



Q1 2022

Non-GAAP Reconciliations

May 9, 2022

Non-GAAP Financial Measures

This presentation includes the presentation and discussion of certain financial information that differs from what is reported under accounting principles generally accepted in the United States ("U.S. GAAP"). These non-GAAP financial measures, including, but not limited to, adjusted EBITDA, free cash flow, adjusted gross margin, adjusted gross profit, adjusted SG&A and as a percentage of total revenues, adjusted R&D, and as a percentage of total revenues, adjusted EBITDA margin, adjusted net earnings, and adjusted effective tax rate, adjusted earnings from operations, adjusted interest expense, adjusted other expense (income), net, constant currency total revenues, constant currency net sales, constant currency adjusted EBITDA, gross leverage ratio, long-term gross leverage ratio, and biosimilar business estimated 2022 adjusted EBITDA, are presented in order to supplement investors' and other readers' understanding and assessment of the financial performance of Viatris Inc. ("Viatris" or the "Company"). Free cash flow refers to U.S. GAAP net cash provided by operating activities, less capital expenditures. Adjusted EBITDA margins refers to adjusted EBITDA divided by total revenues. Viatris has provided reconciliations of such non-GAAP financial measures to the most directly comparable U.S. GAAP financial measures. Investors and other readers are encouraged to review the related U.S. GAAP financial measures and the reconciliations of the non-GAAP measures to their most directly comparable U.S. GAAP measures set forth in this presentation on our website at <https://investor.viatris.com/financial-information/non-gaap-reconciliations>, and investors and other readers should consider non-GAAP measures only as supplements to, not as substitutes for or as superior measures to, the measures of financial performance prepared in accordance with U.S. GAAP.

Full Year 2022 Guidance Items

(Unaudited; in millions)

	GAAP	Non-GAAP
Total Revenues	\$17,000 - \$17,500	N/A
Adjusted EBITDA	N/A	\$5,800 - \$6,200
Net Cash provided by Operating Activities	\$3,200 - \$3,400	N/A
Free Cash Flow	N/A	\$2,500 - \$2,900

Viatis Inc. and Subsidiaries

Reconciliation of Estimated 2022 GAAP Net Cash Provided by Operating Activities to Free Cash Flow (Unaudited; in millions)

Estimated GAAP Net Cash provided by Operating Activities	\$3,200 - \$3,400
Less: Capital Expenditures	<u>(\$525) - (\$675)</u>
Free Cash Flow	\$2,500 - \$2,900

Adjusted Net Earnings

	Three Months Ended March 31,	
	2022	2021
U.S. GAAP net earnings (loss).....	\$ 399.2	\$ (1,037.6)
Purchase accounting related amortization (primarily included in cost of sales).....	658.9	1,255.0
Litigation settlements and other contingencies, net.....	6.2	22.9
Interest expense (primarily amortization of premiums and discounts on long term debt).....	(13.7)	(13.3)
Clean energy investments pre-tax (gain) loss.....	(0.1)	17.9
Acquisition related costs (primarily included in SG&A) (a).....	84.7	59.8
Restructuring related costs (b).....	16.8	315.4
Share-based compensation expense	28.3	32.7
Other special items included in:		
Cost of sales (c).....	41.0	86.7
Research and development expense.....	0.3	14.7
Selling, general and administrative expense.....	7.4	19.3
Other expense, net.....	(1.5)	-
Tax effect of the above items and other income tax related items (d).....	(102.2)	342.9
Adjusted net earnings.....	<u>\$ 1,125.3</u>	<u>\$ 1,116.4</u>

Significant Items include the following:

- (a) Acquisition related costs consist primarily of transaction costs including legal and consulting fees and integration activities.
- (b) For the three months ended March 31, 2022, charges include approximately \$13.1 million in cost of sales and approximately \$3.7 million in SG&A.
- (c) For the three months ended March 31, 2022, charges include incremental manufacturing variances at plants in the 2020 restructuring program of approximately \$31.3 million.
- (d) Adjusted for changes for uncertain tax positions and for certain impacts of the Combination.

Net Earnings (Loss) to Adjusted EBITDA

	Three Months Ended	
	March 31,	
	2022	2021
U.S. GAAP net earnings (loss).....	\$ 399.2	\$ (1,037.6)
Add / (deduct) adjustments:		
Net contribution attributable to equity method investments.....	(0.1)	17.9
Income tax provision.....	128.3	596.3
Interest expense (a).....	146.2	169.0
Depreciation and amortization (b).....	736.0	1,422.5
EBITDA.....	\$ 1,409.6	\$ 1,168.1
Add adjustments:		
Share-based compensation expense	28.3	32.7
Litigation settlements and other contingencies, net.....	6.2	22.9
Restructuring, acquisition related and other special items (c).....	142.2	412.9
Adjusted EBITDA.....	<u>\$ 1,586.3</u>	<u>\$ 1,636.6</u>

(a) Includes amortization of premiums and discounts on long-term debt.

(b) Includes purchase accounting related amortization.

