



BAUSCH HEALTH COMPANIES INC.

BUILDING  
**MOMENTUM**

**BAUSCH** Health

2018 ANNUAL REPORT

# BAUSCH+Health

BAUSCH HEALTH COMPANIES INC.

## Our Vision

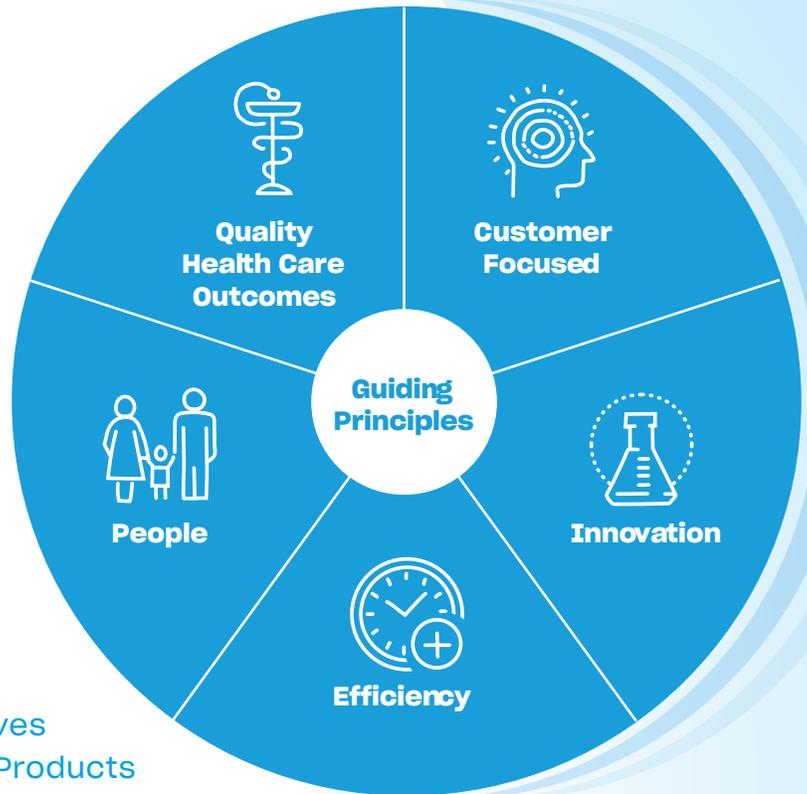
To Be Your Trusted  
Health Care Partner

### CORE VALUES

- Accountability
- Agility
- Courage
- Integrity
- Teamwork
- Results Orientation

## Our Mission

Improving People's Lives  
With Our Health Care Products



### COMPANY OVERVIEW

We are a global company whose mission is to improve people's lives with our health care products. We develop, manufacture and market a range of branded, generic and branded generic pharmaceuticals, medical devices (contact lenses, intraocular lenses, ophthalmic surgical equipment, and aesthetics devices) and over-the-counter (OTC) products, primarily in the therapeutic areas of eye-health, gastroenterology and dermatology. We are delivering on our commitments as we build an innovative company dedicated to advancing global health. More information can be found at [www.bauschhealth.com](http://www.bauschhealth.com).

### FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking information and statements, within the meaning of applicable securities laws (collectively, "forward-looking statements"), including, but not limited to, statements regarding the Company's future prospects and performance (including anticipated growth in 2019 and the expected drivers of that growth, and the anticipated 2019 revenue growth for our Significant Seven Products and the expected quantum of such revenue growth), the anticipated impact of the acquisition of certain assets of Synergy Pharmaceuticals Inc. (including Trulance®), the Company's plans to increase investment in R&D and the expected quantum of that increased investment, anticipated product launches and the expected timing of such launches, the anticipated approval for certain of our pipeline products (including DUOBRII™), anticipated timing for the submission of certain of our pipeline products and R&D programs, and anticipated improvements in operational efficiency. Forward-looking statements may generally be identified by the use of the words "anticipates," "expects," "intends," "plans," "should," "could," "would," "may," "will," "believes," "estimates," "potential," "target," or "continue" and variations or similar expressions, and phrases or statements that certain actions, events or results may, could, should or will be achieved, received or taken, or will occur or result, and similar such expressions also identify forward-looking information. These forward-looking statements, including the Company's future performance and growth, are based upon the current expectations and beliefs of management and are provided for the purpose of providing additional information about such expectations and beliefs, and readers are cautioned that these statements may not be appropriate for other purposes. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks and uncertainties discussed in the Company's most recent annual or quarterly report and detailed from time to time in the Company's other filings with the Securities and Exchange Commission and the Canadian Securities Administrators, which risks and uncertainties are incorporated herein by reference. In addition, certain material factors and assumptions have been applied in making these forward-looking statements, including, without limitation, the assumption that the risks and uncertainties outlined above will not cause actual results or events to differ materially from those described in these forward-looking statements, and additional information regarding certain of these material factors and assumptions may also be found in the Company's filings described above. The Company believes that the material factors and assumptions reflected in these forward-looking statements are reasonable in the circumstances, but readers are cautioned not to place undue reliance on any of these forward-looking statements. These forward-looking statements speak only as of the date hereof. Bausch Health undertakes no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect actual outcomes, unless required by law.

THE BAUSCH FOUNDATION

# IMPROVING LIVES AROUND THE WORLD



The Bausch Foundation was established in 2017 to improve the lives of people around the world by providing access to safe, effective medicines and by financially supporting health care education and causes. The Bausch Foundation is a charitable foundation that oversees and directs all of Bausch Health's global charitable giving.

The Bausch Foundation supports initiatives aimed at disease prevention, improving patient outcomes and lives, and education related to our core businesses. Additionally, it supports disaster-recovery efforts and those who need help in the communities where we live and work. Our goal is to direct efforts toward contributions that can be repeatable, gather critical mass and make important benefits within our therapeutic communities.

**Since its inception, the Bausch Foundation has contributed millions of dollars' worth of financial and product donations to global charitable health organizations, including:**



## Fellow Shareholders,

I continue to view Bausch Health as the turnaround opportunity of a lifetime. The Company made considerable progress in 2018, and we are still gaining momentum, which we believe will carry over into 2019 and beyond.

In the past two years, we've completed a number of divestitures to streamline operations, continued to pay down debt, resolved numerous key legacy issues, launched new products and realigned into four reporting segments.

We also changed our name to Bausch Health Companies Inc., which is a logical step in our transformation. We consider Bausch Health to be a new company—one that develops, manufactures and markets a wide range of pharmaceutical, medical device and over-the-counter products, primarily in the therapeutic areas of eye health, gastroenterology and dermatology. The Bausch Health name not only reflects a long-standing dedication to innovation, but also evokes our mission of improving the lives of patients with our health care products.

We see 2019 as a year of growth and a strategic pivot to offense—driven by several important new products, as well as debt paydown and bolt-on opportunities to enhance our core businesses. Looking back at 2018, there were several major factors that contributed to our transformation.

### Executing on our core businesses

Our two largest reporting segments continued to drive our performance: Bausch + Lomb/International, which represented approximately 56% of the Company's total revenues in 2018, and Salix, which represented approximately 21% of the Company's total revenues in 2018.

Bausch + Lomb is a fully integrated eye care business, with extensive product portfolios in Vision Care, Surgical, Prescription Ophthalmology and Consumer Health Care. Bausch + Lomb maintains a large global footprint with a major presence in such rapidly growing emerging markets as China, Japan and India. In 2018, our U.S. contact lens business outpaced the industry, with greater than 13% market growth<sup>1</sup>. Additionally, PreserVision® and Ocuville® combined are the No. 1 brands and No. 1 drivers of growth in the eye vitamin category.

Growth within our Salix gastroenterology business comes primarily from several key brands. The past year saw impressive revenue growth for XIFAXAN® (22%), RELISTOR® (37%) and APRISO® (13%). XIFAXAN® notably had a marked increase in new prescriptions written by primary care physicians as our 2017 investment into building a primary care sales team has continued to yield strong results.

