

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

Form 10-Q

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-39695

**VIATRIS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**83-4364296**

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

**1000 Mylan Boulevard, Canonsburg, Pennsylvania 15317**

(Address of principal executive offices)

**(724) 514-1800**

(Registrant's telephone number, including area code)

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

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange on Which Registered:
Common Stock, par value \$0.01 per share	VTRS	The NASDAQ Stock Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

The number of shares of common stock outstanding, par value \$0.01 per share, of the registrant as of August 4, 2021 was 1,209,290,460.

**VIATRIS INC. AND SUBSIDIARIES****INDEX TO FORM 10-Q  
For the Quarterly Period Ended  
June 30, 2021**

	<u>Page</u>
<b>PART I — FINANCIAL INFORMATION</b>	
ITEM 1.	Condensed Consolidated Financial Statements (unaudited)
	<a href="#">Condensed Consolidated Statements of Operations — Three and Six Months Ended June 30, 2021 and 2020</a>
	<a href="#">Condensed Consolidated Statements of Comprehensive Loss — Three and Six Months Ended June 30, 2021 and 2020</a>
	<a href="#">Condensed Consolidated Balance Sheets — June 30, 2021 and December 31, 2020</a>
	<a href="#">Condensed Consolidated Statements of Equity — Three and Six Months Ended June 30, 2021 and 2020</a>
	<a href="#">Condensed Consolidated Statements of Cash Flows — Six Months Ended June 30, 2021 and 2020</a>
	<a href="#">Notes to Condensed Consolidated Financial Statements</a>
ITEM 2.	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>
ITEM 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>
ITEM 4.	<a href="#">Controls and Procedures</a>
<b>PART II — OTHER INFORMATION</b>	
ITEM 1.	<a href="#">Legal Proceedings</a>
ITEM 1A.	<a href="#">Risk Factors</a>
ITEM 6.	<a href="#">Exhibits</a>
<a href="#">SIGNATURES</a>	

## Glossary of Defined Terms

Unless the context requires otherwise, references to “Viatis,” “the Company,” “we,” “us” or “our” in this Form 10-Q (defined below) refer to Viatis Inc. and its subsidiaries. We also have used several other terms in this Form 10-Q, most of which are explained or defined below. Some amounts in this Form 10-Q may not add due to rounding.

2003 LTIP	2003 Long-Term Incentive Plan
2020 Form 10-K	Viatis’ annual report on Form 10-K for the fiscal year ended December 31, 2020, as amended
2020 Revolving Facility	The revolving credit facility available pursuant to the revolving credit agreement, dated as of June 16, 2020, by and among Viatis, certain lenders and issuing banks from time to time party thereto and Bank of America, N.A., as administrative agent and repaid in full in July 2021
2021 Revolving Facility	The \$4.0 billion revolving facility dated as of July 1, 2021, by and among Viatis, certain lenders and issuing banks from time to time party thereto and Bank of America, N.A., as administrative agent
Adjusted EBITDA	Non-GAAP financial measure that the Company believes is appropriate to provide information to investors - EBITDA (defined below) is further adjusted for share-based compensation expense, litigation settlements, and other contingencies, net, restructuring and other special items
ANDA	Abbreviated New Drug Application
AOCE	Accumulated other comprehensive earnings
APIs	Active pharmaceutical ingredients
ASC	Accounting Standards Codification
Aspen	Aspen Global Incorporated
ASU	Accounting Standards Update
Biogen	Biogen MA Inc. and Biogen International GmbH, collectively
Business Combination Agreement	Business Combination Agreement, dated as of July 29, 2019, as amended from time to time, among Viatis, Mylan, Pfizer and certain of their affiliates
CAT	Competition Appeals Tribunal
CJEU	European Court of Justice
clean energy investments	Used to define the three equity method investments the Company has in limited liability companies that own refined coal production plants whose activities qualify for income tax credits under Section 45 of the Code
CMA	Competition and Markets Authority
Code	The U.S. Internal Revenue Code of 1986, as amended
Combination	Refers to Mylan combining with Pfizer's Upjohn Business in a Reverse Morris Trust transaction to form Viatis on November 16, 2020
Commercial Paper Program	The \$1.65 billion unsecured commercial paper program entered into as of November 16, 2020 by Viatis, as issuer, Mylan Inc., Utah Acquisition Sub Inc. and Mylan II B.V., as guarantors, and certain dealers from time to time
Commission	European Commission
COVID-19	Novel coronavirus disease of 2019
DCGI	Drug Controller General of India
Developed Markets segment	Viatis’ business segment that includes our operations primarily in the following markets: North America and Europe

Distribution	Pfizer's distribution to Pfizer stockholders all the issued and outstanding shares of Upjohn Inc.
DOJ	U.S. Department of Justice
EBITDA	Non-GAAP financial measure that the Company believes is appropriate to provide information to investors - U.S. GAAP net earnings (loss) adjusted for net contribution attributable to equity method investments, income tax provision (benefit), interest expense and depreciation and amortization
EDPA	U.S. District Court for the Eastern District of Pennsylvania
Emerging Markets segment	Viartis' business segment that includes, but is not limited to, our operations primarily in the following markets: Parts of Asia, the Middle East, South and Central America, Africa, and Eastern Europe
EU	European Union
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDA	U.S. Food and Drug Administration
Form 10-Q	This quarterly report on Form 10-Q for the quarterly period ended June 30, 2021
Greater China segment	Viartis' business segment that includes our operations primarily in the following markets: China, Taiwan and Hong Kong
Gx	Generic drugs
IPR	Inter Partes review
IRS	U.S. Internal Revenue Service
IT	Information technology
JANZ segment	Viartis' business segment that includes our operations primarily in the following markets: Japan, Australia and New Zealand
LIBOR	London Interbank Offered Rate
Lilly	Eli Lilly and Company
maximum leverage ratio	The maximum consolidated leverage ratio financial covenant requiring maintenance of a maximum ratio of consolidated total indebtedness as of the end of any quarter to consolidated EBITDA for the trailing four quarters as defined in the related credit agreements from time to time
MDL	Multidistrict litigation
MPI	Mylan Pharmaceutical Inc.
Mylan	Mylan N.V. and its subsidiaries
Mylan II	Mylan II, B.V.; a company incorporated under the laws of the Netherlands and an indirect wholly owned subsidiary of Viartis, in which legacy Mylan merged with and into
Mylan Inc. Senior Notes	The 4.200% Senior Notes due 2023, 4.550% Senior Notes due 2028, 5.400% Senior Notes due 2043 and 5.200% Senior Notes due 2048 issued by Mylan Inc., which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan II B.V., Viartis Inc. and Utah Acquisition Sub Inc.
NASDAQ	The NASDAQ Stock Market
NDA	New drug application
NHS	National Health Services
Note Securitization Facility	The note securitization facility entered into in July 2021 for borrowings up to \$200 million and expiring in August 2022
OTC	Over-the-counter

Pfizer	Pfizer Inc.
Plan	Viartis Inc. 2020 Stock Incentive Plan
PMS	Pharmascience Inc.
PSUs	Performance awards
PTAB	U.S. Patent Trial and Appeal Board
R&D	Research and development
Receivables Facility	The \$400 million accounts receivable entered into in August 2020 and expiring in April 2022
respiratory delivery platform	Pfizer's proprietary dry powder inhaler delivery platform
restricted stock awards	The Company's nonvested restricted stock and restricted stock unit awards, including PSUs
RICO	Racketeer Influenced and Corrupt Organizations Act
Sanofi	Sanofi-Aventis U.S., LLC
SARs	Stock Appreciation Rights
SDNY	U.S. District Court for the Southern District of New York
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Senior Notes	The Utah Senior Notes and the Mylan Inc. Senior Notes, collectively
Separation	Pfizer's transfer to Upjohn of substantially all the assets and liabilities comprising the Upjohn Business
Separation and Distribution Agreement	Separation and Distribution Agreement between Viartis and Pfizer, dated as of July 29, 2019, as amended from time to time
SG&A	Selling, general and administrative expenses
Teva	Teva Pharmaceutical Industries Ltd.
TSA	Transition service agreements
U.K.	United Kingdom
U.S.	United States
U.S. GAAP	Accounting principles generally accepted in the U.S.
Upjohn	Upjohn Inc., a wholly owned subsidiary of Pfizer prior to the Distribution, that combined with Mylan and was renamed Viartis Inc.
Upjohn Business	Pfizer's off-patent branded and generic established medicines business that, in connection with the Combination, was separated from Pfizer and combined with Mylan to form Viartis
USD Term Loan Agreement	The \$600 million delayed draw term loan credit agreement, dated as of June 16, 2020 by and among Viartis, Mizuho Bank, Ltd. and MUFG Bank, Ltd., as administrative agent, and repaid in full in July 2021
Utah Senior Notes	The 3.150% Senior Notes due 2021, 3.950% Senior Notes due 2026 and 5.250% Senior Notes due 2046 issued by Utah Acquisition Sub, which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan Inc., Viartis Inc. and Mylan II B.V.
Viartis	Viartis Inc., formerly known as Upjohn Inc. prior to the completion of the Combination
YEN Term Loan Agreement	The ¥40 billion term loan agreement dated as of July 1, 2021, by and among Viartis, Mizuho Bank, Ltd. and MUFG Bank, Ltd., as administrative agent

## PART I — FINANCIAL INFORMATION

**VIATRIS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
(Unaudited; in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Net sales	\$ 4,561.7	\$ 2,695.9	\$ 8,961.8	\$ 5,284.1
Other revenues	16.1	35.3	46.3	66.3
Total revenues	4,577.8	2,731.2	9,008.1	5,350.4
Cost of sales	3,250.1	1,705.5	6,553.1	3,418.6
Gross profit	1,327.7	1,025.7	2,455.0	1,931.8
<b>Operating expenses:</b>				
Research and development	147.7	156.3	331.8	270.5
Selling, general and administrative	1,204.8	719.4	2,391.3	1,324.8
Litigation settlements and other contingencies, net	23.0	15.8	45.9	17.6
Total operating expenses	1,375.5	891.5	2,769.0	1,612.9
(Loss) earnings from operations	(47.8)	134.2	(314.0)	318.9
Interest expense	167.1	116.2	336.1	236.1
Other expense (income), net	4.2	(2.0)	10.3	32.1
(Loss) earnings before income taxes	(219.1)	20.0	(660.4)	50.7
Income tax provision (benefit)	60.1	(19.4)	656.4	(9.5)
Net (loss) earnings	\$ (279.2)	\$ 39.4	\$ (1,316.8)	\$ 60.2
(Loss) earnings per share attributable to Viatris Inc. shareholders				
Basic	\$ (0.23)	\$ 0.08	\$ (1.09)	\$ 0.12
Diluted	\$ (0.23)	\$ 0.08	\$ (1.09)	\$ 0.12
<b>Weighted average shares outstanding:</b>				
Basic	1,208.8	516.9	1,208.2	516.7
Diluted	1,208.8	517.2	1,208.2	517.1

*See Notes to Condensed Consolidated Financial Statements*

**VIATRIS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Loss**  
(Unaudited; in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net (loss) earnings	\$ (279.2)	\$ 39.4	\$ (1,316.8)	\$ 60.2
Other comprehensive earnings (loss), before tax:				
Foreign currency translation adjustment	160.7	452.0	(560.5)	(204.6)
Change in unrecognized gain and prior service cost related to defined benefit plans	72.5	6.6	73.3	5.0
Net unrecognized gain (loss) on derivatives in cash flow hedging relationships	12.4	18.7	15.7	(32.7)
Net unrecognized (loss) gain on derivatives in net investment hedging relationships	(77.4)	(47.3)	150.0	(5.0)
Net unrealized gain (loss) on marketable securities	0.2	0.6	(0.7)	0.8
Other comprehensive earnings (loss), before tax	168.4	430.6	(322.2)	(236.5)
Income tax (benefit) provision	(12.2)	2.0	24.8	(8.8)
Other comprehensive earnings (loss), net of tax	180.6	428.6	(347.0)	(227.7)
Comprehensive (loss) earnings	<u>\$ (98.6)</u>	<u>\$ 468.0</u>	<u>\$ (1,663.8)</u>	<u>\$ (167.5)</u>

*See Notes to Condensed Consolidated Financial Statements*

**VIATRIS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(Unaudited in millions, except share and per share amounts)

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 673.9	\$ 844.4
Accounts receivable, net	4,478.7	4,843.8
Inventories	4,487.6	5,471.9
Prepaid expenses and other current assets	2,109.6	1,707.4
Total current assets	11,749.8	12,867.5
Property, plant and equipment, net	3,171.4	3,459.9
Intangible assets, net	27,863.7	29,683.2
Goodwill	11,990.4	12,347.0
Deferred income tax benefit - noncurrent	2,183.7	2,147.9
Other assets	1,025.1	1,047.5
Total assets	<u>\$ 57,984.1</u>	<u>\$ 61,553.0</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,800.2	\$ 1,904.2
Short-term borrowings	1,300.5	1,100.9
Income taxes payable	636.0	288.6
Current portion of long-term debt and other long-term obligations	2,184.4	2,308.5
Other current liabilities	4,211.5	4,960.7
Total current liabilities	10,132.6	10,562.9
Long-term debt	20,917.0	22,429.2
Deferred income tax liability	3,485.7	3,123.7
Other long-term obligations	2,241.9	2,483.1
Total liabilities	<u>36,777.2</u>	<u>38,598.9</u>
Equity		
Viatis Inc. shareholders' equity		
Common stock — par value \$0.01 per share as of June 30, 2021 and December 31, 2020:		
Shares authorized: 3,000,000,000 as of June 30, 2021 and December 31, 2020		
Shares issued: 1,209,212,338 and 1,206,895,644 as of June 30, 2021 and December 31, 2020	12.1	12.1
Additional paid-in capital	18,489.9	18,438.8
Retained earnings	3,909.9	5,361.2
Accumulated other comprehensive loss	(1,205.0)	(858.0)
Total equity	<u>21,206.9</u>	<u>22,954.1</u>
Total liabilities and equity	<u>\$ 57,984.1</u>	<u>\$ 61,553.0</u>

*See Notes to Condensed Consolidated Financial Statements*

**VIATRIS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Equity**  
(Unaudited; in millions, except share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Equity
	Shares	Cost			Shares	Cost		
Balance at March 31, 2021	1,208,530,970	\$ 12.1	\$18,464.6	\$ 4,323.6	—	\$ —	\$ (1,385.6)	\$21,414.7
Net loss	—	—	—	(279.2)	—	—	—	(279.2)
Other comprehensive earnings, net of tax	—	—	—	—	—	—	180.6	180.6
Issuance of restricted stock and stock options exercised, net	681,368	—	—	—	—	—	—	—
Taxes related to the net share settlement of equity awards	—	—	(5.7)	—	—	—	—	(5.7)
Share-based compensation expense	—	—	31.0	—	—	—	—	31.0
Cash dividends declared, \$0.11 per common share	—	—	—	(134.5)	—	—	—	(134.5)
Balance at June 30, 2021	<u>1,209,212,338</u>	<u>\$ 12.1</u>	<u>\$18,489.9</u>	<u>\$ 3,909.9</u>	<u>—</u>	<u>\$ —</u>	<u>\$ (1,205.0)</u>	<u>\$21,206.9</u>

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Equity
	Shares	Cost			Shares	Cost		
Balance at December 31, 2020	1,206,895,644	\$ 12.1	\$18,438.8	\$ 5,361.2	—	\$ —	\$ (858.0)	\$22,954.1
Net loss	—	—	—	(1,316.8)	—	—	—	(1,316.8)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(347.0)	(347.0)
Issuance of restricted stock and stock options exercised, net	2,316,694	—	—	—	—	—	—	—
Taxes related to the net share settlement of equity awards	—	—	(12.6)	—	—	—	—	(12.6)
Share-based compensation expense	—	—	63.7	—	—	—	—	63.7
Cash dividends declared, \$0.11 per common share	—	—	—	(134.5)	—	—	—	(134.5)
Balance at June 30, 2021	<u>1,209,212,338</u>	<u>\$ 12.1</u>	<u>\$18,489.9</u>	<u>\$ 3,909.9</u>	<u>—</u>	<u>\$ —</u>	<u>\$ (1,205.0)</u>	<u>\$21,206.9</u>

*See Notes to Condensed Consolidated Financial Statements*

	Ordinary Shares <sup>(1)</sup>		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Equity
	Shares	Cost			Shares	Cost		
Balance at March 31, 2020	541,542,294	\$ 6.1	\$ 8,657.9	\$ 6,051.9	24,598,074	\$(999.7)	\$ (2,453.5)	\$11,262.7
Net earnings	—	—	—	39.4	—	—	—	39.4
Other comprehensive earnings, net of tax	—	—	—	—	—	—	428.6	428.6
Issuance of restricted stock and stock options exercised, net	3,014	—	—	—	—	—	—	—
Share-based compensation expense	—	—	15.3	—	—	—	—	15.3
Other	—	—	—	0.2	—	—	—	0.2
Balance at June 30, 2020	<u>541,545,308</u>	<u>\$ 6.1</u>	<u>\$ 8,673.2</u>	<u>\$ 6,091.5</u>	<u>24,598,074</u>	<u>\$(999.7)</u>	<u>\$ (2,024.9)</u>	<u>\$11,746.2</u>

	Ordinary Shares <sup>(1)</sup>		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Equity
	Shares	Cost			Shares	Cost		
Balance at December 31, 2019	540,746,871	\$ 6.1	\$ 8,643.5	\$ 6,031.1	24,598,074	\$(999.7)	\$ (1,797.2)	\$11,883.8
Net earnings	—	—	—	60.2	—	—	—	60.2
Other comprehensive loss, net of tax	—	—	—	—	—	—	(227.7)	(227.7)
Issuance of restricted stock and stock options exercised, net	798,437	—	0.6	—	—	—	—	0.6
Taxes related to the net share settlement of equity awards	—	—	(5.6)	—	—	—	—	(5.6)
Share-based compensation expense	—	—	34.7	—	—	—	—	34.7
Other	—	—	—	0.2	—	—	—	0.2
Balance at June 30, 2020	<u>541,545,308</u>	<u>\$ 6.1</u>	<u>\$ 8,673.2</u>	<u>\$ 6,091.5</u>	<u>24,598,074</u>	<u>\$(999.7)</u>	<u>\$ (2,024.9)</u>	<u>\$11,746.2</u>

<sup>(1)</sup> Ordinary Shares prior to November 16, 2020.

See Notes to Condensed Consolidated Financial Statements

**VIATRIS INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited; in millions)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net (loss) earnings	\$ (1,316.8)	\$ 60.2
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization	2,739.6	830.7
Share-based compensation expense	63.7	34.7
Deferred income tax expense (benefit)	581.6	(119.7)
Loss from equity method investments	34.6	34.5
Other non-cash items	203.5	97.4
Litigation settlements and other contingencies, net	42.4	26.6
Changes in operating assets and liabilities:		
Accounts receivable	(114.7)	122.6
Inventories	(341.0)	(275.8)
Accounts payable	(53.5)	(234.5)
Income taxes	(337.7)	49.3
Other operating assets and liabilities, net	(93.5)	44.6
Net cash provided by operating activities	<u>1,408.2</u>	<u>670.6</u>
Cash flows from investing activities:		
Cash received from acquisitions	277.0	—
Capital expenditures	(138.8)	(87.9)
Purchase of marketable securities	(19.5)	(90.2)
Proceeds from the sale of marketable securities	19.2	33.1
Payments for product rights and other, net	(17.3)	(76.4)
Proceeds from sale of assets and subsidiaries	83.4	—
Proceeds from sale of property, plant and equipment	15.5	1.3
Net cash provided by (used in) investing activities	<u>219.5</u>	<u>(220.1)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	900.1	33.2
Payments of long-term debt	(2,250.7)	(589.0)
Change in short-term borrowings, net	199.7	—
Cash dividends paid	(133.0)	—
Taxes paid related to net share settlement of equity awards	(13.5)	(7.1)
Non-contingent payments for product rights	(456.0)	—
Contingent consideration payments	(28.6)	(43.6)
Payments of financing fees	(0.2)	(1.2)
Proceeds from exercise of stock options	—	0.6
Other items, net	(3.1)	(2.0)
Net cash used in financing activities	<u>(1,785.3)</u>	<u>(609.1)</u>
Effect on cash of changes in exchange rates	(13.3)	(7.8)
Net decrease in cash, cash equivalents and restricted cash	(170.9)	(166.4)
Cash, cash equivalents and restricted cash — beginning of period	850.0	491.1
Cash, cash equivalents and restricted cash — end of period	<u>\$ 679.1</u>	<u>\$ 324.7</u>

*See Notes to Condensed Consolidated Financial Statements*

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited)

**1. General**

The accompanying unaudited condensed consolidated financial statements (“interim financial statements”) of Viatris Inc. and subsidiaries were prepared in accordance with U.S. GAAP and the rules and regulations of the SEC for reporting on Form 10-Q; therefore, as permitted under these rules, certain footnotes and other financial information included in audited financial statements were condensed or omitted. The interim financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the interim results of operations, comprehensive earnings, financial position, equity and cash flows for the periods presented.

These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Viatris’ 2020 Form 10-K. The December 31, 2020 condensed consolidated balance sheet was derived from audited financial statements. In accordance with ASC 805, *Business Combinations*, Mylan is considered the accounting acquirer of the Upjohn Business and all historical financial information of the Company prior to November 16, 2020 represents Mylan’s historical results and the Company’s thereafter. Refer to Note 4 *Acquisitions and Other Transactions* for additional information.

The interim results of operations and comprehensive earnings (loss) for the three and six months ended June 30, 2021, and cash flows for the six months ended June 30, 2021, are not necessarily indicative of the results to be expected for the full fiscal year or any other future period.

**2. Revenue Recognition and Accounts Receivable**

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Under ASC 606, the Company recognizes net revenue for product sales when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Revenues are recorded net of provisions for variable consideration, including discounts, rebates, governmental rebate programs, price adjustments, returns, chargebacks, promotional programs and other sales allowances. Accruals for these provisions are presented in the condensed consolidated financial statements as reductions in determining net sales and as a contra asset in accounts receivable, net (if settled via credit) and other current liabilities (if paid in cash).

Our net sales may be impacted by wholesaler and distributor inventory levels of our products, which can fluctuate throughout the year due to the seasonality of certain products, pricing, the timing of product demand, purchasing decisions and other factors. Such fluctuations may impact the comparability of our net sales between periods.

Consideration received from licenses of intellectual property is recorded as other revenues. Royalty or profit share amounts, which are based on sales of licensed products or technology, are recorded when the customer’s subsequent sales or usages occur. Such consideration is included in other revenue in the condensed consolidated statements of operations.

The following table presents the Company’s net sales by product category for each of our reportable segments for the three and six months ended June 30, 2021 and 2020, respectively:

<i>(In millions)</i> Product Category	Three Months Ended June 30, 2021				
	Developed Markets	Greater China	JANZ	Emerging Markets	Total
Brands	\$ 1,424.1	\$ 549.2	\$ 295.4	\$ 433.0	\$ 2,701.7
Complex Gx and Biosimilars	309.3	—	9.8	13.7	332.8
Generics	907.0	1.1	195.8	423.3	1,527.2
<b>Total</b>	<b>\$ 2,640.4</b>	<b>\$ 550.3</b>	<b>\$ 501.0</b>	<b>\$ 870.0</b>	<b>\$ 4,561.7</b>

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

<i>(In millions)</i> Product Category	Six Months Ended June 30, 2021				
	Developed Markets	Greater China	JANZ	Emerging Markets	Total
Brands	\$ 2,827.8	\$ 1,140.1	\$ 579.4	\$ 879.0	\$ 5,426.3
Complex Gx and Biosimilars	621.3	—	18.7	21.7	661.7
Generics	1,762.9	2.1	384.8	724.0	2,873.8
<b>Total</b>	<b>\$ 5,212.0</b>	<b>\$ 1,142.2</b>	<b>\$ 982.9</b>	<b>\$ 1,624.7</b>	<b>\$ 8,961.8</b>

<i>(In millions)</i> Product Category	Three Months Ended June 30, 2020				
	Developed Markets	Greater China	JANZ	Emerging Markets	Total
Brands	\$ 855.5	\$ 22.0	\$ 128.1	\$ 67.4	\$ 1,073.0
Complex Gx and Biosimilars	328.6	—	8.5	14.0	351.1
Generics	798.6	0.7	143.6	328.9	1,271.8
<b>Total</b>	<b>\$ 1,982.7</b>	<b>\$ 22.7</b>	<b>\$ 280.2</b>	<b>\$ 410.3</b>	<b>\$ 2,695.9</b>

<i>(In millions)</i> Product Category	Six Months Ended June 30, 2020				
	Developed Markets	Greater China	JANZ	Emerging Markets	Total
Brands	\$ 1,747.0	\$ 36.7	\$ 218.7	\$ 132.1	\$ 2,134.5
Complex Gx and Biosimilars	570.2	0.1	16.9	17.2	604.4
Generics	1,651.9	1.0	287.8	604.5	2,545.2
<b>Total</b>	<b>\$ 3,969.1</b>	<b>\$ 37.8</b>	<b>\$ 523.4</b>	<b>\$ 753.8</b>	<b>\$ 5,284.1</b>

The following table presents net sales on a consolidated basis for select key products for the three and six months ended June 30, 2021:

<i>(In millions)</i>	Three months ended June 30, 2021	Six months ended June 30, 2021
<b>Select Key Global Products</b>		
Lipitor ®	\$ 398.3	\$ 862.9
Norvasc ®	209.8	437.5
Lyrica ®	192.5	380.3
Viagra ®	134.8	274.4
EpiPen® Auto-Injectors	104.1	207.8
Effexor ®	83.5	160.1
Celebrex ®	82.3	171.3
Creon ®	80.7	150.6
Zoloft ®	70.9	147.5
Xalabrand	58.3	116.2
<b>Select Key Segment Products</b>		
Dymista ®	\$ 54.6	\$ 94.9
Amitiza ®	52.1	98.0
Xanax ®	48.8	93.9
Yupelri ®	41.8	78.7

<sup>(a)</sup> The Company does not disclose net sales for any products considered competitively sensitive.