(c) See items detailed in the Reconciliation of U.S. GAAP Net Earnings (Loss) to Adjusted Net Earnings.

Summary of Total Revenues by Segment

	Three Months Ended March 31,						
	2022	2021	% Change	2022 Currency Impact ⁽¹⁾	2022 Constant Currency Revenues	Constant Currency % Change ⁽²⁾	
Net sales							
Developed Markets	\$ 2,476.1	\$ 2,571.6	(4)%	\$ 89.1	\$ 2,565.2	- %	
Greater China.....	573.1	591.9	(3)%	(8.1)	565.0	(5)%	
JANZ.....	423.8	481.9	(12)%	37.8	461.6	(4)%	
Emerging Markets	705.2	754.7	(7)%	51.5	756.6	- %	
Total net sales.....	\$ 4,178.2	\$ 4,400.1	(5)%	\$ 170.3	\$ 4,348.4	(1)%	
Other revenues (3).....	13.5	30.2	nm	0.5	14.0	nm	
Consolidated total revenues (4).....	\$ 4,191.7	\$ 4,430.3	(5)%	\$ 170.8	\$ 4,362.4	(1)%	

(1) Currency impact is shown as unfavorable (favorable).

(2) The constant currency percentage change is derived by translating net sales or revenues for the current period at prior year comparative period exchange rates, and in doing so shows the percentage change from 2022 constant currency net sales or revenues to the corresponding amount in the prior year.

(3) For the three months ended March 31, 2022, other revenues in Developed Markets, JANZ, and Emerging Markets were approximately \$6.3 million, \$0.9 million, and \$6.3 million, respectively.

(4) Amounts exclude intersegment revenue which eliminates on a consolidated basis.

Cost of Sales

	Three Months Ended	
	March 31,	
	2022	2021
U.S. GAAP cost of sales.....	\$ 2,420.5	\$ 3,303.0
Deduct:		
Purchase accounting related amortization.....	(658.8)	(1,255.0)
Acquisition related items.....	(9.0)	(2.5)
Restructuring related costs.....	(13.1)	(167.8)
Share-based compensation expense.....	(0.3)	(0.6)
Other special items.....	(41.0)	(86.7)
Adjusted cost of sales.....	<u>\$ 1,698.3</u>	<u>\$ 1,790.4</u>
Adjusted gross profit (a).....	<u>\$ 2,493.4</u>	<u>\$ 2,639.9</u>
Adjusted gross margin (a).....	<u>59 %</u>	<u>60 %</u>

(a) U.S. GAAP gross profit is calculated as total revenues less U.S. GAAP cost of sales. U.S. GAAP gross margin is calculated as U.S. GAAP gross profit divided by total revenues. Adjusted gross profit is calculated as total revenues less adjusted cost of sales. Adjusted gross margin is calculated as adjusted gross profit divided by total revenues.

R&D

	Three Months Ended	
	March 31,	
	2022	2021
U.S. GAAP R&D.....	\$ 142.3	\$ 184.1
Deduct:		
Acquisition related costs.....	(2.0)	(0.1)
Restructuring and related costs.....	-	(6.4)
Share-based compensation expense.....	(1.4)	(1.1)
Other special items (a).....	(0.3)	(14.7)
Adjusted R&D.....	<u>\$ 138.6</u>	<u>\$ 161.8</u>
Adjusted R&D as % of total revenues.....	<u>3 %</u>	<u>4 %</u>

(a) Beginning in 2022, upfront and milestone-related R&D expenses related to collaboration and licensing arrangements are no longer excluded from adjusted net earnings and adjusted EBITDA. This change had no impact on the three months ended March 31, 2022. For all prior periods presented, these expenses and payments were excluded from adjusted net earnings and adjusted EBITDA. Prior period adjusted net earnings and adjusted EBITDA have not been recast to reflect this change in policy because the excluded amount was approximately \$0.5 million and is considered immaterial.

SG&A

	Three Months Ended	
	March 31,	
	2022	2021
U.S. GAAP SG&A.....	\$ 915.3	\$ 1,186.5
Deduct:		
Acquisition related costs.....	(73.8)	(57.2)
Restructuring and related costs.....	(3.7)	(141.2)
Purchase accounting amortization and other related items.....	(0.1)	-
Share-based compensation expense.....	(26.5)	(31.0)
Other special items and reclassifications.....	(7.4)	(19.3)
Adjusted SG&A.....	<u>\$ 803.8</u>	<u>\$ 937.8</u>
Adjusted SG&A as % of total revenues.....	<u>19 %</u>	<u>21 %</u>

Total Operating Expenses

	Three Months Ended	
	March 31,	
	2022	2021
U.S. GAAP total operating expenses.....	\$ 1,063.8	\$ 1,393.5
Deduct:.....		
Litigation settlements and other contingencies, net.....	(6.2)	(22.9)
R&D adjustments.....	(3.7)	(22.3)
SG&A adjustments.....	(111.5)	(248.7)
Adjusted total operating expenses.....	<u>\$ 942.4</u>	<u>\$ 1,099.6</u>
Adjusted earnings from operations (a).....	<u>\$ 1,551.0</u>	<u>\$ 1,540.3</u>

(a) U.S. GAAP earnings from operations is calculated as U.S. GAAP gross profit less U.S. GAAP total operating expenses. Adjusted earnings from operations is calculated as adjusted gross profit less adjusted total operating expenses.

