

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, 2022

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 checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input 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 3, 2022 was 1,212,580,940.

VIATRIS INC. AND SUBSIDIARIES**INDEX TO FORM 10-Q
For the Quarterly Period Ended
June 30, 2022**

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Glossary of Defined Terms

Unless the context requires otherwise, references to “Viatriis,” “the Company,” “we,” “us” or “our” in this Form 10-Q (defined below) refer to Viatriis 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	Mylan N.V. Amended and Restated 2003 Long-Term Incentive Plan
2021 Form 10-K	Viatriis’ annual report on Form 10-K for the fiscal year ended December 31, 2021, as amended
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
ARV	Antiretroviral medicines
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Biocon	Biocon Limited
Biocon Biologics	Biocon Biologics Limited, a majority owned subsidiary of Biocon
Biocon Biologics Transaction	The pending transaction between Viatriis and Biocon Biologics pursuant to which Viatriis will contribute its biosimilars portfolio to Biocon Biologics
Biocon Agreement	The transaction agreement between Viatriis and Biocon Biologics, dated February 27, 2022, relating to the Biocon Biologics Transaction
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 Viatriis, 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 Viatriis on November 16, 2020
Commercial Paper Program	The \$1.65 billion unsecured commercial paper program entered into as of November 16, 2020 by Viatriis, 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
CP Notes	Unsecured, short-term commercial paper notes issued pursuant to the Commercial Paper Program
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
DRIP	Dividend Reinvestment and Share Purchase Plan
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	Viatis' 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
ERP system	Enterprise resource planning system
EU	European Union
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCA	Financial Conduct Authority in the U.K.
FDA	U.S. Food and Drug Administration
Form 10-Q	This quarterly report on Form 10-Q for the quarterly period ended June 30, 2022
Greater China segment	Viatis' 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
IRS Ruling	The private letter ruling issued by the IRS to Pfizer with respect to the Combination, dated as of March 17, 2020
IT	Information technology
JANZ segment	Viatis' business segment that includes our operations 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 Pharmaceuticals 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 Viatis, in which legacy Mylan merged with and into
Mylan Inc. Euro Notes	The 2.125% Senior Notes due 2025 issued by Mylan Inc., which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan II B.V., Viatis Inc. and Utah Acquisition Sub Inc.

Mylan Inc. U.S. Dollar Notes	The 4.200% Senior Notes due 2023, 3.125% 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.
Mylan Securitization	Mylan Securitization LLC
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 2025
Registered Upjohn Notes	The 1.650% Senior Notes due 2025, 2.300% Senior Notes due 2027, 2.700% Senior Notes due 2030, 3.850% Senior Notes due 2040 and 4.000% Senior Notes due 2050 originally issued on October 29, 2021 registered with the SEC in exchange for the corresponding Unregistered Upjohn U.S. Dollar Notes in a similar aggregate principal amount and with terms substantially identical to the corresponding Unregistered Upjohn U.S. Dollar Notes and fully and unconditionally guaranteed by Mylan Inc., Mylan II and Utah Acquisition Sub Inc.
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
Revolving Facility	The \$4.0 billion revolving facility dated as of July 1, 2021, by and among Viartis, certain lenders and issuing banks from time to time party thereto and Bank of America, N.A., as administrative agent
RICO	Racketeer Influenced and Corrupt Organizations Act
RSUs	The Company's unvested restricted stock unit awards
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 U.S. Dollar Notes	The Upjohn U.S. Dollar Notes, the Utah U.S. Dollar Notes and the Mylan Inc. U.S. Dollar 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
SOFR	Secured overnight financial rate

Stock awards	Stock options and SARs
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.
Unregistered Upjohn U.S. Dollar Notes	The 1.650% Senior Notes due 2025, 2.300% Senior Notes due 2027, 2.700% Senior Notes due 2030, 3.850% Senior Notes due 2040 and 4.000% Senior Notes due 2050 originally issued on June 22, 2020 by Upjohn Inc. (now Viatrix Inc.) in a private offering exempt from the registration requirements of the Securities Act and fully and unconditionally guaranteed by Mylan Inc., Mylan II and Utah Acquisition Sub Inc.
Upjohn	Upjohn Inc., a wholly owned subsidiary of Pfizer prior to the Distribution, that combined with Mylan and was renamed Viatrix 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 Viatrix
Upjohn U.S. Dollar Notes	Senior unsecured notes denominated in U.S. dollars and originally issued by Upjohn Inc. or Viatrix Inc. pursuant to an indenture dated June 22, 2020 and fully and unconditionally guaranteed by Mylan Inc., Mylan II B.V. and Utah Acquisition Sub Inc.
Utah Acquisition Sub	Utah Acquisition Sub Inc., a Delaware corporation and an indirect wholly owned subsidiary of Viatrix
Utah Euro Notes	The 2.250% Senior Notes due 2024 and 3.125% Senior Notes due 2028 issued by Utah Acquisition Sub Inc., which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan Inc., Viatrix Inc. and Mylan II B.V.
Utah U.S. Dollar Notes	The 3.950% Senior Notes due 2026 and 5.250% Senior Notes due 2046 issued by Utah Acquisition Sub Inc., which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan Inc., Viatrix Inc. and Mylan II B.V.
Viatrix	Viatrix Inc., formerly known as Upjohn Inc. prior to the completion of the Combination
YEN Term Loan Facility	The ¥40 billion term loan agreement dated as of July 1, 2021, by and among Viatrix, MUFG Bank, Ltd. and Mizuho 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,	
	2022	2021	2022	2021
Revenues:				
Net sales	\$ 4,105.4	\$ 4,561.7	\$ 8,283.6	\$ 8,961.8
Other revenues	11.4	16.1	24.9	46.3
Total revenues	4,116.8	4,577.8	8,308.5	9,008.1
Cost of sales	2,413.5	3,250.1	4,834.0	6,553.1
Gross profit	1,703.3	1,327.7	3,474.5	2,455.0
Operating expenses:				
Research and development	162.6	147.7	304.9	331.8
Selling, general and administrative	981.1	1,204.8	1,896.4	2,391.3
Litigation settlements and other contingencies, net	10.9	23.0	17.1	45.9
Total operating expenses	1,154.6	1,375.5	2,218.4	2,769.0
Earnings (loss) from operations	548.7	(47.8)	1,256.1	(314.0)
Interest expense	145.9	167.1	292.1	336.1
Other expense, net	13.5	4.2	47.2	10.3
Earnings (loss) before income taxes	389.3	(219.1)	916.8	(660.4)
Income tax provision	75.4	60.1	203.7	656.4
Net earnings (loss)	\$ 313.9	\$ (279.2)	\$ 713.1	\$ (1,316.8)
Earnings (loss) per share attributable to Viatris Inc. shareholders				
Basic	\$ 0.26	\$ (0.23)	\$ 0.59	\$ (1.09)
Diluted	\$ 0.26	\$ (0.23)	\$ 0.59	\$ (1.09)
Weighted average shares outstanding:				
Basic	1,212.3	1,208.8	1,211.4	1,208.2
Diluted	1,217.1	1,208.8	1,215.1	1,208.2

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,	
	2022	2021	2022	2021
Net earnings (loss)	\$ 313.9	\$ (279.2)	\$ 713.1	\$ (1,316.8)
Other comprehensive (loss) earnings, before tax:				
Foreign currency translation adjustment	(1,149.9)	160.7	(1,619.1)	(560.5)
Change in unrecognized gain (loss) and prior service cost related to defined benefit plans	0.5	72.5	(2.1)	73.3
Net unrecognized gain on derivatives in cash flow hedging relationships	17.6	12.4	17.8	15.7
Net unrecognized gain (loss) on derivatives in net investment hedging relationships	384.4	(77.4)	585.7	150.0
Net unrealized (loss) gain on marketable securities	(1.0)	0.2	(2.7)	(0.7)
Other comprehensive (loss) earnings, before tax	(748.4)	168.4	(1,020.4)	(322.2)
Income tax provision (benefit)	89.8	(12.2)	134.5	24.8
Other comprehensive (loss) earnings, net of tax	(838.2)	180.6	(1,154.9)	(347.0)
Comprehensive loss	<u>\$ (524.3)</u>	<u>\$ (98.6)</u>	<u>\$ (441.8)</u>	<u>\$ (1,663.8)</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, 2022	December 31, 2021
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	\$ 664.7	\$ 701.2
Accounts receivable, net	3,736.2	4,266.4
Inventories	3,612.5	3,977.7
Prepaid expenses and other current assets	1,697.7	1,957.6
Assets held for sale	1,465.4	—
Total current assets	11,176.5	10,902.9
Property, plant and equipment, net	3,083.9	3,188.6
Intangible assets, net	24,101.1	26,134.2
Goodwill	10,523.0	12,113.7
Deferred income tax benefit	1,243.2	1,332.7
Other assets	997.4	1,170.7
Total assets	<u>\$ 51,125.1</u>	<u>\$ 54,842.8</u>
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,670.1	\$ 1,657.4
Short-term borrowings	1,019.7	1,493.0
Income taxes payable	125.7	236.9
Current portion of long-term debt and other long-term obligations	768.2	1,877.5
Liabilities held for sale	285.1	—
Other current liabilities	3,812.4	4,619.6
Total current liabilities	7,681.2	9,884.4
Long-term debt	19,206.4	19,717.1
Deferred income tax liability	2,617.9	2,815.0
Other long-term obligations	1,814.2	1,933.6
Total liabilities	<u>31,319.7</u>	<u>34,350.1</u>
Equity		
Viatrix Inc. shareholders' equity		
Common stock: \$0.01 par value, 3,000,000,000 shares authorized; shares issued and outstanding: 1,212,447,457 and 1,209,507,463, respectively	12.1	12.1
Additional paid-in capital	18,585.7	18,536.1
Retained earnings	4,106.8	3,688.8
Accumulated other comprehensive loss	(2,899.2)	(1,744.3)
Total equity	<u>19,805.4</u>	<u>20,492.7</u>
Total liabilities and equity	<u>\$ 51,125.1</u>	<u>\$ 54,842.8</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, 2022	1,212,323,483	\$ 12.1	\$18,555.1	\$ 3,941.5	—	\$ —	\$ (2,061.0)	\$20,447.7
Net earnings	—	—	—	313.9	—	—	—	313.9
Other comprehensive loss, net of tax	—	—	—	—	—	—	(838.2)	(838.2)
Issuance of restricted stock and stock options exercised, net	64,292	—	—	—	—	—	—	—
Taxes related to the net share settlement of equity awards	—	—	0.5	—	—	—	—	0.5
Share-based compensation expense	—	—	29.4	—	—	—	—	29.4
Issuance of common stock	59,682	—	0.7	—	—	—	—	0.7
Cash dividends declared, \$0.12 per common share	—	—	—	(148.6)	—	—	—	(148.6)
Balance at June 30, 2022	<u>1,212,447,457</u>	<u>\$ 12.1</u>	<u>\$18,585.7</u>	<u>\$ 4,106.8</u>	<u>—</u>	<u>\$ —</u>	<u>\$ (2,899.2)</u>	<u>\$19,805.4</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, 2021	1,209,507,463	\$ 12.1	\$18,536.1	\$ 3,688.8	—	\$ —	\$ (1,744.3)	\$20,492.7
Net earnings	—	—	—	713.1	—	—	—	713.1
Other comprehensive loss, net of tax	—	—	—	—	—	—	(1,154.9)	(1,154.9)
Issuance of restricted stock and stock options exercised, net	2,880,312	—	—	—	—	—	—	—
Taxes related to the net share settlement of equity awards	—	—	(8.8)	—	—	—	—	(8.8)
Share-based compensation expense	—	—	57.7	—	—	—	—	57.7
Issuance of common stock	59,682	—	0.7	—	—	—	—	0.7
Cash dividends declared, \$0.24 per common share	—	—	—	(295.1)	—	—	—	(295.1)
Balance at June 30, 2022	<u>1,212,447,457</u>	<u>\$ 12.1</u>	<u>\$18,585.7</u>	<u>\$ 4,106.8</u>	<u>—</u>	<u>\$ —</u>	<u>\$ (2,899.2)</u>	<u>\$19,805.4</u>

