer or agree to, or otherwise take any action with respect to, any such requirement, condition, limitation, understanding, agreement or order so long as such requirement, condition, limitation, understanding, agreement or order is only binding on such entity in the event the Closing occurs.

(b) Each of the parties hereto shall, in connection with and without limiting the efforts referenced in Section 5.3(a) to obtain all waiting period expirations or terminations, consents, clearances, waivers, licenses, orders, registrations, approvals, permits, and authorizations for the Acquisition under the HSR Act or any other Antitrust Law, (i) cooperate in all respects and consult with the other parties in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party, including by allowing the other parties to have a reasonable opportunity to review in advance and comment on drafts of filings and submissions and reasonably considering in good faith comments of the other parties and providing the other parties with copies of filings and submissions, (ii) promptly inform the other parties of any communication received by such party from, or given by such party to, the Antitrust Division of the Department of Justice (the “DOJ”), the Federal Trade Commission (the “FTC”) or any other Governmental Entity, by promptly providing copies to the other parties of any such written communications, and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby and (iii) permit the other parties to
review in advance any communication that it gives to, and consult with each other in advance of any meeting, substantive telephone call or conference with, the DOJ, the FTC or any other Governmental Entity, or, in connection with any proceeding by a private party, with any other Person, and to the extent permitted by the DOJ, the FTC or other applicable Governmental Entity or other Person, give the other parties the opportunity to attend and participate in any in-person meetings, substantive telephone calls or conferences with the DOJ, the FTC or other Governmental Entity or other Person; provided, however, that materials required to be provided pursuant to the foregoing clauses (i)-(iii) may be redacted (A) to remove references concerning the valuation of any of the parties or any of their respective Subsidiaries, (B) as necessary to comply with contractual arrangements and (C) as necessary to address reasonable privilege or confidentiality concerns; provided, further, that any of the parties may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 5.3(b) as “Outside Counsel Only Material” and materials so designated shall only be provided to each party’s outside counsel.

(c) In connection with and without limiting the foregoing, the Sellers shall give any notices to third parties required under the Assigned Contracts, and each of the Sellers shall use reasonable best efforts to obtain third-party consents to any Assigned Contracts that are set forth on Section 6.3(c) of the Seller Disclosure Schedule or otherwise necessary to consummate the Acquisition.

(d) Each party shall give prompt notice to the other parties (i) of any notice or other communication from any Governmental Entity in connection with this Agreement or the Acquisition, or from any Person alleging that the consent of such Person is or may be required in connection with the Acquisition, (ii) of any legal proceeding commenced or, to the knowledge of such party, threatened against it or any of its Affiliates or otherwise relating to, involving or affecting such party or any of its Affiliates, in each case in connection with, arising from or otherwise relating to the Acquisition, (iii) in the case of the Sellers, of any material written correspondence to or from the FDA or any other Regulatory Authority with respect to (A) the receipt of any FDA 483 observations or substantially equivalent notices involving any facility of the Sellers, (B) the recall, correction, removal, market withdrawal or replacement of any Product, (C) a change in the marketing classification or a change in the labelling of any Product, the effect of which would reasonably be expected to be material to the Sellers or the conduct of the Business, (D) a non-substantial equivalence determination or denial of market approval by any Governmental Entity of any Product, (E) the mandatory or voluntary termination, enjoinment or suspension of the testing, manufacturing, marketing, export, import, or distribution of any Product or (F) a non-coverage determination by the Centers for Medicare and Medicaid Services or any other third-party payor with respect to any Product, the effect of which would reasonably be expected to be material to the Sellers or the conduct of the Business, and (iv) upon becoming aware of the occurrence or impending occurrence of any event or circumstance that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or which would reasonably be expected to prevent or materially delay or impede the consummation of the Acquisition; provided, however, that the delivery of any notice pursuant to this Section 5.3(d) shall not cure any breach of any representation or warranty requiring disclosure of such
matter prior to the date hereof or otherwise limit or affect the remedies available hereunder to any party.

(e) Notwithstanding the foregoing, the obligations of the parties hereto to obtain any consent, approval or waiver from the Bankruptcy Court shall be governed exclusively by Section 5.7, Section 5.8, Section 5.9, Section 5.10 and Section 5.11.

Section 5.4. Further Assurances. In addition to the provisions of this Agreement, from time to time after the Closing Date, the Sellers, BH and the Purchaser shall use reasonable best efforts to execute and deliver such other instruments of conveyance, transfer or assumption, as the case may be, and take such other action as may be reasonably requested to implement more effectively the conveyance and transfer of the Acquired Assets to the Purchaser and the assumption of the Assumed Liabilities by the Purchaser; provided, that nothing in this Section 5.4 shall (a) require the Sellers or any of their Affiliates to make any expenditure or incur any obligation on their own or on behalf of the Purchaser (unless funds in the full amount thereof are advanced to the Sellers in cash) or (b) prohibit the Sellers or any of their Affiliates from ceasing operations or winding up its affairs following the Closing. In furtherance and not in limitation of the foregoing if, following the Closing, any Seller (x) receives or becomes aware that it holds any asset, property or right which constitutes an Acquired Asset, then Sellers shall transfer such asset, property or right to the Purchaser and/or, as applicable, one or more designees of the Purchaser as promptly as practicable after the Closing for no additional consideration, and pending such conveyance the parties shall reasonably cooperate with each other to provide the Purchaser with all of the benefits of use of such asset, property or right and (y) receives any payment on accounts receivable included in the Acquired Assets, such Seller shall hold such payment in trust and promptly (and in any event within two (2) Business Days) pay the amount thereof to the Purchaser. If, following the Closing, the Purchaser receives or becomes aware that it holds any asset, property or right which constitutes an Excluded Asset, then the Purchaser shall transfer such asset, property or right to the Sellers as promptly as practicable for no additional consideration, and pending such conveyance the parties shall reasonably cooperate with each other to provide the Sellers with all of the benefits of use of such asset, property or right.

Section 5.5. Assets Held by Affiliates of the Sellers. To the extent that any other Person that is an Affiliate of a Seller owns or has rights to any assets (including any Assigned Contracts) that is or would be an Acquired Asset if a Seller owned or had rights to such assets, the Sellers shall cause such Person to promptly transfer such asset, property, Assigned Contract, or right to a Seller, and, upon such transfer, such asset, property or right shall be deemed to be an Acquired Asset under this Agreement for all purposes as if owned by the Sellers on and as of the date hereof.

Section 5.6. Debtors-in-Possession. From the commencement of the Chapter 11 Case through the Closing, the Sellers shall continue to operate their business as debtors-in-possession pursuant to the Bankruptcy Code.

Section 5.7. The Sale Motion and Bidding Procedures Motion. On December 12, 2018, the Sellers filed a sale motion with the Bankruptcy Court (the “Sale Motion”) and a
bidding procedures motion with the Bankruptcy Court (the “Bidding Procedures Motion”), both in form and substance reasonably acceptable to the Purchaser and the Sellers (and Sellers shall use their reasonable best efforts to cause the Bankruptcy Court to enter a corresponding Order or Orders, including the Bidding Procedures Order in substantially the form of Exhibit A hereto, the Sale Order (provided the Purchaser is the Successful Bidder) in substantially the form of Exhibit E and otherwise in form and substance reasonably acceptable to BH, the Purchaser and the Sellers) and in any event seeking the following relief from the Bankruptcy Court:

(a) authorization of the sale of the Acquired Assets to the Successful Bidder (including the assignment of the Assigned Contracts), as applicable, free and clear of all Encumbrances and other interests, other than Permitted Post-Closing Encumbrances;

(b) subject to the Bidding Procedures, approval of the proposed purchase agreement between the Sellers and the Successful Bidder;

(c) authorization of the Sellers to cause the Closing to occur as soon as practicable after the entry of the Sale Order;

(d) because the Purchaser and its Affiliates have expended considerable time and expense in connection with this Agreement and the negotiation thereof, and the identification and quantification of assets to be included in the Acquired Assets, approval of the Expense Reimbursement Amount (solely to the extent payable under this Agreement) as an administrative priority expense under sections 503(b)(1)(A) and 507(a)(2) of the Bankruptcy Code;

(e) a finding that the provisions of this Agreement, including Section 7.2 were a material inducement to the Purchaser to enter into this Agreement and are designed to achieve the highest or otherwise best offer for the Acquired Assets;

(f) approval of the Bidding Procedures and entry of the Bidding Procedures Order substantially in the form of Exhibit A attached hereto, or otherwise in form and substance reasonably acceptable to the Purchaser, no later than January 4, 2019; and

(g) scheduling the bid deadline to take place no later than February 23, 2019, and the Auction to take place no later than February 26, 2019; and

(h) scheduling the Sale Hearing to take place no later than March 1, 2019.

Section 5.8. Sale Order. The Sale Order shall be substantially in the form attached hereto as Exhibit E or otherwise in form and substance reasonably acceptable to the Purchaser and the Sellers and shall include the following findings of fact, conclusions of Law and ordering provisions:

(a) find that the Notice of Sale, and the parties who were served with copies of such Notice of Sale, were in compliance with Sections 102 and 363 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, and 9014 and any other applicable provision of the
Bankruptcy Code, the Bankruptcy Rules, or any local bankruptcy rule governing the sale of assets free and clear of Encumbrances and other interests;

(b) find that all requirements imposed by Section 363(f) of the Bankruptcy Code for the sale of the Acquired Assets free and clear of Encumbrances and other applicable interests, other than Permitted Post-Closing Encumbrances, have been satisfied;

(c) find that the Purchaser is a purchaser of the Acquired Assets in “good faith” pursuant to Section 363(m) of the Bankruptcy Code, and the sale is entitled to the protections of Section 363(m);

(d) find that the Purchaser and the Sellers did not engage in any conduct which would allow this Agreement to be set aside pursuant to Section 363(n) of the Bankruptcy Code;

(e) find that the consideration provided by the Purchaser pursuant to this Agreement constitutes reasonably equivalent value and fair consideration for the Acquired Assets;

(f) approve this Agreement and the consummation of the sale upon the terms and subject to the conditions of this Agreement;

(g) order that, as of the Closing Date, the transactions contemplated by this Agreement effect a legal, valid, enforceable and effective sale and transfer of the Acquired Assets to the Purchaser and shall vest the Purchaser with title to such assets free and clear of all Encumbrances (except for Assumed Liabilities and Permitted Post-Closing Encumbrances);

(h) (A) authorize the Sellers to assume and assign to the Purchaser each of the Assigned Contracts, and (B) find that, subject to the terms of the Sale Order and the payment of Cure Costs and provision of adequate assurance of future performance by the Purchaser, as of the Closing Date, the Assigned Contracts will have been duly assigned to the Purchaser in accordance with Section 365 of the Bankruptcy Code;

(i) find that neither the Purchaser nor any of its Affiliates is acquiring any of the Excluded Assets or assuming any of the Excluded Liabilities;

(j) order that the Assigned Contracts will be transferred to, and remain in full force and effect for the benefit of, the Purchaser, notwithstanding any provision in any such contract or any requirement of applicable Law (including those described in Sections 365(b)(2) and 365(f) of the Bankruptcy Code) that prohibits, conditions, restricts or limits in any way such assignment or transfer;

(k) find that the Purchaser has satisfied all requirements under Sections 365(b)(1) and 365(f)(2) of the Bankruptcy Code to provide adequate assurance of future performance of the Assigned Contracts;

(l) approve any other agreement to the extent provided by this Agreement;
(m) except as expressly set forth in the Sale Order, enjoin and forever bar the non-debtor party or parties to each Assigned Contract from asserting against the Purchaser or any Affiliate or designee of the Purchaser: (i) any default, action, liability or other cause of action existing as of the date of the Closing, whether asserted or not, and (ii) any objection to the assumption and assignment of such non-debtor party’s Assigned Contract (except to the extent any such objection was sustained by the Order of the Bankruptcy Court);

(n) find that, to the extent permitted by applicable Law, none of the Purchaser nor any Affiliate of the Purchaser nor any designee of the Purchaser is a successor to the Sellers or the bankruptcy estate by reason of any theory of Law or equity, and none of the Purchaser nor any Affiliate of the Purchaser nor any designee of the Purchaser shall assume or in any way be responsible for any liability of the Sellers or the bankruptcy estate, except as otherwise expressly provided in this Agreement;

(o) provide that the Sellers are authorized to consummate the transactions contemplated by this Agreement and to comply in all respects with the terms of this Agreement;

(p) be made expressly binding (based upon language reasonably satisfactory to the Purchaser) upon any trustee or other estate representative in the event of conversion of the Chapter 11 Case to Chapter 7 of the Bankruptcy Code, or upon appointment of a Chapter 11 trustee in the Chapter 11 Case;

(q) enjoin assertion of any Excluded Liabilities against the Purchaser or any of its Affiliates or any assignees, designees, transferees or successors thereof or against any of the Acquired Assets; and

(r) order that, notwithstanding the provisions of Federal Rules of Bankruptcy Procedures 6004(h) and 6006(d), the Sale Order is not stayed and is effective immediately upon entry.