In March 2019, we acquired certain assets of Synergy Pharmaceuticals Inc., a biopharmaceutical company focused on gastrointestinal therapies. Synergy's flagship product, TRULANCE®, is approved for adults with chronic

idiopathic constipation and irritable bowel syndrome with constipation. The acquisition of the assets of Synergy will enhance our Salix business. We believe TRULANCE® is a natural complement to XIFAXAN® and, with the scale and strength of our sales footprint in GI and primary care, our Salix team will be able to offer physicians and patients multiple treatment options that span the types of irritable bowel syndrome.

The Ortho Dermatologics business continues to stabilize as we remain committed to investing in new dermatology solutions, including a continued focus on psoriasis, an area with a great unmet need. Today in the United States, there are approximately 7.5 million patients suffering from psoriasis, with as many as 260,000 new cases diagnosed each year.

We recently moved Solta Medical, our global aesthetics business, into our Ortho Dermatologics segment, a shift we believe will enable us to better serve both our physician customers and patients. During 2018, Solta delivered exceptional growth compared to 2017.

### Launching new products

Innovation remains critical to our future, and we anticipate our R&D investment to grow by approximately 10% in 2019 versus 2018. Our focus on innovation has yielded a wide range of significant launches:

- LUMIFY™ is the only over-the-counter eye drop with low-dose brimonidine for the treatment of eye redness. Since its launch in May 2018, LUMIFY™ has become the number one product in the redness reliever category with an approximately 28% market share<sup>2</sup>
- In late 2017, we launched VYZULTA®, the first and only FDA-approved nitric oxide-releasing agent to lower intraocular pressure in patients with glaucoma or ocular hypertension. VYZULTA® is now available to a majority of commercial and Part D coverage plans and was approved in Canada in January 2019.
- In September 2018, Bausch + Lomb launched AQUALOX® daily-disposable silicone hydrogel (SiHy) contact lenses in Japan.
- To enhance our Salix business, we have engaged in multiple strategic partnerships that we believe will help drive long-term growth, including LUCEMYRA™ (our co-promotion arrangement with US WorldMeds, LLC), the first and only non-opioid medication indicated for mitigation of opioid withdrawal symptoms; DOPTLET® (our co-promotion arrangement with Dova Pharmaceuticals), the first FDA-approved drug for thrombocytopenia in chronic liver disease patients scheduled to undergo a procedure; and PLENVU® (our license arrangement with Norgine B.V.), a next-generation bowel cleansing preparation for colonoscopies.
- In early 2018, we expanded our launch of SILIQ™, the lowest priced injectable biologic on the market for moderate-to-severe psoriasis.
- Ortho Dermatologics launched BRYHALI™ Lotion, a potent to super-potent corticosteroid for the topical treatment of plaque psoriasis, in November 2018.
- Ortho Dermatologics also launched two acne treatments in 2018: RETIN-A MICRO® (in a new strength) and ALTRENO™.

Additionally, Bausch + Lomb ULTRA® Multifocal for Astigmatism contact lenses are expected to launch in mid-2019, along with an expansion of our Biotrue® ONEday daily disposable lens parameter offerings.

We continue to be strategically focused on our pipeline by investing in innovation to bring new products to market, which in turn will enable us to continue to invest in our future. Some highlights include:

- Loteprednol etabonate ophthalmic gel, 0.38% for ocular inflammation, approved by the FDA in late February 2019;
- DUOBRII™<sup>3</sup>, a topical lotion for the treatment of plaque psoriasis, for which we expect an FDA decision shortly.
- Four late-stage dermatology candidates to treat acne and atopic dermatitis, including one we anticipate filing in 2019; and
- Multiple clinical programs to expand the use of rifaximin to reach additional patient populations.