<sup>(b)</sup> Products disclosed may change in future periods, including as a result of seasonality, competition or new product introductions.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

## Variable Consideration and Accounts Receivable

The following table presents a reconciliation of gross sales to net sales by each significant category of variable consideration during the three and six months ended June 30, 2021 and 2020, respectively:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Gross sales	\$ 7,752.3	\$ 4,457.6	\$ 15,319.3	\$ 8,881.6
Gross to net adjustments:				
Chargebacks	(1,354.8)	(795.5)	(2,672.8)	(1,649.9)
Rebates, promotional programs and other sales allowances	(1,566.6)	(820.4)	(3,135.1)	(1,666.0)
Returns	(88.3)	(57.6)	(201.3)	(116.6)
Governmental rebate programs	(180.9)	(88.2)	(348.3)	(165.0)
Total gross to net adjustments	\$ (3,190.6)	\$ (1,761.7)	\$ (6,357.5)	\$ (3,597.5)
Net sales	\$ 4,561.7	\$ 2,695.9	\$ 8,961.8	\$ 5,284.1

No significant revisions were made to the methodology used in determining these provisions or the nature of the provisions during the three and six months ended June 30, 2021. Such allowances were comprised of the following at June 30, 2021 and December 31, 2020, respectively:

(In millions)	June 30, 2021	December 31, 2020
Accounts receivable, net	\$ 1,667.9	\$ 1,802.9
Other current liabilities	1,083.6	1,211.8
<b>Total</b>	<b>\$ 2,751.5</b>	<b>\$ 3,014.7</b>

Accounts receivable, net was comprised of the following at June 30, 2021 and December 31, 2020, respectively:

(In millions)	June 30, 2021	December 31, 2020
Trade receivables, net	\$ 3,880.4	\$ 3,891.3
Other receivables	598.3	952.5
<b>Accounts receivable, net</b>	<b>\$ 4,478.7</b>	<b>\$ 4,843.8</b>

## Accounts Receivable Factoring Arrangements

We have entered into accounts receivable factoring agreements with financial institutions to sell certain of our non-U.S. accounts receivable. These transactions are accounted for as sales and result in a reduction in accounts receivable because the agreements transfer effective control over and risk related to the receivables to the buyers. Our factoring agreements do not allow for recourse in the event of uncollectibility, and we do not retain any interest in the underlying accounts receivable once sold. We derecognized \$112.9 million and \$153.0 million of accounts receivable as of June 30, 2021 and December 31, 2020, respectively, under these factoring arrangements.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

**3. Recent Accounting Pronouncements***Adoption of New Accounting Standards*

In January 2020, the FASB issued Accounting Standards Update 2020-01, *Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815* (“ASU 2020-01”), which clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. In addition, ASU 2020-01 states that for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. ASU 2020-01 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The adoption of this guidance did not have a material impact on the Company’s condensed consolidated financial statements and disclosures.

In December 2019, the FASB issued Accounting Standards Update 2019-12, *Income Taxes (Topic 740)* which is intended to simplify the accounting for income taxes by eliminating certain exceptions and simplifying certain requirements under Topic 740. ASU 2019-12 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. ASU 2019-12 includes an update to previous guidance in situations in which an entity incurs a loss on a year-to-date basis that exceeds the anticipated loss for the year. In these situations, previous guidance stipulated that the income tax benefit was limited to the income tax that would exist on the basis of the year-to-date loss. This represented an exception to the guidance in ASC 740-270, and the provisions of ASU 2019-12 include the elimination of this exception which applied to the financial results of the three and six months ended June 30, 2021. The Company has applied the provisions of ASU 2019-12 on a prospective basis beginning January 1, 2021. The adoption of this guidance did not have a material impact on the Company’s condensed consolidated financial statements and disclosures.

*Accounting Standard Issued Not Yet Adopted*

The following recently issued accounting standard has not been adopted. Refer to Viatris’ 2020 Form 10-K for additional information and its potential impacts.

Accounting Standard Update	Effective Date
ASU 2020-04: <i>Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i>	January 1, 2023

**4. Acquisitions and Other Transactions***Upjohn Business Combination Agreement*

On July 29, 2019, Mylan, Pfizer, Upjohn Inc., a wholly-owned subsidiary of Pfizer, and certain other affiliated entities entered into a Business Combination Agreement pursuant to which Mylan would combine with the Upjohn Business in a Reverse Morris Trust transaction. The Upjohn Business was a global, primarily off-patent branded and generic established medicines business, which includes 20 primarily off-patent solid oral dose legacy brands, such as Lyrica, Lipitor, Celebrex and Viagra. The Combination was completed on November 16, 2020.

Prior to the Combination and pursuant to a Separation and Distribution Agreement, Pfizer had, among other things, transferred to Viatris substantially all of the assets and liabilities comprising the Upjohn Business (the Separation) and, thereafter, Pfizer had distributed to Pfizer stockholders all of the issued and outstanding shares of Viatris (the Distribution). When the Distribution and Combination were complete, Pfizer stockholders as of the record date of the Distribution owned 57% of the outstanding shares of Viatris common stock and Mylan shareholders as of immediately before the Combination owned 43% of the outstanding shares of Viatris common stock, in each case on a fully diluted basis. Viatris also made a cash payment to Pfizer equal to \$12 billion, which was funded with the proceeds of debt incurred by Upjohn prior to the Combination.

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

The transaction involved multiple legal entity restructuring transactions and a reverse merger acquisition with Viatris representing the legal acquirer and Mylan representing the accounting acquirer of the Upjohn Business. In accordance with ASC 805, *Business Combinations*, Mylan is considered the accounting acquirer of the Upjohn Business and Viatris applied purchase accounting to the acquired assets and assumed liabilities of the Upjohn Business as of November 16, 2020. The debt incurred by Upjohn prior to the Combination was a liability assumed in purchase accounting. The fair value of the debt as of November 16, 2020 was \$13.08 billion.

The purchase price consists of the issuance of approximately 689.9 million Viatris shares of common stock at a fair value of approximately \$10.73 billion based on the closing price of Mylan's ordinary shares on November 13, 2020, as reported by the NASDAQ. In accordance with U.S. GAAP, the Company used the acquisition method of accounting to account for this transaction. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction have been recorded at their respective estimated fair values at the acquisition date. Acquisition related costs of approximately \$602.9 million were incurred during the twelve months ended December 31, 2020, and approximately \$108.2 million were incurred during the six months ended June 30, 2021. Acquisition related costs were recorded primarily in SG&A in the consolidated statements of operations for such periods.

During the six months ended June 30, 2021, adjustments were made to the preliminary purchase price recorded at November 16, 2020. These adjustments are reflected in the values presented below. The preliminary allocation of the \$10.73 billion purchase price to the assets acquired and liabilities assumed under the Combination is as follows:

<i>(In millions)</i>	Preliminary Purchase Price Allocation as of December 31, 2020 <sup>(a)</sup>	Measurement Period and Other Adjustments <sup>(b)</sup>	Preliminary Purchase Price Allocation as of June 30, 2021 (as adjusted)
Current assets (excluding inventories and net of cash acquired)	\$ 2,841.9	\$ (10.6)	\$ 2,831.3
Inventories	2,588.9	(34.2)	2,554.7
Property, plant and equipment	1,394.1	—	1,394.1
Identified intangible assets	18,040.0	—	18,040.0
Goodwill	2,107.5	(134.7)	1,972.8
Deferred income tax benefit	1,481.9	244.0	1,725.9
Other assets	792.1	—	792.1
Total assets acquired	\$ 29,246.4	\$ 64.5	\$ 29,310.9
Current liabilities	2,760.2	64.4	2,824.6
Long-term debt, including current portion	13,076.2	—	13,076.2
Deferred tax liabilities	1,656.9	—	1,656.9
Other noncurrent liabilities	1,441.5	0.1	1,441.6
Net assets acquired (net of \$415.8 of cash acquired)	<u>\$ 10,311.6</u>	<u>\$ —</u>	<u>\$ 10,311.6</u>

<sup>(a)</sup> As previously reported in Viatris' 2020 Form 10-K.

<sup>(b)</sup> The measurement period adjustments are primarily for 1) certain working capital adjustments and an increase in litigation reserves to reflect facts and circumstances that existed as of the date of the Combination and 2) the tax implications of these and other adjustments. These adjustments did not have a significant impact on the Company's previously reported consolidated financial statements and accordingly, the Company has not retrospectively adjusted those consolidated financial statements.

The preliminary fair value estimates for the assets acquired and liabilities assumed were based upon preliminary calculations, valuations and assumptions that are subject to change as the Company obtains additional information during the measurement period (up to one year from the acquisition date). The primary areas subject to change relate to the finalization of the working capital components and income taxes.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

During the year ended December 31, 2020, the Company recorded a step-up in the fair value of inventory of approximately \$1.43 billion. During the three and six months ended June 30, 2021, the Company recorded amortization of the inventory step-up of approximately \$477.3 million and \$953.7 million, respectively, which is included in cost of sales in the condensed consolidated statements of operations. In addition, during the year ended December 31, 2020, a step-up in the fair value of property, plant and equipment of approximately \$390.0 million was recognized. The related depreciation is being expensed over a service life of five years for machinery and equipment and between 10 and 20 years for buildings.

The identified intangible assets of \$18.04 billion are comprised of product rights and are being amortized over a weighted average useful life of 15 years. Significant assumptions utilized in the valuation of identified intangible assets were based on company specific information and projections which are not observable in the market and are thus considered Level 3 measurements as defined by U.S. GAAP. The goodwill of \$1.97 billion arising from the Combination consisted largely of the value of the employee workforce and products to be sold in new markets leveraging the combined entity. In addition, an allocation of the goodwill was assigned to the respective segments. None of the goodwill recognized in this transaction is expected to be deductible for income tax purposes.

The Company recorded a fair value adjustment of approximately \$759.4 million related to the long-term debt assumed as part of the acquisition. The fair value of long-term debt as of the Combination date was determined by broker or dealer quotations, which is classified as Level 2 in the fair value hierarchy. The total fair value adjustment is being amortized as a reduction to interest expense over the maturity dates of the related debt instruments.

**Unaudited Pro Forma Financial Results**

The following table presents supplemental unaudited pro forma information for the Combination, as if it had occurred on January 1, 2019. The unaudited pro forma results reflect certain adjustments related to past operating performance and acquisition accounting adjustments, such as increased depreciation and amortization expense based on the fair value of assets acquired, the impact of transaction costs and the related income tax effects. The unaudited pro forma results do not include any anticipated synergies which may be achievable, or have been achieved, subsequent to the closing of the Combination. Accordingly, the unaudited pro forma results are not necessarily indicative of the results that actually would have occurred had the acquisitions been completed on the stated date above, nor are they indicative of the future operating results of Viatris and its subsidiaries.

<i>(Unaudited, in millions, except per share amounts)</i>	<b>Three Months Ended June 30, 2020</b>	<b>Six Months Ended June 30, 2020</b>
Total revenues	\$ 4,555.4	\$ 8,994.8
Net earnings	\$ 681.1	\$ 1,223.7
Earnings per share:		
Basic	\$ 0.56	\$ 1.01
Diluted	\$ 0.56	\$ 1.01
Weighted average shares outstanding:		
Basic	1,206.9	1,206.6
Diluted	1,207.1	1,207.0

**5. Share-Based Incentive Plan**

Prior to the Distribution, Viatris adopted and Pfizer, in the capacity as Viatris' sole stockholder at such time approved the Plan which became effective as of the Distribution. In connection with the Combination, as of November 16, 2020, the Company assumed the Mylan N.V. Amended and Restated 2003 Long-Term Incentive Plan, which had previously been approved by Mylan shareholders. The Plan and 2003 LTIP include (i) 72,500,000 shares of common stock authorized for grant pursuant to the Plan, which may include dividend payments payable in common stock on unvested shares granted under awards, (ii) 6,757,640 shares of common stock to be issued pursuant to the exercise of outstanding stock options granted to participants under the 2003 LTIP and assumed by Viatris in connection with the Combination and (iii) 13,535,627 shares of common stock subject to outstanding equity-based awards, other than stock options, assumed by Viatris in connection with the Combination, or that otherwise remain available for issuance under the 2003 LTIP.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

Under the Plan and 2003 LTIP, shares are reserved for issuance to key employees, consultants, independent contractors and non-employee directors of the Company through a variety of incentive awards, including: stock options, SARs, restricted stock and units, PSUs, other stock-based awards and short-term cash awards. Stock option awards are granted with an exercise price equal to the fair market value of the shares underlying the stock options at the date of the grant, generally become exercisable over periods ranging from three to four years, and generally expire in ten years.

The following table summarizes stock option and SAR (together, "stock awards") activity under the Plan and 2003 LTIP:

	Number of Shares Under Stock Awards	Weighted Average Exercise Price per Share
Outstanding at December 31, 2020	6,711,731	\$ 35.36
Forfeited	(938,524)	\$ 24.77
Outstanding at June 30, 2021	<u>5,773,207</u>	<u>\$ 37.09</u>
Vested and expected to vest at June 30, 2021	5,668,426	\$ 37.37
Exercisable at June 30, 2021	5,053,633	\$ 39.38

As of June 30, 2021, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had average remaining contractual terms of 5.1 years, 5.1 years and 4.7 years, respectively. Also, at June 30, 2021, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had no aggregate intrinsic value.

A summary of the status of the Company's restricted stock awards as of June 30, 2021 and the changes during the six months ended June 30, 2021 are presented below:

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value Per Share
Nonvested at December 31, 2020	12,073,790	\$ 18.34
Granted	9,731,270	14.28
Released	(2,824,976)	25.47
Forfeited	(890,764)	15.69
Nonvested at June 30, 2021	<u>18,089,320</u>	<u>\$ 15.17</u>

As of June 30, 2021, the Company had \$201.9 million of total unrecognized compensation expense, net of estimated forfeitures, related to all of its stock-based awards, which we expect to recognize over the remaining weighted average vesting period of 2.0 years. The total intrinsic value of stock awards exercised and restricted stock units released during the six months ended June 30, 2021 and 2020 was \$71.9 million and \$19.1 million, respectively.

## 6. Pensions and Other Postretirement Benefits

### *Defined Benefit Plans*

The Company sponsors various defined benefit pension plans in several countries. Benefits provided generally depend on length of service, pay grade and remuneration levels. Employees in the U.S., Puerto Rico and certain international locations are also provided retirement benefits through defined contribution plans.

The Company also sponsors other postretirement benefit plans including plans that provide for postretirement supplemental medical coverage. Benefits from these plans are provided to employees and their spouses and dependents who meet various minimum age and service requirements. In addition, the Company sponsors other plans that provide for life insurance benefits and postretirement medical coverage for certain officers and management employees.

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

In connection with the Combination, the Company assumed certain post retirement defined benefit pension plans sponsored by Upjohn. The most significant plans include those in Puerto Rico, Ireland and Japan. Upjohn is also the sponsor of one postretirement medical plan in Puerto Rico. As part of the acquisition accounting, the Company has recorded the fair value of these plans using assumptions and accounting policies consistent with those historically utilized by Mylan. Upon completion of the Combination, the excess of projected benefit obligation over the plan assets was recognized as a liability and any existing unrecognized actuarial gains or losses and unrecognized service costs or benefits were eliminated in purchase accounting.

*Net Periodic Benefit Cost*

Components of net periodic benefit cost for the three and six months ended June 30, 2021 and 2020 were as follows:

<i>(In millions)</i>	<b>Pension and Other Postretirement Benefits</b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Service cost	\$ 10.9	\$ 5.3	\$ 21.7	\$ 10.6
Interest cost	8.7	2.9	17.2	5.8
Expected return on plan assets	(16.7)	(3.4)	(33.2)	(6.8)
Amortization of prior service costs	(0.2)	—	(0.3)	—
Recognized net actuarial losses	0.5	0.1	0.8	0.3
Settlement gain	(3.1)	—	(3.1)	—
<b>Net periodic benefit cost</b>	<b>\$ 0.1</b>	<b>\$ 4.9</b>	<b>\$ 3.1</b>	<b>\$ 9.9</b>

In the second quarter of 2021, the Company recognized a settlement gain as a result of cash payments from lump sum elections related to the U.S. and Puerto Rico pension plans.

The Company expects to make total benefit payments of approximately \$118.9 million from pension and other postretirement benefit plans in 2021. The Company anticipates making contributions to pension and other postretirement benefit plans of approximately \$70.1 million in 2021 due to the second quarter remeasurement of the impacted plans.

**7. Balance Sheet Components**

Selected balance sheet components consist of the following:

***Cash and restricted cash***

<i>(In millions)</i>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Cash and cash equivalents	\$ 673.9	\$ 844.4	\$ 323.6
Restricted cash, included in other current and non-current assets	5.2	5.6	1.1
<b>Cash, cash equivalents and restricted cash</b>	<b>\$ 679.1</b>	<b>\$ 850.0</b>	<b>\$ 324.7</b>

***Inventories***

<i>(In millions)</i>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 948.2	\$ 958.4
Work in process	1,148.6	1,438.1
Finished goods	2,390.8	3,075.4
<b>Inventories</b>	<b>\$ 4,487.6</b>	<b>\$ 5,471.9</b>

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

**Prepaid expenses and other current assets**

<i>(In millions)</i>	June 30, 2021	December 31, 2020
Prepaid expenses	\$ 221.6	\$ 267.8
Available-for-sale fixed income securities	38.5	39.1
Fair value of financial instruments	90.3	118.6
Equity securities	49.6	45.8
Other current assets	1,709.6	1,236.1
<b>Prepaid expenses and other current assets</b>	<b>\$ 2,109.6</b>	<b>\$ 1,707.4</b>

Prepaid expenses consist primarily of prepaid rent, insurance and other individually insignificant items.

**Property, plant and equipment, net**

<i>(In millions)</i>	June 30, 2021	December 31, 2020
Machinery and equipment	\$ 3,191.2	\$ 3,235.0
Buildings and improvements	1,916.2	1,954.8
Construction in progress	403.7	376.3
Land and improvements	152.0	155.8
Gross property, plant and equipment	5,663.1	5,721.9
Accumulated depreciation	2,491.7	2,262.0
<b>Property, plant and equipment, net</b>	<b>\$ 3,171.4</b>	<b>\$ 3,459.9</b>

**Other assets**

<i>(In millions)</i>	June 30, 2021	December 31, 2020
Equity method investments, clean energy investments	\$ 24.2	\$ 47.9
Operating lease right-of-use assets	300.6	323.6
Other long-term assets	700.3	676.0
<b>Other assets</b>	<b>\$ 1,025.1</b>	<b>\$ 1,047.5</b>

**Accounts payable**

<i>(In millions)</i>	June 30, 2021	December 31, 2020
Trade accounts payable	\$ 1,319.5	\$ 1,345.7
Other payables	480.7	558.5
<b>Accounts payable</b>	<b>\$ 1,800.2</b>	<b>\$ 1,904.2</b>

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**
**Other current liabilities**

<i>(In millions)</i>	June 30, 2021	December 31, 2020
Accrued sales allowances	\$ 1,083.6	\$ 1,211.8
Legal and professional accruals, including litigation accruals	487.7	362.9
Payroll and employee benefit liabilities	663.2	828.2
Contingent consideration	83.1	100.5
Accrued interest	81.5	90.9
Restructuring	372.9	149.2
Equity method investments, clean energy investments	29.1	47.5
Fair value of financial instruments	40.1	103.6
Operating lease liability	89.5	92.9
Other	1,280.8	1,973.2
<b>Other current liabilities</b>	<b>\$ 4,211.5</b>	<b>\$ 4,960.7</b>

**Other long-term obligations**

<i>(In millions)</i>	June 30, 2021	December 31, 2020
Employee benefit liabilities	\$ 912.4	\$ 1,020.4
Contingent consideration	130.7	123.1
Tax related items, including contingencies	389.3	469.5
Operating lease liability	208.6	229.5
Accrued Restructuring	126.6	134.8
Other	474.3	505.8
<b>Other long-term obligations</b>	<b>\$ 2,241.9</b>	<b>\$ 2,483.1</b>

**8. Equity Method Investments**

Summarized financial information, in the aggregate, for the Company's three equity method, clean energy investments on a 100% basis for the three and six months ended June 30, 2021 and 2020 are as follows:

<i>(In millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total revenues	\$ 90.0	\$ 87.8	\$ 199.5	\$ 175.3
Gross loss	(1.2)	(1.1)	(2.6)	(2.2)
Operating and non-operating expense	4.0	4.5	8.9	9.2
Net loss	\$ (5.2)	\$ (5.6)	\$ (11.5)	\$ (11.4)

The Company's net losses from its equity method investments include amortization expense related to the excess of the cost basis of the Company's investment over the underlying assets of each individual investee. For the three months ended June 30, 2021 and 2020, the Company recognized net losses from equity method investments of \$16.7 million and \$17.2 million, respectively. For the six months ended June 30, 2021 and 2020, the Company recognized net losses from equity method investments of \$34.6 million and \$34.5 million, respectively, which were recognized as a component of other expense, net in the condensed consolidated statements of operations. The Company recognizes the income tax credits and benefits from the clean energy investments as part of its provision for income taxes.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

## 9. (Loss) Earnings per Share

Basic (loss) earnings per share is computed by dividing net (loss) earnings by the weighted average number of shares outstanding during the period. Diluted (loss) earnings per share is computed by dividing net (loss) earnings by the weighted average number of shares outstanding during the period increased by the number of additional shares that would have been outstanding related to potentially dilutive securities or instruments, if the impact is dilutive.

Basic and diluted (loss) earnings per share attributable to Viatris Inc. are calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>(In millions, except per share amounts)</i>				
<b>Basic (loss) earnings attributable to Viatris Inc. common shareholders</b>				
Net (loss) earnings attributable to Viatris Inc. common shareholders	\$ (279.2)	\$ 39.4	\$ (1,316.8)	\$ 60.2
<b>Shares (denominator):</b>				
Weighted average shares outstanding	1,208.8	516.9	1,208.2	516.7
Basic (loss) earnings per share attributable to Viatris Inc. shareholders	\$ (0.23)	\$ 0.08	\$ (1.09)	\$ 0.12
<b>Diluted (loss) earnings attributable to Viatris Inc. common shareholders</b>				
Net (loss) earnings attributable to Viatris Inc. common shareholders	\$ (279.2)	\$ 39.4	\$ (1,316.8)	\$ 60.2
<b>Shares (denominator):</b>				
Weighted average shares outstanding	1,208.8	516.9	1,208.2	516.7
Share-based awards and warrants	—	0.3	—	0.4
Total dilutive shares outstanding	1,208.8	517.2	1,208.2	517.1
Diluted (loss) earnings per share attributable to Viatris Inc. shareholders	\$ (0.23)	\$ 0.08	\$ (1.09)	\$ 0.12

Additional stock awards and restricted stock awards were outstanding during the three and six months ended June 30, 2021 and 2020, but were not included in the computation of diluted earnings per share for each respective period because the effect would be anti-dilutive. Excluded shares at June 30, 2021 include certain share-based compensation awards whose performance conditions had not been fully met. Such excluded shares and anti-dilutive awards represented 10.0 million shares and 10.5 million shares for the three and six months ended June 30, 2021, respectively, and 11.1 million shares and 10.4 million shares for the three and six months ended 2020, respectively.