See Notes to Condensed Consolidated Financial Statements

	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

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

	Six Months Ended	
	June 30,	
	2022	2021
Cash flows from operating activities:		
Net earnings (loss)	\$ 713.1	\$ (1,316.8)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,458.3	2,739.6
Share-based compensation expense	57.7	63.7
Deferred income tax (benefit) expense	(157.6)	581.6
Loss from equity method investments	—	34.6
Other non-cash items	3.8	203.5
Litigation settlements and other contingencies, net	10.0	42.4
Changes in operating assets and liabilities:		
Accounts receivable	(142.3)	(114.7)
Inventories	(270.1)	(341.0)
Accounts payable	254.5	(53.5)
Income taxes	17.8	(337.7)
Other operating assets and liabilities, net	(4.2)	(93.5)
Net cash provided by operating activities	<u>1,941.0</u>	<u>1,408.2</u>
Cash flows from investing activities:		
Cash received from acquisitions	—	277.0
Capital expenditures	(148.4)	(138.8)
Purchase of marketable securities	(13.2)	(19.5)
Proceeds from the sale of marketable securities	12.8	19.2
Payments for product rights and other, net	(13.0)	(17.3)
Proceeds from sale of assets and subsidiaries	—	83.4
Proceeds from sale of property, plant and equipment	12.8	15.5
Net cash (used in) provided by investing activities	<u>(149.0)</u>	<u>219.5</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	795.4	900.1
Payments of long-term debt	(1,787.0)	(2,250.7)
Change in short-term borrowings, net	(473.5)	199.7
Taxes paid related to net share settlement of equity awards	(13.2)	(13.5)
Non-contingent payments for product rights	—	(456.0)
Contingent consideration payments	(18.9)	(28.6)
Payments of financing fees	(1.3)	(0.2)
Cash dividends paid	(290.6)	(133.0)
Issuance of common stock	0.7	—
Other items, net	(0.2)	(3.1)
Net cash used in financing activities	<u>(1,788.6)</u>	<u>(1,785.3)</u>
Effect on cash of changes in exchange rates	(40.2)	(13.3)
Net decrease in cash, cash equivalents and restricted cash	(36.8)	(170.9)
Cash, cash equivalents and restricted cash — beginning of period	706.2	850.0
Cash, cash equivalents and restricted cash — end of period	<u>\$ 669.4</u>	<u>\$ 679.1</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’ 2021 Form 10-K. The December 31, 2021 condensed consolidated balance sheet was derived from audited financial statements.

Turkey Highly Inflationary - Under ASC 830, *Foreign Currency Matters* (“ASC 830”), a highly inflationary economy is one that has cumulative inflation of approximately 100% or more over a three-year period. Effective April 1, 2022, we classified Turkey as highly inflationary. In accordance with ASC 830, starting with the second quarter of 2022, we began to utilize the U.S. dollar as our functional currency in Turkey, which historically utilized the Turkish lira as the functional currency. The impact of applying the guidance in ASC 830 did not have a material impact on our results of operations, comprehensive earnings, financial position, equity and cash flows for the three months ended June 30, 2022. The impacted net sales for the three months ended June 30, 2022 and total assets at June 30, 2022 represented less than 1% of our consolidated net sales and total assets, respectively.

The interim results of operations and comprehensive earnings for the three and six months ended June 30, 2022, and cash flows for the six months ended June 30, 2022, 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 revenues 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 revenues in the condensed consolidated statements of operations.

VIATRIS INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

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, 2022 and 2021, respectively:

<i>(In millions)</i> Product Category	Three Months Ended June 30, 2022				
	Developed Markets	Greater China	JANZ	Emerging Markets	Total
Brands	\$ 1,305.4	\$ 546.3	\$ 243.1	\$ 388.3	\$ 2,483.1
Complex Gx and Biosimilars	327.0	0.3	12.1	15.4	354.8
Generics	846.7	1.7	171.9	247.2	1,267.5
Total	\$ 2,479.1	\$ 548.3	\$ 427.1	\$ 650.9	\$ 4,105.4

<i>(In millions)</i> Product Category	Six Months Ended June 30, 2022				
	Developed Markets	Greater China	JANZ	Emerging Markets	Total
Brands	\$ 2,604.1	\$ 1,116.0	\$ 492.1	\$ 825.0	\$ 5,037.2
Complex Gx and Biosimilars	691.1	0.3	22.4	31.8	745.6
Generics	1,660.0	5.1	336.4	499.3	2,500.8
Total	\$ 4,955.2	\$ 1,121.4	\$ 850.9	\$ 1,356.1	\$ 8,283.6

<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
Total	\$ 2,640.4	\$ 550.3	\$ 501.0	\$ 870.0	\$ 4,561.7

<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
Total	\$ 5,212.0	\$ 1,142.2	\$ 982.9	\$ 1,624.7	\$ 8,961.8

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

The following table presents net sales on a consolidated basis for select key products for the three and six months ended June 30, 2022 and 2021:

<i>(In millions)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Select Key Global Products				
Lipitor ®	\$ 405.6	\$ 398.3	\$ 845.7	\$ 862.9
Norvasc ®	203.0	209.8	410.8	437.5
Lyrica ®	155.8	192.5	327.4	380.3
Viagra ®	115.1	134.8	244.9	274.4
EpiPen® Auto-Injectors	106.5	104.1	195.3	207.8
Celebrex ®	85.9	82.3	171.2	171.3
Creon ®	75.4	80.7	150.1	150.6
Effexor ®	73.7	83.5	151.2	160.1
Zoloft ®	62.5	70.9	135.6	147.5
Xalabrand	42.7	58.3	95.7	116.2
Select Key Segment Products				
Dymista ®	\$ 55.5	\$ 54.6	\$ 99.4	\$ 94.9
Yupelri ®	49.1	41.8	92.7	78.7
Amitiza ®	44.1	52.1	85.9	98.0
Xanax ®	37.2	48.8	77.2	93.9

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

(b) Products disclosed may change in future periods, including as a result of seasonality, competition or new product launches.

(c) Amounts for the three and six months ended June 30, 2022 include the unfavorable impact of foreign currency translations compared to the prior year period.

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, 2022 and 2021, respectively:

<i>(In millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Gross sales	\$ 7,008.7	\$ 7,752.3	\$ 14,207.0	\$ 15,319.3
Gross to net adjustments:				
Chargebacks	(1,594.2)	(1,354.8)	(3,178.4)	(2,672.8)
Rebates, promotional programs and other sales allowances	(1,075.3)	(1,566.6)	(2,281.2)	(3,135.1)
Returns	(82.7)	(88.3)	(165.3)	(201.3)
Governmental rebate programs	(151.1)	(180.9)	(298.5)	(348.3)
Total gross to net adjustments	\$ (2,903.3)	\$ (3,190.6)	\$ (5,923.4)	\$ (6,357.5)
Net sales	\$ 4,105.4	\$ 4,561.7	\$ 8,283.6	\$ 8,961.8

VIATRIS INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

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, 2022. Such allowances were comprised of the following at June 30, 2022 and December 31, 2021, respectively:

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Accounts receivable, net	\$ 1,742.9	\$ 1,688.6
Other current liabilities	914.7	1,362.1
Total	\$ 2,657.6	\$ 3,050.7

Accounts receivable, net was comprised of the following at June 30, 2022 and December 31, 2021, respectively:

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Trade receivables, net	\$ 3,182.9	\$ 3,774.4
Other receivables	553.3	492.0
Accounts receivable, net	\$ 3,736.2	\$ 4,266.4

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 \$41.9 million and \$29.6 million of accounts receivable as of June 30, 2022 and December 31, 2021, respectively, under these factoring arrangements.

3. Recent Accounting Pronouncements

Adoption of New Accounting Standard

In November 2021, the FASB issued Accounting Standards Update 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance* ("ASU 2021-10"), which requires entities to provide annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. We adopted the ASU prospectively on January 1, 2022. The additional annual disclosures required are not expected to have a material impact on our consolidated financial statements.