Section 5.9. Cooperation with Respect to Bankruptcy Court Approvals. The Purchaser shall take such actions as are reasonably requested by the Sellers to assist in obtaining entry by the Bankruptcy Court of the Bidding Procedures Order and the Sale Order, including furnishing affidavits or other documents or information for filing with the Bankruptcy Court for purposes of, among other things: (a) demonstrating that the Purchaser is a “good faith” purchasers within the meaning of Section 363(m) of the Bankruptcy Code; and (b) establishing “adequate assurance of future performance” within the meaning of Section 365 of the Bankruptcy Code.

Section 5.10. Non-Solicitation of Competing Bids. Except in connection with marketing the sale of the Acquired Assets to Potential Bidders (as defined in the Bidding Procedures) in accordance with the Bidding Procedures Order (once entered by the Bankruptcy Court), the Sellers shall not, and shall cause their Representatives, Affiliates, and their Affiliate’s Representatives not to, (i) solicit, negotiate or discuss with any Person (other than BH, the Purchaser and their respective Affiliates, agents and Representatives) (and the Sellers shall, and shall cause their Representatives, Affiliates, and their Affiliate’s Representatives, to cease immediately any such ongoing activity), or enter into any agreement or understanding with
respect to, or approve or recommend, or knowingly facilitate, any sale, transfer or disposition, directly or indirectly, whether by means of an asset sale or otherwise, of any material assets of the Sellers used in the conduct of the Business, any sale of stock, equity or voting interests in any of the Sellers, any merger, amalgamation, reorganization, restructuring, plan of reorganization, liquidation or refinancing, or any other extraordinary corporate transaction directly or indirectly involving the Sellers or a material portion of the Sellers’ liabilities (any such transaction, an “Alternative Transaction”) or (ii) provide any Person (other than BH, the Purchaser and their respective Affiliates, agents and Representatives) with access to the books, records, operating data, contracts, documents or other information relating to the Sellers. The Sellers shall promptly (and in any event within twenty-four (24) hours) notify BH and the Purchaser of any inquiry, indication of interest, proposal or offer from a third party with respect to an Alternative Transaction received by the Sellers or any of their Affiliates or its or their employees or Representatives after the date hereof until the Bankruptcy Court shall have entered the Bidding Procedures Order, and the Sellers shall communicate to BH and the Purchaser the material terms of, including the identity of the Person or Persons making, any such inquiry, indication of interest, proposal or offer. The Sellers shall immediately instruct any Person in possession of confidential information about the Sellers that was furnished by or on behalf of the Sellers in connection with any actual or potential Alternative Transaction to return or destroy all such information or documents or material incorporating such information in accordance with the confidentiality or similar agreement governing treatment of such confidential information. The Sellers shall not be deemed to have violated or breached their obligations set forth in the first sentence of this Section 5.10 solely as a result of their receipt, without engaging in any of the conduct prohibited by such sentence, of an unsolicited Alternative Transaction proposal.

Section 5.11. Bankruptcy Court Filings. The Sellers shall consult with the Purchaser concerning the Bidding Procedures Order, the Sale Order and any other Orders of the Bankruptcy Court relating to the transactions contemplated herein, and the bankruptcy proceedings in connection therewith, and provide BH and the Purchaser with copies of any material applications, pleadings, notices, proposed Orders and other documents to be filed by the Sellers in the Chapter 11 Case that relate in any way to this Agreement, the Acquisition, the Bidding Procedures, BH or the Purchaser at least two (2) Business Days prior to the making of any such filing or submission to the Bankruptcy Court. The Sellers shall provide BH and the Purchaser with prompt notice of (A) the filing or any objection to (or any threat or notice of intention of any Person to file any objection to) this Agreement, the Acquisition, the Bidding Procedures, BH or the Purchaser at least two (2) Business Days prior to the making of any such filing or submission to the Bankruptcy Court. The Sellers shall provide BH and the Purchaser with prompt notice of (A) the filing or any objection to (or any threat or notice of intention of any Person to file any objection to) this Agreement, the Acquisition, the Bidding Procedures, BH or the Purchaser or (B) the commencement of (or any threat or notice of intention of any Person to commence), any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority or in arbitration, that relates in any way to this Agreement, the Acquisition, the Bidding Procedures, BH or the Purchaser.

Section 5.12. Not a Back Up Bidder. The Bidding Procedures shall exclude the Purchaser from any obligation to act as a Backup Bidder (as defined in the Bidding Procedures) following the Auction (if any) in the event that the Purchaser is not selected as the Successful Bidder.
Section 5.13. Communications with Customers and Suppliers. Prior to the Closing, BH and the Purchaser shall not, and shall cause their respective Affiliates and Representatives not to, contact, or engage in any discussions or otherwise communicate with, the Sellers’ customers, suppliers, licensors, licensees and other Persons with which the Sellers have material commercial dealings without obtaining the prior consent (not to be unreasonably withheld, conditioned or delayed) of the Sellers (other than (i) any such communication in the ordinary course of business of BH, the Purchaser or their Affiliates not initiated for a purpose related to the Business, the Acquired Assets, the Assumed Liabilities or the transactions contemplated by this Agreement and whereby neither BH nor the Purchaser communicates any nonpublic proprietary information related to the Business, the Acquired Assets or the Assumed Liabilities, or (ii) any communication by BH or the Purchaser, acting in good faith, with the suppliers or manufacturers of the Sellers to the extent related to integration planning).


(a) The Sellers shall cause to be paid in the ordinary course of business (but in no event later than the Closing) to all Transferred Employees (i) who are eligible for any Benefit Plan that is a sales incentive plan, the full amount of any unpaid sales incentive bonuses accrued for such Transferred Employees in respect of the fourth quarter of 2018 and payable to such Transferred Employees pursuant to the applicable Benefit Plan, or (ii) who are eligible for any Benefit Plan that is an annual bonus plan, the full amount of any annual bonuses payable to such Transferred Employees under the applicable Benefit Plan in respect of 2018, if any. As of the Closing, the Sellers shall cause to be paid to all Transferred Employees: (1) the full amount of any unused paid time off/vacation/sick time of each such Transferred Employee that is accrued on the books and records of the Sellers through the Closing; and (2) any retention bonuses otherwise payable to any such Transferred Employees under an applicable Benefit Plan. The Sellers shall adopt, in the ordinary course consistent with past practice and in consultation with BH, reasonable sales targets that relate to the first calendar quarter of 2019 for purposes of the Benefit Plans that are sales incentive plans. At Closing, the Sellers shall deliver to BH a schedule setting forth, for each Transferred Employee who participates in a Benefit Plan that is a sales incentive plan, each unpaid sales incentive bonus accrued for such Transferred Employee in accordance with the applicable Benefit Plan in respect of the period from January 1, 2019 through the Closing Date (each, a “Q1 2019 Sales Bonus”). BH shall cause each Q1 2019 Sales Bonus to be paid to the applicable Transferred Employee no later than May 15, 2019, subject to the applicable Transferred Employee’s continued employment with BH and its Affiliates through the applicable payment date.

(b) BH or one of its Affiliates shall use their reasonable best efforts to provide an offer of employment to such number of individuals employed by the Sellers (“Business Employees”) set forth on Section 5.14(b) of the Seller Disclosure Schedule (the employees identified to Sellers by BH or its Affiliates to receive such offers, the “Offer Employees”), in the same position the Business Employee held as of the date of such employment offer, such offer to be made no more than three (3) Business Days following the Auction (a “BH Offer”). Each offer of employment shall provide that employment with BH or one of its Affiliates shall commence effective as of the Closing, subject to the Offer Employee’s continued employment with Sellers.
through the Closing and conditioned upon the Closing. Each Offer Employee who accepts the offer of employment delivered pursuant to this Section 5.14(b) shall be deemed a “Transferred Employee” as of the Closing.

(c) During the period commencing on the Closing Date and ending on the first anniversary thereof, BH shall or shall cause one of its Affiliates to provide each Transferred Employee with (i) a wage rate or base salary that is no less favorable than that in effect for such Transferred Employee immediately prior to the Closing, (ii) a target annual bonus opportunity that is no less favorable than that provided to the Transferred Employee prior to the Closing, and (iii) employee benefits (excluding equity incentive compensation and severance) that are, in the aggregate, no less favorable than those in effect for similarly situated employees of BH and its Subsidiaries.

(d) BH shall, or shall cause one of its Subsidiaries to, provide to each Transferred Employee full credit for such Transferred Employee’s service with the Sellers or any of their respective Affiliates prior to the Closing for all purposes, including for purposes of eligibility, vesting, benefit accruals and determination of the level of benefits (including vacation, severance and retirement benefits, but excluding equity incentives), under any benefit plan of BH or its Subsidiaries in which such Transferred Employee participates on or following the Closing (the “New Plans”) to the same extent recognized by the Sellers or any of their respective Affiliates immediately prior to the Closing; provided, that such service shall not be recognized (i) to the extent that such recognition would result in a duplication of benefits or coverage, (ii) with respect to any New Plan that provides defined benefit pension or post-retirement welfare benefits, or (iii) with respect to any New Plan that is grandfathered or frozen or under which similarly situated employees of BH and its Subsidiaries do not receive service credit. In addition, and without limiting the generality of the foregoing, (A) for purposes of each New Plan providing medical, dental, pharmaceutical or vision benefits to any Transferred Employee, BH or its applicable Subsidiary shall use its commercially reasonable efforts to cause all pre-existing condition exclusions and actively-at-work requirements of such New Plan to be waived for such Transferred Employee and his or her covered dependents, unless such conditions would not have been waived under the equivalent Benefit Plan in which such Transferred Employee participated immediately prior to the Closing (such Benefit Plans collectively, the “Old Plans”) and (B) BH or its applicable Subsidiary shall use commercially reasonable efforts to cause all eligible expenses incurred by such Transferred Employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such employee’s participation in the corresponding New Plan begins to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan. Sellers will, or will cause the applicable Benefit Plan provider to, provide to BH or its applicable Subsidiary or its group health plan provider on, or as promptly as practicable following, the Closing Date, all information required by BH and its group health plan provider to (1) ensure health, dental and vision plan administration in compliance with this Section 5.14(d), and (2) comply with the obligations of BH and its Subsidiaries under Section 4980B of the Code, Sections 601 through 608 of ERISA, and any similar applicable state Law (collectively,
“COBRA”) to provide group health plan coverage to current and former employees of Sellers (and their beneficiaries) who constitute “M&A qualified beneficiaries” within the meaning of the COBRA regulations.

(e) At least ten (10) days prior to the Auction, BH or its Affiliate shall provide a list to Seller setting forth (i) the name of each Offer Employee and (ii) for any Offer Employee whose offer of employment from BH or its Affiliate is not expected to provide for employment in the same facility or location in which such employee worked prior to the applicable offer of employment (or for a sales employee, is not expected to cover the same sales territory that the sales employee covered immediately prior to the applicable offer of employment), the new facility, location or sales territory being offered by BH or its Affiliate to such Offer Employee. With respect to any Business Employee who is not identified by BH and its Affiliates as an Offer Employee or who is identified as a WARN Relocation Employee, the Sellers shall, in each case to the extent required by the WARN Acts, provide written notice of termination of employment (in a form and manner compliant with the WARN Acts to the extent possible), within three (3) Business Days following the conclusion of the Auction (or if no Auction occurs, within three (3) Business Days following the bid deadline established by the Bidding Procedures).

(f) Nothing in this Section 5.14 shall constitute or be construed (i) as an amendment, termination or other modification of any employee benefit or compensation plan or arrangement, or a restriction or other limitation on the right of any party hereto to amend, terminate or otherwise modify any such plans or arrangements, (ii) as a guarantee of employment for any period, or a restriction or other limitation on the right of any party hereto to terminate the employment of any individual at any time, or (iii) to create any third party rights in any Person other than the direct parties to this Agreement, including any current or former service provider of the Sellers (or any beneficiaries or dependents thereof).

Section 5.15. Parent Confidentiality Agreements; Post-Closing Confidentiality.

(a) Sellers and BH hereby agree that the Confidentiality Agreement shall terminate, and no party shall have any further obligations thereunder, effective concurrently with the Closing.

(b) Effective at the Closing, the Parent hereby assigns to the Purchaser the rights under the Parent Confidentiality Agreements to enforce the non-use, non-disclosure and return or destruction of “Confidential Information” (as such term is defined in the Parent Confidentiality Agreements) to the extent related to the Business, the Acquired Assets and the Assumed Liabilities and the non-solicitation provisions with respect to the Transferred Employees; provided, that the Parent retains all other rights and remedies thereunder.