Interest Expense

	Three Months Ended	
	March 31,	
	2022	2021
U.S. GAAP interest expense.....	\$ 146.2	\$ 169.0
Add / (Deduct):		
Interest expense related to clean energy investments.....	-	(0.2)
Accretion of contingent consideration liability.....	(2.0)	(2.5)
Amortization of premiums and discounts on long-term debt.....	16.8	17.3
Other special items.....	(1.1)	(1.3)
Adjusted interest expense.....	<u>\$ 159.9</u>	<u>\$ 182.3</u>

Other Expense (Income), Net

	Three Months Ended	
	March 31,	
	2022	2021
U.S. GAAP other expense, net.....	\$ 33.7	\$ 6.1
Add / (Deduct):		
Clean energy investments pre-tax (gain) loss (a).....	0.1	(17.9)
Other items.....	1.5	-
Adjusted other expense (income), net.....	<u>\$ 35.3</u>	<u>\$ (11.8)</u>

(a) Adjustment represents exclusion of activity related to Viatis' clean energy investments, the activities of which qualify for income tax credits under section 45 of the U.S. Internal Revenue Code of 1986, as amended.

Earnings Before Income Taxes and Income Tax Provision

	Three Months Ended	
	March 31,	
	2022	2021
U.S. GAAP earnings (loss) before income taxes.....	\$ 527.5	\$ (441.3)
Total pre-tax non-GAAP adjustments.....	828.3	1,811.1
Adjusted earnings before income taxes.....	<u>\$ 1,355.8</u>	<u>\$ 1,369.8</u>
U.S. GAAP income tax provision.....	\$ 128.3	\$ 596.3
Adjusted tax expense (benefit).....	102.2	(342.9)
Adjusted income tax provision.....	<u>\$ 230.5</u>	<u>\$ 253.4</u>
Adjusted effective tax rate.....	<u>17.0 %</u>	<u>18.5 %</u>

Gross Leverage - Debt to Adjusted EBITDA

Gross Leverage Ratio is the ratio of Viатris' total debt at notional amounts at March 31, 2022 to the sum of Viатris' adjusted EBITDA for the quarters ended June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022.

	Three Months Ended				Twelve Months Ended
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	March 31, 2022
Adjusted EBITDA (a).....	\$ 1,675.4	\$ 1,698.3	\$ 1,415.8	\$ 1,586.3	\$ 6,375.8
Reported debt balances:					
Long-term debt, including current portion.....					21,357.9
Short-term borrowings and other current obligations.....					655.4
Total.....					22,013.3
Add / (deduct):					
Net premiums on various debt issuances.....					(627.8)
Deferred financing fees.....					40.8
Fair value adjustment for hedged debt.....					(12.2)
Total debt at notional amounts.....					\$ 21,414.1
Gross debt to adjusted EBITDA.....					3.36 x

Long-term Gross Leverage Target

The stated forward-looking non-GAAP financial measure of long-term gross leverage target of 3.0x, with a range of 2.8x – 3.2x, is based on the ratio of (i) targeted notional gross debt and (ii) targeted Adjusted EBITDA. However, the Company has not quantified future amounts to develop this target but has stated its goal to manage notional gross debt and adjusted earnings and adjusted EBITDA over time in order to generally maintain or reach the target. This target does not reflect Company guidance.

(a) See prior quarter reconciliations from U.S. GAAP Net Earnings (Loss) to Adjusted EBITDA in the subsequent table.

Net Earnings (Loss) to Adjusted EBITDA

	Three Months Ended			
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022
U.S. GAAP net earnings (loss).....	\$ (279.2)	\$ 311.5	\$ (263.8)	\$ 399.2
Add / (deduct) adjustments:				
Net contribution attributable to equity method investments.....	16.7	17.6	9.7	(0.1)
Income tax provision.....	60.1	(111.6)	59.9	128.3
Interest expense.....	167.1	151.9	148.2	146.2
Depreciation and amortization.....	1,317.1	1,017.1	749.8	736.0
EBITDA.....	<u>\$ 1,281.8</u>	<u>\$ 1,386.5</u>	<u>\$ 703.8</u>	<u>\$ 1,409.6</u>
Add adjustments:				
Share-based compensation expense	31.0	25.0	22.5	28.3
Litigation settlements and other contingencies, net.....	23.0	9.4	273.9	6.2
Restructuring, acquisition related and other special items.....	339.6	277.4	415.6	142.2
Adjusted EBITDA.....	<u><u>\$ 1,675.4</u></u>	<u><u>\$ 1,698.3</u></u>	<u><u>\$ 1,415.8</u></u>	<u><u>\$ 1,586.3</u></u>