There were no other significant changes in new accounting standards from those disclosed in Viatris' 2021 Form 10-K. Refer to Viatris' 2021 Form 10-K for additional information.

4. 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 2003 LTIP, 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 awards (stock options and SARs) activity under the Plan and 2003 LTIP:

	Number of Shares Under Stock Awards	Weighted Average Exercise Price per Share
Outstanding at December 31, 2021	5,576,490	\$ 37.19
Forfeited	(782,735)	\$ 30.69
Outstanding at June 30, 2022	<u>4,793,755</u>	<u>\$ 38.25</u>
Vested and expected to vest at June 30, 2022	4,748,296	\$ 38.43
Exercisable at June 30, 2022	4,518,196	\$ 39.43

As of June 30, 2022, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had average remaining contractual terms of 4.5 years, 4.5 years and 4.3 years, respectively. Also, as of June 30, 2022, 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 nonvested restricted stock awards (restricted stock and restricted stock unit awards, including PSUs) as of June 30, 2022 and the changes during the six months ended June 30, 2022 are presented below:

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value Per Share
Nonvested at December 31, 2021	16,858,128	\$ 15.12
Granted	16,778,913	10.20
Released	(3,576,289)	17.92
Forfeited	(730,250)	12.85
Nonvested at June 30, 2022	<u>29,330,502</u>	<u>\$ 12.01</u>

As of June 30, 2022, the Company had \$238.6 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 1.8 years. The total intrinsic value of restricted stock units released during the six months ended June 30, 2022 and 2021 was \$64.1 million and \$71.9 million, respectively.

5. 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
Net Periodic Benefit Cost

Components of net periodic benefit cost for the three and six months ended June 30, 2022 and 2021 were as follows:

<i>(In millions)</i>	Pension and Other Postretirement Benefits			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Service cost	\$ 9.5	\$ 10.9	\$ 19.0	\$ 21.7
Interest cost	10.4	8.7	20.8	17.2
Expected return on plan assets	(16.6)	(16.7)	(33.2)	(33.2)
Amortization of prior service costs	—	(0.2)	0.1	(0.3)
Recognized net actuarial losses	0.1	0.5	0.1	0.8
Settlement gain	\$ —	\$ (3.1)	\$ —	\$ (3.1)
Net periodic benefit cost	\$ 3.4	\$ 0.1	\$ 6.8	\$ 3.1

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 is making the minimum mandatory contributions to its defined benefit pension plans in the U.S. and Puerto Rico for the 2022 plan year. The Company expects to make total benefit payments of approximately \$118.0 million from pension and other postretirement benefit plans in 2022. The Company anticipates making contributions to pension and other postretirement benefit plans of approximately \$52.0 million in 2022.

6. Balance Sheet Components

Selected balance sheet components consist of the following:

Cash and restricted cash

<i>(In millions)</i>	June 30, 2022	December 31, 2021	June 30, 2021
Cash and cash equivalents	\$ 664.7	\$ 701.2	\$ 673.9
Restricted cash, included in prepaid expenses and other current assets	4.7	5.0	5.2
Cash, cash equivalents and restricted cash	\$ 669.4	\$ 706.2	\$ 679.1

Inventories

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Raw materials	\$ 805.2	\$ 922.4
Work in process	821.7	993.3
Finished goods	1,985.6	2,062.0
Inventories	\$ 3,612.5	\$ 3,977.7

VIATRIS INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

Prepaid expenses and other current assets

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Prepaid expenses	\$ 274.0	\$ 256.7
Available-for-sale fixed income securities	35.5	38.2
Fair value of financial instruments	201.1	144.6
Equity securities	41.7	51.0
Other current assets	1,145.4	1,467.1
Prepaid expenses and other current assets	\$ 1,697.7	\$ 1,957.6

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

Property, plant and equipment, net

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Machinery and equipment	\$ 2,820.9	\$ 3,054.0
Buildings and improvements	1,548.1	1,808.5
Construction in progress	551.7	588.7
Land and improvements	120.7	137.9
Gross property, plant and equipment	5,041.4	5,589.1
Accumulated depreciation	1,957.5	2,400.5
Property, plant and equipment, net	\$ 3,083.9	\$ 3,188.6

Other assets

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Operating lease right-of-use assets	\$ 275.1	\$ 290.8
Other long-term assets	722.3	879.9
Other assets	\$ 997.4	\$ 1,170.7

Accounts payable

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Trade accounts payable	\$ 1,050.7	\$ 1,056.1
Other payables	619.4	601.3
Accounts payable	\$ 1,670.1	\$ 1,657.4

VIATRIS INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

Other current liabilities

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Accrued sales allowances	\$ 914.7	\$ 1,362.1
Legal and professional accruals, including litigation accruals	676.3	715.6
Payroll and employee benefit liabilities	541.0	741.9
Contingent consideration	73.8	66.7
Accrued restructuring	136.3	233.5
Accrued interest	75.7	86.6
Equity method investments, clean energy investments	4.3	10.9
Fair value of financial instruments	101.9	61.0
Operating lease liability	83.4	86.7
Other	1,205.0	1,254.6
Other current liabilities	\$ 3,812.4	\$ 4,619.6

Other long-term obligations

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Employee benefit liabilities	\$ 832.6	\$ 876.4
Contingent consideration	107.2	133.0
Tax related items, including contingencies	411.3	426.1
Operating lease liability	192.2	200.9
Accrued restructuring	51.2	64.3
Other	219.7	232.9
Other long-term obligations	\$ 1,814.2	\$ 1,933.6

VIATRIS INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

Assets and liabilities held for sale

On February 27, 2022, the Company entered into an agreement to contribute its biosimilars portfolio to Biocon Biologics. Under the terms of the Biocon Agreement, at closing Viatris will receive an up-front cash payment of \$2.0 billion, subject to certain adjustments, ownership of at least 12.9% of Biocon Biologics, on a fully diluted basis, in the form of convertible preferred equity which will have certain priority rights with respect to certain liquidity events, and \$335 million as additional cash payments that are expected to be paid in 2024. Upon closing of the transaction, we expect to record a gain for the difference between the consideration received, including the fair value of the convertible preferred equity, and the carrying value of the biosimilars portfolio. The companies will also enter into a two-year transition services agreement, subject to extension in certain circumstances, during which time Viatris will provide certain commercial and administrative services for an applicable service fee. The transaction is expected to close in the second half of 2022 and is subject to various closing conditions (including regulatory approvals). Assets and liabilities associated with the biosimilars portfolio were reclassified as held for sale in the condensed consolidated balance sheets as of June 30, 2022.

The amounts associated with the biosimilars portfolio, as well as other assets classified as held for sale, consisted of the following:

<i>(In millions)</i>	As of June 30, 2022
Assets held for sale	
Accounts receivable, net	\$ 179.1
Inventories	168.5
Prepaid expenses and other current assets	15.4
Intangible assets, net	59.9
Goodwill	936.9
Other assets	105.6
Total assets held for sale	\$ 1,465.4
Liabilities held for sale	
Accounts payable	\$ 112.9
Other current liabilities	172.2
Total liabilities held for sale	\$ 285.1

For the three and six months ended June 30, 2022, total revenues relating to the biosimilars portfolio expected to be contributed to Biocon Biologics were approximately \$166.9 million and \$336.0 million, respectively.

7. Equity Method Investments

The law that provides for IRC Section 45 tax credits expired during the year ended December 31, 2021 for all three clean energy investments and all of the clean energy investments have wound down operations. 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 are as follows:

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

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

The Company's net losses from its equity method investments included 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 and six months ended June 30, 2021, the Company recognized net losses from equity method investments of \$16.7 million and \$34.6 million, respectively, which were recognized as a component of other expense, net in the condensed consolidated statements of operations. The Company recognized the income tax credits and benefits from the clean energy investments as part of its provision for income taxes.

8. Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net earnings (loss) 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 earnings (loss) per share attributable to Viatris Inc. are calculated as follows:

<i>(In millions, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Basic earnings (loss) attributable to Viatris Inc. common shareholders				
Net earnings (loss) attributable to Viatris Inc. common shareholders	\$ 313.9	\$ (279.2)	\$ 713.1	\$ (1,316.8)
Shares (denominator):				
Weighted average shares outstanding	1,212.3	1,208.8	1,211.4	1,208.2
Basic earnings (loss) per share attributable to Viatris Inc. shareholders	\$ 0.26	\$ (0.23)	\$ 0.59	\$ (1.09)
Diluted earnings (loss) attributable to Viatris Inc. common shareholders				
Net earnings (loss) attributable to Viatris Inc. common shareholders	\$ 313.9	\$ (279.2)	\$ 713.1	\$ (1,316.8)
Shares (denominator):				
Weighted average shares outstanding	1,212.3	1,208.8	1,211.4	1,208.2
Share-based awards	4.8	—	3.7	—
Total dilutive shares outstanding	1,217.1	1,208.8	1,215.1	1,208.2
Diluted earnings (loss) per share attributable to Viatris Inc. shareholders	\$ 0.26	\$ (0.23)	\$ 0.59	\$ (1.09)

Additional stock awards and restricted stock awards were outstanding during the three and six months ended June 30, 2022 and 2021, 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, 2022 include certain share-based compensation awards whose performance conditions had not been fully met. Such excluded shares and anti-dilutive awards represented 9.8 million shares and 12.6 million shares for the three and six months ended June 30, 2022, respectively, and 10.0 million shares and 10.5 million shares for the three and six months ended June 30, 2021, respectively.

The Company paid quarterly dividends of \$0.12 per share on the Company's issued and outstanding common stock on March 16, 2022 and June 16, 2022. On August 4, 2022, the Company's Board of Directors declared a quarterly cash dividend of \$0.12 per share on the Company's issued and outstanding common stock, which will be payable on September 16, 2022 to shareholders of record as of the close of business on August 24, 2022. 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

On May 6, 2022, the Company announced that its Board of Directors had authorized a DRIP. The DRIP allows shareholders to automatically reinvest all or a portion of the cash dividends paid on their shares of the Company's common stock and to make certain additional optional cash investments in the Company's common stock.