(c) For a period of ten (10) years following the Closing Date, the Sellers shall not, and shall cause their Affiliates and their respective directors and officers not to, disclose to any Person other than the directors, officers, employees and authorized representatives of the Purchaser and its Affiliates, or use or otherwise exploit for their benefit, any Confidential Information, except (i) pursuant to any Order, as required in any Action or as otherwise required by applicable Law, (ii) to enforce its rights and remedies under this Agreement or (iii) disclosure
of Confidential Information in connection with the Chapter 11 Case shall not constitute a breach of this Section 5.15(c); provided, however, that in the event disclosure is required by applicable Law or in connection with the Chapter 11 Case, the Sellers shall, to the extent reasonably possible, provide the Purchaser with prompt notice of such requirement prior to making any disclosure so that the Purchaser may seek at its own cost and expense an appropriate protective order. “Confidential Information” shall mean any proprietary or confidential information to the extent related to the Business, the Acquired Assets or the Assumed Liabilities, excluding any information that (x) is (as of the Closing Date) or becomes generally available to the public other than as a result of a breach of this Section 5.15(c) or (y) becomes available to the Sellers, their Affiliates or their respective directors and officers after the Closing Date on a non-confidential basis from a source other than BH, the Purchaser or their Affiliates, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to BH, the Purchaser or their Affiliates or any other person with respect to such information.

Section 5.16. Payments Received. The Sellers and the Purchaser each agree that after the Closing they will hold and will promptly transfer and deliver to the other, from time to time as and when received by them or their respective Affiliates, any cash, checks with appropriate endorsements (using their best efforts not to convert such checks into cash) or other property that they may receive on or after the Closing which properly belongs to the other party hereto or its Affiliates and will account to the other for all such receipts.

Section 5.17. Use of Names and Marks. The Purchaser and its Affiliates acknowledge and agree that, notwithstanding the transfer of Intellectual Property included in the Acquired Assets, (a) the Sellers will continue using their current corporate names during the pendency of the Chapter 11 Case and any additional time during which the Sellers wind down their affairs, and (b) the Sellers shall be entitled to refer to names and marks included in the Acquired Assets in filings with Governmental Entities, for factual or historical reference and for any other purposes that do not constitute trademark infringement and are not otherwise prohibited by applicable Law.

Section 5.18. NDC Code.

(a) To the extent not transferred as part of the Acquired Assets, the Sellers hereby grant, effective as of the Closing Date, to the Purchaser (and the Purchaser’s Affiliates) a royalty-free, paid-up license under the Sellers’ NDC numbers used in connection with the Business to the extent necessary to allow the Purchaser and its Affiliates and their designees to market, distribute and sell the inventory acquired as part of the Acquired Assets.

(b) To the extent necessary to enable the Sellers to comply with U.S. Government Pricing and Compliance submission requirements related to the Acquired Assets, the Purchaser shall use its reasonable best efforts to provide to the Sellers the following information: (i) within twenty-five (25) days after the end of each calendar quarter, (A) the Non-Federal Average Manufacturer’s Price for each Product identified by NDC, (B) the “average manufacturer price” (as defined under the Social Security Act, 42 U.S.C. Sections 1396r-8(k)(l)) and units for each Product identified by NDC and (C) the “best price” (as defined under the
Social Security Act, 42 U.S.C. Sections 1396r-8(c)(1)(C)) for each Product identified by NDC, (ii) within twenty-five (25) days after the end of each calendar month, the “average manufacturer price” (as defined under the Social Security Act, 42 U.S.C. Sections 1396r-8(k)(l)) and units for each Product identified by NDC and (iii) any other information reasonably requested by the Sellers to allow the Sellers to comply with such requirements, and, in each case, a certification to the best of the Purchaser’s knowledge of the accuracy and completeness thereof (subject to any updates of the information included in such certification) in all material respects, within ten (10) days after BH publicly announces its quarterly financial results; provided, that the Purchaser’s obligations pursuant to this Section 5.18(b) shall expire thirty (30) days after the end of the calendar quarter in which the Purchaser suspends its usage of the Sellers’ NDC numbers in connection with the Business.

Section 5.19. Transfer of Regulatory Matters. As promptly as practicable after the Closing, Sellers and the Purchaser shall file with the FDA and any other applicable Governmental Entity the notices and information required pursuant to any applicable regulation or requirement to transfer the Regulatory Authorizations from the Sellers to the Purchaser. The parties also agree to use all commercially reasonable efforts to take any and all other actions required by the FDA and any other applicable Governmental Entity to effect the transfer of the Regulatory Authorizations from the Sellers to the Purchaser.

Section 5.20. Takeover Statutes. The Parent shall use its reasonable best efforts (a) to take all action necessary so that no Takeover Statute is or becomes applicable to the Acquisition, and (b) if any such Takeover Statute is or becomes applicable, to take all action necessary so that the Acquisition may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise to eliminate or minimize the effect of such Takeover Statute on the Acquisition.

Section 5.21. Reporting. The Sellers shall (x) deliver to the Purchaser substantially contemporaneously with its delivery to the administrative agent under the DIP Facility, all weekly cash-flow, variance and similar financial reporting required under the DIP Facility, as well as a report setting forth the inventory level (segregated by inventory category) and (y) use their reasonable best efforts to deliver to Purchaser such additional financial information with respect to the Business and the Sellers, and on such periodic basis, as may reasonably be requested by the Purchaser.

Section 5.22. Additional Actions. None of the Sellers, BH or the Purchaser will file any pleading or take any other action in the Bankruptcy Court with respect to this Agreement or the consummation of the transactions contemplated hereby that is inconsistent with performing and carrying out the provisions of this Agreement in accordance with the terms and subject to the conditions herein; provided, however, that nothing contained in the foregoing will be construed to limit in any way BH or the Purchaser’s rights under this Agreement, or to limit BH, the Purchaser’s or the Sellers’ rights to advocate for the approval of this Agreement and against any Alternative Transaction.

Section 5.23. Minimum Inventory Purchases. If, at any time during the thirty (30) days prior to the anticipated Closing Date, either Sellers, on the one hand, or BH or the Purchaser (as
communicated in writing by BH or the Purchaser to the Sellers), on the other hand, reasonably believes that the amount of active pharmaceutical ingredient for the Trulance Product ("API") that will be in Inventory as of the Closing Date is less than 30.0 kilograms (the "Minimum API Quantity"), then the Sellers shall, prior to the Closing Date, purchase API up to the lesser of (x) the total amount of API held by third-party logistics warehouses and (y) the amount of API required to hold the Minimum API Quantity as of the Closing Date. If requested by BH or the Purchaser, the Sellers shall, prior to the Closing, deliver to BH and the Purchaser evidence reasonably satisfactory to BH and the Purchaser that such purchase has been made. If, at any time prior to the Closing Date, BH or the Purchaser requests in writing that the Sellers order API (including requesting delivery of existing API or placing orders for new API with the Sellers’ API supplier), then (x) the Sellers will promptly make such order in the quantity requested by BH or the Purchaser (consistent with the rights of the Sellers to place such order with the Sellers’ API supplier) and (y) the Cash Consideration will, at the time the Sellers make any cash payment to the Sellers’ API supplier pursuant to this sentence (which will not exceed, in the case of existing API requested for delivery up to 70% of the original price therefor (not including any prepayments), and in the case of newly ordered API up to 30% of the price therefor) be automatically increased by the amount of such cash payment.

Section 5.24. DIP Facility.

(a) Each Seller shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, advisable or proper to obtain the DIP Facility, including using reasonable best efforts to: (i) negotiate and enter into the DIP Loan Documents prior to December 21, 2018; (ii) maintain in effect and enforce the DIP Facility Term Sheet and each DIP Loan Document and comply with its obligations thereunder; and (iii) satisfy on a timely basis and in a manner that will not impede the ability of the parties to consummate the Acquisition promptly at the Closing all conditions to the funding of the DIP Facility set forth in the DIP Facility Term Sheet (it being understood that all conditions to funding the DIP Facility are set forth therein). The Sellers shall give BH and the Purchaser prompt notice upon obtaining knowledge of any fact, change, event or circumstance with respect to the DIP Facility that, individually or in the aggregate, could reasonably lead to an event of default under, or failure to fund all or any portion of, the DIP Facility, or materially impair or materially delay the Closing.

(b) The Sellers shall neither agree to nor permit any termination, amendment, replacement, supplement or other modification of, or waiver of any of its rights under, the DIP Facility Term Sheet or the DIP Loan Documents, without the prior written consent of BH and the Purchaser (not to be unreasonably withheld, conditioned or delayed).

(c) If all or any portion of the DIP Facility becomes unavailable, or any of the DIP Facility Term Sheet or the DIP Loan Documents shall be withdrawn, repudiated, terminated or rescinded for any reason, then the Sellers shall use their reasonable best efforts to arrange and obtain, as promptly as practicable, from the same and/or alternative financing sources, alternative
financing and on terms, taken as a whole, not less favorable to BH and the Purchaser than the terms, taken as a whole, of the DIP Facility.

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.1. Conditions Precedent to Obligation of the Sellers, BH and the Purchaser. The respective obligations of each party hereto to effect the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of the following conditions:

(a) Approvals. Any waiting period (and extensions thereof) applicable to the Acquisition under the HSR Act shall have expired or been terminated and any other required approvals, consents or clearances under any Antitrust Laws shall have been obtained; and

(b) No Orders. No Governmental Entity of competent jurisdiction shall have enacted, enforced or entered any Law and no Order shall be in effect on the Closing Date that prohibits the consummation of the Closing.

Section 6.2. Conditions Precedent to Obligation of the Sellers. The obligation of the Sellers to effect the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver (to the extent permitted by applicable Law) by the Sellers at or prior to the Closing of the following conditions:

(a) Representations and Warranties. The representations and warranties of BH and the Purchaser contained in this Agreement shall be true and correct (disregarding any exception or qualification in such representations and warranties relating to “material” or “materiality”) as of the date hereof and as of the Closing Date as if made at and as of such date (except to the extent such representations and warranties speak as of another date, in which case such representations and warranties shall be true and correct as of such other date), except where the failure of such representations and warranties to be so true and correct (disregarding any exception or qualification in such representations and warranties relating to “material” or “materiality”) has not and would not reasonably be expected to, individually or in the aggregate, materially impair or materially delay BH’s or the Purchaser’s ability to perform their respective obligations under this Agreement or to consummate the transactions contemplated hereby;

(b) Covenants. The covenants and obligations of BH and the Purchaser to be performed or complied with at or prior to the Closing pursuant to this Agreement shall have been duly performed and complied with in all material respects;

(c) Sale Order. The Bankruptcy Court shall have entered the Sale Order and such Order shall not have been stayed as of the Closing Date, stayed pending appeal, reversed or vacated; and
(d) Officer’s Certificates. BH and the Purchaser shall have delivered to the Sellers a certificate duly executed by an authorized officer of BH and the Purchaser certifying to the effect that the conditions set forth in Section 6.2(a) and Section 6.2(b) have been satisfied.

The foregoing conditions are for the benefit of the Sellers only and accordingly the Sellers will be entitled to waive compliance with any such conditions if they see fit to do so, without prejudice to rights and remedies at Law and in equity and also without prejudice to any rights of termination or otherwise in the event of the failure to fulfill any other conditions in whole or in part.

Section 6.3. Conditions Precedent to Obligation of BH and the Purchaser. The obligation of BH and the Purchaser to effect the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver (to the extent permitted by applicable Law) by BH and the Purchaser at or prior to the Closing of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Sellers contained in Sections 3.1, 3.2, 3.6(b) and 3.8 shall be true and correct in all material respects (disregarding any exception or qualification in such representations and warranties relating to “material,” “materiality” or “Material Adverse Effect”) as of the date hereof and as of the Closing Date as if made at and as of such date (except to the extent such representations and warranties speak as of another date, in which case such representations and warranties shall be true and correct as of such other date); (ii) the representations and warranties of the Sellers contained in Section 3.7(b) shall be true and correct in all respects as of the date hereof and as of the Closing Date as if made at and as of such date; and (iii) each of the other representations and warranties of the Sellers contained in this Agreement (other than those representations and warranties specified in clauses (i) and (ii) above) shall be true and correct in all respects (disregarding any exception or qualification in such representations and warranties relating to “material,” “materiality” or “Material Adverse Effect”) as of the date hereof and as of the Closing Date as if made at and as of such date (except to the extent such representations and warranties speak as of another date, in which case such representations and warranties shall be true and correct as of such other date), except where the failure of such representations and warranties in this clause (iii) to be so true and correct (disregarding any exception or qualification in such representations and warranties relating to “material,” “materiality” or “Material Adverse Effect”) has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(b) Covenants. The covenants and obligations of the Sellers to be performed or complied with at or prior to the Closing pursuant to this Agreement shall have been duly performed and complied with in all material respects;

(c) Assigned Contracts. The Sellers shall have assigned to the Purchaser the Assigned Contracts set forth on Section 6.3(c) of the Seller Disclosure Schedule, subject to the Purchaser’s provisions of adequate assurance of future performance as required under Section 365 of the Bankruptcy Code;
(d) **Sale Order**. The Bankruptcy Court shall have entered the Sale Order substantially in the form of Exhibit E attached hereto or otherwise in form and substance reasonably acceptable to BH and the Purchaser, and such Order (i) shall not have been stayed as of the Closing Date, stayed pending appeal, reversed or vacated and (ii) shall not have been amended, supplemented or otherwise modified in any manner materially adverse to BH or the Purchaser;

(e) **Inventory Levels**. As of the Closing Date, (w) the Parent shall have at least 62,302 finished packs (trade) of the Trulance Product in Inventory, (x) the Parent shall have at least 3,380,000 pills (drug product) of the Trulance Product in Inventory, (y) the Parent shall have at least the Minimum API Quantity in Inventory, and (z) the Parent shall have at least 55,000 finished packs (samples) of the Trulance Product in Inventory.