On May 7, 2021, the Company's Board of Directors declared an inaugural quarterly cash dividend of \$0.11 per share on the Company's issued and outstanding common stock. The first quarterly cash dividend was paid on June 16, 2021 to shareholders of record as of the close of business on May 24, 2021. On August 6, 2021, the Company's Board of Directors declared its second quarterly cash dividend of \$0.11 per share on the Company's issued and outstanding common stock, which will be payable on September 16, 2021 to shareholders of record as of the close of business on August 24, 2021. The declaration and payment of future dividends to holders of the Company's common stock will be at the discretion of the Board of Directors, and will depend upon factors, including but not limited to, the Company's financial condition, earnings, capital requirements of its businesses, legal requirements, regulatory constraints, industry practice, and other factors that the Board of Directors deems relevant.

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**
**10. Goodwill and Intangible Assets**

The changes in the carrying amount of goodwill for the six months ended June 30, 2021 are as follows:

<i>(In millions)</i>	Developed Markets	Greater China	JANZ	Emerging Markets	Total
<b>Balance at December 31, 2020:</b>					
Goodwill	\$ 9,569.5	\$ 738.3	\$ 864.0	\$ 1,560.2	\$ 12,732.0
Accumulated impairment losses	(385.0)	—	—	—	(385.0)
	9,184.5	738.3	864.0	1,560.2	12,347.0
Measurement period adjustments	(45.1)	(41.7)	(13.9)	(34.0)	(134.7)
Foreign currency translation	(251.1)	6.6	(35.9)	58.5	(221.9)
	<u>\$ 8,888.3</u>	<u>\$ 703.2</u>	<u>\$ 814.2</u>	<u>\$ 1,584.7</u>	<u>\$ 11,990.4</u>
<b>Balance at June 30, 2021:</b>					
Goodwill	\$ 9,273.3	\$ 703.2	\$ 814.2	\$ 1,584.7	\$ 12,375.4
Accumulated impairment losses	(385.0)	—	—	—	(385.0)
	<u>\$ 8,888.3</u>	<u>\$ 703.2</u>	<u>\$ 814.2</u>	<u>\$ 1,584.7</u>	<u>\$ 11,990.4</u>

Intangible assets consist of the following components at June 30, 2021 and December 31, 2020:

<i>(In millions)</i>	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
<b>June 30, 2021</b>				
Product rights, licenses and other <sup>(1)</sup>	15	\$ 39,761.5	\$ 11,977.6	\$ 27,783.9
In-process research and development		79.8	—	79.8
		<u>\$ 39,841.3</u>	<u>\$ 11,977.6</u>	<u>\$ 27,863.7</u>
<b>December 31, 2020</b>				
Product rights, licenses and other <sup>(1)</sup>	15	\$ 40,404.1	\$ 10,801.6	\$ 29,602.5
In-process research and development		80.7	—	80.7
		<u>\$ 40,484.8</u>	<u>\$ 10,801.6</u>	<u>\$ 29,683.2</u>

<sup>(1)</sup> Represents amortizable intangible assets. Other intangible assets consists principally of customer lists and contractual rights.

The Company has performed its annual goodwill impairment test as of April 1, 2021 on a quantitative basis for its five reporting units, North America, Europe, Emerging Markets, JANZ, and Greater China. See Note 14, *Segment Information*, for further discussion. Additionally, the net assets acquired as part of the Combination were included in the respective reporting units and in the annual impairment test for the first time. In estimating each reporting unit's fair value, the Company performed an extensive valuation analysis, utilizing both income and market-based approaches. The determination of the fair value of the reporting units requires the Company to make significant estimates and assumptions that affect the reporting unit's expected future cash flows. These estimates and assumptions, utilizing Level 3 inputs, primarily include, but are not limited to, market multiples, control premiums, the discount rate, terminal growth rates, operating income before depreciation and amortization, and capital expenditures forecasts.

As of April 1, 2021, the allocation of the Company's total goodwill was as follows: North America \$3.66 billion, Europe \$5.15 billion, Emerging Markets \$1.58 billion, JANZ \$0.82 billion and Greater China \$0.70 billion.

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

As of April 1, 2021, the Company determined that the fair value of the North America, Emerging Markets and Greater China reporting units was substantially in excess of the respective unit's carrying value.

For the Europe reporting unit, the estimated fair value exceeded its carrying value by approximately \$0.91 billion or 5.8% for the annual goodwill impairment test. As it relates to the income approach for the Europe reporting unit at April 1, 2021, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately 3.0%. A terminal year value was calculated with a 0.9% revenue growth rate applied. The discount rate utilized was 10.5% and the estimated tax rate was 19.0%. Under the market-based approach, we utilized an estimated range of market multiples of 7.5 to 8.5 times EBITDA plus a control premium of 15.0%. If all other assumptions are held constant, a reduction in the terminal value growth rate by 2.9% or an increase in discount rate by 1.5% would result in an impairment charge for the Europe reporting unit.

For the JANZ reporting unit, the estimated fair value exceeded its carrying value by approximately \$0.23 billion or 7.0% for the annual goodwill impairment test. As it relates to the income approach for the JANZ reporting unit at April 1, 2021, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately negative 1.5%. A terminal year value was calculated with a 0.7% revenue growth rate applied. The discount rate utilized was 8.5% and the estimated tax rate was 30.5%. Under the market-based approach, we utilized an estimated market multiple of 6.0 times EBITDA plus a control premium of 15.0%. If all other assumptions are held constant, a reduction in the terminal value growth rate by 4.2% or an increase in discount rate by 2.0% would result in an impairment charge for the JANZ reporting unit.

Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates. In addition, changes in underlying assumptions, especially as they relate to the key assumptions detailed, could have a significant impact on the fair value of the reporting units.

Amortization expense, which is classified primarily within cost of sales in the condensed consolidated statements of operations for the three and six months ended June 30, 2021 and 2020 totaled:

<i>(In millions)</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	2021	2020	2021	2020
Intangible asset amortization expense	\$ 681.6	\$ 351.6	\$ 1,366.0	\$ 702.8
Intangible asset impairment charges	—	—	83.4	—
<b>Total intangible asset amortization expense (including impairment charges)</b>	<b>\$ 681.6</b>	<b>\$ 351.6</b>	<b>\$ 1,449.4</b>	<b>\$ 702.8</b>

On April 30, 2021, the Company completed an agreement to divest a group of OTC products in the U.S. As a result of this transaction, the Company recognized an intangible asset impairment charge of approximately \$83.4 million during the six months ended June 30, 2021.

Intangible asset amortization expense over the remainder of 2021 and for the years ended December 31, 2022 through 2025 is estimated to be as follows:

<i>(In millions)</i>	
2021	\$ 1,339
2022	2,616
2023	2,454
2024	2,350
2025	2,257

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

**11. Financial Instruments and Risk Management**

The Company is exposed to certain financial risks relating to its ongoing business operations. The primary financial risks that are managed by using derivative instruments are foreign currency risk and interest rate risk.

**Foreign Currency Risk Management**

In order to manage certain foreign currency risks, the Company enters into foreign exchange forward contracts to mitigate risk associated with changes in spot exchange rates of mainly non-functional currency denominated assets or liabilities. The foreign exchange forward contracts are measured at fair value and reported as current assets or current liabilities on the condensed consolidated balance sheets. Any gains or losses on the foreign exchange forward contracts are recognized in earnings in the period incurred in the condensed consolidated statements of operations.

The Company has also entered into forward contracts to hedge forecasted foreign currency denominated sales from certain international subsidiaries and a portion of forecasted intercompany inventory sales denominated in Euro, Japanese Yen and Chinese Renminbi for up to eighteen months. These contracts are designated as cash flow hedges to manage foreign currency transaction risk and are measured at fair value and reported as current assets or current liabilities on the condensed consolidated balance sheets. Any changes in the fair value of designated cash flow hedges are deferred in AOCE and are reclassified into earnings when the hedged item impacts earnings.

**Net Investment Hedges**

The Company may hedge the foreign currency risk associated with certain net investment positions in foreign subsidiaries by either borrowing directly in foreign currencies and designating all or a portion of the foreign currency debt as a hedge of the applicable net investment position or entering into foreign currency swaps that are designated as hedges of net investments.

The Company has designated certain Euro borrowings as a hedge of its investment in certain Euro-functional currency subsidiaries in order to manage foreign currency translation risk. Borrowings designated as net investment hedges are marked-to-market using the current spot exchange rate as of the end of the period, with gains and losses included in the foreign currency translation component of AOCE until the sale or substantial liquidation of the underlying net investments. In addition, the Company manages the related foreign exchange risk of the Euro borrowings not designated as net investment hedges through certain Euro denominated financial assets and forward currency swaps.

The following table summarizes the principal amounts of the Company's outstanding Euro borrowings and the notional amounts of the Euro borrowings designated as net investment hedges:

<i>(In millions)</i>	Principal Amount	Notional Amount Designated as a Net Investment Hedge	
		June 30, 2021	December 31, 2020
2.250% Euro Senior Notes due 2024	€ 1,000.0	€ 1,000.0	€ 1,000.0
3.125% Euro Senior Notes due 2028	750.0	750.0	750.0
2.125% Euro Senior Notes due 2025	500.0	500.0	500.0
0.816% Euro Senior Notes due 2022	750.0	750.0	750.0
1.023% Euro Senior Notes due 2024	750.0	750.0	750.0
1.362% Euro Senior Notes due 2027	850.0	850.0	850.0
1.908% Euro Senior Notes due 2032	1,250.0	1,250.0	1,250.0
Foreign currency forward contracts	105.6	—	105.6
<b>Total</b>	<b>€ 5,955.6</b>	<b>€ 5,850.0</b>	<b>€ 5,955.6</b>

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

**Interest Rate Risk Management**

The Company enters into interest rate swaps from time to time in order to manage interest rate risk associated with the Company's fixed-rate and floating-rate debt. Interest rate swaps that meet specific accounting criteria are accounted for as fair value or cash flow hedges. All derivative instruments used to manage interest rate risk are measured at fair value and reported as current assets or current liabilities in the condensed consolidated balance sheets. For fair value hedges, the changes in the fair value of both the hedging instrument and the underlying debt obligations are included in interest expense. For cash flow hedges, the change in fair value of the hedging instrument is deferred through AOCE and is reclassified into earnings when the hedged item impacts earnings.

**Credit Risk Management**

The Company regularly reviews the creditworthiness of its financial counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements. The Company is not subject to any obligations to post collateral under derivative instrument contracts. Certain derivative instrument contracts entered into by the Company are governed by master agreements, which contain credit-risk-related contingent features that would allow the counterparties to terminate the contracts early and request immediate payment should the Company trigger an event of default on other specified borrowings. The Company records all derivative instruments on a gross basis in the condensed consolidated balance sheets. Accordingly, there are no offsetting amounts that net assets against liabilities.

The following table summarizes the classification and fair values of derivative instruments in our condensed consolidated balance sheets:

(In millions)	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	June 30, 2021 Fair Value	December 31, 2020 Fair Value	Balance Sheet Location	June 30, 2021 Fair Value	December 31, 2020 Fair Value
<b>Derivatives designated as hedges:</b>						
Foreign currency forward contracts	Prepaid expenses & other current assets	\$ 42.9	\$ 28.3	Other current liabilities	\$ —	\$ 0.8
<b>Total derivatives designated as hedges</b>		<b>42.9</b>	<b>28.3</b>		<b>—</b>	<b>0.8</b>
<b>Derivatives not designated as hedges:</b>						
Foreign currency forward contracts	Prepaid expenses & other current assets	47.4	90.3	Other current liabilities	40.1	102.8
<b>Total derivatives not designated as hedges</b>		<b>47.4</b>	<b>90.3</b>		<b>40.1</b>	<b>102.8</b>
<b>Total derivatives</b>		<b>\$ 90.3</b>	<b>\$ 118.6</b>		<b>\$ 40.1</b>	<b>\$ 103.6</b>

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

The following table summarizes information about the gains/(losses) incurred to hedge or offset operational foreign exchange or interest rate risk:

<i>(In millions)</i>	Location of Gain/(Loss)	Amount of Gains/(Losses) Recognized in Earnings		Amount of Gains/(Losses) Recognized in AOCE (Net of Tax) on Derivatives		Amount of Gains/(Losses) Reclassified from AOCE into Earnings		
		Three months ended June 30,		Three months ended June 30,		Three months ended June 30,		
		2021	2020	2021	2020	2021	2020	
<b>Derivative Financial Instruments in Cash Flow Hedging Relationships <sup>(2)</sup>:</b>								
Foreign currency forward contracts	Net sales <sup>(4)</sup>	\$ —	\$ —	\$ 11.3	\$ 12.8	\$ 3.6	\$ (2.9)	
Interest rate swaps	Interest expense <sup>(4)</sup>	—	—	(0.9)	—	(1.0)	(1.1)	
<b>Derivative Financial Instruments in Net Investment Hedging Relationships:</b>								
Foreign currency borrowings and forward contracts		—	—	(59.6)	(44.9)	—	—	
<b>Derivative Financial Instruments Not Designated as Hedging Instruments:</b>								
Foreign currency option and forward contracts	Other expense, net <sup>(3)</sup>	(14.9)	(16.3)	—	—	—	—	
<b>Total</b>		<b>\$ (14.9)</b>	<b>\$ (16.3)</b>	<b>\$ (49.2)</b>	<b>\$ (32.1)</b>	<b>\$ 2.6</b>	<b>\$ (4.0)</b>	

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

<i>(In millions)</i>	Location of Gain/(Loss)	Amount of Gains/(Losses) Recognized in Earnings		Amount of Gains/(Losses) Recognized in AOCE (Net of Tax) on Derivatives		Amount of Gains/(Losses) Reclassified from AOCE into Earnings	
		Six months ended June 30, 2021	2020	Six months ended June 30, 2021	2020	Six months ended June 30, 2021	2020
<b>Derivative Financial Instruments in Fair Value Hedge Relationships <sup>(1)</sup> :</b>							
Interest rate swaps	Interest expense <sup>(3)</sup>	\$ —	\$ 22.1	\$ —	\$ —	\$ —	\$ —
2023 Senior Notes (3.125% coupon)	Interest expense <sup>(3)</sup>	—	(22.1)	—	—	—	—
<b>Derivative Financial Instruments in Cash Flow Hedging Relationships <sup>(2)</sup> :</b>							
Foreign currency forward contracts	Net sales <sup>(4)</sup>	—	—	16.9	(30.0)	9.7	(2.8)
Interest rate swaps	Interest expense <sup>(4)</sup>	—	—	(1.7)	—	(2.1)	(2.2)
<b>Derivative Financial Instruments in Net Investment Hedging Relationships:</b>							
Foreign currency borrowings and forward contracts		—	—	199.0	(4.8)	—	—
<b>Derivative Financial Instruments Not Designated as Hedging Instruments:</b>							
Foreign currency option and forward contracts	Other expense, net <sup>(3)</sup>	20.7	13.1	—	—	—	—
<b>Total</b>		<u>\$ 20.7</u>	<u>\$ 13.1</u>	<u>\$ 214.2</u>	<u>\$ (34.8)</u>	<u>\$ 7.6</u>	<u>\$ (5.0)</u>

<sup>(1)</sup> In the first quarter of 2020, the Company terminated interest rate swaps designated as a fair value hedge resulting in net proceeds of approximately \$45 million. The amount included in the above tables represents the fair value adjustment recognized at the date the interest rate swaps were settled.

<sup>(2)</sup> At June 30, 2021, the Company expects that approximately \$5.0 million of pre-tax net gains on cash flow hedges will be reclassified from AOCE into earnings during the next twelve months.

<sup>(3)</sup> Represents the location of the gain/(loss) recognized in earnings on derivatives.

<sup>(4)</sup> Represents the location of the gain/(loss) reclassified from AOCE into earnings.

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**
**Fair Value Measurement**

Fair value is based on the price that would be received from the sale of an identical asset or paid to transfer an identical liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy has been established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- *Level 2:* Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.
- *Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

Financial assets and liabilities carried at fair value are classified in the tables below in one of the three categories described above:

<i>(In millions)</i>	June 30, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>						
<b>Financial Assets</b>						
Cash equivalents:						
Money market funds	\$ 0.8	\$ —	\$ —	\$ 0.9	\$ —	\$ —
Total cash equivalents	0.8	—	—	0.9	—	—
Equity securities:						
Exchange traded funds	48.9	—	—	45.1	—	—
Marketable securities	0.7	—	—	0.7	—	—
Total equity securities	49.6	—	—	45.8	—	—
Available-for-sale fixed income investments:						
Corporate bonds	—	17.6	—	—	17.8	—
U.S. Treasuries	—	13.5	—	—	14.4	—
Agency mortgage-backed securities	—	1.6	—	—	1.9	—
Asset backed securities	—	5.3	—	—	4.6	—
Other	—	0.5	—	—	0.4	—
Total available-for-sale fixed income investments	—	38.5	—	—	39.1	—
Foreign exchange derivative assets	—	90.3	—	—	118.6	—
Total assets at recurring fair value measurement	\$ 50.4	\$ 128.8	\$ —	\$ 46.7	\$ 157.7	\$ —
<b>Financial Liabilities</b>						
Foreign exchange derivative liabilities	—	40.1	—	—	103.6	—
Contingent consideration	—	—	213.8	—	—	223.6
Total liabilities at recurring fair value measurement	\$ —	\$ 40.1	\$ 213.8	\$ —	\$ 103.6	\$ 223.6

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

For financial assets and liabilities that utilize Level 2 inputs, the Company utilizes both direct and indirect observable price quotes, including the LIBOR yield curve, foreign exchange forward prices and bank price quotes. Below is a summary of valuation techniques for Level 1 and Level 2 financial assets and liabilities:

- *Cash equivalents* — valued at observable net asset value prices.
- *Equity securities, exchange traded funds* — valued at the active quoted market prices from broker or dealer quotations or transparent pricing sources at the reporting date. Unrealized gains and losses attributable to changes in fair value are included in other expense, net, in the condensed consolidated statements of operations.
- *Equity securities, marketable securities* — valued using quoted stock prices from public exchanges at the reporting date. Unrealized gains and losses attributable to changes in fair value are included in other expense, net, in the condensed consolidated statements of operations.
- *Available-for-sale fixed income investments* — valued at the quoted market prices from broker or dealer quotations or transparent pricing sources at the reporting date. Unrealized gains and losses attributable to changes in fair value, net of income taxes, are included in accumulated other comprehensive loss as a component of shareholders' equity.
- *Foreign exchange derivative assets and liabilities* — valued using quoted forward foreign exchange prices and spot rates at the reporting date. Counterparties to these contracts are highly rated financial institutions.

*Contingent Consideration*

The fair value measurement of contingent consideration is determined using Level 3 inputs. The Company's contingent consideration represents a component of the total purchase consideration for Pfizer's respiratory delivery platform and certain other acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assumptions primarily related to the probability and timing of future development and commercial milestones and future profit sharing payments which are discounted using a market rate of return. At June 30, 2021 and December 31, 2020, discount rates ranging from 2.1% to 10.5% were utilized in the valuations. Significant changes in unobservable inputs could result in material changes to the contingent consideration liability.

A rollforward of the activity in the Company's fair value of contingent consideration from December 31, 2020 to June 30, 2021 is as follows:

<i>(In millions)</i>	<u>Current Portion</u> <sup>(1)</sup>	<u>Long-Term Portion</u> <sup>(2)</sup>	<u>Total Contingent Consideration</u>
<b>Balance at December 31, 2020</b>	\$ 100.5	\$ 123.1	\$ 223.6
Payments	(46.6)	—	(46.6)
Reclassifications	29.2	(29.2)	—
Accretion	—	4.8	4.8
Fair value loss <sup>(3)</sup>	—	32.0	32.0
<b>Balance at June 30, 2021</b>	<u>\$ 83.1</u>	<u>\$ 130.7</u>	<u>\$ 213.8</u>

(1) Included in other current liabilities in the condensed consolidated balance sheets.

(2) Included in other long-term obligations in the condensed consolidated balance sheets.

(3) Included in litigation settlements and other contingencies, net in the condensed consolidated statements of operations.

Although the Company has not elected the fair value option for other financial assets and liabilities, any future transacted financial asset or liability will be evaluated for the fair value election.

**VIATRIS INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

**12. Debt*****Short-Term Borrowings***

The Company had \$1.30 billion and \$1.10 billion of short-term borrowings as of June 30, 2021 and December 31, 2020, respectively.

<i>(In millions)</i>	June 30, 2021	December 31, 2020
Commercial paper notes	\$ 700.5	\$ 651.3
Receivables Facility	400.0	248.4
Note Securitization Facility	200.0	200.0
Other	—	1.2
<b>Short-term borrowings</b>	<b>\$ 1,300.5</b>	<b>\$ 1,100.9</b>

For additional information, see Note 10 *Debt* in Viatris' 2020 Form 10-K.

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**
**Long-Term Debt**

A summary of long-term debt is as follows:

(\$ in millions)	Interest Rate as of June 30, 2021	June 30, 2021	December 31, 2020
<b>Current portion of long-term debt:</b>			
2021 Senior Notes <sup>(a)</sup> **	3.150 %	—	2,249.7
2022 Euro Senior Notes ****	0.816 %	897.5	—
2022 Senior Notes ***	1.125 %	1,005.9	—
USD Term Loan		240.0	—
Other		5.0	8.0
Deferred financing fees		—	(1.4)
Current portion of long-term debt		<u>\$ 2,148.4</u>	<u>\$ 2,256.3</u>
<b>Non-current portion of long-term debt:</b>			
2022 Euro Senior Notes ****	0.816 %	—	928.8
2022 Senior Notes ***	1.125 %	—	1,008.8
2023 Senior Notes <sup>(b)</sup> *	3.125 %	773.8	781.6
2023 Senior Notes *	4.200 %	499.5	499.3
2024 Euro Senior Notes **	2.250 %	1,184.4	1,219.9
2024 Euro Senior Notes ****	1.023 %	913.0	944.6
2025 Euro Senior Notes *	2.125 %	592.1	609.9
2025 Senior Notes ***	1.650 %	765.2	767.1
2026 Senior Notes **	3.950 %	2,240.6	2,239.7
2027 Euro Senior Notes ****	1.362 %	1,060.9	1,097.4
2027 Senior Notes ***	2.300 %	783.5	786.1
2028 Euro Senior Notes **	3.125 %	883.4	909.7
2028 Senior Notes *	4.550 %	748.7	748.6
2030 Senior Notes ***	2.700 %	1,524.3	1,528.0
2032 Euro Senior Notes ****	1.908 %	1,618.3	1,672.6
2040 Senior Notes ***	3.850 %	1,660.3	1,663.3
2043 Senior Notes *	5.400 %	497.3	497.3
2046 Senior Notes **	5.250 %	999.9	999.9
2048 Senior Notes *	5.200 %	747.7	747.7
2050 Senior Notes ***	4.000 %	2,207.2	2,209.3
USD Term Loan		360.0	600.0
2020 Revolving Facility		900.0	—
Other		1.6	17.4
Deferred financing fees		(44.7)	(47.8)
Long-term debt		<u>\$ 20,917.0</u>	<u>\$ 22,429.2</u>

<sup>(a)</sup> The 2021 Senior Notes were repaid at maturity in the second quarter of 2021.

<sup>(b)</sup> In the first quarter of 2020, the Company terminated interest rate swaps designated as a fair value hedge resulting in net proceeds of approximately \$45 million. The fair value adjustment is being amortized to interest expense over the remaining term of the notes.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

\* Instrument was issued by Mylan Inc.

\*\* Instrument was originally issued by Mylan N.V. now held by Utah Acquisition Sub Inc.

\*\*\* Instrument was issued by Viatris Inc.

\*\*\*\* Instrument was issued by Upjohn Finance B.V.

For additional information, see Note 10 *Debt* in Viatris' 2020 Form 10-K.

**USD Term Loan, 2020 Revolving Facility, YEN Term Loan and 2021 Revolving Facility**

In June 2020, Viatris entered into (i) a \$600 million term loan agreement (the "USD Term Loan") and (ii) a \$4.0 billion revolving facility (the "2020 Revolving Facility") with various syndicates of banks. The USD Term Loan was fully repaid in July 2021.

The USD Term Loan and the 2020 Revolving Facility contained a maximum consolidated leverage ratio financial covenant requiring maintenance of a maximum ratio of consolidated total indebtedness as of the end of any quarter to consolidated EBITDA for the trailing four quarters as defined in the related credit agreements. The maximum leverage ratio is 4.25 to 1.00 for the first four full fiscal quarters following the close of the Combination and 3.75 to 1.00 thereafter, except in circumstances as defined in the related credit agreements.