On February 28, 2022, the Company announced that its Board of Directors had authorized a share repurchase program for the repurchase of up to \$1.0 billion of the Company's shares of common stock. The Company has not yet repurchased any shares of common stock under the share repurchase program and the share repurchase program does not obligate the Company to acquire any particular amount of common stock.

9. Goodwill and Intangible Assets
Goodwill

The changes in the carrying amount of goodwill for the six months ended June 30, 2022 are as follows:

<i>(In millions)</i>	Developed Markets	Greater China	JANZ	Emerging Markets	Total
Balance at December 31, 2021:					
Goodwill	\$ 9,108.4	\$ 969.5	\$ 776.3	\$ 1,644.5	\$ 12,498.7
Accumulated impairment losses	(385.0)	—	—	—	(385.0)
	8,723.4	969.5	776.3	1,644.5	12,113.7
Reclassification to assets held for sale ⁽¹⁾	(746.0)	(2.8)	(33.2)	(154.9)	(936.9)
Foreign currency translation	(525.5)	(14.8)	(53.8)	(59.7)	(653.8)
	<u>\$ 7,451.9</u>	<u>\$ 951.9</u>	<u>\$ 689.3</u>	<u>\$ 1,429.9</u>	<u>\$ 10,523.0</u>
Balance at June 30, 2022:					
Goodwill	\$ 7,836.9	\$ 951.9	\$ 689.3	\$ 1,429.9	\$ 10,908.0
Accumulated impairment losses	(385.0)	—	—	—	(385.0)
	<u>\$ 7,451.9</u>	<u>\$ 951.9</u>	<u>\$ 689.3</u>	<u>\$ 1,429.9</u>	<u>\$ 10,523.0</u>

⁽¹⁾ Primarily reflects goodwill relating to the biosimilars portfolio.

The Company reviews goodwill for impairment annually on April 1st or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. As a result of the Biocon Biologics Transaction (refer to Note 6 *Balance Sheet Components* for additional information) and the decline in the Company's share price during the first quarter of 2022, the Company performed an interim goodwill impairment test as of March 31, 2022. The Company performed the annual goodwill impairment test as of April 1, 2022. There were no significant changes from the interim goodwill test performed at March 31, 2022 and the results were consistent with the interim goodwill impairment test.

The Company performed both its interim and annual goodwill impairment tests on a quantitative basis for its five reporting units, North America, Europe, Emerging Markets, JANZ, and Greater China. 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 March 31, 2022 and April 1, 2022, the allocation of the Company's total goodwill (prior to the reclassification of goodwill to assets held for sale) was as follows: North America \$3.61 billion, Europe \$4.95 billion, Emerging Markets \$1.64 billion, JANZ \$0.78 billion and Greater China \$0.97 billion.

As of March 31, 2022 and April 1, 2022, the Company determined that the fair value of the North America and Greater China reporting units was substantially in excess of the respective unit's carrying value.

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

For the Europe reporting unit, the estimated fair value exceeded its carrying value by approximately \$797 million or 5.3% for both the interim and annual goodwill impairment tests. As it relates to the income approach for the Europe reporting unit at March 31, 2022 and April 1, 2022, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately 0.5%. A terminal year value was calculated with a negative 1.0% revenue growth rate applied. The discount rate utilized was 9.5% and the estimated tax rate was 15.3%. Under the market-based approach, we utilized an estimated range of market multiples of 7.5 to 8.0 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 3.0% 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 \$231 million or 7.4% for both the interim and annual goodwill impairment tests. As it relates to the income approach for the JANZ reporting unit at March 31, 2022 and April 1, 2022, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately negative 4.8%. A terminal year value was calculated assuming no revenue growth. The discount rate utilized was 6.0% and the estimated tax rate was 30.4%. 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 3.5% or an increase in discount rate by 2.0% would result in an impairment charge for the JANZ reporting unit.

For the Emerging Markets reporting unit, the estimated fair value exceeded its carrying value by approximately \$816 million or 10.3% for both the interim and annual goodwill impairment tests. As it relates to the income approach for the Emerging Markets reporting unit at March 31, 2022 and April 1, 2022, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately 1.6%. A terminal year value was calculated with a 0.8% revenue growth rate applied. The discount rate utilized was 10.5% and the estimated tax rate was 18.4%. Under the market-based approach, we utilized an estimated market multiple of 7.5 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 approximately 8.5% or an increase in discount rate by 3.0% would result in an impairment charge for the Emerging Markets 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.

Subsequent to the completion of the interim goodwill impairment test, the Company allocated goodwill of \$926.9 million as of June 30, 2022 to its biosimilars portfolio using a relative fair value approach and then reclassified the amount to assets held for sale in conjunction with the Biocon Biologics Transaction.

Intangible Assets, Net

Intangible assets consist of the following components at June 30, 2022 and December 31, 2021:

<i>(In millions)</i>	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
June 30, 2022				
Product rights, licenses and other ⁽¹⁾	15	\$ 37,498.2	\$ 13,440.9	\$ 24,057.3
In-process research and development		43.8	—	43.8
		<u>\$ 37,542.0</u>	<u>\$ 13,440.9</u>	<u>\$ 24,101.1</u>
December 31, 2021				
Product rights, licenses and other ⁽¹⁾	15	\$ 39,006.2	\$ 12,918.5	\$ 26,087.7
In-process research and development		46.5	—	46.5
		<u>\$ 39,052.7</u>	<u>\$ 12,918.5</u>	<u>\$ 26,134.2</u>

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

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

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, 2022 and 2021 totaled:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Intangible asset amortization expense	\$ 634.1	\$ 681.6	\$ 1,282.2	\$ 1,366.0
Intangible asset impairment charges	—	—	—	83.4
Total intangible asset amortization expense (including impairment charges)	\$ 634.1	\$ 681.6	\$ 1,282.2	\$ 1,449.4

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 2022 and for the years ending December 31, 2023 through 2026 is estimated to be as follows:

(In millions)	
2022	\$ 1,250
2023	2,341
2024	2,247
2025	2,151
2026	2,098

10. 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 in 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 in 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 and Yen borrowings as a hedge of its investment in certain Euro-functional and Yen-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

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

investments. In addition, the Company manages the related foreign exchange risk of the Euro and Yen borrowings not designated as net investment hedges through certain Euro and Yen denominated financial assets and forward currency swaps.

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

<i>(In millions)</i>	Principal Amount	Notional Amount Designated as a Net Investment Hedge	
		June 30, 2022	December 31, 2021
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 ⁽¹⁾	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
Total	€ 5,850.0	€ 5,100.0	€ 5,850.0
<i>Yen</i>			
YEN Term Loan	¥ 40,000.0	¥ 40,000.0	¥ 40,000.0
Yen Total	¥ 40,000.0	¥ 40,000.0	¥ 40,000.0

⁽¹⁾ The Senior Notes were repaid at maturity during the second quarter of 2022.

At June 30, 2022, the principal amount of the Company's outstanding Yen borrowings and the notional amount of the Yen borrowings designated as net investment hedge was \$294.7 million.

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.

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

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, 2022 Fair Value	December 31, 2021 Fair Value	Balance Sheet Location	June 30, 2022 Fair Value	December 31, 2021 Fair Value
Derivatives designated as hedges:						
Foreign currency forward contracts	Prepaid expenses & other current assets	\$ 70.6	\$ 62.0	Other current liabilities	\$ 2.1	\$ 4.3
Total derivatives designated as hedges		70.6	62.0		2.1	4.3
Derivatives not designated as hedges:						
Foreign currency forward contracts	Prepaid expenses & other current assets	130.5	82.6	Other current liabilities	99.8	56.7
Total derivatives not designated as hedges		130.5	82.6		99.8	56.7
Total derivatives		\$ 201.1	\$ 144.6		\$ 101.9	\$ 61.0

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

(In millions)	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,	
		2022	2021	2022	2021	2022	2021
Derivative Financial Instruments in Cash Flow Hedging Relationships ⁽¹⁾:							
Foreign currency forward contracts	Net sales ⁽³⁾	\$ —	\$ —	\$ 33.1	\$ 11.3	\$ 28.1	\$ 3.6
Interest rate swaps	Interest expense ⁽³⁾	—	—	(0.8)	(0.9)	(1.1)	(1.0)
Derivative Financial Instruments in Net Investment Hedging Relationships:							
Foreign currency borrowings and forward contracts		—	—	298.6	(59.6)	—	—
Derivative Financial Instruments Not Designated as Hedging Instruments:							
Foreign currency option and forward contracts	Other expense, net ⁽²⁾	53.1	(14.9)	—	—	—	—
Total		\$ 53.1	\$ (14.9)	\$ 330.9	\$ (49.2)	\$ 27.0	\$ 2.6

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,		Six months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021	2022	2021
Derivative Financial Instruments in Cash Flow Hedging Relationships ⁽¹⁾:							
Foreign currency forward contracts	Net sales ⁽³⁾	\$ —	\$ —	\$ 42.8	\$ 16.9	\$ 42.3	\$ 9.7
Interest rate swaps	Interest expense ⁽³⁾	—	—	(1.7)	(1.7)	(2.2)	(2.1)
Derivative Financial Instruments in Net Investment Hedging Relationships:							
Foreign currency borrowings and forward contracts		—	—	454.9	199.0	—	—
Derivative Financial Instruments Not Designated as Hedging Instruments:							
Foreign currency option and forward contracts	Other expense, net ⁽²⁾	74.8	20.7	—	—	—	—
Total		\$ 74.8	\$ 20.7	\$ 496.0	\$ 214.2	\$ 40.1	\$ 7.6

⁽¹⁾ At June 30, 2022, the Company expects that approximately \$37.0 million of pre-tax net gains on cash flow hedges will be reclassified from AOCE into earnings during the next twelve months.

⁽²⁾ Represents the location of the gain/(loss) recognized in earnings on derivatives.

⁽³⁾ Represents the location of the gain/(loss) reclassified from AOCE into earnings.

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.