(f) **Officer’s Certificates**. Each of the Sellers shall have delivered to BH and the Purchaser a certificate duly executed by an executive officer of each Seller certifying to the effect that the conditions set forth in Section 6.3(a), Section 6.3(b), and Section 6.3(e) have been satisfied.

The foregoing conditions are for the benefit of BH and the Purchaser only and accordingly BH and the Purchaser will be entitled to waive compliance with any such conditions if they see fit to do so, without prejudice to any rights and remedies at Law and in equity and also without prejudice to any of rights of termination or otherwise in the event of the failure to fulfill any other conditions in whole or in part.

Section 6.4. **Concurrent Delivery**. It shall be a condition of the Closing that all matters of payment and the execution and delivery of documents, in each case, at Closing by any party to the other pursuant to the terms of this Agreement shall be concurrent requirements and that nothing will be complete at the Closing until everything required as a condition precedent to the Closing has been paid, executed and delivered, as the case may be.

**ARTICLE VII**

**TERMINATION**

Section 7.1. **Termination**.

(a) This Agreement may be terminated by either the Purchaser or the Sellers in the event that the Closing has not occurred on or before March 11, 2019, or such later date as may be mutually agreed in writing by the parties (the “Outside Date”); provided, however, that if as of such date all conditions to the Closing set forth in Article VI shall have been satisfied or waived or shall be capable of being satisfied at the Closing (but subject to the satisfaction or waiver at or prior to the Closing of all such conditions), except for Section 6.1(a) or, solely in respect of the HSR Act, Section 6.1(b), then, the Purchaser or the Parent (on behalf of the Sellers) may, by written notice to the other party, extend such date to April 10, 2019; provided, further, that the right to terminate this Agreement pursuant to this Section 7.1(a) shall not be available to any party whose failure to materially perform any of its obligations under this
Agreement required to be performed by it at or prior to the Closing results in the failure of the Closing to occur prior to such date.

(b) This Agreement may also be terminated prior to the Closing:

(i) at any time by the mutual written agreement of the Purchaser and the Sellers;

(ii) by the Purchaser, if (x) there shall have been a breach of any of the covenants or agreements or any of the representations or warranties set forth in this Agreement on the part of the Sellers which breach, either individually or in the aggregate with other breaches by the Sellers, would result in, if occurring or continuing on the Closing Date, the failure of the conditions set forth in Section 6.3(a) or Section 6.3(b), as the case may be, or (y) there has been any material breach by the Sellers of the Bidding Procedures Order or the Sale Order, in each case which is not cured within ten (10) Business Days following written notice to the Sellers thereof (and in any event prior to the Outside Date) or which by its nature or timing cannot be cured within such time period (provided, that neither BH nor the Purchaser is then in material breach of any of the covenants, agreements, representations or warranties set forth in this Agreement on the part of BH or the Purchaser);

(iii) by the Sellers, if (x) there shall have been a breach of any of the covenants or agreements or any of the representations or warranties set forth in this Agreement on the part of BH or the Purchaser which breach, either individually or in the aggregate with other breaches by BH and the Purchaser, would result in, if occurring or continuing on the Closing Date, the failure of the conditions set forth in Section 6.2(a) or Section 6.2(b), as the case may be, or (y) there has been any material breach by BH or the Purchaser of the Bidding Procedures Order or the Sale Order, in each case which is not cured within ten (10) Business Days following written notice to BH and the Purchaser thereof (and in any event prior to the Outside Date) or which by its nature or timing cannot be cured within such time period (provided, that the Sellers are not then in material breach of any of the covenants, agreements, representations or warranties set forth in this Agreement on the part of the Sellers);

(iv) by the Purchaser, if the Sellers shall fail to file any of the DIP Motion, the Sale Motion or the Bidding Procedures Motion with the Bankruptcy Court on or prior to December 12, 2018;

(v) by the Purchaser, if the Sellers shall fail to file the Chapter 11 Case on or prior to December 12, 2018;

(vi) by the Purchaser, if the Chapter 11 Case is dismissed or converted to a liquidation proceeding under Chapter 7 of the Bankruptcy Code;

(vii) by the Purchaser, if the Bankruptcy Court enters any Order materially inconsistent with the Bidding Procedures Order, the Sale Order or the Acquisition;

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(viii) by either the Sellers or the Purchaser, if a Governmental Entity issues a final, non-appealable ruling or Order permanently prohibiting the transactions contemplated hereby; provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(b)(viii) shall not be available to any party whose breach of any of its representations, warranties, covenants or agreements contained herein results in such ruling or Order;

(ix) by the Purchaser, if any creditor of any Seller obtains a final and unstayed Order of the Bankruptcy Court granting relief from the stay to foreclose on any portion of the Acquired Assets;

(x) by either the Sellers or the Purchaser, if the Auction has occurred and the Purchaser is not the Successful Bidder;

(xi) by the Purchaser, if the Purchaser is the Successful Bidder and the Sale Hearing has not been commenced on or prior to March 1, 2019; provided that the failure of the Sale Hearing to commence on or prior to such time is not caused by the Purchaser’s material breach of this Agreement or the Court’s calendar;

(xii) by the Purchaser, if the Bankruptcy Court has not entered the Bidding Procedures Order, including approval of the Break-Up Fee and Expense Reimbursement Amount, by January 4, 2019, or if the Bidding Procedures Order has been entered by such date but is stayed, stayed pending appeal, reversed or vacated, or if such Bidding Procedures Order has been entered by such date but has been amended, supplemented or otherwise modified in any manner materially adverse to BH or the Purchaser;

(xiii) by the Purchaser, if the bid deadline has not occurred by February 23, 2019, or if the Auction is not held by February 26, 2019;

(xiv) by the Purchaser, if the Bankruptcy Court has not entered the Sale Order approving the Acquisition by Purchaser by March 1, 2019, or if such Sale Order has been entered by such date but is stayed or stayed pending appeal or has been reversed or vacated, or if such Sale Order has been entered by such date but has been amended, supplemented or otherwise modified in a manner materially adverse to BH and the Purchaser and without the prior written consent of the Purchaser;

(xv) by the Purchaser, if (A) the Bankruptcy Court fails to enter the Final DIP Order on or before January 17, 2019 and such failure results in an unwaived and uncured event of default under the DIP Facility or (B) the DIP Facility Term Sheet or the DIP Facility shall have been terminated, the DIP Lenders shall have refused to advance funds on account of the failure of any condition precedent thereto or the principal amount of the loans thereunder shall be (or shall be asserted by the lenders thereunder to be) due and payable at any time on or prior to the Closing; or

(xvi) by the Purchaser, at any time prior to the end of the Auction (or if no Auction occurs, the Closing Date), if BH or the Purchaser determines in its good faith
judgment that there is a reasonable possibility of losing continuous access to supply under, and delivery to the Sellers (prior to the Closing) or to BH and the Purchaser (after the Closing) of the goods and services purchased under, the Contracts set forth on Section 7.1(b)(xvi) of the Seller Disclosure Schedule.

For the avoidance of doubt, the parties acknowledge and agree, that in the event that the Sellers determine, in their reasonable discretion, that the last Overbid (as defined in the Bidding Procedures) submitted by the Purchaser is better than all other Qualified Bids (as defined in the Bidding Procedures) as such Qualified Bids may be amended by an Overbid submitted at the Auction, then within two (2) Business Days following the conclusion of the Auction, the Sellers, BH and the Purchaser shall enter into an amendment to this Agreement to reflect the Purchaser’s last Overbid; it being acknowledged and agreed that this Agreement shall not be deemed to have been terminated by virtue of the Purchaser’s not having submitted the winning bid at the Auction.

Section 7.2. Effect of Termination.

(a) Except as otherwise provided in this Section 7.2, in the event of termination of this Agreement by either party hereto in accordance with Section 7.1, all rights and obligations of the parties under this Agreement shall terminate without any liability of any party to any other parties hereto, except for liability for fraud or intentional breach of this Agreement prior to such termination. The provisions of Section 1.6(b)(ii), Section 1.6(b)(iii), Section 5.12, this Section 7.2 and Article VIII (other than Section 8.1, Section 8.2 and Section 8.3) shall expressly survive the termination of this Agreement.

(b) In consideration of the Purchaser and its Affiliates having expended considerable time and expense in connection with this Agreement and the negotiation thereof, and the identification and quantification of assets to be included in the Acquired Assets, and to compensate the Purchaser as a stalking-horse bidder, and regardless of whether or not the Purchaser makes any matching or competing bids at the Auction, the Sellers shall pay to the Purchaser a break-up fee in an amount equal to seven million dollars ($7,000,000) (the “Break-Up Fee”), (x) in the event that this Agreement is terminated pursuant to (I) Section 7.1(b)(ii) or (II) Section 7.1(b)(x) and (y) in the event that this Agreement is otherwise terminated pursuant to Section 7.1(a), Section 7.1(b)(iv), Section 7.1(b)(v), Section 7.1(b)(vi), Section 7.1(b)(vii), Section 7.1(b)(ix), Section 7.1(b)(xi), Section 7.1(b)(xii), Section 7.1(b)(xiii), Section 7.1(b)(xiv), or Section 7.1(b)(xv), and within nine (9) months following the termination of this Agreement (1) any Seller enters into a definitive agreement with respect to an Alternative Transaction or (2) an Alternative Transaction shall have been consummated; such Break-Up Fee shall be due and payable (A) in the case of the foregoing clause (x)(I), within three (3) Business Days after the termination of this Agreement by BH or the Purchaser, (B) in the case of the foregoing clause (x)(II), upon the earlier of (1) the consummation of a transaction with the Successful Bidder or any Backup Bidder (as defined in the Bidding Procedures) and (2) the thirtieth (30th) day following the conclusion of the Auction, and (C) in the case of the foregoing clause (y), upon the earlier of (1) the consummation of an Alternative Transaction and (2) the thirtieth (30th) day following any Seller’s entry into a definitive agreement with respect to an
Alternative Transaction. The Break-Up Fee shall, subject to Bankruptcy Court approval, be treated as an administrative expense in the Chapter 11 Case under Section 503(b)(1)(A) and Section 507(a)(2) of the Bankruptcy Code. The Sellers acknowledge and agree that: (i) the approval of the Break-Up Fee is an integral part of the transactions contemplated by this Agreement; (ii) in the absence of the Sellers’ obligation to pay the Break-Up Fee, BH and the Purchaser would not have entered into this Agreement; (iii) the entry of BH and the Purchaser into this Agreement is necessary for preservation of the estate of the Sellers and is beneficial to the Sellers because, in the Sellers’ business judgment, it will enhance the Sellers’ ability to maximize the value of their assets for the benefit of their creditors and other stakeholders; (iv) the Break-Up Fee is reasonable in relation to the Purchaser’s costs and efforts and to the magnitude of the transactions contemplated hereby and the Purchaser’s lost opportunities resulting from the time spent pursuing the transactions contemplated hereby; and (v) time is of the essence with respect to the entry of the Bidding Procedures Order by the Bankruptcy Court, approving, among other things, the process by which bids may be solicited, including the Bidding Procedures. For the avoidance of doubt, the Break-Up Fee, if payable pursuant to this Section 7.2(b), shall be in addition to the return of the Deposit Funds and payment of the Expense Reimbursement Amount, in each case, to the extent payable to the Purchaser pursuant to Section 1.6(b)(iii) and Section 7.2(c), respectively.