The USD Term Loan and the 2020 Revolving Facility contained customary affirmative covenants for facilities of this type, including among others, covenants pertaining to the delivery of financial statements, notices of default and certain material events, maintenance of corporate existence and rights, property, and insurance and compliance with laws, as well as customary negative covenants for facilities of this type, including limitations on the incurrence of subsidiary indebtedness, liens, mergers and certain other fundamental changes, investments and loans, acquisitions, transactions with affiliates, payments of dividends and other restricted payments and changes in our lines of business.

In July 2021, Viatris entered into (i) a ¥40 billion term loan credit agreement (the "YEN Term Loan") and (ii) a \$4.0 billion revolving credit agreement (the "2021 Revolving Facility") with various syndicates of banks. The 2021 Revolving Facility amended and restated the 2020 Revolving Facility and proceeds from the 2021 Revolving Facility were used to repay outstanding obligations under the 2020 Revolving Facility. Proceeds from the YEN Term Loan and 2021 Revolving Facility were also used to repay the USD Term Loan in full and the USD Term Loan was terminated. The 2021 Revolving Facility and the YEN Term Loan have substantially identical terms to the 2020 Revolving Facility and USD Term Loan, respectively with the following exceptions: 1) the maturity of both the YEN Term Loan and the 2021 Revolving Facility is July 2026, 2) the pricing was adjusted to reflect current market prices (which were generally more favorable) and 3) the maximum leverage ratio as of the end of any quarter was set at 4.25 to 1.00 for each quarter ending after June 30, 2021 through and including June 30, 2022, 4.0 to 1.00 for each quarter ending after June 30, 2022 through and including December 31, 2022 and 3.75 to 1.00 thereafter, except in circumstances as defined in the related credit agreement. The Company expects to designate the YEN Term Loan as a hedge of its investment in certain Yen-functional currency subsidiaries in order to manage foreign currency translation risk.

The YEN Term Loan and the 2021 Revolving Facility contain customary affirmative covenants for facilities of this type, including among others, those set forth above with respect to the USD Term Loan and the 2020 Revolving Facility.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

**Fair Value**

At June 30, 2021 and December 31, 2020, the aggregate fair value of the Company's outstanding notes was approximately \$22.53 billion and \$25.90 billion, respectively. The fair values of the outstanding notes were valued at quoted market prices from broker or dealer quotations and were classified as Level 2 in the fair value hierarchy.

Mandatory minimum repayments remaining on the notional amount of outstanding long-term debt at June 30, 2021 were as follows for each of the periods ending December 31:

<i>(In millions)</i>	<b>Total</b>
2021	\$ —
2022	2,489
2023	2,150
2024	2,075
2025	1,343
Thereafter	14,330
<b>Total</b>	<b>\$ 22,387</b>

**13. Comprehensive Loss**

Accumulated other comprehensive loss, as reflected on the condensed consolidated balance sheets, is comprised of the following:

<i>(In millions)</i>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Accumulated other comprehensive loss:		
Net unrealized gain on marketable securities, net of tax	\$ 0.4	\$ 1.2
Net unrecognized gain (loss) and prior service cost related to defined benefit plans, net of tax	43.6	(26.1)
Net unrecognized loss on derivatives in cash flow hedging relationships, net of tax	(6.2)	(18.0)
Net unrecognized loss on derivatives in net investment hedging relationships, net of tax	(220.8)	(353.6)
Foreign currency translation adjustment	(1,022.0)	(461.5)
	<u>\$ (1,205.0)</u>	<u>\$ (858.0)</u>

Components of accumulated other comprehensive loss, before tax, consist of the following, for the three and six months ended June 30, 2021 and 2020:

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

Three Months Ended June 30, 2021

	Gains and Losses on Derivatives in Cash Flow Hedging Relationships			Gains and Losses on Net Investment Hedges	Gains and Losses on Marketable Securities	Defined Pension Plan Items	Foreign Currency Translation Adjustment	Totals
	Foreign Currency Forward Contracts	Interest Rate Swaps	Total					
	<i>(In millions)</i>							
Balance at March 31, 2021, net of tax			\$ (15.5)	\$ (161.3)	\$ 0.2	\$ (26.3)	\$ (1,182.7)	\$ (1,385.6)
Other comprehensive earnings (loss) before reclassifications, before tax			15.0	(77.4)	0.2	72.2	160.7	170.7
Amounts reclassified from accumulated other comprehensive earnings (loss), before tax:								
Gain on foreign exchange forward contracts classified as cash flow hedges, included in net sales	(3.6)		(3.6)					(3.6)
Loss on interest rate swaps classified as cash flow hedges, included in interest expense		1.0	1.0					1.0
Amortization of prior service costs included in SG&A						(0.2)		(0.2)
Amortization of actuarial gain included in SG&A						0.5		0.5
Net other comprehensive earnings (loss), before tax			12.4	(77.4)	0.2	72.5	160.7	168.4
Income tax provision (benefit)			3.1	(17.9)	—	2.6	—	(12.2)
Balance at June 30, 2021, net of tax			\$ (6.2)	\$ (220.8)	\$ 0.4	\$ 43.6	\$ (1,022.0)	\$ (1,205.0)

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**
**Three Months Ended June 30, 2020**

	Gains and Losses on Derivatives in Cash Flow Hedging Relationships			Gains and Losses on Net Investment Hedges	Gains and Losses on Marketable Securities	Defined Pension Plan Items	Foreign Currency Translation Adjustment	Totals
	Foreign Currency Forward Contracts	Interest Rate Swaps	Total					
<i>(In millions)</i>								
Balance at March 31, 2020, net of tax			\$ (70.1)	\$ (34.1)	\$ 0.8	\$ (19.0)	\$ (2,331.1)	\$ (2,453.5)
Other comprehensive earnings (loss) before reclassifications, before tax			14.7	(47.3)	0.6	6.5	452.0	426.5
Amounts reclassified from accumulated other comprehensive earnings (loss), before tax:								
Loss on foreign exchange forward contracts classified as cash flow hedges, included in net sales	2.9		2.9					2.9
Loss on interest rate swaps classified as cash flow hedges, included in interest expense		1.1	1.1					1.1
Amortization of actuarial loss included in SG&A						0.1		0.1
Net other comprehensive earnings (loss), before tax			18.7	(47.3)	0.6	6.6	452.0	430.6
Income tax provision (benefit)			4.3	(2.4)	0.1	—	—	2.0
Balance at June 30, 2020, net of tax			\$ (55.7)	\$ (79.0)	\$ 1.3	\$ (12.4)	\$ (1,879.1)	\$ (2,024.9)

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

	Six Months Ended June 30, 2021							
	Gains and Losses on Derivatives in Cash Flow Hedging Relationships			Gains and Losses on Net Investment Hedges	Gains and Losses on Marketable Securities	Defined Pension Plan Items	Foreign Currency Translation Adjustment	Totals
<i>(In millions)</i>	Foreign Currency Forward Contracts	Interest Rate Swaps	Total					
Balance at December 31, 2020, net of tax			\$ (18.0)	\$ (353.6)	\$ 1.2	\$ (26.1)	\$ (461.5)	\$ (858.0)
Other comprehensive earnings (loss) before reclassifications, before tax			23.3	150.0	(0.7)	72.8	(560.5)	(315.1)
Amounts reclassified from accumulated other comprehensive earnings (loss), before tax:								
Gain on foreign exchange forward contracts classified as cash flow hedges, included in net sales	(9.7)		(9.7)					(9.7)
Loss on interest rate swaps classified as cash flow hedges, included in interest expense		2.1	2.1					2.1
Amortization of prior service costs included in SG&A						(0.3)		(0.3)
Amortization of actuarial loss included in SG&A						0.8		0.8
Net other comprehensive earnings (loss), before tax			15.7	150.0	(0.7)	73.3	(560.5)	(322.2)
Income tax provision (benefit)			3.9	17.2	0.1	3.6	—	24.8
Balance at June 30, 2021, net of tax			<u>\$ (6.2)</u>	<u>\$ (220.8)</u>	<u>\$ 0.4</u>	<u>\$ 43.6</u>	<u>\$ (1,022.0)</u>	<u>\$ (1,205.0)</u>

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

Six Months Ended June 30, 2020

	Gains and Losses on Derivatives in Cash Flow Hedging Relationships			Gains and Losses on Net Investment Hedges	Gains and Losses on Marketable Securities	Defined Pension Plan Items	Foreign Currency Translation Adjustment	Totals
	Foreign Currency Forward Contracts	Interest Rate Swaps	Total					
<i>(In millions)</i>								
Balance at December 31, 2019, net of tax			\$ (31.6)	\$ (74.3)	\$ 0.6	\$ (17.4)	\$ (1,674.5)	\$ (1,797.2)
Other comprehensive (loss) earnings before reclassifications, before tax			(37.7)	(5.0)	0.8	4.7	(204.6)	(241.8)
Amounts reclassified from accumulated other comprehensive (loss) earnings, before tax:								
Loss on foreign exchange forward contracts classified as cash flow hedges, included in net sales	2.8		2.8					2.8
Loss on interest rate swaps classified as cash flow hedges, included in interest expense		2.2	2.2					2.2
Amortization of actuarial loss included in SG&A						0.3		0.3
Net other comprehensive (loss) earnings, before tax			(32.7)	(5.0)	0.8	5.0	(204.6)	(236.5)
Income tax (benefit) provision			(8.6)	(0.3)	0.1	—	—	(8.8)
Balance at June 30, 2020, net of tax			\$ (55.7)	\$ (79.0)	\$ 1.3	\$ (12.4)	\$ (1,879.1)	\$ (2,024.9)

**14. Segment Information**

Viatis reports segment information on the basis of markets and geography. In conjunction with the formation of Viatis, the Company has changed its reportable segments, from North America, Europe, and Rest of World, to Developed Markets, Greater China, JANZ, and Emerging Markets. Prior year amounts have been recasted to reflect this segment structure. We have also revised our measure of segment profitability. This approach reflects the Company's focus on bringing its broad and diversified portfolio of branded, complex generics and biosimilars, and generic products to people in markets everywhere. Our Developed Markets segment comprises our operations primarily in North America and Europe. Our Greater China segment includes our operations in China, Taiwan and Hong Kong. Our JANZ segment reflects our operations in Japan, Australia and New Zealand. Our Emerging Markets segment encompasses our operations in countries with developing markets and emerging economies including countries in Asia, the Middle East, South and Central America, Africa and Eastern Europe, and also includes the Company's anti-retroviral franchise.

The Company's chief operating decision maker is the Chief Executive Officer, who evaluates the performance of the Company's segments based on total revenues and segment profitability.

Certain costs are not included in the measurement of segment profitability, such as costs, if any, associated with the following:

- Intangible asset amortization expense and impairments of intangible assets;
- R&D expense;

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

- Net charges or net gains for litigation settlements and other contingencies;
- Certain costs related to transactions and events such as (i) purchase accounting adjustments, where we incur expenses associated with the amortization of fair value adjustments to inventory and property, plant and equipment; (ii) acquisition-related costs, where we incur costs for executing the transaction, integrating the acquired operations and restructuring the combined company; and (iii) other significant items, which are substantive and/or unusual, and in some cases recurring, items (such as restructuring) that are evaluated on an individual basis by management and that either as a result of their nature or size, would not be expected to occur as part of our normal business on a regular basis. Such special items can include, but are not limited to, non-acquisition-related restructuring costs, as well as costs incurred for asset impairments and disposals of assets or businesses, including, as applicable, any associated transition activities.
- Corporate and other unallocated costs associated with platform functions (such as digital, facilities, legal, finance, human resources, insurance, public affairs and procurement), patient advocacy activities and certain compensation and other corporate costs (such as interest income and expense, and gains and losses on investments, as well as overhead expenses associated with our manufacturing, which include manufacturing variances associated with production) and operations that are not directly assessed to an operating segment as business unit (segment) management does not manage these costs.

The Company does not report depreciation expense, total assets and capital expenditures by segment, as such information is not used by the chief operating decision maker.

The accounting policies of the segments are the same as those described in Note 2 *Summary of Significant Accounting Policies* included in the 2020 Form 10-K, and Note 3 *Recent Accounting Pronouncements, Adoption of New Accounting Standards* included in this Form 10-Q.

Presented in the table below is segment information for the periods identified and a reconciliation of segment information to total consolidated information.

<i>(In millions)</i>	Net Sales		Segment Profitability	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2021	2020	2021	2020
<b>Reportable Segments:</b>				
Developed Markets	\$ 2,640.4	\$ 1,982.7	\$ 1,319.9	\$ 1,048.6
Greater China	550.3	22.7	366.5	5.5
JANZ	501.0	280.2	185.4	83.4
Emerging Markets	870.0	410.3	384.7	133.4
Total reportable segments	\$ 4,561.7	\$ 2,695.9	\$ 2,256.5	\$ 1,270.9
Reconciling items:				
Intangible asset amortization expense			(681.6)	(351.6)
Globally managed research and development costs			(147.7)	(156.3)
Litigation settlements & other contingencies			(23.0)	(15.8)
Transaction related and other special items			(920.7)	(269.6)
Corporate and other unallocated			(531.3)	(343.4)
(Loss) earnings from operations			\$ (47.8)	\$ 134.2

**VIATRIS INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

<i>(In millions)</i>	Net Sales		Segment Profitability	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Reportable Segments:</b>				
Developed Markets	\$ 5,212.0	\$ 3,969.1	\$ 2,605.3	\$ 2,037.6
Greater China	1,142.2	37.8	771.4	5.1
JANZ	982.9	523.4	369.6	135.0
Emerging Markets	1,624.7	753.8	722.0	228.2
Total reportable segments	\$ 8,961.8	\$ 5,284.1	\$ 4,468.3	\$ 2,405.9
Reconciling items:				
Intangible asset amortization expense			(1,366.0)	(702.8)
Intangible asset impairment charges			(83.4)	—
Globally managed research and development costs			(331.8)	(270.5)
Litigation settlements & other contingencies			(45.9)	(17.6)
Transaction related and other special items			(1,914.1)	(433.8)
Corporate and other unallocated			(1,041.1)	(662.3)
(Loss) earnings from operations			\$ (314.0)	\$ 318.9

**15. Restructuring**
*2020 Restructuring Program*

During the fourth quarter of 2020, Viatris announced a significant global restructuring program in order to achieve synergies and ensure that the organization is optimally structured and efficiently resourced to deliver sustainable value to patients, shareholders, customers, and other stakeholders. Viatris' restructuring initiative incorporates and expands on the restructuring program announced by Mylan N.V. earlier in 2020 as part of its business transformation efforts. The Company expects to optimize its commercial capabilities and enabling functions, and close, downsize or divest up to 15 manufacturing facilities globally that are deemed to be no longer viable either due to surplus capacity, challenging market dynamics or a shift in its product portfolio toward more complex products. As a result, Viatris expects that up to 20% of its global workforce may be impacted upon completion of the restructuring initiative.

For the committed restructuring actions, the Company expects to incur total pre-tax charges ranging between \$1.1 billion and \$1.4 billion. Such charges are expected to include between \$350 million and \$450 million of non-cash charges mainly related to accelerated depreciation and asset impairment charges, including inventory write-offs. The remaining estimated cash costs of between \$750 million and \$950 million are expected to be primarily related to severance and employee benefits expense, as well as other costs, including those related to contract terminations and decommissioning costs.

Charges for restructuring and ongoing cost reduction initiatives are recorded in the period the Company commits to a restructuring or cost reduction plan, or executes specific actions contemplated by the plan and all criteria for liability recognition have been met.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

The following table summarizes the restructuring charges and the reserve activity for the 2020 restructuring program from December 31, 2020 to June 30, 2021:

<i>(In millions)</i>	Employee Related Costs	Other Exit Costs	Total
Balance at December 31, 2020:	\$ 262.6	\$ 4.8	\$ 267.4
Charges <sup>(1)</sup>	161.6	152.0	313.6
Cash payment	(49.2)	(1.1)	(50.3)
Utilization	—	(151.0)	(151.0)
Foreign currency translation	(3.3)	0.1	(3.2)
Balance at March 31, 2021:	<u>\$ 371.7</u>	<u>\$ 4.8</u>	<u>\$ 376.5</u>
Charges <sup>(1)</sup>	169.0	82.9	251.9
Reimbursable restructuring charges	26.4	—	26.4
Cash payment	(74.7)	(2.1)	(76.8)
Utilization	—	(80.8)	(80.8)
Foreign currency translation	1.6	(0.1)	1.5
Balance at June 30, 2021:	<u>\$ 494.0</u>	<u>\$ 4.7</u>	<u>\$ 498.7</u>

<sup>(1)</sup> For the three months ended June 30, 2021, total restructuring charges in Developed Markets, JANZ, Emerging Markets, and Corporate/Other were approximately \$115.1 million, \$107.5 million, \$6.0 million, and \$23.3 million respectively. For the six months ended June 30, 2021, total restructuring charges in Developed Markets, Greater China, JANZ, Emerging Markets, and Corporate/Other were approximately \$381.6 million, \$5.3 million, \$109.0 million, \$46.3 million, and \$23.3 million, respectively.

At June 30, 2021 and December 31, 2020, accrued liabilities for restructuring and other cost reduction programs were primarily included in other current liabilities and other long-term obligations in the condensed consolidated balance sheets.

## 16. Collaboration and Licensing Agreements

We periodically enter into collaboration and licensing agreements with other pharmaceutical companies for the development, manufacture, marketing and/or sale of pharmaceutical products. Our significant collaboration and licensing agreements are primarily focused on the development, manufacturing, supply and commercialization of multiple, high-value generic biologic compounds, insulin analog products and respiratory products, among other complex products. Under these agreements, we have future potential milestone payments and co-development expenses payable to third parties as part of our licensing, development and co-development programs. Payments under these agreements generally become due and are payable upon the satisfaction or achievement of certain developmental, regulatory or commercial milestones or as development expenses are incurred on defined projects. Milestone payment obligations are uncertain, including the prediction of timing and the occurrence of events triggering a future obligation and are not reflected as liabilities in the condensed consolidated balance sheets, except for obligations reflected as acquisition related contingent consideration. Refer to Note 11 *Financial Instruments and Risk Management* for further discussion of contingent consideration. Our potential maximum development milestones not accrued for at June 30, 2021 totaled approximately \$359 million. We estimate that the amounts that may be paid through the end of 2021 to be approximately \$24 million. These agreements may also include potential sales-based milestones and call for us to pay a percentage of amounts earned from the sale of the product as a royalty or a profit share. The amounts disclosed do not include sales-based milestones or royalty or profit share obligations on future sales of product as the timing and amount of future sales levels and costs to produce products subject to these obligations is not reasonably estimable. These sales-based milestones or royalty or profit share obligations may be significant depending upon the level of commercial sales for each product.

There have been no significant changes to our collaboration and licensing agreements as disclosed in our 2020 Form 10-K.

## 17. Income Taxes

### *Tax Examinations*

The Company is subject to income taxes and tax audits in many jurisdictions. A certain degree of estimation is thus required in recording the assets and liabilities related to income taxes. Tax audits and examinations can involve complex issues, interpretations, and judgments and the resolution of matters that may span multiple years, particularly if subject to litigation or negotiation.

Although the Company believes that adequate provisions have been made for these uncertain tax positions, the Company's assessment of uncertain tax positions, including those arising from legal entity restructuring transactions in connection with the Combination, is based on estimates and assumptions that the Company believes are reasonable but the estimates for unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variations from such estimates could materially affect the Company's financial condition, results of operations or cash flows in the period of resolution, settlement or when the statutes of limitations expire.

The Company is subject to ongoing IRS examinations. The years 2015 through 2018 are open years under examination. The years 2012, 2013 and 2014 have one matter open, and a Tax Court petition was filed regarding the matter and a trial was held in December 2018 and is discussed further below.

Several international audits are currently in progress. In some cases, the tax auditors have proposed adjustments or issued assessments to our tax positions, including with respect to intercompany transactions, and we are in ongoing discussions with some of the auditors regarding the validity of their positions.

In instances where assessments have been issued, we disagree with these assessments and believe they are without merit and incorrect as a matter of law. As a result, we anticipate that certain of these matters may become the subject of litigation before tax courts where we intend to vigorously defend our position.

In Australia, the tax authorities have issued notices of assessments to the Company for the years ended December 2009 to December 2019, subject to additional interest and penalties, concerning our tax position with respect to certain intercompany transactions. We intend to challenge these assessments in court in the event our objections are not sustained.

In France, the tax authorities have issued notices of assessments to the Company for the years ended December 2013 to December 2016 concerning our tax position with respect to (i) certain intercompany transactions and (ii) whether income earned by a Company entity not domiciled in France should be subject to French tax. We have resolved our position concerning certain intercompany transactions with the tax authorities. Concerning the remaining issue, we anticipate it will become the subject of litigation before the French tax courts in which the tax authorities will seek unpaid taxes, penalties, and interest.

The Company has recorded a reserve for uncertain tax positions of \$73.1 million and \$134.6 million, including interest and penalties, in connection with its international audits at June 30, 2021 and December 31, 2020, respectively. The reserve balance at June 30, 2021 reflects the impact of current year settlement payments. In connection with our international tax audits, including in Australia and France, it is possible that we will incur material losses above the amounts reserved.

The Company's major U.S. state taxing jurisdictions remain open from fiscal year 2013 through 2020, with several state audits currently in progress. The Company's major international taxing jurisdictions remain open from 2012 through 2020.

### *Tax Court Proceedings*

The Company's U.S. federal income tax returns for 2012 through 2014 had been subject to proceedings in U.S. Tax Court involving a dispute with the IRS regarding whether certain costs related to ANDAs were eligible to be expensed and deducted immediately or required to be amortized over longer periods. A trial was held in U.S. Tax Court in December 2018 and on April 27, 2021, the Court affirmed Mylan's position and held that patent litigation expenses related to ANDAs are immediately deductible.

**VIATRIS INC. AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued**

***Accounting for Uncertainty in Income Taxes***

The impact of an uncertain tax position that is more likely than not of being sustained upon audit by the relevant taxing authority must be recognized at the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained.

## 18. Litigation

The Company is involved in various disputes, governmental and/or regulatory inquiries, investigations and proceedings, tax proceedings and litigation matters, both in the U.S. and abroad, that arise from time to time, some of which could result in losses, including damages, fines and/or civil penalties, and/or criminal charges against the Company. These matters are often complex and have outcomes that are difficult to predict.

In addition, in connection with the Combination, the Company has generally assumed liability for, and control of, pending and threatened legal matters relating to the Upjohn Business – including certain matters initiated against Pfizer described below – and has agreed to indemnify Pfizer for liabilities arising out of such assumed legal matters. Pfizer, however, has agreed to retain various matters – including certain specified competition law matters – to the extent they arise from conduct during the pre-Distribution period and has agreed to indemnify the Company for liabilities arising out of such matters.

While the Company believes that it has meritorious defenses with respect to the claims asserted against it and the assumed legal matters referenced above, and intends to vigorously defend its position, the process of resolving these matters is inherently uncertain and may develop over a long period of time, and so it is not possible to predict the ultimate resolution of any such matter. It is possible that an unfavorable resolution of any of the ongoing matters could have a material effect on the Company's business, financial condition, results of operations, cash flows, ability to pay dividends and/or stock price.

Some of these governmental inquiries, investigations, proceedings and litigation matters with which the Company is involved are described below, and unless otherwise disclosed, the Company is unable to predict the outcome of the matter or to provide an estimate of the range of reasonably possible material losses. The Company records accruals for loss contingencies to the extent we conclude it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company is also involved in other pending proceedings for which, in the opinion of the Company based upon facts and circumstances known at the time, either the likelihood of loss is remote or any reasonably possible loss associated with the resolution of such proceedings is not expected to be material to the Company's business, financial position, results of operations, cash flows, ability to pay dividends and/or stock price. If and when any reasonably possible losses associated with the resolution of such other pending proceedings, in the opinion of the Company, become material, the Company will disclose such matters.

Legal costs are recorded as incurred and are classified in SG&A in the Company's condensed consolidated statements of operations.