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

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

(In millions)	June 30, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring fair value measurements						
Financial Assets						
Cash equivalents:						
Money market funds	\$ 9.4	\$ —	\$ —	\$ 50.9	\$ —	\$ —
Total cash equivalents	9.4	—	—	50.9	—	—
Equity securities:						
Exchange traded funds	41.5	—	—	50.3	—	—
Marketable securities	0.2	—	—	0.7	—	—
Total equity securities	41.7	—	—	51.0	—	—
Available-for-sale fixed income investments:						
Corporate bonds	—	16.2	—	—	16.6	—
U.S. Treasuries	—	11.9	—	—	14.6	—
Agency mortgage-backed securities	—	3.2	—	—	2.0	—
Asset backed securities	—	3.7	—	—	4.6	—
Other	—	0.5	—	—	0.4	—
Total available-for-sale fixed income investments	—	35.5	—	—	38.2	—
Foreign exchange derivative assets	—	201.1	—	—	144.6	—
Total assets at recurring fair value measurement	\$ 51.1	\$ 236.6	\$ —	\$ 101.9	\$ 182.8	\$ —
Financial Liabilities						
Foreign exchange derivative liabilities	—	101.9	—	—	61.0	—
Contingent consideration	—	—	181.0	—	—	199.7
Total liabilities at recurring fair value measurement	\$ —	\$ 101.9	\$ 181.0	\$ —	\$ 61.0	\$ 199.7

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.

VIATRIS INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued
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, 2022 and December 31, 2021, discount rates ranging from 8.0% to 8.5% 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, 2021 to June 30, 2022 is as follows:

<i>(In millions)</i>	Current Portion ⁽¹⁾	Long-Term Portion ⁽²⁾	Total Contingent Consideration
Balance at December 31, 2021	\$ 66.7	\$ 133.0	\$ 199.7
Payments	(36.0)	—	(36.0)
Reclassifications	43.1	(43.1)	—
Accretion	—	3.7	3.7
Fair value loss ⁽³⁾	—	13.6	13.6
Balance at June 30, 2022	<u>\$ 73.8</u>	<u>\$ 107.2</u>	<u>\$ 181.0</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.

11. Debt

For additional information, see Note 10 *Debt* in Viatrix' 2021 Form 10-K.

Short-Term Borrowings

The Company had \$1.02 billion and \$1.49 billion of short-term borrowings as of June 30, 2022 and December 31, 2021, respectively.

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Commercial paper notes	\$ 620.8	\$ 1,173.4
Receivables Facility	198.7	318.5
Note Securitization Facility	200.0	—
Other	0.2	1.1
Short-term borrowings	<u>\$ 1,019.7</u>	<u>\$ 1,493.0</u>

Receivables Facility

The Company has a \$400 million Receivables Facility (the "Receivables Facility"), which originally was to expire on April 22, 2022. On April 22, 2022, the Company entered into an agreement to extend the expiration date of the Receivables Facility to April 22, 2025.

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

Under the terms of the Receivables Facility, our subsidiary, MPI, sells certain accounts receivable to Mylan Securitization LLC (“Mylan Securitization”), a wholly-owned special purpose entity which in turn sells a percentage ownership interest in the receivables to financial institutions and commercial paper conduits sponsored by financial institutions. Mylan Securitization’s assets have been pledged to MUFG Bank, Ltd., as agent, in support of its obligations under the Receivables Facility. Any amounts outstanding under the facility are recorded as borrowings and the underlying receivables are included in accounts receivable, net, in the condensed consolidated balance sheets.

Long-Term Debt

A summary of long-term debt is as follows:

(\$ in millions)	Interest Rate as of June 30, 2022		June 30, 2022	December 31, 2021
Current portion of long-term debt:				
2022 Euro Senior Notes ^(a) ****	0.816	%	\$ —	\$ 856.6
2022 Senior Notes ^(b) ***	1.125	%	—	1,002.9
2023 Senior Notes ^(c) *	3.125	%	758.3	—
Other			0.8	0.9
Deferred financing fees			(0.5)	(0.1)
Current portion of long-term debt			\$ 758.6	\$ 1,860.3
Non-current portion of long-term debt:				
2023 Senior Notes ^(c) *	3.125	%	—	766.1
2023 Senior Notes *	4.200	%	499.7	499.6
2024 Euro Senior Notes **	2.250	%	1,047.5	1,135.8
2024 Euro Senior Notes ****	1.023	%	800.2	871.6
2025 Euro Senior Notes *	2.125	%	523.7	567.8
2025 Senior Notes ***	1.650	%	761.5	763.4
2026 Senior Notes **	3.950	%	2,242.3	2,241.4
2027 Euro Senior Notes ****	1.362	%	930.2	1,013.0
2027 Senior Notes ***	2.300	%	778.1	780.8
2028 Euro Senior Notes **	3.125	%	781.7	847.4
2028 Senior Notes *	4.550	%	748.8	748.7
2030 Senior Notes ***	2.700	%	1,516.7	1,520.5
2032 Euro Senior Notes ****	1.908	%	1,421.3	1,546.6
2040 Senior Notes ***	3.850	%	1,653.8	1,657.1
2043 Senior Notes *	5.400	%	497.4	497.3
2046 Senior Notes **	5.250	%	999.9	999.9
2048 Senior Notes *	5.200	%	747.8	747.8
2050 Senior Notes ***	4.000	%	2,202.9	2,205.1
YEN Term Loan Facility			294.7	347.6
Revolving Facility			795.0	—
Other			1.7	1.9
Deferred financing fees			(38.5)	(42.3)
Long-term debt			\$ 19,206.4	\$ 19,717.1

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

- (a) The 2022 Euro Senior Notes were repaid at maturity in the second quarter of 2022.
- (b) The 2022 Senior Notes were repaid at maturity in the second quarter of 2022.
- (c) 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.
- * 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.

At June 30, 2022 and December 31, 2021, the aggregate fair value of the Company's outstanding notes was approximately \$15.58 billion and \$22.01 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, 2022 were as follows for each of the periods ending December 31:

<i>(In millions)</i>	Total
2022	\$ —
2023	1,250
2024	1,835
2025	1,274
2026	3,340
Thereafter	11,688
Total	<u>\$ 19,387</u>

12. Comprehensive Loss

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

<i>(In millions)</i>	June 30, 2022	December 31, 2021
Accumulated other comprehensive loss:		
Net unrealized loss on marketable securities, net of tax	\$ (2.1)	\$ —
Net unrecognized gain and prior service cost related to defined benefit plans, net of tax	30.1	32.2
Net unrecognized gain on derivatives in cash flow hedging relationships, net of tax	22.7	9.2
Net unrecognized gain on derivatives in net investment hedging relationships, net of tax	471.6	16.7
Foreign currency translation adjustment	(3,421.5)	(1,802.4)
	<u>\$ (2,899.2)</u>	<u>\$ (1,744.3)</u>

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

Components of accumulated other comprehensive loss, before tax, consist of the following, for the three and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30, 2022						Totals	
	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
	Foreign Currency Forward Contracts	Interest Rate Swaps	Total					
<i>(In millions)</i>								
Balance at March 31, 2022, net of tax			\$ 9.4	\$ 173.1	\$ (1.3)	\$ 29.4	\$ (2,271.6)	\$ (2,061.0)
Other comprehensive earnings (loss) before reclassifications, before tax			44.6	384.4	(1.0)	0.4	(1,149.9)	(721.5)
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	(28.1)		(28.1)					(28.1)
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			17.6	384.4	(1.0)	0.5	(1,149.9)	(748.4)
Income tax provision (benefit)			4.3	85.9	(0.2)	(0.2)	—	89.8
Balance at June 30, 2022, net of tax			<u>\$ 22.7</u>	<u>\$ 471.6</u>	<u>\$ (2.1)</u>	<u>\$ 30.1</u>	<u>\$ (3,421.5)</u>	<u>\$ (2,899.2)</u>

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

Six Months Ended June 30, 2022

	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, 2021, net of tax			\$ 9.2	\$ 16.7	\$ —	\$ 32.2	\$ (1,802.4)	\$ (1,744.3)
Other comprehensive earnings (loss) before reclassifications, before tax			57.9	585.7	(2.7)	(2.3)	(1,619.1)	(980.5)
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	(42.3)		(42.3)					(42.3)
Loss on interest rate swaps classified as cash flow hedges, included in interest expense		2.2	2.2					2.2
Amortization of prior service costs included in SG&A						0.1		0.1
Amortization of actuarial loss included in SG&A						0.1		0.1
Net other comprehensive earnings (loss), before tax			17.8	585.7	(2.7)	(2.1)	(1,619.1)	(1,020.4)
Income tax provision (benefit)			4.3	130.8	(0.6)	—	—	134.5
Balance at June 30, 2022, net of tax			\$ 22.7	\$ 471.6	\$ (2.1)	\$ 30.1	\$ (3,421.5)	\$ (2,899.2)

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 loss 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			<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, 2021

(In millions)	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					
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			3.9	17.2	0.1	3.6	—	24.8
Balance at June 30, 2021, net of tax			\$ (6.2)	\$ (220.8)	\$ 0.4	\$ 43.6	\$ (1,022.0)	\$ (1,205.0)

13. Segment Information

Viatis has four reportable segments: Developed Markets, Greater China, JANZ, and Emerging Markets. The Company reports segment information on the basis of markets and geography, which reflects its 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 presence in more than 125 countries with developing markets and emerging economies including in Asia, Africa, Eastern Europe, Latin America and the Middle East as well as the Company's ARV franchise.

The Company's chief operating decision maker is the Chief Executive Officer, who evaluates the performance of its 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;
- Net charges or net gains for litigation settlements and other contingencies;

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

◦ 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 2021 Form 10-K.