(c) In consideration of the Purchaser and its Affiliates having expended considerable time and expense in connection with this Agreement and the negotiation thereof, and the identification and quantification of assets to be included in the Acquired Assets, upon any termination of this Agreement, other than any termination by the Sellers pursuant to Section 7.1(b)(i) or Section 7.1(b)(iii) (unless at the time of any such termination the Purchaser would have been entitled to terminate this Agreement pursuant to Section 7.1(a) or Section 7.1(b)) the Seller shall pay to the Purchaser the Expense Reimbursement Amount within five (5) Business Day after the termination of this Agreement. The Sellers acknowledge and agree that: (A) the payment of the Expense Reimbursement Amount is an integral part of the transactions contemplated by this Agreement, (B) in the absence of the Sellers’ obligation to make this payment, the Purchaser would not have entered into this Agreement, (C) the damages resulting from termination of this Agreement under circumstances where the Purchaser is entitled to the Expense Reimbursement Amount are uncertain and incapable of accurate calculation and that the delivery of the Expense Reimbursement Amount to the Purchaser is not a penalty, but rather shall constitute a reasonable amount that will compensate the Purchaser in the circumstances where the Purchaser is entitled to the reimbursable expenses for the efforts and resources expended and opportunities forgone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummating of the transactions contemplated thereby, and that, without these agreements, the Purchaser would not enter into this Agreement; (D) time is of the essence with respect to the payment of the Expense Reimbursement Amount and (E) the Expense Reimbursement Amount shall, subject to Bankruptcy Court approval, constitute an administrative expense of the Sellers’ estates under Sections 503(b)(1)(A) and 507(a)(2) of the Bankruptcy Code. For the avoidance of doubt, the Expense Reimbursement Amount, if payable pursuant to this Section 7.2(c), shall be in addition to the Deposit Funds and the Break-Up Fee, in each case, to the extent payable to the Purchaser pursuant to Section 1.6(b)(iii) and Section 7.2(b), respectively.
(d) Notwithstanding Section 7.2(a), the Purchaser’s right to receive the one-time payment of the Break-Up Fee and/or the Expense Reimbursement Amount (as the case may be) from the Sellers as provided in Section 7.2(b) and Section 7.2(c), shall, other than in connection with fraud on the part of, or an intentional breach of this Agreement by, any Seller, (x) be the sole and exclusive remedy available to BH and the Purchaser against the Sellers or any of their respective former, current or future equityholders, directors, officers, Affiliates, agents or Representatives with respect to this Agreement and the transactions contemplated hereby in the event that this Agreement is validly terminated under circumstances in which the Break-Up Fee and/or the Expenses Reimbursement Amount (as the case may be) is due and payable, and (y) upon receipt by Purchaser of the Break-Up Fee and/or the Expense Reimbursement Amount (as the case may be), none of the Sellers or any of their respective former, current or future equityholders, directors, officers, Affiliates, agents or Representatives shall have any further liability or obligation relating to or arising out of this Agreement or the transactions contemplated hereby. The parties acknowledge and agree that in no event shall the Sellers be required to pay the Break-Up Fee on more than one occasion and the parties acknowledge and agree that in no event shall the Sellers be required to pay the Expense Reimbursement Amount on more than one occasion. If the Agreement is terminated by the Sellers pursuant to Section 7.1(b)(iii) (unless at the time of any such termination the Purchaser would have been entitled to terminate this Agreement pursuant to Section 7.1(a) or Section 7.1(b) and has given prior written notice to the Sellers of such claimed right), the Purchaser shall forfeit the Deposit Funds and any interest thereon and such amounts shall be delivered to the Sellers pursuant to Section 1.6(b). If this Agreement is terminated by the Sellers as contemplated by Section 1.6(b)(ii), other than in connection with fraud on the part of, or an intentional breach of this Agreement by, BH or the Purchaser, the receipt of the Deposit Funds shall be the sole and exclusive remedy available to the Sellers against BH or the Purchaser or any of their respective former, current or future equityholders, directors, officers, Affiliates, agents or Representatives with respect to this Agreement and the transactions contemplated hereby, and upon receipt by the Sellers of the Deposit Funds, none of BH or the Purchaser, or any of their respective former, current or future equityholders, directors, officers, Affiliates, agents or Representatives shall have any further liability or obligation relating to or arising out of this Agreement or the transactions contemplated hereby.

(e) If the Sellers fail to take any action necessary to cause the delivery of the Break-Up Fee and/or the Expense Reimbursement Amount and, in order to obtain such Break-Up Fee and/or Expense Reimbursement Amount the Purchaser commences a suit which results in a judgment in favor of the Purchaser, the Sellers shall pay to the Purchaser, in addition to the Break-Up Fee and/or the Expense Reimbursement Amount, an amount in cash equal to the costs and expenses (including attorney’s fees) incurred by the Purchaser in connection with such suit.

(f) The parties acknowledge that the agreements contained in this Section 7.2 are an integral part of the transactions contemplated in this Agreement, that the damages resulting from termination of this Agreement under circumstances where the Sellers are entitled to the Deposit Funds are uncertain and incapable of accurate calculation and that the delivery of
the Deposit Funds is not a penalty but rather shall constitute liquidated damages in a reasonable amount that will compensate the Sellers in the circumstances where the Sellers are entitled to the Deposit Funds for the efforts and resources expended and opportunities forgone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated hereby, and that, without these agreements, the Sellers would not enter into this Agreement. If the Purchaser fails to take any action necessary to cause the delivery of the Deposit Funds pursuant to the Escrow Agreement under circumstances where the Sellers are entitled to the Deposit Funds and, in order to obtain such Deposit Funds the Sellers commence a suit which results in a judgment in favor of the Sellers, the Purchaser shall pay to the Sellers an amount in cash equal to the costs and expenses (including attorney’s fees) incurred by the Sellers in connection with such suit.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.1. Tax Matters.

(a) All sales, use, excise, transfer, documentary, stamp, value added, recordation, license, conveyance and other similar Taxes (“Transfer Taxes”), if any, imposed on or with respect to the Acquisition shall be borne fifty percent (50%) by the Purchaser and fifty percent (50%) by the Sellers and shall be paid to the appropriate Taxing Authority promptly when due by the Person having the obligation to pay such Transfer Tax under applicable Law. The party hereto responsible under applicable Law for filing a Tax Return with respect to any such Transfer Taxes shall prepare and timely file such Tax Return and promptly provide a copy of such Tax Return to the other parties. BH and Parent shall use reasonable efforts and cooperate in good faith to reduce or eliminate any Transfer Taxes to the extent permitted by applicable Law.

(b) For purposes of this Agreement, with respect to any Acquired Asset, the Sellers and the Purchaser shall apportion the liability for real and personal property Taxes, ad valorem Taxes, and similar Taxes (“Periodic Taxes”) for Straddle Periods applicable to such Acquired Asset in accordance with this Section 8.1(b). The Periodic Taxes described in this Section 8.1(b) shall be apportioned between the Sellers and the Purchaser as of the Closing Date, with the Purchaser liable for that portion of the Periodic Taxes for a Straddle Period (which portion of such Taxes shall for purposes of this Agreement be deemed attributable to the Post-Closing Tax Period) equal to the Periodic Taxes for such Straddle Period multiplied by a fraction, the numerator of which is the number of days remaining in such Straddle Period after the Closing Date, and the denominator of which is the total number of days in such entire Straddle Period. The Sellers shall be liable for that portion of the Periodic Taxes for a Straddle Period for which the Purchaser is not liable under the preceding sentence (which portion of such Taxes shall for purposes of this Agreement be deemed attributable to the Pre-Closing Tax Period). The party hereto responsible under applicable Law for paying a Tax described in this Section 8.1(b) shall be responsible for administering the payment of such Tax. All apportionments hereunder shall be final as of the Closing Date and there will be no re-apportionments of any Periodic Taxes.
regardless of whether information becomes available after the Closing Date that alters the amount of Taxes that would have been due with respect to the Straddle Period. To the extent the liability for Periodic Taxes for a certain Straddle Period is not determinable at the time of Closing or such Periodic Taxes are charged in arrears, such Periodic Taxes shall be prorated for such Straddle Period, based on the most recent ascertainable full tax year without adjustment. For purposes of this Section 8.1(b), the Straddle Period for ad valorem Taxes and real and personal property Taxes shall be the fiscal period for which such Taxes were assessed by the applicable Tax jurisdiction.

(c) The Sellers, on the one hand, or the Purchaser, on the other hand, as the case may be (the “Reimbursing Party”), shall provide reimbursement for any Tax paid by the other (the “Paying Party”), all or a portion of which is the responsibility of the Reimbursing Party in accordance with the terms of this Agreement (including this Section 8.1). Within a reasonable time prior to the payment of any such Tax, the Paying Party shall give notice to the Reimbursing Party of the Tax payable and the Paying Party’s and Reimbursing Party’s respective liability therefor, although failure to do so shall not relieve the Reimbursing Party from its liability hereunder except to the extent the Reimbursing Party is actually prejudiced thereby.

(d) The parties shall provide each other with such assistance as reasonably may be requested by any of them in connection with (i) the preparation of any Tax Return, (ii) the determination of any liability in respect of Taxes or the right to any refund, credit or prepayment in respect of Taxes (including pursuant to this Agreement) or (iii) any audit or other examination by any Taxing Authority, or any judicial or administrative proceeding with respect to any Taxes.

Section 8.2. Bulk Sales. The Purchaser and the Sellers hereby waive compliance with the requirements and provisions of any “bulk-transfer” or similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale, conveyance, assignment or transfer of any or all of the Acquired Assets to the Purchaser.

Section 8.3. Survival of Representations, Warranties and Covenants. No representations or warranties in this Agreement or in any Ancillary Document shall survive the Closing. No covenants in this Agreement or in any Ancillary Document shall survive the Closing except (1) to the extent the terms thereof expressly contemplate performance following the Closing and (2) any covenants in Section 8.1.

Section 8.4. Public Announcements. Unless otherwise required by applicable Law or by obligations of the Sellers or the Purchaser or their respective Affiliates pursuant to any listing agreement with or rules of any securities exchange or in order to enforce a party’s rights or remedies under this Agreement, the Sellers, on the one hand, and BH and the Purchaser, on the other hand, shall consult with each other before issuing any other press release or otherwise making any public statement with respect to this Agreement, the transactions contemplated hereby or the activities and operations of the other and shall not issue any such release or make any such statement without the prior written consent of the other (such consent not to be unreasonably withheld, conditioned or delayed).
Section 8.5. **Notices.** All notices, requests, claims, demands or other communications hereunder shall be deemed to have been duly given and made if in writing and (a) at the time personally delivered if served by personal delivery upon the party hereto for whom it is intended, (b) at the time received if delivered by registered or certified mail (postage prepaid, return receipt requested) or by a national courier service (delivery of which is confirmed), or (c) upon confirmation if sent by facsimile or email; in each case to the Person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such Person:

(a) if to the Purchaser or to BH, to:

Bausch Health Companies Inc.
400 Somerset Corporate Boulevard
Bridgewater, NJ 08807
Email: joseph.papa@bauschhealth.com
christina.ackermann@bauschhealth.com
Facsimile: (908) 927-1568
(949) 271-3796
Attention: Joseph C. Papa
Christina M. Ackermann

with a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Email: IKirman@wlrk.com
RGMason@wlrk.com
MFVeblen@wlrk.com
MSBenn@wlrk.com
Facsimile: (212) 403-2000
Attention: Igor Kirman
Richard G. Mason

Mark F. Veblen
Michael S. Benn

and

(b) if to the Sellers, to:

Synergy Pharmaceuticals Inc.
420 Lexington Avenue, Suite 2012
New York, NY 10170
Email: thamilton@synergypharma.com
ggemignani@synergypharma.com
Attention: Troy Hamilton
Section 8.6. Descriptive Headings; Interpretative Provisions. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The words “hereof,” “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation,” whether or not they are in fact followed by those words or words of like import. Whenever the last day for the exercise of any right or the discharge of any duty under this Agreement falls on other than a Business Day, the party hereto having such right or duty shall have until the next Business Day to exercise such right or discharge such duty. Unless otherwise indicated, the word “day” shall be interpreted as a calendar day. References to “dollars” or “$” mean United States dollars, unless otherwise clearly indicated to the contrary. No summary of this Agreement prepared by or on behalf of any party hereto shall affect the meaning or interpretation of this Agreement.
Section 8.7. **No Strict Construction.** The Sellers, on the one hand, and BH and the Purchaser, on the other hand, participated jointly in the negotiation and drafting of this Agreement, and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Sellers, BH and the Purchaser, and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any provision of this Agreement. Without limitation as to the foregoing, no rule of strict construction construing ambiguities against the draftsperson shall be applied against any person with respect to this Agreement.

Section 8.8. **Entire Agreement; Assignment.** This Agreement, the Ancillary Documents and the Confidentiality Agreement constitute the entire agreement and supersede all other prior agreements and understandings, both written and oral, among the parties hereto or any of them, with respect to the subject matter hereof and thereof. Neither this Agreement nor any of the rights, interests or obligations under it may be directly or indirectly assigned, delegated, sublicensed or transferred by any of the parties hereto, in whole or in part, to any other Person by operation of law or otherwise, without the prior written consent of the other parties, and any attempted or purported assignment in violation of this Section 8.8 will be null and void; provided, that, the Purchaser may assign or delegate any or all of its rights and obligations under this Agreement to one or more of its Affiliates; provided, however, that in the event of such assignment the Purchaser shall continue to be jointly and severally liable with the Affiliate assignee for its duties and obligations under this Agreement. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective successors and permitted assigns and shall not be binding upon, inure to the benefit of, or be enforceable by, any other party.

