



VIATRIS™

Q2 2021

Non-GAAP

Reconciliations

August 9, 2021



Non-GAAP Financial Measures

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

Full Year 2021 Guidance Items

(Unaudited; in millions)

	GAAP	Non-GAAP
Total Revenues	\$17,500 - \$17,900	N/A
Adjusted EBITDA	N/A	\$6,150 - \$6,450
Net Cash provided by Operating Activities	\$2,800 - \$2,950	N/A
Free Cash Flow	N/A	\$2,200 - \$2,400

Reconciliation of Estimated 2021 GAAP Net Cash Provided by Operating Activities to Free Cash Flow

(Unaudited; in millions)

Estimated GAAP Net Cash provided by Operating Activities	\$2,800 - \$2,950
Less: Capital Expenditures	<u>\$(500) - \$(650)</u>
Free Cash Flow	\$2,200 - \$2,400

Adjusted Net Earnings

<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) ^(a)	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) ^(b)	48.4	122.7	108.2	145.9
Restructuring related costs ^(c)	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 ^(d)	99.4	99.5	186.1	215.7
Research and development expense ^(e)	(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 ^(f)	(173.7)	(149.9)	169.2	(246.0)
Adjusted net earnings	\$ 1,180.6	\$ 574.3	\$ 2,297.0	\$ 1,041.5

(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.

(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.

(d) Costs incurred during the three and six months ended June 30, 2021 includes 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.

Net Earnings to Adjusted EBITDA

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		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 ^(a)	167.1	116.2	336.1	236.1
Depreciation and amortization ^(b)	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 ^(c)	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.

Cost of Sales

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
U.S. GAAP cost of sales	\$ 3,250.1	\$ 1,705.5	\$ 6,553.1	\$ 3,418.6
Deduct:				
Purchase accounting related amortization	(1,169.8)	(351.8)	(2,424.8)	(704.0)
Acquisition related items	(1.0)	(1.3)	(3.5)	(2.1)
Restructuring related costs	(78.7)	(4.1)	(246.5)	(8.9)
Shared-based compensation expense	(0.6)	(0.4)	(1.2)	(0.7)
Other special items	(99.4)	(99.5)	(186.1)	(215.7)
Adjusted cost of sales	<u>\$ 1,900.6</u>	<u>\$ 1,248.4</u>	<u>\$ 3,691.0</u>	<u>\$ 2,487.2</u>
Adjusted gross profit ^(a)	<u>\$ 2,677.2</u>	<u>\$ 1,482.8</u>	<u>\$ 5,317.1</u>	<u>\$ 2,863.2</u>
Adjusted gross margin ^(a)	<u>58 %</u>	<u>54 %</u>	<u>59 %</u>	<u>54 %</u>

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

R&D

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
U.S. GAAP R&D	\$ 147.7	\$ 156.3	\$ 331.8	\$ 270.5
Add / (Deduct):				
Acquisition related costs	(0.2)	(0.2)	(0.3)	(0.2)
Restructuring and related costs	(10.2)	(0.2)	(16.6)	(0.4)
Share-based compensation expense	(0.8)	(0.7)	(1.9)	(1.1)
Other special items	6.3	(40.4)	(8.4)	(42.1)
Adjusted R&D	<u>\$ 142.8</u>	<u>\$ 114.8</u>	<u>\$ 304.6</u>	<u>\$ 226.7</u>
Adjusted R&D as % of total revenues	<u>3 %</u>	<u>4 %</u>	<u>3 %</u>	<u>4 %</u>

SG&A

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
U.S. GAAP SG&A	\$ 1,204.8	\$ 719.4	\$ 2,391.3	\$ 1,324.8
Deduct:				
Acquisition related costs	(47.2)	(121.4)	(104.4)	(143.6)
Restructuring and related costs	(165.8)	(19.4)	(307.0)	(23.3)
Share-based compensation expense	(29.5)	(14.3)	(60.5)	(32.9)
Other special items and reclassifications	(10.2)	(9.1)	(29.5)	(5.4)
Adjusted SG&A	<u>\$ 952.1</u>	<u>\$ 555.2</u>	<u>\$ 1,889.9</u>	<u>\$ 1,119.6</u>
Adjusted SG&A as % of total revenues	<u>21 %</u>	<u>20 %</u>	<u>21 %</u>	<u>21 %</u>