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,	
	2022	2021	2022	2021
Reportable Segments:				
Developed Markets	\$ 2,479.1	\$ 2,640.4	\$ 1,255.3	\$ 1,319.9
Greater China	548.3	550.3	392.8	366.5
JANZ	427.1	501.0	158.1	185.4
Emerging Markets	650.9	870.0	301.0	384.7
Total reportable segments	\$ 4,105.4	\$ 4,561.7	\$ 2,107.2	\$ 2,256.5
Reconciling items:				
Intangible asset amortization expense			(634.1)	(681.6)
Globally managed research and development costs			(162.6)	(147.7)
Litigation settlements & other contingencies			(10.9)	(23.0)
Transaction related and other special items			(227.1)	(920.7)
Corporate and other unallocated			(523.8)	(531.3)
Earnings (loss) from operations			\$ 548.7	\$ (47.8)

VIATRIS INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

(In millions)	Net Sales		Segment Profitability	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Reportable Segments:				
Developed Markets	\$ 4,955.2	\$ 5,212.0	\$ 2,466.8	\$ 2,605.3
Greater China	1,121.4	1,142.2	810.5	771.4
JANZ	850.9	982.9	332.4	369.6
Emerging Markets	1,356.1	1,624.7	646.3	722.0
Total reportable segments	<u>\$ 8,283.6</u>	<u>\$ 8,961.8</u>	<u>\$ 4,256.0</u>	<u>\$ 4,468.3</u>
Reconciling items:				
Intangible asset amortization expense			(1,282.2)	(1,366.0)
Intangible asset impairment charges			—	(83.4)
Globally managed research and development costs			(304.9)	(331.8)
Litigation settlements & other contingencies			(17.1)	(45.9)
Transaction related and other special items			(412.7)	(1,914.1)
Corporate and other unallocated			(983.0)	(1,041.1)
Earnings (loss) from operations			<u>\$ 1,256.1</u>	<u>\$ (314.0)</u>

14. 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. As part of the restructuring, the Company is optimizing its commercial capabilities and enabling functions, and closing, downsizing or divesting certain 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.

For the committed restructuring actions, the Company expects to incur total pre-tax charges of up to approximately \$1.4 billion. Such charges are expected to include up to approximately \$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 up to approximately \$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 other plant disposal 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, 2021 to June 30, 2022:

<i>(In millions)</i>	Employee Related Costs	Other Exit Costs	Total
Balance at December 31, 2021:	\$ 292.6	\$ 4.1	\$ 296.7
Charges ⁽¹⁾	7.3	9.5	16.8
Cash payment	(77.6)	(6.2)	(83.8)
Utilization	—	(4.2)	(4.2)
Foreign currency translation	(2.1)	(0.1)	(2.2)
Balance at March 31, 2022:	\$ 220.2	\$ 3.1	\$ 223.3
Charges ⁽¹⁾	4.0	5.8	9.8
Cash payment	(36.9)	(2.3)	(39.2)
Utilization	—	(3.9)	(3.9)
Foreign currency translation	(3.6)	(0.1)	(3.7)
Balance at June 30, 2022:	<u>\$ 183.7</u>	<u>\$ 2.6</u>	<u>\$ 186.3</u>

⁽¹⁾ For the three months ended June 30, 2022, total restructuring charges in Developed Markets, Emerging Markets, Greater China, JANZ and Corporate/Other were approximately \$7.6 million, \$1.1 million, \$0.8 million, \$0.2 million, and \$0.1 million, respectively.

For the six months ended June 30, 2022, total restructuring charges in Developed Markets, Emerging Markets, Greater China, JANZ, and Corporate/Other were approximately \$20.3 million, \$3.7 million, \$2.1 million, \$0.3 million, and \$0.2 million, respectively.

At June 30, 2022 and December 31, 2021, 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.

15. Licensing and Other Partner Agreements

We periodically enter into licensing and other partner agreements with other pharmaceutical companies for the development, manufacture, marketing and/or sale of pharmaceutical products. Our significant licensing and other partner 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 10 *Financial Instruments and Risk Management* for further discussion of contingent consideration.

Our potential maximum development milestones not accrued for at June 30, 2022 totaled approximately \$338 million. We estimate that the amounts that may be paid through the end of 2022 to be approximately \$10 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 licensing and other partner agreements as disclosed in Note 18 of our 2021 Form 10-K.

16. 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 2019 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 2020, subject to additional interest and penalties, concerning our tax position with respect to certain intercompany transactions. The tax authorities denied our objections to the assessments for the years ended December 2009 to December 2019 and we have commenced litigation in the Australian Federal Court challenging that decision. On July 28, 2022, we received notice that the tax authority has denied our objection for the year ended December 2020. We intend to include the year ended December 2020 in the litigation which has already commenced for years ended December 2009 to December 2019. The Company made a partial payment of \$56.0 million in 2021 and \$5.2 million in 2022 in order to stay potential interest and penalties resulting from this litigation.

In France, the tax authorities have issued notices of assessments to the Company for the years ended December 2013 to December 2015 concerning our tax position with respect to whether income earned by a Company entity not domiciled in France should be subject to French tax. We have commenced litigation before the French tax courts where the tax authorities will seek unpaid taxes, penalties, and interest.

In India, the tax authorities have issued notices of assessments to the Company seeking unpaid taxes and interest for the financial years covering 2013 to 2018 concerning our tax position with respect to certain corporate tax deductions and certain intercompany transactions. Some of these assessments remain in the audit phase where we are challenging them before the tax authorities while we are challenging some of the other assessments in the Indian tax courts.

The Company has recorded a net reserve for uncertain tax positions of \$299.9 million and \$315.6 million, including interest and penalties, in connection with its international audits at June 30, 2022 and December 31, 2021, respectively. In connection with our international tax audits, 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 2021.

VIATRIS INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued*****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. The IRS has appealed this decision.

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.

17. 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 and a former Mylan N.V. officer (collectively the "Mylan Defendants") were named as defendants in indirect purchaser class actions relating to the pricing and/or marketing of the EpiPen® Auto-Injector. The plaintiffs in these cases asserted violations of various federal and state antitrust and consumer protection laws, RICO as well as common law claims. Plaintiffs' sought monetary damages, attorneys' fees and costs. These lawsuits were filed in various federal and state courts and were either dismissed or transferred into a MDL in the U.S. District Court for the District of Kansas and have been consolidated or centralized. An antitrust class consisting of certain states was ultimately certified. On June 23, 2021, the Court granted – in substantial part – the Mylan Defendants' 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. In February 2022, the parties reached an agreement to fully resolve this matter for \$264 million, which was accrued for during the year ended December 31, 2021. During the first quarter of 2022, \$5.0 million of the settlement was paid with the remaining amount of the settlement being paid in July 2022. The settlement was approved by the Court on July 11, 2022 and contains an express provision disclaiming and denying any wrongdoing or liability by the Mylan Defendants.

On February 14, 2020, the Company, together with other non-Viatris 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. On September 21, 2021, after Plaintiffs' then operative complaint was dismissed with an option to file a limited amended complaint, Plaintiffs filed an amended complaint asserting federal antitrust claims which are based on allegations concerning a patent settlement between Pfizer and Teva and other alleged actions regarding the launch of Teva's generic epinephrine auto-injector. Plaintiffs' seek monetary damages, declaratory relief, attorneys' fees and costs.

VIATRIS INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

Beginning in March 2020, the Company, together with other non-Viatris 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 was denied.

The Company has a total accrual of approximately \$269.0 million related to these matters at June 30, 2022, which is included in other current liabilities in the condensed consolidated balance sheets. Subsequent to June 30, 2022, the accrual has been reduced to \$10.0 million as a result of the settlement payment discussed above. 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 vast majority of 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.

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

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 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-six 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-six 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, restitution, and other equitable monetary relief. The States' claim for disgorgement and restitution under federal law in this case has been dismissed.

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-seven states, certain territories and the District of Columbia. The amended complaint also includes claims asserted by attorneys general of forty-two 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, restitution, and other equitable monetary relief. This lawsuit has been transferred to the aforementioned MDL proceeding in the EDPA.

On June 10, 2020, certain attorneys general 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. On September 9, 2021, the complaint was amended, adding an additional state as a plaintiff. The operative complaint is brought by attorneys general of forty-six states, certain territories and the District of Columbia. The amended complaint seeks declaratory and injunctive relief, disgorgement, attorneys' fees and costs, and certain states seek monetary damages, civil penalties, restitution, and other equitable monetary relief. This lawsuit has been transferred to the aforementioned MDL proceeding in the EDPA and has been ordered to 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 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. A decision on Defendants' motion for summary judgment seeking to dismiss the case in its entirety and Plaintiffs' cross-motion for partial summary judgment as to portions of certain claims is pending.

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

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 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.

On October 28, 2021, the Company and certain of its officers and directors were named as defendants in a putative class action lawsuit filed in the Court of Common Pleas of Allegheny County, Pennsylvania on behalf of former Mylan shareholders who received Company common stock in connection with the Combination. A non-Viatris affiliated company and persons were also named as defendants. The complaint alleges violations of Sections 11, 12(a) (2), and 15 of the Securities Act of 1933 for purportedly failing to disclose or misrepresenting material information in the registration statement and related prospectus issued in connection with the Combination. Plaintiffs seek monetary damages, reasonable costs and expenses, and certain other equitable and injunctive relief.

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 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. A liability-only trial has been ordered to take place by April 2023 in a coordinated proceeding in West Virginia state court involving the Company and other manufacturers and pharmacies.

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 \$73.9 million as of June 30, 2022 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 other countries. Class certification motions are pending in the valsartan MDL. 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 was not named as a defendant in the amended master complaints, though it was still named in certain short form personal injury complaints. The end-payor plaintiffs and certain of the plaintiffs named in the short form personal injury complaints in the ranitidine matter have filed appeals 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's motion for summary judgment in connection with the 10, 20, and 40 mg plaintiffs was granted, resulting in their dismissal. On November 3, 2021, the Court granted the Company's motion seeking the dismissal of the remaining cases involving the highest dose of Lipitor (80 mg).

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. The parties have settled this matter.

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.

VIATRIS INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

The Company has accrued approximately \$192.7 million as of June 30, 2022 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.

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. On appeal, the Federal Circuit affirmed the District Court's judgment. Biogen's petition for rehearing was denied. Biogen's petition seeking review by the U.S. Supreme Court 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 of the PTAB decision is stayed pending resolution of Biogen's request for U.S. Supreme Court review of the Federal Circuit's affirmation of the District Court's invalidity judgment.

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 claims filed by Sandoz, Teva, Actavis, and Ranbaxy have been resolved. A trial on the remaining claims has been set for November 2023.