Section 8.9. **Governing Law; Submission of Jurisdiction; Waiver of Jury Trial.** This Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware without regard to the rules of conflict of Laws of the State of Delaware or any other jurisdiction. Each of the parties hereto irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated thereby (and agrees not to commence any litigation relating thereto except in the Bankruptcy Court), and waives any objection to the laying of venue of any such litigation in the Bankruptcy Court. Each party hereto hereby consents to service of process in the manner and at the address set forth in Section 8.5. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.10. **Expenses.** Except as otherwise expressly provided herein, whether or not the transactions contemplated by this Agreement are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated thereby shall be paid by the party hereto incurring such expenses.
Section 8.11. **Amendment.** This Agreement may not be amended except by an instrument in writing signed on behalf of all the parties hereto.

Section 8.12. **Waiver.** At any time prior to the Closing, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Section 8.13. **Counterparts; Effectiveness.** This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 8.14. **Severability; Validity; Parties in Interest.** If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to other Persons or circumstances, shall not be affected thereby, and to such end, the provisions of this Agreement are agreed to be severable. Nothing in this Agreement, express or implied, is intended to confer upon any Person not a party to this Agreement any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 8.15. **Specific Performance.** The parties agree that irreparable injury will occur in the event that any of the provisions of this Agreement is not performed in accordance with its specific terms or is otherwise breached. It is agreed that prior to the valid termination of this Agreement pursuant to Article VII, each party shall be entitled to seek an injunction or injunctions to prevent or remedy any breaches or threatened breaches of this Agreement by any other party, to a decree or order of specific performance specifically enforcing the terms and provisions of this Agreement and to any further equitable relief.

Section 8.16. **Time of the Essence.** Time shall be of the essence of this Agreement.

Section 8.17. **Obligations of the Purchaser.** BH, as a primary obligor and not as a surety, hereby absolutely, unconditionally and irrevocably guarantees to the Sellers the prompt payment, observance and performance when due of all the obligations and liabilities of the Purchaser arising under or related to this Agreement and the Ancillary Documents and the transactions contemplated hereby and thereby, including to cause the Purchaser to duly and timely perform and comply with all of the covenants, obligations and agreements to be performed or complied with by the Purchaser arising under or related to this Agreement and the Ancillary Documents and the transactions contemplated hereby and thereby.

Section 8.18. **Mutual Releases.** Effective as of the Closing, and other than with respect to any claims pursuant to, and subject to the terms, conditions and limitations of, the terms and conditions of this Agreement, each of the Sellers and the Purchaser, on behalf of itself and each of its Affiliates, hereby releases (i) each of BH and the Purchaser and their Affiliates, and their
current and former officers, directors, stockholders, employees, agents, representatives, attorneys, investors, parents, predecessors, subsidiaries, successors and assigns (collectively, the “Purchaser Released Parties”) and (ii) each the Sellers and their Affiliates, and their current and former officers, directors, stockholders, employees, agents, representatives, attorneys, investors, parents, predecessors, subsidiaries, successors and assigns (collectively, the “Seller Released Parties”), respectively, from any and all liabilities, actions, rights of action, contracts, Indebtedness, obligations, claims, causes of action, suits, damages, demands, costs, expenses and attorneys’ fees whatsoever, of every kind and nature, known or unknown, disclosed or undisclosed, accrued or unaccrued, existing at any time, in all circumstances arising at or prior to the Closing (“Causes of Action”), that such Seller or the Purchaser, respectively, or any of their respective Affiliates or any of their respective successors and assigns, have or may have against any of the Purchaser Released Parties or the Seller Released Parties, respectively; provided, however, that this Section 8.18 shall not apply to any Causes of Action arising from the fraud or willful misconduct of the Purchaser Released Parties or the Seller Released Parties, as applicable, or brought to enforce rights under this Agreement.

ARTICLE IX
DEFINITIONS

As used herein, the terms below shall have the following meanings:

“Action” means any claim, hearing, charge, action, suit, arbitration, litigation, mediation, grievance, audit, examination, inquiry, proceeding or investigation by or before any Governmental Entity.

“Affiliate” of a specified Person means a Person who, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

“Agreement” has the meaning set forth in the Preamble and shall include the Exhibits and Schedules annexed hereto or referred to herein.

“Ancillary Documents” means the Bill of Sale, Assignment and Assumption Agreement, Intellectual Property Assignment Agreements, Escrow Agreement and each other agreement, document or instrument (other than this Agreement) executed and delivered by the parties hereto in connection with the consummation of the transactions contemplated by this Agreement.

“Anti-Corruption Law” means any Law related to combating bribery and corruption, including the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions, the UN Convention Against Corruption and any implementing legislation promulgated pursuant to such Conventions, the Foreign Corrupt Practices Act of 1977 and the U.K. Bribery Act 2010.

“Antitrust Laws” means any applicable supranational, national, federal, state, county, local or foreign antitrust, competition or trade regulation Laws that are designed or intended to
prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger or acquisition, including the HSR Act, the Sherman Act, the Clayton Act and the Federal Trade Commission Act, in each case, as amended, and other similar antitrust, competition or trade regulation Laws of any jurisdiction other than the United States.

“**Auction**” has the meaning set forth in the Bidding Procedures.

“**Benefit Plan**” means a plan, program, agreement or other arrangement providing for employment, compensation, retirement, deferred compensation, severance, separation, relocation, repatriation, expatriation, termination pay, performance awards, bonus, incentive, stock option, stock purchase, stock bonus, phantom stock, stock appreciation right, supplemental retirement or other pension or welfare benefits, whether written or unwritten, including each “employee benefit plan” within the meaning of Section 3(3) of ERISA, (i) which is or has been sponsored, maintained, contributed to, or required to be contributed to by the Sellers or any of their Subsidiaries or any of their respective ERISA Affiliates for the benefit of any employee or former employee of the Sellers or any of their Subsidiaries or (ii) with respect to which Sellers or any of their Subsidiaries or any of their respective ERISA Affiliates would reasonably be expected to have any liability.

“**BH SEC Documents**” means all forms, statements, documents and reports filed or furnished prior to the date hereof by BH with the SEC since January 1, 2015, as amended through the date hereof.

“**Bidding Procedures**” means the bidding procedures substantially in the form attached as Exhibit 1 to the Bidding Procedures Order with such changes as the Purchaser and the Sellers find reasonably acceptable, to be approved by the Bankruptcy Court pursuant to the Bidding Procedures Order.

“**Bidding Procedures Order**” means the Order of the Bankruptcy Court, pursuant to Sections 105(a), 363 and 365 of the Bankruptcy Code, that has not been stayed, vacated or stayed pending appeal: (a) authorizing and scheduling the Auction, (b) approving procedures for the submission of Qualified Bids, (c) in the case of any subsequent Qualified Bids, approving the initial Overbid of at least two million dollars ($2,000,000) and further incremental Overbids of at least one million dollars ($1,000,000), (d) approving the Break-Up Fee and the Expense Reimbursement Amount, (e) scheduling a hearing to consider approval of such sale, and (f) approving the form and manner of notice of the Auction procedures and Sale Hearing, which Order shall be substantially in the form attached hereto as Exhibit A with such changes as the Purchaser and the Sellers find reasonably acceptable.

“**Books and Records**” means all documents of, or otherwise in the possession, custody or control of, or used by, the Sellers in connection with, or relating to, the Business, the Acquired Assets, the Assumed Liabilities, or the operations of the Sellers, including all files, instruments, papers, books, microfilms, photographs, letters, budgets, forecasts, ledgers, journals, title policies, lists of past, present and/or prospective customers, supplier lists, regulatory filings, technical documentation (design specifications, functional requirements, operating instructions,
logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), data, reports (including environmental reports and assessments), plans, mailing lists, price lists, marketing information and procedures, advertising and promotional materials, equipment records, warranty information, architects agreements, construction contracts, drawings, plans and specifications, records of operations, standard forms of documents, Tax Returns and related books, records and workpapers, manuals of operations or business procedures and other similar procedures (including all discs, tapes and other media-storage data containing such information), in each case whether or not in electronic form.

“**Business Day**” means any day, other than a Saturday, Sunday and any day which is a legal holiday under the Laws of the Province of British Columbia or the State of Delaware or is a day on which banking institutions located in the Province of British Columbia or the State of Delaware are authorized or required by applicable Law or other governmental action to close.

“**Cash**” means all cash and cash equivalents, including checks, commercial paper, treasury bills, certificates of deposit and marketable securities, and any bank accounts and lockbox arrangements of the Sellers as of the Closing.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Confidentiality Agreement**” means the Confidentiality Agreement, between BH and the Parent, dated January 17, 2017, as amended on September 10, 2018, and as may be further amended from time to time.

“**Contract**” means any agreement, contract, subcontract, settlement agreement, lease, sublease, instrument, permit, concession, franchise, binding understanding, note, option, bond, mortgage, indenture, trust document, loan or credit agreement, license, sublicense, insurance policy or other legally binding commitment or instrument.

“**Copyrights**” means all protectable subject matter under U.S. copyright Law, copyrights and any other rights in works of authorship (including Software) and any related rights of authors.

“**Cure Costs Deduction**” means (x) the aggregate amount of all Cure Costs to the extent not included in **Section 1.3(d)** plus (y) the amount of all claims related to or arising from sales discounts, wholesaler chargebacks and wholesaler fee for service credits assumed by the Purchaser pursuant to **Section 1.3(d)** not related to accounts receivables included in the Acquired Assets.

“**DIP Facility**” means the Sellers’ debtor-in-possession financing facility, entered into connection with the Chapter 11 Case, as the same may be amended, restated, supplemented or refinanced from time to time in accordance with the terms of this Agreement, including any orders approving or authorizing the Sellers’ entry into and performance under such facility.

“**DIP Facility Term Sheet**” means that certain Summary of Terms and Conditions, dated December 11, 2018, among the Sellers, CRG Partners III (Cayman) Unlev AIV I L.P., CRG
Partners III – Parallel Fund “A” L.P. and CRG Issuer 2017-1, the form of which is attached as Exhibit G hereto.

“DIP Lenders” means the lender under the DIP Loan Documents.

“DIP Loan Documents” means the definitive documentation for the DIP Facility, as the same may be amended, restated, supplemented or refinanced from time to time in accordance with the terms of this Agreement.

“DIP Motion” means the Debtors’ Motion for Interim and Final Orders (I) Authorizing Debtors (A) to Obtain Postpetition Financing and (B) to Utilize Cash Collateral, (II) Granting Adequate Protection to Prepetition Lenders, (III) Modifying Automatic Stay, (IV) Granting Related Relief, and (V) Scheduling a Final Hearing, in form and substance reasonably acceptable to BH and the Purchaser.

“Effect” means any change, effect, development, circumstance, condition, fact, state of facts, event or occurrence.

“EMA” means the European Medicines Agency.

“Encumbrance” means any lien, pledge, hypothecation, mortgage, deed of trust, security interest, encumbrance, covenant, charge, claim, option, right of first refusal, easement, right of way, encroachment, occupancy right, preemptive right, community property interest or restriction of any nature, whether arising prior to or subsequent to the commencement of the Chapter 11 Case, and whether voluntarily incurred or arising by operation of Law.

“Environmental Laws” means any and all applicable Laws which (a) regulate or relate to the protection or clean-up of the environment, the use, treatment, storage, transportation, handling, disposal or release of Hazardous Substances, the preservation or protection of waterways, groundwater, drinking water, air, wildlife, plants or other natural resources, or the health and safety of Persons or property, including protection of the health and safety of employees or (b) impose liability or responsibility with respect to any of the foregoing, including the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), or any other Law of similar effect.


“ERISA Affiliate” means, with respect to any entity, trade or business, any other entity, trade or business that is a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes the first entity, trade or business, or that is a member of the same “controlled group” as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

“Excluded Taxes” means any (i) Taxes imposed on or payable by any Seller or its Affiliates for any taxable period; (ii) Taxes imposed on or with respect to the Acquired Assets,
the Assumed Liabilities or the Business for any Pre-Closing Tax Period; (iii) Taxes imposed on or with respect to the Excluded Assets or the Excluded Liabilities for any taxable period, (iv) Taxes imposed on or with respect to the Acquisition (including any Transfer Taxes for which Sellers are responsible pursuant to Section 8.1(a), but excluding any Transfer Taxes for which Purchaser is responsible pursuant to Section 8.1(a)), (v) Liability of the Purchaser or any of its Affiliates for any Taxes as a transferee or successor to any Seller or its Affiliates and (vi) Periodic Taxes for which Sellers are responsible pursuant to Section 8.1(b). For purposes of this Agreement, in the case of any Straddle Period, (a) Periodic Taxes shall be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period in the manner set forth in Section 8.1(b) and (b) Taxes (other than Periodic Taxes) relating to the Acquired Assets, the Assumed Liabilities or the Business for the Pre-Closing Tax Period shall be computed as if such taxable period ended as of the closing of business on the Closing Date.