### ***EpiPen® Auto-Injector Litigation***

The Company has been named as a defendant in putative indirect purchaser class actions relating to the pricing and/or marketing of the EpiPen® Auto-Injector. The plaintiffs in these cases assert violations of various federal and state antitrust and consumer protection laws, RICO as well as common law claims. Plaintiffs' claims include purported challenges to the prices charged for the EpiPen® Auto-Injector and/or the marketing of the product in packages containing two auto-injectors, as well as allegedly anti-competitive conduct. A former Mylan N.V. officer and other non-Viatris affiliated companies are also defendants in some of the class actions. Plaintiffs' seek monetary damages, attorneys' fees and costs. These lawsuits were filed in various federal and state courts and have either been dismissed or transferred into a MDL in the U.S. District Court for the District of Kansas and have been consolidated. The District Court certified an antitrust class that applies to 17 states and a RICO class. On June 23, 2021, the Court granted – in substantial part – the Company's and former Mylan N.V. officer's motion for summary judgment by dismissing certain antitrust claims and the RICO claims, which included RICO claims asserted against the former Mylan N.V. officer. Plaintiffs filed a motion for reconsideration of the summary judgment decision with respect to the RICO claims. On July 8, 2021, the Company filed a motion to decertify the class action with respect to the remaining antitrust claims. A trial on the remaining antitrust claims against the Company is currently scheduled to begin on January 24, 2022.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

On February 14, 2020, the Company, together with other non-Viatis affiliated companies, were named as defendants in a putative direct purchaser class action filed in the U.S. District Court for the District of Kansas relating to the pricing and/or marketing of the EpiPen® Auto-Injector. The plaintiff in this case asserts federal antitrust claims which are based on allegations that are similar to those in the putative indirect purchaser class actions discussed above. On November 3, 2020, the plaintiff filed a second amended complaint that is substantially similar to the allegations in the amended complaint. Plaintiffs seek monetary damages, declaratory relief, attorneys' fees and costs. On July 26, 2021, the Court dismissed the second amended complaint with an option for Plaintiff to file a limited amended complaint within 30 days.

Beginning in March 2020, the Company, together with other non-Viatis affiliated companies, were named as defendants in putative direct purchaser class actions filed in the U.S. District Court for the District of Minnesota relating to contracts with certain pharmacy benefit managers concerning EpiPen® Auto-Injector. The plaintiffs claim that the alleged conduct resulted in the exclusion or restriction of competing products and the elimination of pricing constraints in violation of RICO and federal antitrust law. These actions have been consolidated. Plaintiffs seek monetary damages, attorneys' fees and costs.

On April 24, 2017, Sanofi Aventis U.S., LLC ("Sanofi") filed a lawsuit against the Company in the U.S. District Court for the District of New Jersey. This lawsuit has been transferred into the aforementioned MDL and alleges exclusive dealing and anti-competitive marketing practices in violation of the antitrust laws in connection with the sale and marketing of the EpiPen® Auto-Injector. Sanofi seeks monetary damages, declaratory relief, attorneys' fees and costs. The Court granted the Company's motion for summary judgment and dismissed Sanofi's claims. Sanofi's appeal is pending.

The Company has a total accrual of approximately \$10.0 million related to this matter at June 30, 2021, which is included in other current liabilities in the condensed consolidated balance sheets. Although it is reasonably possible that the Company may incur additional losses from these matters, any amount cannot be reasonably estimated at this time. In addition, the Company expects to incur additional legal and other professional service expenses associated with such matters in future periods and will recognize these expenses as services are received. The Company believes that the ultimate amount paid for these services and claims could have a material effect on the Company's business, financial condition, results of operations, cash flows, ability to pay dividends and/or stock price in future periods.

**Drug Pricing Matters***Department of Justice*

On December 3, 2015, the Company received a subpoena from the Antitrust Division of the DOJ seeking information relating to the marketing, pricing, and sale of certain of our generic products and any communications with competitors about such products. On September 8, 2016, the Company, as well as certain employees and a member of senior management, received subpoenas from the DOJ seeking similar information. Related search warrants also were executed.

On May 10, 2018, the Company received a civil investigative demand from the Civil Division of the DOJ seeking information relating to the pricing and sale of its generic drug products.

We are fully cooperating with these investigations, which we believe are related to a broader industry-wide investigation of the generic pharmaceutical industry.

### *Civil Litigation*

Beginning in 2016, the Company, along with other manufacturers, has been named as a defendant in lawsuits generally alleging anticompetitive conduct with respect to generic drugs. The lawsuits have been filed by plaintiffs, including putative classes of direct purchasers, indirect purchasers, and indirect resellers, as well as individual direct and indirect purchasers and certain cities and counties. They allege harm under federal and state laws, including federal and state antitrust laws, state consumer protection laws and unjust enrichment claims. Some of the lawsuits also name as defendants the Company's President, including allegations against him with respect to a single drug product, and one of the Company's sales employees, including allegations against him with respect to certain generic drugs. The lawsuits have been consolidated in an MDL proceeding in the Eastern District of Pennsylvania ("EDPA"). Plaintiffs generally seek monetary damages, restitution, declaratory and injunctive relief, attorneys' fees and costs. The Court has ordered certain plaintiffs' complaints regarding two single-drug product cases to proceed as bellwethers. The Company is named in those plaintiffs' complaints that regard one of the two individual drug products.

### *Attorneys General Litigation*

On December 21, 2015, the Company received a subpoena and interrogatories from the Connecticut Office of the Attorney General seeking information relating to the marketing, pricing and sale of certain of the Company's generic products and communications with competitors about such products. On December 14, 2016, attorneys general of certain states originally filed a complaint in the United States District Court for the District of Connecticut against several generic pharmaceutical drug manufacturers, including the Company, alleging anticompetitive conduct with respect to, among other things, a single drug product. The complaint has subsequently been amended, including on June 18, 2018, to add attorneys general alleging violations of federal and state antitrust laws, as well as violations of various states' consumer protection laws. This lawsuit has been transferred to the aforementioned MDL proceeding in the EDPA. The operative complaint includes attorneys general of forty-seven states, the District of Columbia and the Commonwealth of Puerto Rico. The Company is alleged to have engaged in anticompetitive conduct with respect to four generic drug products. The amended complaint also includes claims asserted by attorneys general of thirty-seven states and the Commonwealth of Puerto Rico against certain individuals, including the Company's President, with respect to a single drug product. The amended complaint seeks declaratory and injunctive relief, disgorgement, attorneys' fees and costs, and certain states seek monetary damages, civil penalties, and restitution.

On May 10, 2019, certain attorneys general filed a new complaint in the United States District Court for the District of Connecticut against various drug manufacturers and individuals, including the Company and one of its sales employees, alleging anticompetitive conduct with respect to additional generic drugs. On November 1, 2019, the complaint was amended, adding additional states as plaintiffs. The operative complaint is brought by attorneys general of forty-eight states, certain territories and the District of Columbia. The amended complaint also includes claims asserted by attorneys general of forty-three states and certain territories against several individuals, including a Company sales employee. The amended complaint seeks declaratory and injunctive relief, disgorgement, attorneys' fees and costs, and certain states seek monetary damages, civil penalties, and restitution. This lawsuit has been transferred to the aforementioned MDL proceeding in the EDPA.

On June 10, 2020, attorneys general of forty-six states, certain territories and the District of Columbia filed a new complaint in the United States District Court for the District of Connecticut against drug manufacturers, including the Company, and individual defendants (none from the Company), alleging anticompetitive conduct with respect to additional generic drugs. The complaint seeks declaratory and injunctive relief, disgorgement, attorneys' fees and costs, and certain states seek monetary damages, civil penalties, and restitution. This lawsuit has been transferred to the aforementioned MDL proceeding in the EDPA. The court has ordered that this case proceed as a bellwether.

### *Securities Related Litigation*

Purported class action complaints were filed in October 2016 against Mylan N.V. and Mylan Inc. (collectively "Mylan"), certain of Mylan's former directors and officers, and certain of the Company's current directors and officers (collectively, for purposes of this paragraph, the "defendants") in the United States District Court for the Southern District of New York ("SDNY") on behalf of certain purchasers of securities of Mylan on the NASDAQ. The complaints alleged that defendants made false or misleading statements and omissions of purportedly material fact, in violation of federal securities laws, in connection with disclosures relating to the classification of their EpiPen® Auto-Injector as a non-innovator drug for purposes of the Medicaid Drug Rebate Program. On March 20, 2017, a consolidated amended complaint was filed alleging

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

substantially similar claims, but adding allegations that defendants made false or misleading statements and omissions of purportedly material fact in connection with allegedly anticompetitive conduct with respect to EpiPen® Auto-Injector and certain generic drugs.

The operative complaint is the third amended consolidated complaint, which was filed on June 17, 2019, and contains the allegations as described above against Mylan, certain of Mylan's former directors and officers, and certain of the Company's current directors, officers, and employees (collectively, for purposes of this paragraph, the "defendants"). A class has been certified covering all persons or entities that purchased Mylan common stock between February 21, 2012 and May 24, 2019 excluding defendants, certain of the Company's current directors and officers, former directors and officers of Mylan, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which defendants have or had a controlling interest. Plaintiffs seek damages and costs and expenses, including attorneys' fees and expert costs.

On April 30, 2017, a similar lawsuit was filed in the Tel Aviv District Court (Economic Division) in Israel, which has been stayed pending a decision in the SDNY class action litigation.

On February 26, 2019, MYL Litigation Recovery I LLC ("MYL Plaintiff") (an assignee of entities that purportedly purchased stock of Mylan N.V.) filed an additional complaint in the SDNY against Mylan, certain of Mylan's former officers and directors, and an officer of the Company asserting allegations pertaining to EpiPen® Auto-Injector under the federal securities laws that overlap in part with those asserted in the third amended complaint identified above. MYL Plaintiff's complaint seeks monetary damages as well as the plaintiff's costs. On May 6, 2020, MYL Plaintiff filed an amended complaint including additional allegations in connection with purportedly anticompetitive conduct with respect to EpiPen® Auto-Injector.

MYL Plaintiff subsequently filed a summons on October 30, 2020, naming Mylan, certain of Mylan's former officers and directors, and certain of the Company's current officers, directors, and employees in New York State Court, County of New York, claiming investment losses suffered as a result of purportedly false and misleading statements in connection with allegedly anticompetitive conduct concerning generic pharmaceuticals. Plaintiff is seeking monetary and punitive damages, attorneys' fees and costs. The parties have resolved both matters filed by MYL Plaintiff and they have been dismissed with prejudice.

On February 14, 2020, the Abu Dhabi Investment Authority filed a complaint against Mylan in the SDNY asserting allegations pertaining to EpiPen® Auto-Injector and certain generic drugs under the federal securities laws that overlap with those asserted in the third amended complaint identified above. The Abu Dhabi Investment Authority's complaint seeks monetary damages as well as the plaintiff's fees and costs.

On June 26, 2020, a putative class action complaint was filed by the Public Employees Retirement System of Mississippi, which was subsequently amended on November 13, 2020, against Mylan N.V., certain of Mylan N.V.'s former directors and officers, and an officer and director of the Company (collectively for the purposes of this paragraph, the "defendants") in the U.S. District Court for the Western District of Pennsylvania on behalf of certain purchasers of securities of Mylan N.V. The amended complaint alleges that defendants made false or misleading statements and omissions of purportedly material fact, in violation of federal securities laws, in connection with disclosures relating to the Morgantown manufacturing plant and inspections at the plant by the FDA. Plaintiff seeks certification of a class of purchasers of Mylan N.V. securities between February 16, 2016 and May 7, 2019. The complaint seeks monetary damages, as well as the plaintiff's fees and costs.

On February 15, 2021, a complaint was filed by Skandia Mutual Life Ins. Co., Lansforsakringar AB, KBC Asset Management N.V., and GIC Private Limited, against the Company, certain of Mylan N.V.'s former directors and officers, a current director and officer of the Company, and current employees of the Company. The Complaint asserts claims which are based on allegations that are similar to those in the SDNY and the Western District of Pennsylvania complaints identified above. Plaintiffs seek compensatory damages, costs and expenses and attorneys' fees.

### **Opioids**

The Company, along with other manufacturers, distributors, pharmacies, pharmacy benefit managers, and individual healthcare providers is a defendant in more than 1,000 cases in the United States and Canada filed by various plaintiffs, including counties, cities and other local governmental entities, asserting civil claims related to sales, marketing and/or

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

distribution practices with respect to prescription opioid products. In addition, lawsuits have been filed as putative class actions including on behalf of children with Neonatal Abstinence Syndrome due to alleged exposure to opioids.

The lawsuits generally seek equitable relief and monetary damages (including punitive and/or exemplary damages) based on a variety of legal theories, including various statutory and/or common law claims, such as negligence, public nuisance and unjust enrichment. The vast majority of these lawsuits have been consolidated in an MDL in the U.S. District Court for the Northern District Court of Ohio.

In November 2019, the Company received a subpoena from the New York Department of Financial Services as part of an industry-wide inquiry into the effect of opioid prescriptions on New York health insurance premiums. The Company is fully cooperating with this subpoena request.

**European Commission Proceedings***Perindopril*

On July 9, 2014, the Commission issued a decision finding that the Company as well as several other companies, had violated EU competition rules relating to the product Perindopril and fined the Company approximately €17.2 million. The Company paid approximately \$21.7 million related to this matter during the fourth quarter of 2014. The decision was affirmed on appeal by the General Court of the EU and is now on appeal to the CJEU. The Company has received a notice from an organization representing health insurers in the Netherlands stating an intention to commence follow-on litigation and asserting monetary damages.

*Citalopram*

On June 19, 2013, the Commission issued a decision finding that the Company as well as several other companies, had violated EU competition rules relating to the product Citalopram and fined the Company approximately €7.8 million, jointly and severally with Merck KGaA. The decision was affirmed on appeal by the General Court of the EU and the CJEU. The Commission's matter as to the Company is now closed. The Company has received notices from European NHS and health insurers stating an intention to commence follow-on litigation and asserting monetary damages. The NHS England and Wales has instituted litigation against all parties to the Commission's decision, including the Company.

The Company has also sought indemnification from Merck KGaA with respect to the €7.8 million portion of the fine for which Merck KGaA and the Company were held jointly and severally liable. Merck KGaA has counterclaimed against the Company seeking the same indemnification. In June 2018, the Frankfurt Regional Court issued a judgment ordering the Company to indemnify Merck KGaA with respect to the amount for which the parties were held jointly and severally liable. The Company has appealed this decision.

The Company has accrued approximately €11.2 million as of June 30, 2021 related to this matter. It is reasonably possible that we will incur additional losses above the amount accrued but we cannot estimate a range of such reasonably possible losses at this time. There are no assurances, however, that settlements reached and/or adverse judgments received, if any, will not exceed amounts accrued.

**U.K. Competition and Markets Authority***Paroxetine*

On August 12, 2011, the Company received notice that the Office of Fair Trading (now the "CMA") opened an investigation regarding possible infringement of the Competition Act 1998 and Articles 101 and 102 of the Treaty on the Functioning of the EU, with respect to alleged agreements related to Paroxetine. The CMA issued a decision on February 12, 2016, finding that the Company, Merck KGaA, and other companies were liable for infringing EU and U.K. competition rules. The CMA issued a penalty to Merck KGaA of approximately £5.8 million, for which the Company is jointly and severally liable for approximately £2.7 million. On appeal, the CAT affirmed the CMA's decision but reduced the penalty to Merck KGaA to approximately £3.9 million, and reduced the amount for which the Company is jointly and severally liable to approximately £2.05 million.

The Company has also received a notice from the NHS England and Wales stating an intention to commence follow-on litigation and asserting monetary damages.

The Company has accrued approximately £10.1 million as of June 30, 2021 related to this matter. It is reasonably possible that the Company will incur additional losses above the amount accrued but we cannot estimate a range of such reasonably possible losses at this time. There are no assurances, however, that settlements reached and/or adverse judgments received, if any, will not exceed amounts accrued.

### ***Product Liability***

Like other pharmaceutical companies, the Company is involved in a number of product liability lawsuits related to alleged personal injuries arising out of certain products manufactured/or distributed by the Company, including but not limited to those discussed below. Plaintiffs in these cases generally seek damages and other relief on various grounds for alleged personal injury and economic loss.

The Company has accrued approximately \$103.1 million as of June 30, 2021 for its product liability matters. It is reasonably possible that we will incur additional losses and fees above the amount accrued but we cannot estimate a range of such reasonably possible losses or legal fees related to these claims at this time. There are no assurances, however, that settlements reached and/or adverse judgments received, if any, will not exceed amounts accrued.

### ***Nitrosamines***

The Company, along with numerous other manufacturers, retailers, and others, are parties to litigation relating to alleged trace amounts of nitrosamine impurities in certain products, including valsartan and ranitidine. The vast majority of these lawsuits in the United States are pending in two MDLs, namely an MDL pending in the United States District Court for the District of New Jersey concerning valsartan and an MDL pending in the United States District Court for the Southern District of Florida concerning ranitidine. The lawsuits against the Company in the MDLs include putative class actions seeking the refund of the purchase price and other economic and punitive damages allegedly sustained by consumers and end payors as well as individuals seeking compensatory and punitive damages for personal injuries allegedly caused by ingestion of the medications. Similar lawsuits pertaining to valsartan have been filed in Canada and other countries. The Company has also received claims and inquiries related to these products, as well as requests to indemnify purchasers of the Company's API and/ or finished dose forms of these products. The original master complaints concerning ranitidine were dismissed on December 31, 2020. The Company has not been named as a defendant in the amended master complaints, though it is still named in certain short form personal injury complaints. The end-payor plaintiffs in the ranitidine matter have filed an appeal to the U.S. Court of Appeals for the Eleventh Circuit.

### ***Lipitor***

A number of individual and multi-plaintiff lawsuits have been filed against Pfizer in various federal and state courts alleging that the plaintiffs developed type 2 diabetes purportedly as a result of the ingestion of Lipitor. Plaintiffs seek compensatory and punitive damages. In February 2014, the federal actions were transferred for consolidated pre-trial proceedings to an MDL in the U.S. District Court for the District of South Carolina. Since 2016, certain cases in the MDL were remanded to certain state courts. In 2017, the District Court granted Pfizer's motion for summary judgment, dismissing all of the cases pending in the MDL. In June 2018, this dismissal was affirmed by the U.S. Court of Appeals for the Fourth Circuit. The state court proceedings remain pending in various jurisdictions, including in California, Missouri, and New York. On January 27, 2021, the California Court granted Pfizer's motion to exclude the opinions of plaintiffs' only general causation expert in connection with his opinions involving the three lowest doses of Lipitor (10, 20 and 40 mg). The Company filed a motion for summary judgment - which remains pending - in connection with the 10, 20, and 40 mg plaintiffs on June 7, 2021 and Plaintiffs did not file an opposition.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

*Viagra*

Since April 2016, an MDL has been pending in the U.S. District Court for the Northern District of California, in which plaintiffs allege that they developed melanoma and/or the exacerbation of melanoma purportedly as a result of the ingestion of Viagra. Additional cases filed against Eli Lilly and Company (“Lilly”) with respect to Cialis have also been consolidated in the MDL. Plaintiffs seek compensatory and punitive damages. In January 2020, the District Court granted Pfizer’s and Lilly’s motion to exclude all of plaintiffs’ general causation opinions. As a result, in April 2020, the District Court entered summary judgment in favor of defendants and dismissed all of plaintiffs’ claims. In April 2020, plaintiffs filed a notice of appeal in the U.S. Court of Appeals for the Ninth Circuit. The parties have reached a settlement in principle.

*Dilantin*

Since 2018, a number of individual and multi-plaintiff lawsuits have been filed against Pfizer and related entities in various federal and state courts, alleging that the plaintiffs developed cerebellar atrophy as a result of the ingestion of Dilantin. Plaintiffs seek compensatory and punitive damages. The cases are in various stages, from the initial pleading stage to discovery, and some at the bellwether case selection phase. The parties have reached a settlement in principle.

**Intellectual Property**

The Company is involved in a number of patent litigation lawsuits involving the validity and/or infringement of patents held by branded pharmaceutical manufacturers including but not limited to the matters described below. The Company uses its business judgment to decide to market and sell certain products, in each case based on its belief that the applicable patents are invalid and/or that its products do not infringe, notwithstanding the fact that allegations of patent infringement(s) or other potential third party rights have not been finally resolved by the courts. The risk involved in doing so can be substantial because the remedies available to the owner of a patent for infringement may include, a reasonable royalty on sales or damages measured by the profits lost by the patent owner. If there is a finding of willful infringement, damages may be increased up to three times. Moreover, because of the discount pricing typically involved with bioequivalent products, patented branded products generally realize a substantially higher profit margin than generic and biosimilar products. The Company also faces challenges to its patents, including suits in various jurisdictions pursuant to which generic drug manufacturers, payers, governments, or other parties are seeking damages for allegedly causing delay of generic entry. An adverse decision in any of these matters could have an adverse effect that is material to our business, financial condition, results of operations, cash flows, ability to pay dividends and/or stock price.

The Company has accrued approximately \$302.5 million as of June 30, 2021 for its intellectual property matters. It is reasonably possible that we will incur additional losses and fees above the amount accrued but we cannot estimate a range of such reasonably possible losses or legal fees related to these claims at this time. There are no assurances, however, that settlements reached and/or adverse judgments received, if any, will not exceed amounts accrued.

*Insulin Glargine*

On October 24, 2017, Sanofi and affiliated entities (collectively for the purposes of this section, “Sanofi”), sued Mylan GmbH and other Mylan entities in the U.S. District Court for the District of New Jersey asserting that Mylan GmbH’s new drug application for insulin glargine injection 100 Units/mL vials and prefilled injection pens (SEMGLEE® vial and pens) infringed 18 U.S. patents. 2 of the 18 patents covered the insulin glargine formulation. Both of these patents have been held invalid and all appeals have concluded. These two patents were the only patents asserted against the SEMGLEE® vial product.

The 16 other asserted patents relate to a pen injection device (“device patents”) and were asserted only against the SEMGLEE® pen injection device. Prior to trial, Sanofi dismissed 12 of those device patents from the case and granted the Company a covenant not to sue with respect to them. On June 17, 2019, following the District Court’s claim construction order, the District Court entered judgment of non-infringement with respect to the asserted claims of three of the four remaining device patents (U.S. Patent Numbers 8,603,044, 8,679,069, 8,992,486).

Only one device patent remained for trial (U.S. Patent Number 9,526,844). On March 9, 2020, the District Court issued an opinion after trial finding all asserted claims of the ‘844 patent not infringed and invalid for lack of written description. Sanofi’s appeal is pending.

## VIATRIS INC. AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

On September 10, 2018, Mylan Pharmaceuticals Inc. (“MPI”) filed IPR petitions challenging five device patents (the ‘844, ‘044, ‘069, ‘486, and ‘008 patents). On April 2, 2020 and May 29, 2020, the PTAB issued final written decisions in the IPR proceedings finding all challenged claims unpatentable except for two claims of the ‘008 patent for which Sanofi granted the Company a covenant not to sue as described above. Sanofi’s appeals of all these IPR decisions are pending.

On March 26, 2021, the PTAB issued a final written decision in an IPR proceeding in which MPI challenged an additional Sanofi device patent (U.S. Patent Number RE47,614) and found all challenged claims unpatentable. Sanofi’s appeal is pending.

On June 11, 2020, the FDA approved the SEMGLEE® vial and pen products, which MPI began selling on August 31, 2020.

*Dimethyl Fumarate*

On June 30, 2017, Biogen MA Inc. and Biogen International GmbH (collectively, “Biogen”) sued MPI in the U.S. District Court for the Northern District of West Virginia asserting that MPI’s abbreviated new drug application for dimethyl fumarate delayed-release capsules containing 120 mg and 240 mg of dimethyl fumarate (generic for Tecfidera®) infringed six U.S. patents that Biogen had listed in the Orange Book: 6,509,376, 7,320,999, 7,619,001, 7,803,840, 8,759,393, and 8,399,514. All patents except for the ‘514 expired during the litigation and were dismissed from the case.

After a trial involving only the ‘514 patent on June 18, 2020, the District Court issued a judgment finding all claims of the ‘514 patent invalid for lack of adequate written description. Biogen’s appeal is pending.

On July 13, 2018, MPI filed an IPR petition challenging the ‘514 patent based only on obviousness. On February 5, 2020, the PTAB issued a final written decision finding the claims not obvious. MPI’s appeal is pending.

On August 17, 2020, the FDA approved MPI’s dimethyl fumarate delayed-release capsules, which MPI began selling on August 18, 2020.

*Lyrica - United Kingdom*

Beginning in 2014, Pfizer was involved in patent litigation in the English courts concerning the validity of its Lyrica pain use patent. In 2015, the High Court of Justice in London ordered that the NHS England issue guidance for prescribers and pharmacists directing the prescription and dispensing of Lyrica by brand when pregabalin was prescribed for the treatment of neuropathic pain and entered a preliminary injunction against certain Sandoz group companies preventing the sale of Sandoz’s full label pregabalin product. Pfizer undertook to compensate certain generic companies and NHS entities for losses caused by these orders, which remained in effect until patent expiration in July 2017. In November 2018, the U.K. Supreme Court ruled that all the relevant claims directed to neuropathic pain were invalid.

Dr. Reddy’s Laboratories filed a claim for monetary damages, interest, and costs in May 2020, followed by the Scottish Ministers and fourteen Scottish Health Boards (together, NHS Scotland) in July 2020. In September 2020, Teva, Sandoz, Ranbaxy, Actavis, and the Secretary of State for Health and Social Care, together with 32 other NHS entities (together, NHS England, Wales, Scotland and Northern Ireland) filed their claims. The claim filed by Sandoz has been resolved and we have reached a settlement in principle to resolve the claim filed by Ranbaxy.