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 \$34.7 million accrued related to these various other legal proceedings at June 30, 2022.

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 Viatris Inc. and subsidiaries for the periods presented. Unless context requires otherwise, the "Company," "Viatris," "our" or "we" refer to Viatris 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 Viatris' 2021 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 loss for the three and six months ended June 30, 2022, and cash flows for the six months ended June 30, 2022 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 Biocon Biologics Transaction, 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, commitments, confidence in future results, 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 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 pending Biocon Biologics Transaction and other strategic initiatives, including potential divestitures, may not achieve their intended benefits;
- 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 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, inflation rates 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 Viatriis, see the risks described in Part I, Item 1A in the 2021 Form 10-K, and our other filings with the SEC. You can access Viatriis' filings with the SEC through the SEC website at www.sec.gov or through our website, and Viatriis strongly encourages you to do so. Viatriis routinely posts information that may be important to investors on our website at investor.viatriis.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. Viatriis 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.

Company Overview

Viatriis is a global healthcare company formed in November 2020 whose mission is to empower people worldwide to live healthier at every stage of life, regardless of geography or circumstance. Improving the ability of patients to gain access to sustainable and high-quality healthcare is our relentless pursuit. One that rests on visionary thinking, determination and best-in-class capabilities that were strategically built to remove barriers across the health spectrum and advance access globally.

Viatriis' seasoned management team is focused on ensuring that the Company is optimally structured and efficiently resourced to deliver sustainable value to patients, shareholders, customers and other stakeholders. With a global workforce of approximately 37,000, the Company has 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. Viatriis' portfolio comprises more than 1,400 approved molecules across more than 10 major therapeutic areas, including globally recognized iconic and key brands, generics, complex generics, and biosimilars. The Company operates approximately 40 manufacturing sites worldwide that produce oral solid doses, injectables, complex dosage forms and APIs. Viatriis is headquartered in the U.S., with global centers in Pittsburgh, Pennsylvania, Shanghai, China and Hyderabad, India.

Viatriis has four reportable segments: Developed Markets, Greater China, JANZ, and Emerging Markets. The Company reports segment information on the basis of markets and geography, which reflects its 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 presence in more than 125 countries with developing markets and emerging economies including in Asia, Africa, Eastern Europe, Latin America and the Middle East as well as the Company's ARV 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.

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

Dividend Reinvestment and Share Purchase Plan

On May 6, 2022, the Company announced that its Board of Directors had authorized a DRIP. The DRIP allows shareholders to automatically reinvest all or a portion of the cash dividends paid on their shares of the Company's common stock and to make certain additional optional cash investments in the Company's common stock.

International Operations

The ongoing conflict between Russia and Ukraine did not have a material impact on our business as the combined total revenues for both countries were less than 1% of consolidated total revenues during each of the three and six months ended June 30, 2022 and 2021. However, trade controls, sanctions, supply chain and staffing challenges and other economic considerations related to the conflict have impacted our operations in these markets and may negatively impact our financial results in future periods. In addition, a significant escalation or expansion of the conflict's current scope may have a negative impact on our operations and financial results in future periods. For a further discussion of the risks we encounter in our business, including the risks of conducting our business internationally, please refer to Part I, Item 1A. *Risk Factors* in our 2021 Form 10-K.

Under ASC 830, *Foreign Currency Matters* ("ASC 830"), a highly inflationary economy is one that has cumulative inflation of approximately 100% or more over a three-year period. Effective April 1, 2022, we classified Turkey as highly inflationary. In accordance with ASC 830, starting with the second quarter of 2022, we began to utilize the U.S. dollar as our functional currency in Turkey, which historically utilized the Turkish lira as the functional currency. The impact of applying the guidance in ASC 830 did not have a material impact on our results of operations, comprehensive earnings, financial position, equity and cash flows for the three months ended June 30, 2022. The impacted net sales for the three months ended June 30, 2022 and total assets at June 30, 2022 represented less than 1% of our consolidated net sales and total assets, respectively.

Biocon Biologics Agreement

On February 27, 2022, the Company entered into an agreement to contribute its biosimilars portfolio to Biocon Biologics. Under the terms of the Biocon Agreement, at closing Viatriis will receive an up-front cash payment of \$2.0 billion, subject to certain adjustments, ownership of at least 12.9% of Biocon Biologics, on a fully diluted basis, in the form of convertible preferred equity which will have certain priority rights with respect to certain liquidity events, and \$335 million as additional cash payments that are expected to be paid in 2024. Upon closing of the transaction, we expect to record a gain for the difference between the consideration received, including the fair value of the convertible preferred equity, and the carrying value of the biosimilars portfolio. The companies will also enter into a two-year transition services agreement, subject to extension in certain circumstances, during which time Viatriis will provide certain commercial and administrative services for an applicable service fee. The transaction is expected to close in the second half of 2022 and is subject to various closing conditions (including regulatory approvals).

Share Repurchase Program

On February 28, 2022, the Company announced that its Board of Directors had authorized a share repurchase program for the repurchase of up to \$1.0 billion of the Company's shares of common stock. The Company has not yet repurchased any

shares of common stock under the share repurchase program and the share repurchase program does not obligate the Company to acquire any particular amount of common stock.

Cyclosporine Ophthalmic Emulsion

On February 3, 2022, the Company announced that it had received approval from the FDA for its ANDA for Cyclosporine Ophthalmic Emulsion 0.05%, the first generic version of Allergan's Restasis®. Cyclosporine Ophthalmic Emulsion is indicated to increase tear production in patients whose tear production is presumed to be suppressed due to ocular inflammation associated with keratoconjunctivitis sicca, also known as dry eye. The commercial launch of the product occurred in February 2022.

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. As part of the restructuring, the Company is optimizing its commercial capabilities and enabling functions, and closing, downsizing or divesting certain 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.

For the committed restructuring actions, the Company expects to incur total pre-tax charges of up to approximately \$1.4 billion. Such charges are expected to include up to approximately \$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 up to approximately \$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 other plant disposal costs. In addition, management believes the potential annual savings related to these committed restructuring activities to be up to approximately \$900 million once fully implemented, with most of these savings expected to improve operating cash flow.

Impact of the Coronavirus Pandemic

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. As a result, many Viatris administrative offices continue operating under work from home protocols and some of our customer facing field personnel continue on a remote engagement model to ensure continued support for healthcare professionals, patient care and access to needed products. Additionally, 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. Current inventory levels, both ours and those in our distribution channel, remain in-line with normal levels.

The global spread of COVID-19 has created and continues to create significant volatility, uncertainty and economic disruption affecting the markets we serve, including impacts on supply chain partners, third-party manufacturers, logistics providers and other vendors. 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, and could adversely impact our results of operations in future periods. Due to the Company's ability to generate significant cash flows from operations, combined with our access to borrowing facilities and capital markets, we believe that we currently have, and will maintain, the ability to meet foreseeable liquidity needs.

Financial Summary

The table below is a summary of the Company's financial results for the three and six months ended June 30, 2022 compared to the prior year period:

<i>(In millions, except per share amounts and %s)</i>	Three Months Ended June 30,		
	2022	2021	Change
Total revenues	\$ 4,116.8	\$ 4,577.8	\$ (461.0)
Gross profit	1,703.3	1,327.7	375.6
Earnings (loss) from operations	548.7	(47.8)	596.5
Net earnings (loss)	313.9	(279.2)	593.1
Diluted earnings (loss) per share	\$ 0.26	\$ (0.23)	\$ 0.49

<i>(In millions, except per share amounts and %s)</i>	Six Months Ended June 30,		
	2022	2021	Change
Total revenues	\$ 8,308.5	\$ 9,008.1	\$ (699.6)
Gross profit	3,474.5	2,455.0	1,019.5
Earnings (loss) from operations	1,256.1	(314.0)	1,570.1
Net earnings (loss)	713.1	(1,316.8)	2,029.9
Diluted earnings (loss) per share	\$ 0.59	\$ (1.09)	\$ 1.68

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 - Results of Operations and Results of Operations - Use of Non-GAAP Financial Measures."

Results of Operations

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

(In millions, except %s)	Three Months Ended June 30,					
	2022	2021	% Change	2022 Currency Impact ⁽¹⁾	2022 Constant Currency Revenues	Constant Currency % Change ⁽²⁾
Net sales						
Developed Markets	\$ 2,479.1	\$ 2,640.4	(6)%	\$ 181.4	\$ 2,660.5	1 %
Greater China	548.3	550.3	— %	5.4	553.7	1 %
JANZ	427.1	501.0	(15)%	64.9	491.9	(2)%
Emerging Markets	650.9	870.0	(25)%	54.0	705.0	(19)%
Total net sales	\$ 4,105.4	\$ 4,561.7	(10)%	\$ 305.7	\$ 4,411.1	(3)%
Other revenues ⁽³⁾	11.4	16.1	(29)%	0.8	12.2	(24)%
Consolidated total revenues ⁽⁴⁾	\$ 4,116.8	\$ 4,577.8	(10)%	\$ 306.5	\$ 4,423.3	(3)%

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

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

⁽³⁾ For the three months ended June 30, 2022, other revenues in Developed Markets and Emerging Markets were approximately \$4.8 million and \$6.6 million, respectively.

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

Total Revenues

For the current quarter, Viatriis reported total revenues of \$4.12 billion, compared to \$4.58 billion for the comparable prior year period, representing a decrease of \$461.0 million, or 10%. Total revenues include both net sales and other revenues from third parties. Net sales for the current quarter were \$4.11 billion, compared to \$4.56 billion for the comparable prior year period, representing a decrease of \$456.3 million, or 10%. Other revenues for the current quarter were \$11.4 million, compared to \$16.1 million for the comparable prior year period.

The decrease in net sales was primarily driven by the unfavorable impact of foreign currency translation of approximately \$305.7 million, or 7%, primarily reflecting changes in the U.S. Dollar as compared to the currencies of subsidiaries in countries within the EU and Japan. On a constant currency basis, the decrease in net sales was approximately \$150.6 million, or 3% for the three months ended June 30, 2022. This decrease was due to competition on certain key U.S. products representing a decline of approximately \$70 million and approximately \$164 million as a result of other base business erosion. The decrease in net sales from existing products was partially offset by approximately \$83.8 million of new product sales. New product sales include new products launched in 2022 and the carryover impact of new products, including business development, launched within the last twelve months.