“Expense Reimbursement Amount” means the dollar amount equal to the lesser of (i) one million, nine hundred and fifty thousand dollars ($1,950,000) and (ii) the aggregate amount of all reasonable and documented out of pocket costs, expenses and fees incurred by BH, the Purchaser or their Affiliates, in connection with evaluating, negotiating, documenting and performing the transactions contemplated by this Agreement and the Ancillary Documents, including fees, costs and expenses of any professionals (including financial advisors, outside legal counsel, accountants, experts and consultants) retained by BH, the Purchaser or their Affiliates in connection with or related to the authorization, preparation, investigation, negotiation, execution and performance of this Agreement, the transactions contemplated hereby, including the Chapter 11 Case and other judicial and regulatory proceedings related to such transactions, which amount shall, subject to Bankruptcy Court approval, constitute an administrative expense priority claim under Section 503(b)(1)(A) and Section 507(a)(2) of the Bankruptcy Code and shall be payable as set forth in Section 7.2(c).

“Export Controls” means all applicable export and reexport control Laws and regulations, including the Export Administration Regulations maintained by the U.S. Department of Commerce, trade and economic sanctions maintained by OFAC and the International Traffic in Arms Regulations maintained by the U.S. Department of State and any applicable anti-boycott compliance regulations.

“FDA” means the United States Food and Drug Administration.

“FDCA” means the U.S. Food, Drug and Cosmetic Act of 1938, as amended.

“Final DIP Order” means a Final Order of the Bankruptcy Court (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, and (VI) Granting Related Relief, in form and substance reasonably acceptable to BH and the Purchaser.

“GAAP” means United States generally accepted accounting principles.
“**Good Clinical Practices**” means, with respect to the Sellers, standards for clinical trials for pharmaceuticals (including all applicable requirements relating to protection of human subjects), as set forth in the FDCA and applicable regulations promulgated thereunder (including, for example, 21 C.F.R. Parts 50, 54, and 56), as amended from time to time, and such standards of good clinical practice (including all applicable requirements relating to protection of human subjects) as are required by other organizations and Regulatory Authorities in any other countries, including applicable regulations or guidelines from the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, in which Products are sold or intended to be sold, to the extent such standards are not less stringent than in the United States.

“**Good Laboratory Practices**” means, with respect to the Sellers, standards for pharmaceutical laboratories, as set forth in the FDCA and applicable regulations promulgated thereunder, as amended from time to time, and such standards of good laboratory practices as are required by other organizations and Governmental Entities in any other countries, including applicable regulations or guidelines from the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use in which the Products are sold or intended to be sold, to the extent such standards are not less stringent than in the United States.

“**Good Manufacturing Practices**” means, with respect to the Sellers, standards for the manufacture, processing, packaging, testing, transportation, handling and holding of drug products, as set forth in the FDCA and applicable regulations promulgated thereunder, as amended from time to time, and such standards of good manufacturing practices as are required by other organizations and Governmental Entities in any other countries, including applicable regulations or guidelines from the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use in which the Products are sold or intended to be sold, to the extent such standards are not less stringent than in the United States.

“**Governmental Entity**” means (a) any supranational, national, federal, state, county, municipal, local, or foreign government or any entity exercising executive, legislative, judicial, regulatory, taxing, or administrative functions of or pertaining to government, (b) any public international governmental organization or (c) any agency, division, bureau, department, commission, board, arbitral or other tribunal, branch or other political subdivision of any government, entity or organization described in the foregoing clause (a) or (b) of this definition (including patent and trademark offices and self-regulatory organizations).

“**GTN Accrued Cash-Settled Liabilities**” means the total of accrued liabilities as of the Closing Date in the following sub-accounts on the Parent’s balance sheet: (a) Managed Care; (b) Coupons; (c) Medicaid; (d) Medicare; and (e) Medicare Coverage Gap.

“**GTN Adjustment Amount**” means (a) the GTN Accrued Cash-Settled Liabilities minus (b) the GTN Contribution Amount.
“GTN Contribution Amount” means the product of (i) the GTN Receivables and (ii) the “GTN Assumed Percentage” calculated in accordance with Exhibit F.

“GTN Receivables” means the amount of gross accounts receivables (determined in accordance with GAAP, applied on a consistent basis during the periods involved) of the Sellers relating to the Acquired Assets as of the Closing Date.

“Hazardous Substance” means any pollutant, chemical, substance and any toxic, infectious, carcinogenic, reactive, corrosive, ignitable or flammable chemical, chemical compound, hazardous substance, material or waste, whether solid, liquid or gas, that is subject to regulation, control or remediation under any Environmental Laws, including any quantity of petroleum product or byproduct, solvent, flammable or explosive material, radioactive material, asbestos, lead paint, polychlorinated biphenyls (or PCBs), dioxins, dibenzofurans, heavy metals and radon gas.

“Health Laws” means any Law of any Governmental Entity (including multi-country organizations) the purpose of which is to ensure the safety, efficacy and quality of medicines or pharmaceuticals by regulating the research, development, manufacturing and distribution of these products, including Laws relating to Good Laboratory Practices, Good Clinical Practices, investigational use, product marketing authorization, manufacturing facilities compliance and approval, Good Manufacturing Practices, labeling, advertising, promotional practices, safety surveillance, record keeping and filing of required reports and their respective counterparts promulgated by Regulatory Authorities in countries outside the United States and shall also include, without limitation (a) the FDCA and the regulations promulgated thereunder, (b) the Public Health Service Act, and the regulations promulgated thereunder, (c) all federal and state fraud and abuse Laws, including the Federal Anti-Kickback Statute, the civil False Claims Act, the administrative False Claims Law, the Anti-Inducement Law, the exclusion Laws, and the regulations promulgated pursuant to such statutes, (d) the Health Insurance Portability and Accountability Act of 1996, the regulations promulgated thereunder and comparable state Laws, (e) the Controlled Substances Act, (f) Titles XVIII and XIX of the Social Security Act and the regulations promulgated thereunder, (g) the Clinical Laboratories Improvement Amendments and (h) all applicable Laws, rules and regulations, ordinances, judgments, decrees, orders, writs and injunctions administered by Regulatory Authorities, each of clauses (a) through (h) as may be amended from time to time.


“Import Restrictions” means all applicable U.S. and foreign import Laws, including Title 19 of the U.S. Code and Title 19 of the Code of Federal Regulations.

“IND” means an Investigational New Drug Application submitted to the FDA pursuant to 21 C.F.R. Part 312 (as amended from time to time) with respect to the Products, or the equivalent application or filing submitted to any equivalent agency or Governmental Entity outside the United States of America (including any supra-national agency such as the EMA), and all
supplements, amendments, variations, extensions and renewals thereof that may be submitted with respect to the foregoing.

“Indebtedness” means, with respect to any Person, (a) all obligations for borrowed money, (b) all obligations evidenced by bonds, debentures, notes or similar instruments, (c) all Indebtedness of others secured by any Encumbrance on owned or acquired property of the reference Person, whether or not the Indebtedness secured thereby has been assumed, (d) all guarantees (or any other arrangement having the economic effect of a guarantee) of Indebtedness of others, (e) all capital lease obligations and all synthetic lease obligations, (f) all obligations, contingent or otherwise, of such Person as an account party in respect of financial guaranties, letters of credit, letters of guaranty, surety bonds and other similar instruments, (g) all securitization transactions, (h) all obligations representing the deferred and unpaid purchase price of property (other than trade payables incurred in the ordinary course of business consistent with past practice), (i) all obligations, contingent or otherwise, in respect of bankers’ acceptances and (j) net cash payment obligations of such Person under swaps, options, derivatives and other hedging agreements or arrangements that will be payable upon termination thereof (assuming they were terminated on the date of determination).

“Information Privacy and Security Laws” means any applicable Laws issued by a Governmental Entity and all guidance issued by any Governmental Entity thereunder, relating to: (a) the privacy, protection, or security of Protected Information, including as relevant to the collection, storage, processing, transfer, sharing and destruction of Protected Information or (b) requirements for websites and mobile applications, online behavioral advertising, call or electronic monitoring or recording, or any outbound communications, including outbound calling and text messaging, telemarketing and email marketing. Without limiting the foregoing, “Information Privacy and Security Laws” includes the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Telemarketing and Consumer Fraud and Abuse Prevention Act, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, the Children’s Online Privacy Protection Act, the Computer Fraud and Abuse Act, the Electronic Communications Privacy Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Reporting Act, HIPAA, the Gramm-Leach-Bliley Act, state data security Laws, state social security number protection Laws, state data breach notification Laws, state consumer protection Laws, Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 and Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 as amended (and any European Union member states’ Laws and regulations implementing them), the European General Data Protection Regulation, the Canadian Personal Information Protection and Electronic Documents Act, India’s Information Technology Act, Japan’s Act on the Protection of Personal Information, Hong Kong’s Personal Data (Privacy) Ordinance, and Australia’s Privacy Amendment (Private Sector) Act 2000 as amended by the Privacy Amendment (Enhancing Privacy Protection) Act 2012, and other applicable data protection Laws of the jurisdictions in which Business is operated.

“Intellectual Property” means any and all common law and statutory rights anywhere in the world arising under or associated with: (a) Patents; (b) Trademarks; (c) inventions and designs; (d) Trade Secrets; (e) Copyrights; (f) all industrial designs and any registrations and
applications therefor; (g) Internet Properties; (h) applications for, registrations of, rights of priority in, and divisions, continuations, continuations-in-part, reissuances, renewals, extensions, restorations and reversions of the any of the foregoing (as applicable); and (i) all other similar or equivalent intellectual property or proprietary rights anywhere in the world.

"Internet Properties" means rights in domain names, uniform resource locators and other names and locators associated with Internet addresses and sites.

"Knowledge of the Sellers" means the knowledge, following due inquiry, of the individuals set forth on Article IX of the Seller Disclosure Schedule.

"Law" means any law (including common law), statute, requirement, code, rule, regulation, order, ordinance, judgment or decree or other pronouncement of any Governmental Entity.

"Material Adverse Effect" means (a) any Effect that, individually or in the aggregate, would reasonably be expected to materially impair or materially delay the ability of the Sellers to timely consummate the transactions contemplated by this Agreement or to perform their respective obligations hereunder or (b) any Effect that, individually or in the aggregate, results in a material adverse effect on the assets, business, condition (financial or otherwise) or results of operations of the Business or the Acquired Assets or the Assumed Liabilities, taken as a whole; provided, however, that the fact that the Chapter 11 Case has been filed and that, accordingly, the Sellers have been conducting the Business in the ordinary course of business as the same is being conducted as of the date of this Agreement in the Chapter 11 Case, shall not, in and of itself, be deemed to be a Material Adverse Effect for purposes of clause (b) of this definition; provided, however, that no Effects resulting or arising from the following shall be deemed to constitute a Material Adverse Effect or shall be taken into account when determining whether a Material Adverse Effect exists or has occurred: (i) the Excluded Assets or the Excluded Liabilities, (ii) changes after the date hereof in general economic, financial or securities markets or geopolitical conditions, (iii) general changes or developments after the date hereof in regulatory or macroeconomic conditions or the industries and markets in which the Business operates, (iv) the announcement of the Acquisition or the identity of BH or the Purchaser, (v) any action or omission by BH or the Purchaser in breach of this Agreement, (vi) any action which is expressly requested in writing by BH or the Purchaser, (vii) changes after the date hereof in any applicable Laws or applicable accounting regulations or principles or the enforcement or interpretation thereof, (viii) any outbreak or escalation of hostilities or war or any act of terrorism or natural disaster or act of God and (ix) any failure of the Business to meet any budgets, plans, projections or forecasts (internal or otherwise) or any decline in the trading price or trading volume of Parent’s common stock or any change in the ratings or ratings outlook for Parent (it being understood that the facts or occurrences giving rise or contributing to such failure that are not otherwise excluded from the definition of a “Material Adverse Effect” may be taken into account); provided, further, that the exceptions set forth in clauses (ii), (iii), (vii) and (viii) above shall only apply to the extent that such Effect is materially and disproportionately adverse to the Business, taken as a whole, compared to other companies of similar size that operate in the industries or markets in which the Sellers operate.

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“NDA” means a new drug application for a drug submitted to the FDA pursuant to 21 C.F.R. Part 314 (as amended from time to time), and all amendments or supplements thereto, including all documents, data and other information concerning the applicable drug which are necessary for FDA approval to market such drug in the United States, and any equivalent application submitted to any other health authority.

“NDC” means the unique, three-segment National Drug Code issued by the FDA that serves as a universal product identifier for pharmaceuticals, or the equivalent in countries outside of the United States.