Several products I've already mentioned also make up our Significant Seven, which are the key products we believe will collectively achieve more than \$1 billion in annualized peak

resolving litigation, disputes and investigations in some 68 matters in 2018. Some key resolutions include the XIFAXAN® intellectual property litigation, which we believe, preserves market exclusivity until 2028; the Securities and Exchange Commission's legacy investigation of Salix<sup>4</sup>, the Allergan securities litigation; and the outstanding arbitration with Alfasigma S.p.A., which has allowed us to continue our collaboration on new formulations for rifaximin.

In 2018, we also established our Bausch Foundation, with the goal of improving the lives of patients by providing access to safe, effective medicines and financially supporting health care education and causes around the world. You will find additional information about the foundation elsewhere in this report.

In closing, we anticipate further growth and improvements in operational efficiency, none of which would be possible without the contributions of our more than 21,000 talented and dedicated employees worldwide. We are proud that every day, more than 150 million people around the world use a Bausch Health product.

**“Quality, innovation and new product launches remain critical to our future. Our investment in R&D reflects our commitment to drive growth through the internal development of new products.”**

sales revenue by the end of 2022. The Significant Seven are AQUALOX®, BRYHALI™, DUOBRII™<sup>3</sup>, LUMIFY™, RELISTOR® (for opioid-induced constipation), SILIQ™ and VYZULTA®. In 2019, revenue generated by the Significant Seven is expected to approximately double compared to 2018.

### **Resolving legacy issues and repaying our debt**

By the end of 2018, we reduced our debt by more than \$7.6 billion since the first quarter of 2016. We executed on repaying more than \$1 billion in debt with cash generated from operations in 2018. In addition to dramatically reducing the amount of our debt, we successfully extended our maturities, which have given us more flexibility to make strategic decisions, such as the capital investment in our Rochester, New York and Waterford, Ireland manufacturing sites to support the anticipated global demand for our SiHy daily contact lenses.

Our legal team continues to make outstanding contributions, achieving dismissals or other positive outcomes in

While there is more work to do, we are now a very different company—a world-class organization well-positioned to return to growth.

I'd like to commend all our employees, and our management team, who are making this transformation possible. Their hard work and commitment is essential to our success.

I also want to take this opportunity to thank our shareholders, who believe in our Company, our strategy and our ability to execute. Thank you for your continued confidence and support.

Sincerely,



**Joseph C. Papa**  
Chairman of the Board and Chief Executive Officer

<sup>1</sup>Third party data on file and internal estimates

<sup>2</sup>Retail Dollar Share for total United States (MULO) for 4 weeks ending Feb. 10, 2019, according to IRI.

<sup>3</sup>Provisional name

<sup>4</sup>Subject to approval by the U.S. District Court for the Southern District of New York

OUR APPROACH TO

# CORPORATE SOCIAL RESPONSIBILITY

As a global company dedicated to improving people's lives with our health care products, we take our commitment to corporate social responsibility (CSR) seriously. Every day—somewhere in the world—more than 150 million people use a Bausch Health product, while our 21,000 employees live and work in more than 100 countries around the world. This means Bausch Health has a big opportunity—and an even greater responsibility—to make a difference. We have framed our CSR work around five key commitment areas:



Last year, Bausch Health published its inaugural Corporate Social Responsibility Report online at <https://www.bauschhealth.com/Portals/25/PDF/BauschHealth-CSR-Report.pdf>. It provides an introduction to our foundational work in each of these areas, featuring highlights of success stories from our operations around the globe. Beginning with the 2019 CSR Report, we will be establishing and reporting consistently on key performance indicators within and across these areas.

# Corporate Information

## BOARD OF DIRECTORS

### Joseph C. Papa

Chairman of the Board and  
Chief Executive Officer  
Bausch Health Companies Inc.