*Lyrica - Canada*

In June 2014, Pharmascience Inc. (“PMS”) commenced an action against Pfizer Canada Inc., Warner-Lambert Company and Warner-Lambert Company LLC (the Pfizer Canada Defendants) seeking damages in connection with an earlier unsuccessful patent litigation brought by the Pfizer Canada Defendants involving pregabalin. PMS claims lost profit damages from November 30, 2010, the date it received tentative regulatory approval for its pregabalin product, to February 13, 2013, the date Pfizer’s patent case against PMS was dismissed. A trial that will take place intermittently over a few week period began on July 19, 2021.

*Other Litigation*

The Company is involved in various other legal proceedings including commercial, contractual, employment, or other similar matters that are considered normal to its business. The Company has approximately \$12.7 million accrued related to these various other legal proceedings at June 30, 2021.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis addresses material changes in the financial condition and results of operations of Viatrix Inc. and subsidiaries for the periods presented. Unless context requires otherwise, the "Company," "Viatrix," "our" or "we" refer to Viatrix Inc. and its subsidiaries.

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements, the related Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Viatrix' 2020 Form 10-K, the unaudited interim financial statements and related Notes included in Part I — ITEM 1 of this Form 10-Q and our other SEC filings and public disclosures. The interim results of operations and comprehensive earnings for the three and six months ended June 30, 2021, and cash flows for the six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the full fiscal year or any other future period.

This Form 10-Q contains "forward-looking statements". These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, statements about the Combination, the benefits and synergies of the Combination or our global restructuring program, future opportunities for the Company and its products and any other statements regarding the Company's future operations, financial or operating results, capital allocation, dividend policy and payments, debt ratio and covenants, anticipated business levels, future earnings, planned activities, anticipated growth, market opportunities, strategies, competitions, efforts to create, enhance or otherwise unlock the value of our unique global platform, and other expectations and targets for future periods. Forward-looking statements may often be identified by the use of words such as "will", "may", "could", "should", "would", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "pipeline", "intend", "continue", "target", "seek" and variations of these words or comparable words. Because forward-looking statements inherently involve risks and uncertainties, actual future results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to:

- the integration of Mylan and the Upjohn Business or the implementation of the Company's global restructuring program being more difficult, time consuming or costly than expected;
- the possibility that the Company may be unable to achieve expected benefits, synergies and operating efficiencies in connection with the Combination or its global restructuring program within the expected timeframe or at all;
- the possibility that the Company may be unable to successfully integrate Mylan and the Upjohn Business or implement its global restructuring program;
- operational or financial difficulties or losses associated with the Company's reliance on agreements with Pfizer in connection with the Combination, including with respect to transition services;
- the possibility that the Company may be unable to achieve all intended benefits of its strategic initiatives;
- the potential impact of public health outbreaks, epidemics and pandemics, including the ongoing challenges and uncertainties posed by the COVID-19 pandemic;
- the Company's failure to achieve expected or targeted future financial and operating performance and results;
- actions and decisions of healthcare and pharmaceutical regulators;
- changes in relevant laws and regulations, including but not limited to changes in tax, healthcare and pharmaceutical laws and regulations globally (including the impact of potential tax reform in the U.S.);
- the ability to attract and retain key personnel;
- the Company's liquidity, capital resources and ability to obtain financing;
- any regulatory, legal or other impediments to the Company's ability to bring new products to market, including but not limited to "at-risk launches";
- success of clinical trials and the Company's or its partners' ability to execute on new product opportunities and develop, manufacture and commercialize products;
- any changes in or difficulties with the Company's manufacturing facilities, including with respect to inspections, remediation and restructuring activities, supply chain or inventory or the ability to meet anticipated demand;
- the scope, timing and outcome of any ongoing legal proceedings, including government inquiries or investigations, and the impact of any such proceedings on the Company;
- any significant breach of data security or data privacy or disruptions to our information technology systems;
- risks associated with having significant operations globally;
- the ability to protect intellectual property and preserve intellectual property rights;
- changes in third-party relationships;
- the effect of any changes in the Company's or its partners' customer and supplier relationships and customer purchasing patterns, including customer loss and business disruption being greater than expected following the Combination;

- the impacts of competition, including decreases in sales or revenues as a result of the loss of market exclusivity for certain products;
- changes in the economic and financial conditions of the Company or its partners;
- uncertainties regarding future demand, pricing and reimbursement for the Company's products;
- uncertainties and matters beyond the control of management, including but not limited to general political and economic conditions and global exchange rates; and
- inherent uncertainties involved in the estimates and judgments used in the preparation of financial statements, and the providing of estimates of financial measures, in accordance with U.S. GAAP and related standards or on an adjusted basis.

For more detailed information on the risks and uncertainties associated with Viatris, see the risks described in Part I, Item 1A in the 2020 Form 10-K, and our other filings with the SEC. You can access Viatris' filings with the SEC through the SEC website at [www.sec.gov](http://www.sec.gov) or through our website, and Viatris strongly encourages you to do so. Viatris routinely posts information that may be important to investors on our website at [investor.viatris.com](http://investor.viatris.com), and we use this website address as a means of disclosing material information to the public in a broad, non-exclusionary manner for purposes of the SEC's Regulation Fair Disclosure (Reg FD). The contents of our website are not incorporated by reference in this Form 10-Q and shall not be deemed "filed" under the Securities Exchange Act of 1934, as amended. Viatris undertakes no obligation to update any statements herein for revisions or changes after the filing date of this Form 10-Q other than as required by law.

### **Explanatory Note**

In accordance with *ASC 805, Business Combinations*, Mylan is considered the accounting acquirer of the Upjohn Business and all historical financial information of the Company prior to November 16, 2020 represents Mylan's historical results and the Company's thereafter.

### **Company Overview**

Viatris is a global healthcare company formed in November 2020 through the combination of Mylan and Upjohn, whose mission is to empower people worldwide to live healthier at every stage of life. By integrating the strengths of these two businesses, including our global workforce of more than 40,000 employees and contractors, Viatris aims to deliver increased access to affordable, quality medicines for patients worldwide regardless of geography or circumstance. Viatris brings together industry leading commercial, R&D, regulatory, manufacturing, legal and medical expertise complemented by a strong commitment to quality and unparalleled geographic footprint to deliver high-quality medicines to patients in more than 165 countries and territories. Viatris' portfolio comprises more than 1,400 approved molecules across a wide range of key therapeutic areas, including globally recognized iconic and key brand, generic, complex generic, and biosimilar products. Viatris operates approximately 50 manufacturing sites worldwide that produce oral solid doses, injectables, complex dosage forms and APIs. Viatris is headquartered in the U.S., with global centers in Pittsburgh, Pennsylvania, Shanghai, China and Hyderabad, India.

Viatris reports segment information on the basis of markets and geography. In conjunction with the formation of Viatris, the Company has changed its reportable segments, from North America, Europe, and Rest of World, to Developed Markets, Greater China, JANZ, and Emerging Markets. This approach reflects the Company's focus on bringing its broad and diversified portfolio of branded, complex generics and biosimilars, and generic products to people in markets everywhere. Our Developed Markets segment comprises our operations primarily in North America and Europe. Our Greater China segment includes our operations in China, Taiwan and Hong Kong. Our JANZ segment reflects our operations in Japan, Australia and New Zealand. Our Emerging Markets segment encompasses our operations in countries with developing markets and emerging economies including countries in Asia, the Middle East, South and Central America, Africa and Eastern Europe, and also includes the Company's anti-retroviral franchise.

#### *Certain Market and Industry Factors*

The global pharmaceutical industry is a highly competitive and highly regulated industry. As a result, we face a number of industry-specific factors and challenges, which can significantly impact our results. The following discussion highlights some of these key factors and market conditions.

Generic products, particularly in the U.S., generally contribute most significantly to revenues and gross margins at the time of their launch, and even more so in periods of market exclusivity, or in periods of limited generic competition. As such, the timing of new product introductions can have a significant impact on the Company's financial results. The entrance into the

market of additional competition generally has a negative impact on the volume and pricing of the affected products. Additionally, pricing is often affected by factors outside of the Company's control. Conversely, generic products generally experience less volatility over a longer period of time in Europe as compared to the U.S., primarily due to the role of government oversight of healthcare systems in the region.

For branded products, the majority of the product's commercial value is usually realized during the period in which the product has market exclusivity. In the U.S. and some other countries, when market exclusivity expires and generic versions of a product are approved and marketed, there can often be very substantial and rapid declines in the branded product's sales. For example, several companies launched a generic to Lyrica® in Japan in December 2020 despite pending patent infringement litigation. While the litigation remains ongoing, the rate of generic conversion is significant and, combined with market dynamics relating to the COVID-19 pandemic, the Company expects a significant reduction in the annual revenues of Lyrica®.

Certain markets in which we do business outside of the U.S. have undergone government-imposed price reductions, and further government-imposed price reductions are expected in the future. Such measures, along with the tender systems discussed below, are likely to have a negative impact on sales and gross profit in these markets. However, government initiatives in certain markets that appear to favor generic products could help to mitigate this unfavorable effect by increasing rates of generic substitution and penetration.

Additionally, a number of markets in which we operate outside of the U.S. have implemented, or may implement, tender systems for generic pharmaceuticals in an effort to lower prices. Generally speaking, tender systems can have an unfavorable impact on sales and profitability. Under such tender systems, manufacturers submit bids that establish prices for generic pharmaceutical products. Upon winning the tender, the winning company will receive priority placement for a period of time. The tender system often results in companies underbidding one another by proposing low pricing in order to win the tender. The loss of a tender by a third party to whom we supply API can also have a negative impact on our sales and profitability. Sales continue to be negatively affected by the impact of tender systems in certain countries.

## Recent Developments

### SEMGLEE®

On June 11, 2020, the FDA approved the SEMGLEE® vial and pen products, which the Company began selling on August 31, 2020. On July 28, 2021, Viatris and Biocon Biologics Ltd. announced that the FDA had approved SEMGLEE® (insulin glargine-yfgn) injection as the first interchangeable biosimilar product under the 351(k) regulatory pathway. The interchangeable SEMGLEE® product, which will allow substitution of SEMGLEE® for the reference product, Lantus®, at the pharmacy counter, will be introduced before the end of the year. The Company is eligible to have exclusivity for 12 months before the FDA can approve another biosimilar interchangeable to Lantus®. Commercial preparations for launch are underway. Over the next few months, Viatris will transition the current product to the 351(k) interchangeable product.

### 2020 Restructuring Program

During the fourth quarter of 2020, Viatris announced a significant global restructuring program in order to achieve synergies and ensure that the organization is optimally structured and efficiently resourced to deliver sustainable value to patients, shareholders, customers, and other stakeholders. Viatris' restructuring initiative incorporates and expands on the restructuring program announced by Mylan N.V. earlier in 2020 as part of its business transformation efforts. The Company expects to optimize its commercial capabilities and enabling functions, and close, downsize or divest up to 15 manufacturing facilities globally that are deemed to be no longer viable either due to surplus capacity, challenging market dynamics or a shift in its product portfolio toward more complex products. As a result, Viatris expects that up to 20% of its global workforce may be impacted upon completion of the restructuring initiative.

For the committed restructuring actions, the Company expects to incur total pre-tax charges ranging between \$1.1 billion and \$1.4 billion. Such charges are expected to include between \$350 million and \$450 million of non-cash charges mainly related to accelerated depreciation and asset impairment charges, including inventory write-offs. The remaining estimated cash costs of between \$750 million and \$950 million are expected to be primarily related to severance and employee benefits expense, as well as other costs, including those related to contract terminations and decommissioning costs. In addition, management believes the potential annual savings related to these committed restructuring activities to be between \$700 million and \$900 million once fully implemented, with most of these savings expected to improve operating cash flow.

During the three and six months ended June 30, 2021, the Company recorded pre-tax charges of \$251.9 million and \$565.5 million, respectively. For the charges recognized during the three months ended June 30, 2021, \$80.8 million were non-cash asset impairment charges and the remaining charges were primarily related to severance and employee benefits. Included within the charges during the six months ended June 30, 2021 were \$231.8 million for non-cash asset impairment charges with the remaining charges primarily related to severance and employee benefits.

## Impact of the Coronavirus pandemic on our business and results of operations

As a leading global pharmaceutical company, Viatris is committed to continue doing its part in support of public health needs amid the evolving COVID-19 pandemic. The Company's priorities remain protecting the health and safety of our workforce, continuing to produce critically needed medicines, deploying resources and expertise in the fight against COVID-19 through potential prevention and treatment efforts, supporting the communities in which we operate and maintaining the health of our overall business.

The following section discusses the important measures the Company continues to take in light of the COVID-19 pandemic.

### Employee Health and Safety

- Viatris continues to align with government and health authority guidelines in an effort to safeguard our workforce and continues to make assessments on an ongoing basis.
- While Viatris' business operations are currently considered essential based on government guidelines throughout the world due to the important role pharmaceutical manufacturers play within the global healthcare system, many Viatris administrative offices continue operating under work from home protocols.

- Because protecting the health and safety of our workforce remains paramount, Viatris has taken extra precautions at manufacturing facilities to aid in the protection of site personnel and operations, including the implementation of social distancing guidelines, daily health assessments and split shifts where feasible.
- Many customer facing field personnel have moved to a remote engagement model to ensure continued support for healthcare professionals, patient care and access to needed products.
- Global restrictions have been placed on travel and in-person meetings.
- Viatris has taken steps to protect the safety of study participants, our employees and staff at clinical trial sites and ensure regulatory compliance and scientific integrity of trial data.

### **Continuing to Produce Critically Needed Medicines**

#### *Manufacturing and Supply*

- Viatris has activated worldwide business continuity plans to seek to ensure that our global supply chain platform continues to operate without significant disruption.
- All of our manufacturing facilities, and those of our key global partners, are currently operational and, at this time, we are not experiencing any significant disruptions to our supply chain, including the availability of APIs. Also, we are currently not experiencing any negative impact on our customer service levels.
- Viatris has a broad, diverse and resilient global manufacturing and supply chain footprint. We are not dependent on any one country or site. Even in India, our manufacturing footprint is spread over five different states, which mitigates the risk of disruption in any given part of the country.
- Viatris continues to engage with regulatory authorities around the world who are committed to maintaining ongoing regulatory processes while also continuing to make available our global R&D, regulatory and manufacturing expertise and capacity to partners who may be in need of additional resources.

#### *Commercial Operations*

- We have and continue to experience fluctuations in demand trends due to COVID-19. We will continue to monitor trends closely as we work to ensure patients have access to needed medicine.
- Inventory levels, both ours and those in our distribution channel, remain in-line with normal levels and are currently assessed to be sufficient for anticipated demand.

### **Deploying Resources and Expertise in the Fight Against COVID-19**

#### *Product Development*

- On May 12, 2020, Mylan announced a global collaboration with Gilead Sciences, Inc. to expand access to the investigational antiviral remdesivir for the potential treatment of COVID-19. Under the terms of the license agreement the Company has rights to manufacture and distribute remdesivir in 127 low-and middle-income countries, including India.
- On July 6, 2020, Mylan announced that the DCGI approved its remdesivir 100 mg/vial for restricted emergency use in India as part of the DCGI's accelerated approval process to address urgent, unmet needs amid the evolving COVID-19 pandemic.
- On November 20, 2020, the World Health Organization issued a conditional recommendation against the use of remdesivir in hospitalized patients, regardless of disease severity, as there was no evidence that remdesivir improved survival and other outcomes in these patients.

- Viatris has ramped up production of antiviral medicines, including remdesivir and ambisome, and continues to work with government authorities in India to further reduce the cost of the medicines and educate more than 20,000 healthcare professionals about product usage.

### **Maintaining the Health of Our Overall Business**

#### *Access to Capital Markets and Liquidity*

While currently we are not experiencing any negative liquidity trends related to the COVID-19 pandemic, we continue to closely monitor developments and the potential negative impact on our operating performance and our ability to access the capital markets.

Due to the Company's ability to generate significant cash flows from operations, as well as its revolving credit agreement, other short-term borrowing facilities and access to capital markets, we believe that we currently have, and will maintain, the ability to meet foreseeable liquidity needs.

#### *Impact on Results of Operations*

The global spread of COVID-19 has created and continues to create significant volatility, uncertainty and economic disruption affecting the markets we serve. The extent to which the COVID-19 pandemic will impact our business, operations and financial results in future periods will depend on numerous evolving factors that are beyond our control and that we may not be able to accurately predict. For additional information, see "Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

## Financial Summary

The table below is a summary of the Company's financial results for the three and six months ended June 30, 2021 compared to the prior year period:

		Three Months Ended June 30,			
		2021	2020	Change	% Change
<i>(In millions, except per share amounts)</i>					
	Total revenues	\$ 4,577.8	\$ 2,731.2	\$ 1,846.6	68 %
	Gross profit	1,327.7	1,025.7	302.0	29 %
	(Loss) earnings from operations	(47.8)	134.2	(182.0)	(136) %
	Net (loss) earnings	(279.2)	39.4	(318.6)	nm
share	Diluted (loss) earnings per share	\$ (0.23)	\$ 0.08	\$ (0.31)	nm
		Six Months Ended June 30,			
		2021	2020	Change	% Change
<i>(In millions, except per share amounts)</i>					
	Total revenues	\$ 9,008.1	\$ 5,350.4	\$ 3,657.7	68 %
	Gross profit	2,455.0	1,931.8	523.2	27 %
	(Loss) earnings from operations	(314.0)	318.9	(632.9)	(198) %
	Net (loss) earnings	(1,316.8)	60.2	(1,377.0)	nm
share	Diluted (loss) earnings per share	\$ (1.09)	\$ 0.12	\$ (1.21)	nm

A detailed discussion of the Company's financial results can be found below in the section titled "Results of Operations." As part of this discussion, we also report sales performance using the non-GAAP financial measures of "constant currency" net sales and total revenues. These measures provide information on the change in net sales and total revenues assuming that foreign currency exchange rates had not changed between the prior and current period. The comparisons presented at constant currency rates reflect comparative local currency sales at the prior year's foreign exchange rates. We routinely evaluate our net sales and total revenues performance at constant currency so that sales results can be viewed without the impact of foreign currency exchange rates, thereby facilitating a period-to-period comparison of our operational activities, and believe that this presentation also provides useful information to investors for the same reason.

More information about non-GAAP measures used by the Company as part of this discussion, including adjusted cost of sales, adjusted gross margins, adjusted net earnings and adjusted EBITDA (all of which are defined below) can be found in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Use of Non-GAAP Financial Measures."

## Results of Operations

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

(In millions, except %s)	Three Months Ended June 30,					
	2021	2020	% Change	2021 Currency Impact <sup>(1)</sup>	2021 Constant Currency Revenues	Constant Currency % Change <sup>(2)</sup>
Net sales						
Developed Markets	\$ 2,640.4	\$ 1,982.7	33 %	\$ (112.1)	\$ 2,528.3	28 %
Greater China	550.3	22.7	nm	(0.5)	549.8	nm
JANZ	501.0	280.2	79 %	(14.9)	486.1	73 %
Emerging Markets	870.0	410.3	112 %	(24.3)	845.7	106 %
Total net sales	\$ 4,561.7	\$ 2,695.9	69 %	\$ (151.8)	\$ 4,409.9	64 %
Other revenues <sup>(3)</sup>	16.1	35.3	(54)%	(0.8)	15.3	(57)%
Consolidated total revenues <sup>(4)</sup>	\$ 4,577.8	\$ 2,731.2	68 %	\$ (152.6)	\$ 4,425.2	62 %

<sup>(1)</sup> Currency impact is shown as unfavorable (favorable).

<sup>(2)</sup> 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 2021 constant currency net sales or revenues to the corresponding amount in the prior year.

<sup>(3)</sup> For the three months ended June 30, 2021, other revenues in Developed Markets, Greater China, JANZ, and Emerging Markets were approximately \$12.2 million, \$(1.4) million, \$0.6 million, and \$4.7 million, respectively.

<sup>(4)</sup> Amounts exclude intersegment revenue that eliminates on a consolidated basis.

### Total Revenues

For the current quarter, Viatriis reported total revenues of \$4.58 billion, compared to \$2.73 billion for the comparable prior year period, representing an increase of \$1.85 billion, or 68%. Total revenues include both net sales and other revenues from third parties. Net sales for the current quarter were \$4.56 billion, compared to \$2.70 billion for the comparable prior year period, representing an increase of \$1.87 billion, or 69%. Other revenues for the current quarter were \$16.1 million, compared to \$35.3 million for the comparable prior year period.

The increase in total revenues and net sales was primarily driven by net sales totaling \$1.63 billion from the Upjohn Business in the current quarter and approximately \$223.9 million of new product sales, partially offset by a decrease of approximately \$139.2 million in net sales from existing products, primarily as a result of lower pricing. New product sales include new products launched in 2021 and the carryover impact of new products, including business development, launched since July 1, 2020. The Company's net sales were favorably impacted by the effect of foreign currency translation, primarily reflecting changes in the U.S. Dollar as compared to the currencies of subsidiaries in countries within the EU and in India and Australia. The net favorable impact of foreign currency translation on net sales was approximately \$151.8 million, or 6%. On a constant currency basis, the increase in net sales was approximately \$1.71 billion, or 64% for the three months ended June 30, 2021. We estimate that the COVID-19 pandemic positively impacted our second quarter 2021 net sales by approximately 4%, primarily driven by the partial recovery of customer buying patterns in Europe and certain product sales in India during the second quarter of 2021 as compared to the prior year period. The prior year period was negatively impacted by the reversal of forward purchasing patterns that occurred in the first quarter of 2020.

From time to time, a limited number of our products may represent a significant portion of our net sales, gross profit and net earnings. Our top ten products in terms of net sales, in the aggregate, represented approximately 33% and 26% for the three months ended June 30, 2021 and 2020, respectively, with the year-over-year increase a result of the Combination. This percentage may fluctuate based upon the timing of new product launches, seasonality and the timing of changes in competition.

Net sales are derived from our four reporting segments: Developed Markets, Greater China, JANZ, and Emerging Markets.

#### *Developed Markets Segment*

Net sales from Developed Markets increased by \$657.7 million or 33% during the three months ended June 30, 2021 when compared to the prior year period. Net sales within North America totaled approximately \$1.20 billion and net sales within Europe totaled approximately \$1.44 billion. This increase was due primarily to net sales from the Upjohn Business in the current quarter of \$519.7 million and new product sales, including the portfolio of thrombosis products in Europe acquired from Aspen in the fourth quarter of 2020, as well as higher volumes in Europe as compared to the prior year period due to the higher COVID-19 impact during the second quarter of 2020 as a result of customer buying patterns, and Yulperi growth in North America. This increase was partially offset by lower pricing in Europe, and lower pricing and volumes on net sales of certain existing North American products, including Wixela, Xulane, and Perforomist, primarily driven by additional competition. Lower volumes were also due to the impact of product divestitures, including certain North American OTC products during the current quarter and other products during 2020 as a result of the Combination. The favorable impact of foreign currency translation on current period net sales, primarily in Europe, was approximately \$112.1 million, or 6%. Constant currency net sales increased by approximately \$545.6 million, or 28% when compared to the prior year period.

#### *Greater China Segment*

Net sales from Greater China increased by \$527.6 million for the three months ended June 30, 2021 when compared to the prior year period. This increase was the result of net sales from the Upjohn Business in the current quarter of \$540.6 million. This increase was partially offset by lower net sales of existing products, driven by lower volumes, which were negatively impacted by competitive market conditions, including VBP. The favorable impact of foreign currency translation was approximately \$0.5 million, or 2%. Constant currency net sales increased by approximately \$527.1 million when compared to the prior year.

#### *JANZ Segment*

Net sales from JANZ increased by \$220.8 million or 79% for the three months ended June 30, 2021 when compared to the prior year period. This increase was the result of net sales from the Upjohn Business in the current quarter of \$191.9 million and higher net sales of existing products driven by higher volumes in Japan primarily related to the impact of the termination of the collaboration arrangement with Pfizer in the prior year, partially offset by lower pricing in Australia driven by government price reductions and product competition. Foreign currency translation had a favorable impact of approximately \$14.9 million, or 5%. Constant currency net sales increased by approximately \$205.9 million, or 74% when compared to the prior year period.

#### *Emerging Markets Segment*

Net sales from Emerging Markets increased by \$459.7 million or 112% for the three months ended June 30, 2021 when compared to the prior year period. This increase was the result of net sales from the Upjohn Business in the current quarter of \$377.1 million and COVID-19 related product sales in India, primarily related to remdesivir and ambisome. This increase was partially offset by lower volumes and pricing of antiretroviral drugs as a result of the timing of orders across multiple markets, and lower volumes in other markets. The favorable impact of foreign currency translation was \$24.3 million, or 6%. Constant currency net sales increased by approximately \$435.4 million, or 106%.