Total Operating Expenses

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
U.S. GAAP total operating expenses	\$ 1,375.5	\$ 891.5	\$ 2,769.0	\$ 1,612.9
Deduct:				
Litigation settlements and other contingencies, net	(23.0)	(15.8)	(45.9)	(17.6)
R&D adjustments	(4.9)	(41.5)	(27.2)	(43.8)
SG&A adjustments	(252.7)	(164.2)	(501.4)	(205.2)
Adjusted total operating expenses	\$ 1,094.9	\$ 670.0	\$ 2,194.5	\$ 1,346.3
Adjusted earnings from operations ^(a)	\$ 1,582.3	\$ 812.8	\$ 3,122.6	\$ 1,516.9

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

Interest Expense

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
U.S. GAAP interest expense	\$ 167.1	\$ 116.2	\$ 336.1	\$ 236.1
Add / (Deduct):				
Interest expense related to clean energy investments	(0.3)	(1.0)	(0.3)	(2.1)
Accretion of contingent consideration liability	-	(3.1)	-	(6.4)
Amortization of premiums and discounts on long-term debt	16.5	-	32.5	-
Other special items	(2.7)	(1.4)	(5.4)	(2.8)
Adjusted interest expense	<u>\$ 180.6</u>	<u>\$ 110.7</u>	<u>\$ 362.9</u>	<u>\$ 224.8</u>

Other Expenses

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
U.S. GAAP other expense (income), net	\$ 4.2	\$ (2.0)	\$ 10.3	\$ 32.1
Add / (Deduct):				
Clean energy investments pre-tax loss ^(a)	(16.7)	(17.2)	(34.6)	(34.5)
Other items	-	16.1	-	16.4
Adjusted other (income) expense	\$ (12.5)	\$ (3.1)	\$ (24.3)	\$ 14.0

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

Earnings Before Income Taxes and Income Tax Provision

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
U.S. GAAP (loss) earnings before income taxes	\$ (219.1)	\$ 20.0	\$ (660.4)	\$ 50.7
Total pre-tax non-GAAP adjustments	1,633.4	684.7	3,444.5	1,227.2
Adjusted earnings before income taxes	<u>\$ 1,414.3</u>	<u>\$ 704.7</u>	<u>\$ 2,784.1</u>	<u>\$ 1,277.9</u>
U.S. GAAP income tax provision (benefit)	\$ 60.1	\$ (19.4)	\$ 656.4	\$ (9.5)
Adjusted tax expense (benefit)	173.7	149.8	(169.2)	245.9
Adjusted income tax provision	<u>\$ 233.8</u>	<u>\$ 130.4</u>	<u>\$ 487.2</u>	<u>\$ 236.4</u>
Adjusted effective tax rate	<u>16.5 %</u>	<u>18.5 %</u>	<u>17.5 %</u>	<u>18.5 %</u>

Combined Adjusted EBITDA

<i>(In millions)</i>	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Upjohn - U.S. GAAP Income before taxes	\$ 931.1	\$ 1,816.4
Interest expense	57.4	111.1
Depreciation and amortization	79.0	155.8
Upjohn EBITDA	<u>\$ 1,067.5</u>	<u>\$ 2,083.3</u>
Other adjustments	(168.6)	(107.8)
Upjohn Adjusted EBITDA	<u>\$ 898.9</u>	<u>\$ 1,975.5</u>
Add: Mylan Adjusted EBITDA	878.6	1,629.3
Combined Adjusted EBITDA	<u><u>\$ 1,777.5</u></u>	<u><u>\$ 3,604.8</u></u>