“Notice of Sale” means a notice of the sale of the Acquired Assets and the Sale Hearing.

“Order” means any order, injunction, judgment, decree, ruling, writ, assessment or award of a Governmental Entity.

“Ordinary Course Licenses” means licenses to generally available third party technology or software on standard terms for annual consideration of less than $250,000.

“Parent Common Stock” means the shares of common stock, $0.0001 par value per share, of the Parent.

“Parent Confidentiality Agreements” means those agreements by and between the Parent, on the one hand, and Persons expressing an interest in acquiring an ownership interest in the Parent or the Business, on the other hand, with respect to the use and confidentiality of information about the Parent and its Affiliates and the Business and certain other obligations.

“Parent SEC Documents” means all forms, statements, documents and reports filed or furnished prior to the date hereof by the Parent with the SEC since January 1, 2015, as amended through the date hereof.

“party” and “parties” have the meaning set forth in the Preamble.

“Patents” means patents and patent applications, and similar or equivalent rights in inventions, including invention disclosures.

“Permitted Post-Closing Encumbrances” means any Encumbrance that is not extinguished by the Sale Order under applicable Law, it being understood that the Sale Order shall extinguish Encumbrances to the maximum extent permissible under applicable Law.

“Permitted Pre-Closing Encumbrances” means, prior to the Closing Date, (i) liens for Taxes not yet due and payable or being contested in good faith by appropriate proceedings, (ii) statutory liens and rights of set-off of carriers, warehousemen, mechanics, repairmen, workmen, suppliers and materialmen, in each case, incurred in the ordinary course of business (A) for amounts not yet overdue, (B) for amounts that are overdue and that (in the case of any such amounts overdue for a period in excess of thirty (30) days) are being contested in good faith, or (C) for amounts as to which payment and enforcement is stayed under the Bankruptcy Code or pursuant to orders of the Bankruptcy Court, (iii) liens securing rental payments under capitalized
lease obligations entered into in the ordinary course of business, (iv) rights of setoff or banker’s liens upon deposits of cash in favor of banks or other depositary institutions, (v) pledges or deposits under worker’s compensation, unemployment insurance and social security Laws to the extent required by applicable Law, (vi) rights of third parties pursuant to ground leases, leases, subleases, licenses, concessions or similar agreements, that do not individually or in the aggregate in any material respect interfere with the present use of the property subject thereto, (vii) easements, covenants, conditions, restrictions and other similar matters of record or imperfections of title with respect to real property that do not individually or in the aggregate in any material respect interfere with the present use of the real property subject thereto, (viii) local, county, state and federal ordinances, regulations, building codes or permits, now or hereafter in effect, relating to real property, that do not individually or in the aggregate in any material respect interfere with the present use of the real property subject thereto, (ix) restrictions or requirements set forth in any Permits relating to the Business, (x) violations, if any, arising out of the adoption, promulgation, repeal, modification or reinterpretation of any Order or Law which occurs subsequent to the date hereof and prior to the Closing Date, (xi) Encumbrances arising by operation of Law under Article 2 of any state’s Uniform Commercial Code (or successor statute) in favor of a seller of goods or buyer of goods, (xii) non-exclusive licenses or other non-exclusive grants of rights to use or obligations with respect to Intellectual Property, in each case entered into in the ordinary course of business; (xiii) any lien securing Indebtedness outstanding under the DIP Facility and (xiv) any liens securing Indebtedness under the Prepetition Credit Agreement.

“Person,” means a natural person, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Entity or other entity or organization.

“Personal Data” means any and all information that can reasonably be associated with an individual natural person, including information that identifies an individual natural person, including name, physical address, telephone number, email address, financial account number, passwords or PINs, device identifier or unique identification number, government-issued identifier (including Social Security number and driver’s license number), medical, health or insurance information, gender, date of birth, educational or employment information, religious or political views or affiliations and marital or other status (to the extent any of these data elements can reasonably be associated with an individual natural person). Personal Data also includes any information not listed above if such information is defined as “personal data,” “personally identifiable information,” “individually identifiable health information,” “protected health information” or “personal information” under any applicable Law and is regulated by such Law.

“Post-Closing Tax Period” means any taxable period or portion thereof beginning after the Closing Date and, in the case of any Straddle Period, the portion of such Straddle Period beginning after the Closing Date.

“Pre-Closing Tax Period” means any taxable period ending on or before the Closing Date and, in the case of any Straddle Period, the portion of such Straddle Period ending on the Closing Date.
“Prepetition Credit Agreement” means that certain Term Loan Agreement, dated as of September 1, 2017 (as later modified or amended prior to the Petition Date), the Sellers, the lenders party thereto, and CRG Servicing LLC as administrative agent and collateral agent.

“Privacy Statements” means, collectively, all of the Sellers’ publicly posted privacy policies (including if posted on the Sellers’ products and services) in effect as of the date hereof regarding the collection, use, disclosure, transfer, storage, maintenance, retention, deletion, disposal, modification or processing of Protected Information.

“Product IP” means any Intellectual Property owned by a third party that is licensed by such third party to a Seller and that is required for a Seller to make, have made, sell, distribute or license any Product.

“Products” means the medicinal or pharmaceutical products, product candidates or therapies that are or have been researched, developed, tested (including through clinical trials), commercialized, manufactured, stored, sold, licensed, or distributed by or on behalf of any of the Sellers.

“Protected Information” means (a) Personal Data or (b) any information that is governed or regulated by one or more Information Privacy and Security Laws that a Seller receives, creates, transmits or maintains in electronic form through any of Seller’s systems networks or other information technology systems.

“Registered Intellectual Property” means all applications, registrations and filings for Intellectual Property that have been registered or filed with or by any state, government or other public or quasi-public legal authority anywhere in the world, including the United States Patent and Trademark Office or United States Copyright Office, including issued Patents and Patent applications, registered Trademarks and Trademark applications, registered Copyrights and Copyright applications, and Internet Properties registrations and applications.

“Regulatory Authority” means any national or supranational governmental authority, including the FDA or the EMA, with responsibility for granting any license, registrations or approvals with respect to the Products.

“Regulatory Authorizations” means any approvals, clearances, authorizations, registrations, certifications, licenses and permits granted by any Regulatory Authority, including any INDs, NDAs and MAAs.

“Relocation Employee” means each Offer Employee whose offer of employment from BH or its Affiliate (a) if such Offer Employee is not a sales employee, requires a relocation of the employee to a facility or a location that increases the one-way commute of the employee by more than fifty (50) miles based on the employee's commute immediately prior to the applicable offer of employment or (b) if such Offer Employee is a sales employee, requires a relocation of the employee’s personal residence to a location that is more than fifty (50) miles from the location of such employee’s personal residence immediately prior to the applicable offer of employment.
“Representatives” means, when used with respect to any Person, the directors, officers, employees, consultants, financial advisors, accountants, legal counsel, investment bankers and other agents, advisors and representatives of such Person and its Subsidiaries.

“Retained Books and Records” means the company seal, minute books, stock certificates, stock or equity record books, income Tax Returns and other books, records and work papers related to income Taxes paid or payable by the Sellers or their Affiliates, work papers and such other books and records as pertain to the organization, qualification to do business, existence or capitalization of any Seller or any Affiliate thereof, books and records that the Sellers are required to retain under applicable Law and books and records that relate exclusively to an Excluded Asset or Excluded Liability.

“Sale Hearing” means the hearing conducted by the Bankruptcy Court to approve the transactions contemplated by this Agreement.

“Sale Order” means an Order of the Bankruptcy Court in substantially the form attached hereto as Exhibit E, that has not been stayed, vacated or stayed pending appeal, authorizing and approving the sale of the Acquired Assets to the Purchaser on the terms and conditions set forth herein.

“SEC” means the Securities and Exchange Commission.

“Seller Disclosure Schedule” has the meaning set forth in the introductory paragraph to Article III.

“Seller Intellectual Property” means all Intellectual Property owned or purported to be owned by any Seller other than Intellectual Property that is an Excluded Asset.

“Seller Registered Intellectual Property” means all Registered Intellectual Property that is registered or recorded in the name of, is or was filed or recorded in the name of, or that has been assigned to, any Seller.

“Software” means all types of computer software programs including operating systems, application programs, software tools, firmware and software imbedded in equipment, including both object code and source code versions thereof, and all related documentation.

“Straddle Period” means a taxable period that includes but does not end on the Closing Date.

“Subsidiary” means with respect to any Person, any corporation, limited liability company, partnership or other organization, whether incorporated or unincorporated, of which (a) at least a majority of the outstanding shares of capital stock of, or other equity interests, having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation, limited liability company, partnership or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries, or
(b) with respect to a partnership, such Person or any other Subsidiary of such Person is a general partner of such partnership.

“Successful Bidder” has the meaning set forth in the Bidding Procedures.

“Takeover Statutes” means any “business combination,” “control share acquisition,” “fair price,” “moratorium” or other takeover or anti-takeover statute or similar Law.

“Tax” or “Taxes” means any and all U.S. federal, state, local and non-U.S. taxes, assessments, levies, duties, tariffs, imposts and other similar charges and fees imposed by any Governmental Entity, including income, franchise, windfall or other profits, gross receipts, property, sales, use, net worth, capital stock, payroll, employment, social security, workers’ compensation, unemployment compensation, excise, withholding, ad valorem, stamp, transfer, value-added, occupation, environmental, disability, real property, personal property, registration, alternative or add-on minimum, or estimated tax, including any interest, penalty, additions to tax and any additional amounts imposed with respect thereto.

“Tax Return” means any report, return, certificate, claim for refund, election, estimated Tax filing or declaration filed or required to be filed with any Governmental Entity with respect to Taxes, including any schedule or attachment thereto, and including any amendments thereof.

“Taxing Authority” means any federal, state, local or foreign Governmental Entity or authority responsible for the imposition, collection or administration of any Tax.

“Trade Secrets” means trade secret and industrial secret rights, and rights in know-how and confidential or proprietary information.

“Trademarks” means trademarks, trade names, service marks, trade dress and other designations of origin.

“Trulance Product” means the Parent’s plecanatide product for the treatment of chronic idiopathic constipation and irritable bowel syndrome with constipation, which, as of the date hereof, is branded in the United States as TRULANCE®.
“WARN Relocation Employee” means any Offer Employee whose offer of employment from BH or its Affiliate (a) if such Offer Employee is not a sales employee, requires a relocation of the employee to a facility or location that increases the one-way commute of the employee by more than twenty-five (25) miles based on the employee’s commute immediately prior to the applicable offer of employment or (b) if such Offer Employee is a sales employee, provides for a sales territory that increases the distance between the employee’s personal residence and the furthest point in the sales territory from the employee’s personal residence by more than twenty-five (25) miles compared to the employee’s sales territory immediately prior to the applicable offer of employment, except for any such sales employee whose new sales territory has been agreed prior to the Auction by Sellers and BH to represent a reasonable commuting distance under the WARN Acts.

**Terms Defined Elsewhere.** The following terms are defined elsewhere in this Agreement, as indicated below:

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</table>

[Signature Page Follows]
IN WITNESS WHEREOF, the Sellers, BH and the Purchaser have caused this Agreement to be executed on their behalf by their officers thereunto duly authorized, as of the date first above written.

SELLERS:

SYNERGY PHARMACEUTICALS INC.

By: /s/ Gary G. Gemignani
   Name: Gary G. Gemignani
   Title: Executive Vice President and Chief Financial Officer

SYNERGY ADVANCED PHARMACEUTICALS, INC.

By: /s/ Gary G. Gemignani
   Name: Gary G. Gemignani
   Title: Executive Vice President and Chief Financial Officer

BAUSCH HEALTH COMPANIES INC.

By: /s/ Joseph C. Papa
   Name: Joseph C. Papa
   Title: Chairman and Chief Executive Officer

PURCHASER:

BAUSCH HEALTH IRELAND LIMITED

By: /s/ Graham Jackson
   Name: Graham Jackson
   Title: Director

[Signature Page to Amended and Restated Asset Purchase Agreement]
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<th>Doing Business As</th>
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In accordance with the instructions of Item 601 of Regulation S-K, certain subsidiaries are omitted from the foregoing table.
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-223388) and Form S-8 (Nos. 333-226786, 333-196120, 333-176205, 333-168254, 333-168629, and 333-138697), as amended, where applicable, of Bausch Health Companies Inc. of our report dated February 20, 2019 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 20, 2019
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 annual report on Form 10-K 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: February 20, 2019
/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, Paul S. Herendeen certify that:

1. I have reviewed this annual report on Form 10-K 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: February 20, 2019
/s/ PAUL S. HERENDEEN
Paul S. Herendeen
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 Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2018 (the “Annual 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 Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2019

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

1. The Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2018 (the “Annual 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 Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 20, 2019

/s/ PAUL S. HERENDEEN

Paul S. Herendeen
Executive Vice President and Chief 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.