#### **Cost of Sales and Gross Profit**

Cost of sales increased from \$1.71 billion for the three months ended June 30, 2020 to \$3.25 billion for the three months ended June 30, 2021. Cost of sales was primarily impacted by purchase accounting related amortization of acquired intangible assets and other special items, which are described further in the section titled *Use of Non-GAAP Financial Measures*. Gross profit for the three months ended June 30, 2021 was \$1.33 billion and gross margins were 29%. For the three months ended June 30, 2020, gross profit was \$1.03 billion and gross margins were 38%. Cost of sales from the Upjohn Business, including the impact of amortization expense, was \$1.24 billion for the three months ended June 30, 2021. This includes increased amortization expense of \$778.0 million primarily for purchase accounting related amortization of intangible assets and the step-up of acquired inventory. Gross profit from net sales of existing products was impacted equally by lower volumes and lower pricing. Adjusted gross margins were 58% for the three months ended June 30, 2021, compared to 54% for the three months ended June 30, 2020, with the year-over-year increase driven by the impact of the Combination.

A reconciliation between cost of sales, as reported under U.S. GAAP, and adjusted cost of sales and adjusted gross margin for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 is as follows:

<i>(In millions, except %s)</i>	Three Months Ended June 30,	
	2021	2020
<b>U.S. GAAP cost of sales</b>	\$ 3,250.1	\$ 1,705.5
Deduct:		
Purchase accounting related amortization	(1,169.8)	(351.8)
Acquisition related items	(1.0)	(1.3)
Restructuring related costs	(78.7)	(4.1)
Share-based compensation expense	(0.6)	(0.4)
Other special items	(99.4)	(99.5)
Adjusted cost of sales	\$ 1,900.6	\$ 1,248.4
Adjusted gross profit <sup>(a)</sup>	\$ 2,677.2	\$ 1,482.8
Adjusted gross margin <sup>(a)</sup>	58 %	54 %

<sup>(a)</sup> 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.

### **Operating Expenses**

#### *Research & Development Expense*

R&D expense for the three months ended June 30, 2021 was \$147.7 million, compared to \$156.3 million for the comparable prior year period, a decrease of \$8.6 million. This decrease was primarily due to higher expenses in the comparable prior year period related to licensing arrangements for products in development, partially offset by increased costs associated with the Upjohn Business in the current year period.

#### *Selling, General & Administrative Expense*

SG&A expense for the three months ended June 30, 2021 was \$1.20 billion, compared to \$719.4 million for the comparable prior year period, an increase of \$485.4 million. The increase was primarily due to costs related to the Upjohn Business of \$421.3 million and an increase of approximately \$146.2 million for restructuring costs due to the implementation of the 2020 restructuring program. Partially offsetting these increases were lower acquisition related costs of approximately \$74.2 million and lower selling and promotional expenses, including through our active management related to synergies and certain lower expenses as a result of COVID-19.

#### *Litigation Settlements and Other Contingencies, Net*

The following table includes the losses/(gains) recognized in litigation settlements and other contingencies, net during the three months ended June 30, 2021 and June 30, 2020:

<i>(In millions)</i>	Three Months Ended June 30,	
	2021	2020
Respiratory delivery platform contingent consideration adjustment	\$ 22.9	\$ 12.1
Litigation settlements, net	0.1	3.7
<b>Total litigation settlements and other contingencies, net</b>	<b>\$ 23.0</b>	<b>\$ 15.8</b>

**Interest Expense**

Interest expense for the three months ended June 30, 2021 totaled \$167.1 million, compared to \$116.2 million for the three months ended June 30, 2020, an increase of \$50.9 million. The increase is due to the interest expense related to the additional debt assumed in the Combination of approximately \$68.2 million, partially offset by amortization of debt premium of \$17.3 million and by the impact of debt repayments in 2021.

**Other Expense (Income), Net**

Other expense, net was \$4.2 million for the three months ended June 30, 2021, compared to other income, net of \$2.0 million for the comparable prior year period. Other expense (income), net includes losses from equity affiliates, foreign exchange gains and losses and interest and dividend income. Other expense (income), net was comprised of the following for the three months ended June 30, 2021 and 2020, respectively:

<i>(In millions)</i>	Three Months Ended June 30,	
	2021	2020
Losses from equity affiliates, primarily clean energy investments	\$ 16.7	\$ 17.2
Foreign exchange losses, net	8.8	3.8
Other gains, net	(21.3)	(23.0)
<b>Other expense (income), net</b>	<b>\$ 4.2</b>	<b>\$ (2.0)</b>

**Income Tax Provision**

For the three months ended June 30, 2021, the Company recognized an income tax provision of \$60.1 million, compared to an income tax benefit of \$19.4 million for the comparable prior year period, an increase of \$79.5 million. The income tax provision for the three months ended June 30, 2021 was negatively impacted by the tax rates applied to the reversal of intercompany profit in inventory reserve which was recorded on the opening balance sheet as part of Combination. This reserve eliminates the profit in inventory related to intercompany transactions and changes to this reserve occur as products are sold to third parties. Also impacting the current year income tax provision was the changing mix of income earned in jurisdictions with differing tax rates.

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

<i>(In millions, except %s)</i>	Six Months Ended June 30,					
	2021	2020	% Change	2021 Currency Impact <sup>(1)</sup>	2021 Constant Currency Revenues	Constant Currency % Change <sup>(2)</sup>
Net sales						
Developed Markets	\$ 5,212.0	\$ 3,969.1	31 %	\$ (209.1)	\$ 5,002.9	26 %
Greater China	1,142.2	37.8	nm	(0.3)	1,141.9	nm
JANZ	982.9	523.4	88 %	(36.9)	946.0	81 %
Emerging Markets	1,624.7	753.8	116 %	(24.6)	1,600.1	112 %
Total net sales	\$ 8,961.8	\$ 5,284.1	70 %	\$ (270.9)	\$ 8,690.9	64 %
Other revenues <sup>(3)</sup>	46.3	66.3	(30)%	(1.2)	45.1	(32)%
Consolidated total revenues <sup>(4)</sup>	<u>\$ 9,008.1</u>	<u>\$ 5,350.4</u>	68 %	<u>\$ (272.1)</u>	<u>\$ 8,736.0</u>	63 %

<sup>(1)</sup> Currency impact is shown as unfavorable (favorable).

<sup>(2)</sup> 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 2021 constant currency net sales or revenues to the corresponding amount in the prior year.

<sup>(3)</sup> For the six months ended June 30, 2021, other revenues in Developed Markets, JANZ, and Emerging Markets were approximately \$34.5 million, \$1.0 million, and \$10.8 million, respectively.

<sup>(4)</sup> Amounts exclude intersegment revenue that eliminates on a consolidated basis.

**Total Revenues**

For the six months ended June 30, 2021, Viatriis reported total revenues of \$9.01 billion, compared to \$5.35 billion for the comparable prior year period, representing an increase of \$3.66 billion, or 68%. Total revenues include both net sales and other revenues from third parties. Net sales for the six months ended June 30, 2021 were \$8.96 billion, compared to \$5.28 billion for the comparable prior year period, representing an increase of \$3.68 billion, or 70%. Other revenues for the current year were \$46.3 million, compared to \$66.3 million for the comparable prior year period.

The increase in total revenues and net sales was primarily driven by net sales totaling \$3.35 billion from the Upjohn Business in the current year and approximately \$397.0 million of new product sales, partially offset by a decrease of approximately \$340.7 million in net sales from existing products as a result of lower pricing, and to a lesser extent, lower volumes. New product sales include new products launched in 2021 and the carryover impact of new products, including business development, launched since July 1, 2020. The Company's net sales were favorably impacted by the effect of foreign currency translation, primarily reflecting changes in the U.S. Dollar as compared to the currencies of subsidiaries in countries within the EU and in Australia and India. The net favorable impact of foreign currency translation on net sales was approximately \$270.9 million, or 5%. On a constant currency basis, the increase in net sales was approximately \$3.41 billion, or 65% for the six months ended June 30, 2021. We estimate that the COVID-19 pandemic positively impacted our net sales during the six months ended June 30, 2021 by approximately 1% as compared to the prior year period.

From time to time, a limited number of our products may represent a significant portion of our net sales, gross profit and net earnings. Our top ten products in terms of net sales, in the aggregate, represented approximately 34% and 24% for the six months ended June 30, 2021 and 2020, respectively, with the year-over-year increase a result of the Combination. This percentage may fluctuate based upon the timing of new product launches, seasonality and the timing of changes in competition.

Net sales are derived from our four reporting segments: Developed Markets, Greater China, JANZ, and Emerging Markets.

#### *Developed Markets Segment*

Net sales from Developed Markets increased by \$1.24 billion or 31% during the six months ended June 30, 2021 when compared to the prior year period. Net sales within North America totaled approximately \$2.40 billion and net sales within Europe totaled approximately \$2.81 billion. This increase was due primarily to net sales from the Upjohn Business in the current year of \$1.05 billion, new product sales, including the portfolio of thrombosis products in Europe acquired from Aspen in the fourth quarter of 2020, and higher volumes related to customer purchasing patterns in North America for the EpiPen® Auto-Injector, Yupelri, and biosimilar products. This increase was partially offset by lower pricing and volumes on net sales of certain existing North American products, including Wixela, Xulane, Perforomist, and Levothyroxine Sodium, due to additional competition. Lower volumes were also due to the impact of product divestitures, including certain North American OTC products during the current quarter and other products during 2020 as a result of the Combination. Sales of existing products in Europe were negatively impacted by lower pricing and lower volumes as a result of a decline in certain tender sales. The favorable impact of foreign currency translation on current period net sales, primarily in Europe, was approximately \$209.1 million, or 5%. Constant currency net sales increased by approximately \$1.03 billion, or 26% when compared to the prior year period.

#### *Greater China Segment*

Net sales from Greater China increased by \$1.10 billion for the six months ended June 30, 2021 when compared to the prior year period. This increase was the result of net sales from the Upjohn Business in the current year of \$1.13 billion. This increase was partially offset by lower net sales of existing products, driven by lower volumes, which were negatively impacted by competitive market conditions, including VBP. The favorable impact of foreign currency translation was approximately \$0.3 million, or less than 1%. Constant currency net sales increased by approximately \$1.10 billion when compared to the prior year.

#### *JANZ Segment*

Net sales from JANZ increased by \$459.5 million or 88% for the six months ended June 30, 2021 when compared to the prior year. This increase was the result of net sales from the Upjohn Business in the current year of \$381.5 million and higher net sales of existing products driven by higher volumes in Japan primarily driven by the impact of the termination of the collaboration arrangement with Pfizer in the prior year, Amitiza, Lipacreon, and the EpiPen® Auto-Injector. These increases were partially offset by lower pricing and volumes in Australia driven by government price reductions and product competition. Foreign currency translation had a favorable impact of approximately \$36.9 million, or 7%. Constant currency net sales increased by approximately \$422.6 million, or 81% when compared to the prior year period.

#### *Emerging Markets Segment*

Net sales from Emerging Markets increased by \$870.9 million or 116% for the six months ended June 30, 2021 when compared to the prior year period. This increase was the result of net sales from the Upjohn Business in the current year of \$783.3 million and COVID-19 related product sales in India, primarily related to remdesivir and ambisome. These increases were partially offset by lower volumes and pricing of antiretroviral drugs as a result of the timing of orders across multiple markets, and lower volumes in other markets. The favorable impact of foreign currency translation was \$24.6 million, or 3%. Constant currency net sales increased by approximately \$846.3 million, or 112%.

## Cost of Sales and Gross Profit

Cost of sales increased from \$3.42 billion for the six months ended June 30, 2020 to \$6.55 billion for the six months ended June 30, 2021. Cost of sales was primarily impacted by purchase accounting related amortization of acquired intangible assets and other special items, which are described further in the section titled *Use of Non-GAAP Financial Measures*. Gross profit for the six months ended June 30, 2021 was \$2.46 billion and gross margins were 27%. For the six months ended June 30, 2020, gross profit was \$1.93 billion and gross margins were 36%. Cost of sales from the Upjohn Business, including the impact of amortization expense, was \$2.47 billion for the six months ended June 30, 2021. This includes increased amortization expense of \$1.56 billion primarily for purchase accounting related amortization of intangible assets and the step-up of acquired inventory. Gross profit from net sales of existing products was impacted equally by lower volumes and lower pricing. Adjusted gross margins were 59% for the six months ended June 30, 2021, compared to 54% for the six months ended June 30, 2020, with the year-over-year increase driven by the impact of the Combination.

A reconciliation between cost of sales, as reported under U.S. GAAP, and adjusted cost of sales and adjusted gross margin for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 is as follows:

<i>(In millions, except %s)</i>	Six Months Ended June 30,	
	2021	2020
<b>U.S. GAAP cost of sales</b>	\$ 6,553.1	\$ 3,418.6
Deduct:		
Purchase accounting related amortization	(2,424.8)	(704.0)
Acquisition related items	(3.5)	(2.1)
Restructuring related costs	(246.5)	(8.9)
Share-based compensation expense	(1.2)	(0.7)
Other special items	(186.1)	(215.7)
Adjusted cost of sales	<u>\$ 3,691.0</u>	<u>\$ 2,487.2</u>
Adjusted gross profit <sup>(a)</sup>	<u>\$ 5,317.1</u>	<u>\$ 2,863.2</u>
Adjusted gross margin <sup>(a)</sup>	<u>59 %</u>	<u>54 %</u>

<sup>(a)</sup> 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.

## Operating Expenses

### Research & Development Expense

R&D expense for the six months ended June 30, 2021 was \$331.8 million, compared to \$270.5 million for the comparable prior year period, an increase of \$61.3 million. This increase was primarily due to costs associated with the Upjohn Business of \$65.7 million and increased costs for inventory validation batches for certain products under development. These increases were partially offset by lower expenses in the current year period related to licensing arrangements for products in development.

### *Selling, General & Administrative Expense*

SG&A expense for the six months ended June 30, 2021 was \$2.39 billion, compared to \$1.32 billion for the comparable prior year period, an increase of \$1.07 billion. The increase was primarily due to costs related to the Upjohn Business of \$857.7 million and an increase of approximately \$283.7 million for restructuring costs due to the implementation of the 2020 restructuring program. Partially offsetting these increases were lower acquisition related costs of approximately \$39.2 million and lower selling and promotional expenses, including through our active management related to synergies and certain lower expenses as a result of COVID-19.

### *Litigation Settlements and Other Contingencies, Net*

The following table includes the losses/(gains) recognized in litigation settlements and other contingencies, net during the six months ended June 30, 2021 and June 30, 2020:

<i>(In millions)</i>	Six Months Ended June 30,	
	2021	2020
Respiratory delivery platform contingent consideration adjustment	\$ 32.0	\$ 18.7
Litigation settlements, net	13.9	(1.1)
<b>Total litigation settlements and other contingencies, net</b>	<b>\$ 45.9</b>	<b>\$ 17.6</b>

### *Interest Expense*

Interest expense for the six months ended June 30, 2021 totaled \$336.1 million, compared to \$236.1 million for the six months ended June 30, 2020, an increase of \$100.0 million. The increase is due to the interest expense related to the additional debt assumed in the Combination of approximately \$143.8 million, partially offset by amortization of debt premium of \$34.5 million and by the impact of debt repayments in 2021.

### *Other Expense (Income), Net*

Other expense, net was \$10.3 million for the six months ended June 30, 2021, compared to \$32.1 million for the comparable prior year period. Other expense, net includes losses from equity affiliates, foreign exchange gains and losses and interest and dividend income. Other expense, net was comprised of the following for the six months ended June 30, 2021 and 2020, respectively:

<i>(In millions)</i>	Six Months Ended June 30,	
	2021	2020
Losses from equity affiliates, primarily clean energy investments	\$ 34.6	\$ 34.5
Foreign exchange losses, net	8.6	17.4
Other gains, net	(32.9)	(19.8)
<b>Other expense, net</b>	<b>\$ 10.3</b>	<b>\$ 32.1</b>

### *Income Tax Provision (Benefit)*

For the six months ended June 30, 2021, the Company recognized an income tax provision of \$656.4 million, compared to an income tax benefit of \$9.5 million for the comparable prior year period, an increase of \$665.9 million. The income tax provision for the six months ended June 30, 2021 was negatively impacted by the tax rates applied to the reversal of intercompany profit in inventory reserve which was recorded on the opening balance sheet as part of Combination. This reserve eliminates the profit in inventory related to intercompany transactions and changes to this reserve occur as products are sold to third parties. During the six months ended June 30, 2020, the Company recognized a benefit as a result of changes in the assessment of the realizability of deferred tax assets. Also impacting the current year income tax expense was the changing mix of income earned in jurisdictions with differing tax rates.

## Use of Non-GAAP Financial Measures

Whenever the Company uses non-GAAP financial measures, we provide a reconciliation of the non-GAAP financial measures to their most directly comparable U.S. GAAP financial measure. Investors and other readers are encouraged to review the related U.S. GAAP financial measures and the reconciliation of non-GAAP measures to their most directly comparable U.S. GAAP measure and should consider non-GAAP measures only as a supplement to, not as a substitute for or as a superior measure to, measures of financial performance prepared in accordance with U.S. GAAP. Additionally, since these are not measures determined in accordance with U.S. GAAP, non-GAAP financial measures have no standardized meaning across companies, or as prescribed by U.S. GAAP and, therefore, may not be comparable to the calculation of similar measures or measures with the same title used by other companies.

Management uses these measures internally for forecasting, budgeting, measuring its operating performance, and incentive-based awards. Primarily due to acquisitions and other significant events which may impact comparability of our periodic operating results, we believe that an evaluation of our ongoing operations (and comparisons of our current operations with historical and future operations) would be difficult if the disclosure of our financial results was limited to financial measures prepared only in accordance with U.S. GAAP. We believe that non-GAAP financial measures are useful supplemental information for our investors and when considered together with our U.S. GAAP financial measures and the reconciliation to the most directly comparable U.S. GAAP financial measure, provide a more complete understanding of the factors and trends affecting our operations. The financial performance of the Company is measured by senior management, in part, using adjusted metrics as described below, along with other performance metrics. The Company's use of such non-GAAP measures is governed by an adjusted reporting policy maintained by the Company and such non-GAAP measures are reviewed in detail with the Audit Committee of the Board of Directors.

### Adjusted Cost of Sales and Adjusted Gross Margin

We use the non-GAAP financial measure "adjusted cost of sales" and the corresponding non-GAAP financial measure "adjusted gross margin." The principal items excluded from adjusted cost of sales include restructuring, acquisition related and other special items and purchase accounting related amortization, which are described in greater detail below.

### Adjusted Net Earnings

Adjusted net earnings is a non-GAAP financial measure and provides an alternative view of performance used by management. Management believes that, primarily due to acquisition activity and other significant events, an evaluation of the Company's ongoing operations (and comparisons of its current operations with historical and future operations) would be difficult if the disclosure of its financial results were limited to financial measures prepared only in accordance with U.S. GAAP. Management believes that adjusted net earnings is an important internal financial metric related to the ongoing operating performance of the Company, and is therefore useful to investors and that their understanding of our performance is enhanced by this measure. Actual internal and forecasted operating results and annual budgets used by management include adjusted net earnings.

### EBITDA and Adjusted EBITDA

EBITDA and adjusted EBITDA are non-GAAP financial measures that the Company believes are appropriate to provide additional information to investors to demonstrate the Company's ability to comply with financial debt covenants and assess the Company's ability to incur additional indebtedness. The Company also believes that adjusted EBITDA better focuses management on the Company's underlying operational results and true business performance and, is used, in part, for management's incentive compensation. We calculate "EBITDA" as U.S. GAAP net earnings (loss) adjusted for net contribution attributable to equity method investments, income tax provision (benefit), interest expense and depreciation and amortization. EBITDA is further adjusted for share-based compensation expense, litigation settlements and other contingencies, net, and restructuring, acquisition related and other special items to determine "adjusted EBITDA". These adjustments are generally permitted under our credit agreement in calculating Adjusted EBITDA for determining compliance with our debt covenants.

The significant items excluded from adjusted cost of sales, adjusted net earnings, and adjusted EBITDA include:

### ***Purchase Accounting Amortization and Other Related Items***

The ongoing impact of certain amounts recorded in connection with acquisitions of both businesses and assets is excluded from adjusted cost of sales, adjusted net earnings, and adjusted EBITDA. These amounts include the amortization of intangible assets, inventory step-up, property, plant and equipment step-up, and intangible asset impairment charges, including for in-process research and development. For the acquisition of businesses accounted for under the provisions of ASC 805, *Business Combinations*, these purchase accounting impacts are excluded regardless of the financing method used for the acquisitions, including the use of cash, long-term debt, the issuance of common stock, contingent consideration or any combination thereof.

### ***Upfront and Milestone-Related R&D Expenses***

These expenses and payments are excluded from adjusted net earnings and adjusted EBITDA because they generally occur at irregular intervals and are not indicative of the Company's ongoing operations.

### ***Accretion of Contingent Consideration Liability and Other Fair Value Adjustments***

The impact of changes to the fair value of contingent consideration and accretion expense are excluded from adjusted net earnings and adjusted EBITDA because they are not indicative of the Company's ongoing operations due to the variability of the amounts and the lack of predictability as to the occurrence and/or timing and management believes their exclusion is helpful to understanding the underlying, ongoing operational performance of the business.

### ***Share-based Compensation Expense***

Share-based compensation expense is excluded from adjusted net earnings and adjusted EBITDA. Our share-based compensation programs have become increasingly weighted toward performance-based compensation, which leads to variability and to a lack of predictability as to the occurrence and/or timing of amounts incurred. As such, management believes the exclusion of such amounts on an ongoing basis is helpful to understanding the underlying operational performance of the business.

### ***Restructuring, Acquisition Related and Other Special Items***

Costs related to restructuring, acquisition and integration activities and other actions are excluded from adjusted cost of sales, adjusted net earnings and adjusted EBITDA, as applicable. These amounts include items such as:

- Costs related to formal restructuring programs and actions, including costs associated with facilities to be closed or divested, employee separation costs, impairment charges, accelerated depreciation, incremental manufacturing variances, equipment relocation costs, decommissioning and other restructuring related costs;
- Certain acquisition related remediation and integration and planning costs, as well as other costs associated with acquisitions such as advisory and legal fees, certain financing related costs, certain reimbursements related to the Company's obligation to reimburse Pfizer for certain financing and transaction related costs under the Business Combination Agreement and Separation and Distribution Agreement, certain other TSA related exit costs, and other business transformation and/or optimization initiatives, which are not part of a formal restructuring program, including employee separation and post-employment costs;
- The pre-tax loss of the Company's clean energy investments, whose activities qualify for income tax credits under the Code; only included in adjusted net earnings is the net tax effect of the entity's activities;
- Other costs, incurred from time to time, related to certain special events or activities that lead to gains or losses, including, but not limited to, incremental manufacturing variances, asset write-downs, or liability adjustments;
- Certain costs to further develop and optimize our global enterprise resource planning systems, operations and supply chain; and
- The impact of changes related to uncertain tax positions and certain impacts related to the Combination are excluded from adjusted net earnings. In addition, tax adjustments to adjusted earnings are recorded to present items on an after-tax basis consistent with the presentation of adjusted net earnings.

The Company has undertaken restructurings and other optimization initiatives of differing types, scope and amount during the covered periods and, therefore, these charges should not be considered non-recurring; however, management

excludes these amounts from adjusted net earnings and adjusted EBITDA because it believes it is helpful to understanding the underlying, ongoing operational performance of the business.

### ***Litigation Settlements, Net***

Charges and gains related to legal matters, such as those discussed in Note 18 *Litigation* included in Part I, Item 1 of this Form 10-Q are generally excluded from adjusted net earnings and adjusted EBITDA. Normal, ongoing defense costs of the Company made in the normal course of our business are not excluded.