### Thomas W. Ross, Sr.

President and Director, The Volcker Alliance  
Lead Independent Director  
Committees: Audit and Risk, Nominating  
and Corporate Governance

### Richard U. De Schutter

Corporate Director  
Committees: Finance and Transactions,  
Talent and Compensation

### D. Robert Hale

Partner, ValueAct Capital Management, L.P.  
Committees: Finance and Transactions  
(Chairperson), Talent and Compensation

### Argeris (Jerry) N. Karabelas

Partner, Care Capital, LLC  
Committees: Talent and Compensation  
(Chairperson), Science and Technology

### Sarah B. Kavanagh

Corporate Director  
Committees: Audit and Risk, Finance and  
Transactions, Nominating and Corporate  
Governance

### John A. Paulson

President and Portfolio Manager,  
Paulson & Co. Inc.  
Committees: Finance and Transactions

### Robert N. Power

Corporate Director  
Committees: Nominating and Corporate  
Governance (Chairperson), Audit and Risk,  
Science and Technology

### Russel C. Robertson

Corporate Director  
Committees: Audit and Risk (Chairperson),  
Nominating and Corporate Governance

### Andrew C. von Eschenbach, M.D.

President, Samaritan Health Initiatives, Inc.  
Committees: Science and Technology  
(Chairperson)

### Dr. Amy Wechsler

Dermatology  
Committees: Talent and Compensation,  
Science and Technology

## EXECUTIVE OFFICERS

### Joseph C. Papa

Chairman of the Board and  
Chief Executive Officer

### Christina M. Ackermann

Executive Vice President  
and General Counsel

### Thomas J. Appio

President & Co-Head,  
Bausch + Lomb/International

### Joseph F. Gordon

President & Co-Head,  
Bausch + Lomb/International

### Paul S. Herendeen

Executive Vice President  
and Chief Financial Officer

### William D. Humphries

President, Ortho Dermatologics

### Mark C. McKenna

President, Salix Pharmaceuticals

## SENIOR MANAGEMENT

### Dennis Asharin

Senior Vice President, Chief Global  
Manufacturing and Supply Chain Officer

### Scott Hirsch

Chief Business Strategy Officer, Senior  
Vice President/General Manager, Dentistry

### Barbara Purcell

President, Diversified Products

### Dr. Tage Ramakrishna

Chief Medical Officer, President of  
Research and Development

### Robert Spurr

Senior Vice President, Market Access  
and Commercial Operations

### Tracy Valorie

Senior Vice President, General Manager,  
Ophthalmology Pharmaceuticals and  
Surgical

### Kelly Webber

Senior Vice President and  
Chief Human Resources Officer

### Dr. Louis Yu

Chief Quality Officer, Global Quality

## CORPORATE INFORMATION

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

**Phone:** 800-361-1448  
514-744-6792

**Fax:** 514-744-6272

## GENERAL INVESTOR RELATIONS

**Email:** [ir@bauschhealth.com](mailto:ir@bauschhealth.com)  
877-281-6642  
514-856-3855 (Canada)

You may request a copy of documents, at no cost, by contacting [ir@bauschhealth.com](mailto:ir@bauschhealth.com). Email updates are also available through the Investor Relations page at [www.bauschhealth.com](http://www.bauschhealth.com).

## TRANSFER AGENT AND REGISTRAR

Bausch Health Companies Inc.'s designated transfer agent is AST Trust Company (Canada). The transfer agent is responsible for maintaining all records of registered stockholders (including change of address, telephone number and name), canceling or issuing stock certificates and resolving problems related to lost, destroyed or stolen certificates. If you are a registered stockholder of Bausch Health Companies Inc. and need to change your records pertaining to stock, please contact the transfer agent listed below:

AST Trust Company (Canada)  
P.O. Box 700  
Station B  
Montreal, QC H3B 3K3  
Canada

**Email:** [inquiries@astfinancial.com](mailto:inquiries@astfinancial.com)

**Fax:** 888-249-6189

**Phone** (for all security transfer inquiries):  
1-800-387-0825 or 416-682-3860

**Website:** [www.astfinancial.com/ca-en](http://www.astfinancial.com/ca-en)



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2150 St. Elzéar Blvd. West  
Laval, Quebec H7L 4A8  
Canada  
(800) 361-1448

[www.bauschhealth.com](http://www.bauschhealth.com)