### ***Reconciliation of U.S. GAAP Net (Loss) Earnings to Adjusted Net Earnings***

A reconciliation between net (loss) earnings as reported under U.S. GAAP, and adjusted net earnings for the periods shown follows:

<i>(In millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
U.S. GAAP net (loss) earnings	\$ (279.2)	\$ 39.4	\$ (1,316.8)	\$ 60.2
Purchase accounting related amortization (primarily included in cost of sales) <sup>(a)</sup>	1,169.8	351.8	2,424.8	704.0
Litigation settlements and other contingencies, net	23.0	15.8	45.9	17.6
Interest expense (primarily amortization of premiums and discounts on long term debt)	(13.4)	5.5	(26.7)	11.3
Clean energy investments pre-tax loss	16.7	17.2	34.6	34.5
Acquisition related costs (primarily included in SG&A) <sup>(b)</sup>	48.4	122.7	108.2	145.9
Restructuring related costs <sup>(c)</sup>	254.7	23.6	570.1	32.5
Share-based compensation expense	31.0	15.3	63.7	34.7
Other special items included in:				
Cost of sales <sup>(d)</sup>	99.4	99.5	186.1	215.7
Research and development expense <sup>(e)</sup>	(6.3)	40.4	8.4	42.1
Selling, general and administrative expense	10.2	9.1	29.5	5.4
Other expense, net	—	(16.1)	—	(16.4)
Tax effect of the above items and other income tax related items <sup>(f)</sup>	(173.7)	(149.9)	169.2	(246.0)
Adjusted net earnings	\$ 1,180.6	\$ 574.3	\$ 2,297.0	\$ 1,041.5

Significant items include the following:

- (a) For the three and six months ended June 30, 2021 includes amortization of the purchase accounting inventory fair value adjustment related to the Combination totaling approximately \$477.3 million and \$953.7 million, respectively.
- (b) Acquisition related costs consist primarily of transaction costs including legal and consulting fees and integration activities. Refer to SG&A discussion within the section “Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020” and “Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020”.
- (c) For the three months ended June 30, 2021 charges of approximately \$78.7 million are included in cost of sales, approximately \$10.2 million are included in R&D, and approximately \$165.8 million are included in SG&A. For the six months ended June 30, 2021 charges of approximately \$246.5 million are included in cost of sales, approximately \$16.6 million are included in R&D, and approximately \$307.0 million are included in SG&A. Refer to Note 15 *Restructuring* included in Part I, Item 1 of this Form 10-Q for additional information.

- (d) Costs incurred during the three months and six months ended June 30, 2021 include incremental manufacturing variances and site remediation activities as a result of the activities at the Company's Morgantown plant of approximately \$44.1 million and \$89.1 million, respectively. Costs incurred during the three and six months ended June 30, 2020 primarily relate to incremental manufacturing variances and site remediation activities as a result of the activities at the Company's Morgantown plant of approximately \$63.0 million and \$121.8 million, respectively. In addition, the three and six months ended June 30, 2020 includes incremental manufacturing variances incurred as a result of the COVID-19 pandemic of approximately \$15.0 million and \$22.0 million, respectively. Also, the six months ended June 30, 2020 includes \$25.0 million related to a special bonus for plant employees as a result of the COVID-19 pandemic.
- (e) Adjustments primarily relate to non-refundable payments related to development agreements.
- (f) Adjusted for changes for uncertain tax positions and for certain impacts of the Combination.

### Reconciliation of U.S. GAAP Net (Loss) Earnings to EBITDA and Adjusted EBITDA

Below is a reconciliation of U.S. GAAP net (loss) earnings to EBITDA and adjusted EBITDA for the three and six months ended June 30, 2021 compared to the prior year period:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
U.S. GAAP net (loss) earnings	\$ (279.2)	\$ 39.4	\$ (1,316.8)	\$ 60.2
Add adjustments:				
Net contribution attributable to equity method investments	16.7	17.2	34.6	34.5
Income tax provision (benefit)	60.1	(19.4)	656.4	(9.5)
Interest expense <sup>(a)</sup>	167.1	116.2	336.1	236.1
Depreciation and amortization <sup>(b)</sup>	1,317.1	415.7	2,739.6	830.7
EBITDA	\$ 1,281.8	\$ 569.1	\$ 2,449.9	\$ 1,152.0
Add adjustments:				
Share-based compensation expense	31.0	15.3	63.7	34.7
Litigation settlements and other contingencies, net	23.0	15.8	45.9	17.6
Restructuring, acquisition related and other special items <sup>(c)</sup>	339.6	278.4	752.5	425.0
Adjusted EBITDA	\$ 1,675.4	\$ 878.6	\$ 3,312.0	\$ 1,629.3

(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 (Loss) Earnings to Adjusted Net Earnings.

## Liquidity and Capital Resources

Our primary source of liquidity is net cash provided by operating activities, which was \$1.41 billion for the six months ended June 30, 2021. We believe that net cash provided by operating activities and available liquidity will continue to allow us to meet our needs for working capital, capital expenditures, interest and principal payments on debt obligations, and dividend payments. Nevertheless, our ability to satisfy our working capital requirements and debt service obligations, fund planned capital expenditures, or dividend payments, will substantially depend upon our future operating performance (which will be affected by prevailing economic conditions), and financial, business and other factors, some of which are beyond our control.

### Operating Activities

Net cash provided by operating activities increased by \$737.6 million to \$1.41 billion for the six months ended June 30, 2021, as compared to net cash provided by operating activities of \$670.6 million for the six months ended June 30, 2020. Net cash provided by operating activities is derived from net (loss) earnings adjusted for non-cash operating items, gains and losses attributed to investing and financing activities and changes in operating assets and liabilities resulting from timing differences between the receipts and payments of cash, including changes in cash primarily reflecting the timing of cash collections from customers, payments to vendors and employees and tax payments in the ordinary course of business.

**Net Cash Provided By Operating Activities  
Six Months Ended**



Net cash provided by operating activities was favorably impacted in the current year period by higher operating earnings, after adjusting for non-cash items in both periods, of the combined company when compared to the prior year period. This increase was primarily offset by the negative impact of the timing of income tax payments and collections on accounts receivable balances.

### Investing Activities

Net cash from investing activities was \$219.5 million for the six months ended June 30, 2021, as compared to net cash used in investing activities of \$220.1 million for the six months ended June 30, 2020, a net increase of \$439.6 million.

**Net Cash Provided by (Used In) Investing Activities  
Six Months Ended**



### In 2021, significant items in investing activities included the following:

- cash received from acquisitions, net totaling approximately \$277.0 million related to additional target cash balances received from Pfizer subsequent to the closing of the Combination;
- proceeds from sale of assets of \$83.4 million related to a group of OTC products in the U.S.; and

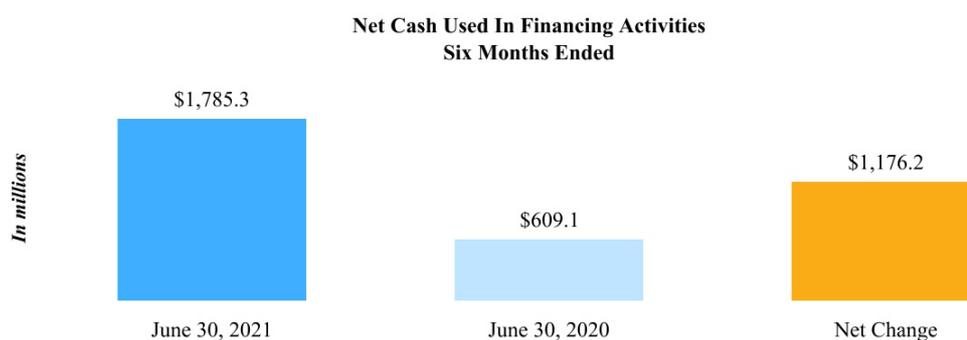
- capital expenditures, primarily for equipment and facilities, totaling approximately \$138.8 million. While there can be no assurance that current expectations will be realized, capital expenditures for the 2021 calendar year are expected to be approximately \$500 million to \$650 million.
- payments for product rights and other, net totaling approximately \$17.3 million, primarily related to the acquisition of intellectual property rights and marketing authorizations;

**In 2020, significant items in investing activities included the following:**

- payments for product rights and other, net totaling approximately \$76.4 million, primarily related to deferred non-contingent purchase payments for the acquisition of intellectual property rights and marketing authorizations in prior periods;
- purchase of marketable securities and other investments of \$90.2 million; and
- capital expenditures, primarily for equipment and facilities, totaling approximately \$87.9 million.

*Financing Activities*

Net cash used in financing activities was \$1.79 billion for the six months ended June 30, 2021, as compared to \$609.1 million for the six months ended June 30, 2020, a net increase of \$1.18 billion.



**In 2021, significant items in financing activities included the following:**

- long-term debt payments of \$2.25 billion consisting of the redemption of the 3.150% Senior Notes due 2021;
- long-term borrowings under the 2020 Revolving Facility of \$900.0 million;
- net short-term borrowings of \$199.7 million;
- cash dividends paid of \$133.0 million;
- deferred non-contingent payments for product rights totaling approximately \$456.0 million primarily related to the acquisition of Aspen's thrombosis product portfolio in Europe; and
- milestone payments totaling approximately \$28.6 million related to the respiratory delivery platform contingent consideration.

**In 2020, significant items in financing activities included the following:**

- long-term debt payments of approximately \$589.0 million consisting primarily of the redemption of \$555.2 million principal amount of the 2020 Floating Rate Euro Notes; and
- payments totaling \$43.6 million of the \$52.3 million in milestone payments related to the respiratory delivery platform contingent consideration. The remaining payments related to the respiratory delivery platform contingent consideration are included as a component of other operating assets and liabilities, net within net cash from operating activities.

## Capital Resources

Our cash and cash equivalents totaled \$673.9 million at June 30, 2021, and the majority of these funds are held by our non-U.S. subsidiaries. The Company anticipates having sufficient liquidity, including existing borrowing capacity under the 2021 Revolving Facility, Commercial Paper Program and the Receivables Facility and the Note Securitization Facility combined with cash to be generated from operations, to fund foreseeable cash needs without requiring the repatriation of non-U.S. cash.

In July 2021, Viatrix entered into (i) the YEN Term Loan and (ii) the 2021 Revolving Facility with various syndicates of banks. The 2021 Revolving Facility amended and restated the 2020 Revolving Facility and proceeds from the 2021 Revolving Facility were used to repay outstanding obligations under the 2020 Revolving Facility. Proceeds from the YEN Term Loan and 2021 Revolving Facility were also used to repay the USD Term Loan in full and the USD Term Loan was terminated. The 2021 Revolving Facility and the YEN Term Loan have substantially identical terms to the 2020 Revolving Facility and USD Term Loan, respectively, with the following exceptions: 1) the maturity of both the YEN Term Loan and the 2021 Revolving Facility is July 2026, 2) the pricing was adjusted to reflect current market prices (which were generally more favorable) and 3) the maximum leverage ratio as of the end of any quarter was set at 4.25 to 1.00 for each quarter ending after June 30, 2021 through and including June 30, 2022, 4.0 to 1.00 for each quarter ending after June 30, 2022 through and including December 31, 2022 and 3.75 to 1.00 thereafter, except in circumstances as defined in the related credit agreement. The Company expects to designate the YEN Term Loan as a hedge of its investment in certain Yen-functional currency subsidiaries in order to manage foreign currency translation risk. Prior to July 2021, the maximum leverage ratio under the 2020 Revolving Facility was 4.25 to 1.00 for the first four full fiscal quarters following the close of the Combination.

The Company has access to \$4.0 billion under the 2021 Revolving Facility which matures in July 2026. Up to \$1.65 billion of the 2021 Revolving Facility may be used to support borrowings under our Commercial Paper Program. As of June 30, 2021, the Company had \$900 million outstanding under the 2020 Revolving Facility prior to entering into the 2021 Revolving Facility, which amended and restated the 2020 Revolving Facility as described above, and \$600 million outstanding under the USD Term Loan, which was replaced by the YEN Term Loan as described above.

In addition to the 2021 Revolving Facility, MPI, a wholly owned subsidiary of the Company, has access to \$400 million under the Receivables Facility, which expires in April 2022. As of June 30, 2021, the Company had \$400 million outstanding under the Receivables Facility.

In August 2020, the Company entered into the Note Securitization Facility for borrowings up to \$200 million, which was amended on July 1, 2021 to extend the term to August 2022. As of June 30, 2021, the Company had \$200 million outstanding under the Note Securitization Facility.

Under the terms of each of the Receivables Facility and Note Securitization Facility, certain of our accounts receivable secure the amounts borrowed and cannot be used to pay our other debts or liabilities. The amount that we may borrow at a given point in time is determined based on the amount of qualifying accounts receivable that are present at such point in time. Borrowings outstanding under the Receivables Facility bear interest at a commercial paper rate plus 0.925% and under the Note Securitization Facility at a rate per annum quoted from time to time by MUFG Bank, Ltd. plus 1.00% (0.85% after the amendment of the Note Securitization Facility on July 1, 2021) and are included as a component of short-term borrowings, while the accounts receivable securing these obligations remain as a component of accounts receivable, net, in our condensed consolidated balance sheets. In addition, the agreements governing the Receivables Facility and Note Securitization Facility contain various customary affirmative and negative covenants, and customary default and termination provisions.

We have entered into accounts receivable factoring agreements with financial institutions to sell certain of our non-U.S. accounts receivable. These transactions are accounted for as sales and result in a reduction in accounts receivable because the agreements transfer effective control and risk related to the receivables over to the buyers. Our factoring agreements do not allow for recourse in the event of uncollectibility, and we do not retain any interest in the underlying accounts receivable once sold. We derecognized \$112.9 million and \$153.0 million of accounts receivable as of June 30, 2021 and December 31, 2020 under these factoring arrangements, respectively.

At June 30, 2021, our long-term debt, including the current portion, totaled \$23.07 billion, as compared to \$24.69 billion at December 31, 2020. Total long-term debt is calculated net of deferred financing fees which were \$44.7 million and \$49.2 million at June 30, 2021 and December 31, 2020, respectively.

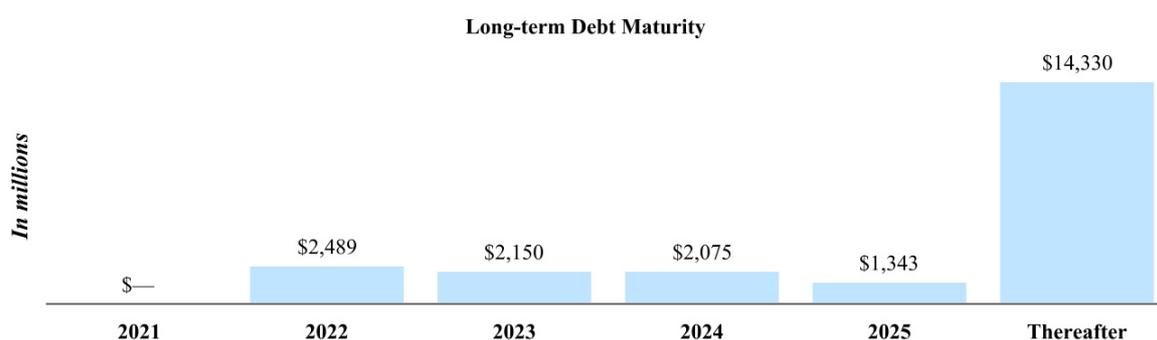
For additional information regarding our debt and debt agreements refer to Note 12 *Debt* in Part I, Item 1 of this Form 10-Q.

On May 7, 2021, the Company's Board of Directors declared an inaugural quarterly cash dividend of \$0.11 per share on the Company's issued and outstanding common stock. The first quarterly cash dividend was paid on June 16, 2021 to shareholders of record as of the close of business on May 24, 2021. On August 6, 2021, the Company's Board of Directors declared its second quarterly cash dividend of \$0.11 per share on the Company's issued and outstanding common stock, which will be payable on September 16, 2021 to shareholders of record as of the close of business on August 24, 2021. The declaration and payment of future dividends to holders of the Company's common stock will be at the discretion of the Board of Directors, and will depend upon factors, including but not limited to, the Company's financial condition, earnings, capital requirements of its businesses, legal requirements, regulatory constraints, industry practice, and other factors that the Board of Directors deems relevant.

We are continuously evaluating the potential acquisition of products, as well as companies, as a strategic part of our future growth. Consequently, we may utilize current cash reserves or incur additional indebtedness to finance any such acquisitions, which could impact future liquidity. Also, on an ongoing basis, we review our operations including the evaluation of potential divestitures of products and businesses as part of our future strategy. Any divestitures could impact future liquidity. In addition, we plan to continue to explore various other ways to create, enhance or otherwise unlock the value of the Company's unique global platform in order to create shareholder value.

#### Long-term Debt Maturity

Mandatory minimum repayments remaining on the outstanding notional amount of long-term debt at June 30, 2021 was as follows for each of the periods ending December 31:



The Company's YEN Term Loan and 2021 Revolving Facility (and, prior to July 2021, the 2020 Revolving Facility and USD Term Loan) contain customary affirmative covenants for facilities of this type, including among others, covenants pertaining to the delivery of financial statements, notices of default and certain material events, maintenance of corporate existence and rights, property, and insurance and compliance with laws, as well as customary negative covenants for facilities of this type, including limitations on the incurrence of subsidiary indebtedness, liens, mergers and certain other fundamental changes, investments and loans, acquisitions, transactions with affiliates, payments of dividends and other restricted payments and changes in our lines of business.

The Company is in compliance with its covenants at June 30, 2021 and expects to remain in compliance for the next twelve months.

#### Supplemental Guarantor Financial Information

Subsequent to the Combination, Utah Acquisition Sub Inc. is the issuer of the 3.150% Senior Notes due 2021, 3.950% Senior Notes due 2026 and 5.250% Senior Notes due 2046 (collectively, the "Utah Senior Notes"), which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan Inc., Viatris Inc. and Mylan II B.V.

Mylan Inc. is the issuer of the 4.200% Senior Notes due 2023, 4.550% Senior Notes due 2028, 5.400% Senior Notes due 2043 and 5.200% Senior Notes due 2048 (collectively, the "Mylan Inc. Senior Notes" and, together with the Utah Senior Notes, the "Senior Notes"), which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan II B.V., Viatris Inc. and Utah Acquisition Sub Inc.

The respective obligations of Viatris Inc., Mylan Inc., Utah Acquisition Sub Inc., and Mylan II B.V. as guarantors of the Senior Notes, as applicable, are senior unsecured obligations of the applicable guarantor and rank *pari passu* in right of payment with all of such guarantor's existing and future senior unsecured obligations that are not expressly subordinated to



matters are often complex and have outcomes that are difficult to predict. We have approximately \$455.6 million accrued for legal contingencies at June 30, 2021.

While the Company believes that it has meritorious defenses with respect to the claims asserted against it and the assumed legal matters referenced above, and intends to vigorously defend its position, the process of resolving these matters is inherently uncertain and may develop over a long period of time, and so it is not possible to predict the ultimate resolution of any such matter. It is possible that an unfavorable resolution of any of the ongoing matters could have a material effect on the Company's business, financial condition, results of operations, cash flows, ability to pay dividends and/or stock price.

In conjunction with the Combination, Viatris entered into a TSA with Pfizer pursuant to which each party will provide certain limited transition services to the other party generally for an initial period of 24 months from the closing date of the Combination. In addition to the monthly service fees under the TSA, Viatris has agreed to reimburse Pfizer for fifty percent of the costs, up to the first \$380 million incurred, to establish and wind down the TSA services. Viatris will be required to fully reimburse Pfizer for total costs in excess of \$380 million. During the three and six months ended June 30, 2021, the Company has incurred approximately \$10.0 million and \$26.3 million, respectively, related to this provision of the TSA, and approximately \$79.4 million during the period beginning on the closing date of the Combination and ended June 30, 2021.

#### *Application of Critical Accounting Policies*

There have been no changes to the Critical Accounting Policies disclosed in Viatris' 2020 Form 10-K. The following discussion supplements our Critical Accounting Policy for Acquisitions, Intangible Assets, Goodwill and Contingent Consideration as it relates to the annual goodwill impairment test performed as of April 1, 2021.

The Company has performed its annual goodwill impairment test as of April 1, 2021 on a quantitative basis for its five reporting units, North America, Europe, Emerging Markets, JANZ, and Greater China. Additionally, the net assets acquired as part of the Combination were included in the respective reporting units and in the annual impairment test for the first time. In estimating each reporting unit's fair value, the Company performed an extensive valuation analysis, utilizing both income and market-based approaches. The determination of the fair value of the reporting units requires the Company to make significant estimates and assumptions that affect the reporting unit's expected future cash flows. These estimates and assumptions, utilizing Level 3 inputs, primarily include, but are not limited to, market multiples, control premiums, the discount rate, terminal growth rates, operating income before depreciation and amortization, and capital expenditures forecasts.

As of April 1, 2021, the allocation of the Company's total goodwill was as follows: North America \$3.66 billion, Europe \$5.15 billion, Emerging Markets \$1.58 billion, JANZ \$0.82 billion and Greater China \$0.70 billion.

As of April 1, 2021, the Company determined that the fair value of the North America, Emerging Markets and Greater China reporting units was substantially in excess of the respective unit's carrying value.

For the Europe reporting unit, the estimated fair value exceeded its carrying value by approximately \$0.91 billion or 5.8% for the annual goodwill impairment test. As it relates to the income approach for the Europe reporting unit at April 1, 2021, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately 3.0%. A terminal year value was calculated with a 0.9% revenue growth rate applied. The discount rate utilized was 10.5% and the estimated tax rate was 19.0%. Under the market-based approach, we utilized an estimated range of market multiples of 7.5 to 8.5 times EBITDA plus a control premium of 15.0%. If all other assumptions are held constant, a reduction in the terminal value growth rate by 2.9% or an increase in discount rate by 1.5% would result in an impairment charge for the Europe reporting unit.

For the JANZ reporting unit, the estimated fair value exceeded its carrying value by approximately \$0.23 billion or 7.0% for the annual goodwill impairment test. As it relates to the income approach for the JANZ reporting unit at April 1, 2021, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately negative 1.5%. A terminal year value was calculated with a 0.7% revenue growth rate applied. The discount rate utilized was 8.5% and the estimated tax rate was 30.5%. Under the market-based approach, we utilized an estimated market multiple of 6.0 times EBITDA plus a control premium of 15.0%. If all other assumptions are held constant, a reduction in the terminal value growth rate by 4.2% or an increase in discount rate by 2.0% would result in an impairment charge for the JANZ reporting unit.

Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates. In addition, changes in underlying assumptions, especially as they relate to the key assumptions detailed, could have a significant impact on the fair value of the reporting units.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For a discussion of the Company's market risk, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in Viatrix' 2020 Form 10-K.

**ITEM 4. CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2021. Based upon that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Management has not identified any changes in the Company's internal control over financial reporting that occurred during the second quarter of 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

For information regarding legal proceedings, refer to Note 18 *Litigation*, in the accompanying Notes to interim financial statements in this Form 10-Q.

**ITEM 1A. RISK FACTORS**

There have been no material changes in the Company's risk factors from those disclosed in Viatrix' 2020 Form 10-K.

**ITEM 6. EXHIBITS**

- [10.1](#) Amended and Restated Revolving Credit Agreement, dated as of July 1, 2021, among Viatris, the guarantors from time to time party thereto, the lenders and issuing banks from time to time party thereto and Bank of America, N.A., as administrative agent, filed as Exhibit 10.1 to the Report on Form 8-K filed by Viatris Inc. with the SEC on July 1, 2021, and incorporated herein by reference.\*
- [10.2](#) Term Loan Credit Agreement, dated as of July 1, 2021, among Viatris, the guarantors from time to time party thereto, the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent, filed as Exhibit 10.2 to the Report on Form 8-K filed by Viatris Inc. with the SEC on July 1, 2021, and incorporated herein by reference.\*
- [22](#) List of Subsidiary Guarantors and Issuers of Guaranteed Securities, filed by Viatris Inc. as Exhibit 22 to the Form 10-K for the year ended December 31, 2020 and incorporated herein by reference.
- [31.1](#) Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- [31.2](#) Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- [32](#) Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF Inline XBRL Taxonomy Definition Linkbase
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase
- 104 Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).
- \* Annexes, schedules and/or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Viatris agrees to furnish supplementally a copy of any omitted attachment to the SEC on a confidential basis upon request.

## SIGNATURES

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

Viatis Inc.

By: /s/ MICHAEL GOETTLER

---

Michael Goettler  
Chief Executive Officer  
*(Principal Executive Officer)*

August 9, 2021

/s/ SANJEEV NARULA

---

Sanjeev Narula  
Chief Financial Officer  
*(Principal Financial Officer)*

August 9, 2021

**Certification of Principal Executive Officer Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael Goettler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viatrix Inc.;
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

/s/ MICHAEL GOETTLER

---

Michael Goettler  
Chief Executive Officer  
*(Principal Executive Officer)*

Date: August 9, 2021

**Certification of Principal Financial Officer Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Sanjeev Narula, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Viatrix Inc.;
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

/s/ SANJEEV NARULA

Sanjeev Narula

Chief Financial Officer

*(Principal Financial Officer)*

Date: August 9, 2021

**Certification of Principal Executive Officer and Principal Financial Officer Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Viatris Inc. (the "Company") for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL GOETTLER

---

Michael Goettler  
Chief Executive Officer  
(Principal Executive Officer)

/s/ SANJEEV NARULA

---

Sanjeev Narula  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 9, 2021

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 Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished in accordance with Securities and Exchange Commission Release No. 34-47551 and shall not be considered filed as part of the Form 10-Q.