From time to time, a limited number of our products may represent a significant portion of our net sales, gross profit and net earnings. Generally, this is due to the timing of new product introductions, seasonality, and the amount, if any, of additional competition in the market. Our top ten products in terms of net sales, in the aggregate, represented approximately 34% and 33% for the three months ended June 30, 2022 and 2021, respectively.

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 decreased by \$161.3 million or 6% during the three months ended June 30, 2022 when compared to the prior year period. This decrease was due primarily to the unfavorable impact of foreign currency translation of approximately \$181.4 million, or 7%. Constant currency net sales increased by approximately \$20.1 million, or 1% when compared to the prior year period. Net sales within North America totaled approximately \$1.10 billion and net sales within Europe totaled approximately \$1.38 billion. The increase was driven by new product sales, including Insulin Glargine and Semglee® in the U.S., and higher volumes of existing products in Europe. These increases were partially offset by lower net sales of certain key products within the U.S., including Miacalcin® and Perforomist®, as a result of additional competition.

Greater China Segment

Net sales from Greater China decreased by \$2.0 million or less than 1% for the three months ended June 30, 2022 when compared to the prior year period. This decrease was primarily the result of the unfavorable impact of foreign currency translation. The unfavorable impact of foreign currency translation was approximately \$5.4 million, or 1%. Constant currency net sales increased by approximately \$3.4 million or 1% when compared to the prior year.

JANZ Segment

Net sales from JANZ decreased by \$73.9 million or 15% for the three months ended June 30, 2022 when compared to the prior year period. This decrease was primarily the result of the unfavorable impact of foreign currency translation of approximately \$64.9 million, or 13%. Constant currency net sales decreased by approximately \$9.0 million, or 2% when compared to the prior year period. The decrease was primarily due to lower net sales of existing products mainly driven by lower pricing in Japan as a result of government price reductions and additional competition. This decrease was partially offset by higher volumes on net sales of existing products in Japan, including for Celebrex®.

Emerging Markets Segment

Net sales from Emerging Markets decreased by \$219.1 million or 25% for the three months ended June 30, 2022 when compared to the prior year period. This decrease was mainly driven by lower volumes of COVID-19 related products in India, primarily remdesivir and ambisome, and lower sales of ARV products as a result of competitive market conditions. The decrease was further driven by the unfavorable impact of foreign currency translation. These decreases were partially offset by higher volumes in certain markets in the segment. The unfavorable impact of foreign currency translation was \$54.0 million or 6%. Constant currency net sales decreased by approximately \$165.1 million, or 19%.

Cost of Sales and Gross Profit

Cost of sales decreased from \$3.25 billion for the three months ended June 30, 2021 to \$2.41 billion for the three months ended June 30, 2022. Cost of sales was primarily impacted by purchase accounting related amortization of the fair value of step-up of acquired inventory of \$477.3 million in the comparable prior year period, lower restructuring costs in the current period related to the 2020 restructuring program versus the comparable prior year period, and lower costs associated with 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, 2022 was \$1.70 billion and gross margins were 41%. For the three months ended June 30, 2021, gross profit was \$1.33 billion and gross margins were 29%. This change is primarily related to the decrease in cost of sales. Adjusted gross margins were 59% for the three months ended June 30, 2022, essentially flat when compared to the three months ended June 30, 2021.

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, 2022 compared to the three months ended June 30, 2021 is as follows:

<i>(In millions, except %s)</i>	Three Months Ended June 30,	
	2022	2021
U.S. GAAP cost of sales	\$ 2,413.5	\$ 3,250.1
Deduct:		
Purchase accounting related amortization	(644.9)	(1,169.8)
Acquisition related items	(15.8)	(1.0)
Restructuring related costs	(6.7)	(78.7)
Share-based compensation expense	(0.5)	(0.6)
Other special items	(40.5)	(99.4)
Adjusted cost of sales	\$ 1,705.1	\$ 1,900.6
Adjusted gross profit ^(a)	\$ 2,411.7	\$ 2,677.2
Adjusted gross margin ^(a)	59 %	58 %

^(a) 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, 2022 was \$162.6 million, compared to \$147.7 million for the comparable prior year period, an increase of \$14.9 million. This increase was primarily due to higher costs for products under development.

Selling, General & Administrative Expense

SG&A expense for the current quarter was \$981.1 million, compared to \$1.20 billion for the comparable prior year period, a decrease of \$223.7 million. The decrease was primarily due to lower restructuring costs of approximately \$162.3 million related to the 2020 restructuring program and the impact of synergies.

Litigation Settlements and Other Contingencies, Net

The following table includes the losses recognized in litigation settlements and other contingencies, net during the three months ended June 30, 2022 and 2021, respectively:

<i>(In millions)</i>	Three Months Ended June 30,	
	2022	2021
Contingent consideration adjustment (primarily related to respiratory delivery platform)	\$ 1.3	\$ 22.9
Litigation settlements, net	9.6	0.1
Total litigation settlements and other contingencies, net	\$ 10.9	\$ 23.0

Interest Expense

Interest expense for the three months ended June 30, 2022 totaled \$145.9 million, compared to \$167.1 million for the three months ended June 30, 2021, a decrease of \$21.2 million. The decrease is primarily due to the impact of debt repayments.

Other Expense, Net

Other expense, net includes losses from equity affiliates, foreign exchange gains and losses, expense (income) related to post-employment benefit plans and interest and dividend income. Other expense, net for the three months ended June 30, 2022 totaled \$13.5 million, compared to \$4.2 million for the three months ended June 30, 2021. The increase was primarily driven by lower costs associated with post-employment benefit plans in the prior year period.

Income Tax Provision

For the three months ended June 30, 2022, the Company recognized an income tax provision of \$75.4 million, compared to \$60.1 million for the comparable prior year period, an increase of \$15.3 million. The increase in the current year provision was due to the changing mix of income earned in jurisdictions with differing rates. 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 the 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.

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

(In millions, except %s)	Six Months Ended June 30,					
	2022	2021	% Change	2022 Currency Impact ⁽¹⁾	2022 Constant Currency Revenues	Constant Currency % Change ⁽²⁾
Net sales						
Developed Markets	\$ 4,955.2	\$ 5,212.0	(5)%	\$ 270.5	\$ 5,225.8	— %
Greater China	1,121.4	1,142.2	(2)%	(2.7)	1,118.7	(2)%
JANZ	850.9	982.9	(13)%	102.7	953.5	(3)%
Emerging Markets	1,356.1	1,624.7	(17)%	105.5	1,461.6	(10)%
Total net sales	\$ 8,283.6	\$ 8,961.8	(8)%	\$ 476.0	\$ 8,759.6	(2)%
Other revenues ⁽³⁾	24.9	46.3	(46)%	1.3	26.2	(43)%
Consolidated total revenues ⁽⁴⁾	\$ 8,308.5	\$ 9,008.1	(8)%	\$ 477.3	\$ 8,785.8	(2)%

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

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

⁽³⁾ For the six months ended June 30, 2022, other revenues in Developed Markets, JANZ, and Emerging Markets were approximately \$11.1 million, \$0.9 million, and \$12.9 million, respectively.

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

Total Revenues

For the six months ended June 30, 2022, Viartis reported total revenues of \$8.31 billion, compared to \$9.01 billion for the comparable prior year period, representing a decrease of \$699.6 million, or 8%. Total revenues include both net sales and other revenues from third parties. Net sales for the six months ended June 30, 2022 were \$8.28 billion, compared to \$8.96 billion for the comparable prior year period, representing a decrease of \$678.2 million, or 8%. Other revenues for the six months ended June 30, 2022 were \$24.9 million, compared to \$46.3 million for the comparable prior year period.

The decrease in net sales was primarily driven by the unfavorable impact of foreign currency translation of approximately \$476.0 million, or 5%, primarily reflecting changes in the U.S. Dollar as compared to the currencies of subsidiaries in countries within the EU and Japan. On a constant currency basis, the decrease in net sales was approximately \$202.2 million, or 2% for the six months ended June 30, 2022. This decrease was due to competition on certain key U.S. products representing a decline of approximately \$140 million and approximately \$267 million as a result of other base business erosion. The decrease in net sales from existing products was partially offset by approximately \$204.6 million of new product sales. New product sales include new products launched in 2022 and the carryover impact of new products, including business development, launched within the last twelve months.

From time to time, a limited number of our products may represent a significant portion of our net sales, gross profit and net earnings. Generally, this is due to the timing of new product introductions, seasonality, and the amount, if any, of additional competition in the market. Our top ten products in terms of net sales, in the aggregate, represented approximately 34% for the six months ended June 30, 2022 and 2021.

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 decreased by \$256.8 million or 5% during the six months ended June 30, 2022 when compared to the prior year period. This decrease was due primarily to the unfavorable impact of foreign currency translation of approximately \$270.5 million, or 5%. Constant currency net sales increased by approximately \$13.7 million, or less than 1% when compared to the prior year period. Net sales within North America totaled approximately \$2.22 billion and net sales within Europe totaled approximately \$2.74 billion. The increase was driven by new product sales, including Cyclosporine Ophthalmic Emulsion, Insulin Glargine and Semglee® in the U.S., and higher volumes of existing products in Europe. These increases were partially offset by lower net sales of certain key products within the U.S., including Miacalcin® and Perforomist®, as a result of additional competition.

Greater China Segment

Net sales from Greater China decreased by \$20.8 million or 2% for the six months ended June 30, 2022 when compared to the prior year period. This decrease was the result of lower net sales of existing products, driven by lower volumes. Volumes on net sales of existing products were negatively impacted by competitive and other market conditions. The favorable impact of foreign currency translation was approximately \$2.7 million, or less than 1%. Constant currency net sales decreased by approximately \$23.5 million or 2% when compared to the prior year.

JANZ Segment

Net sales from JANZ decreased by \$132.0 million or 13% for the six months ended June 30, 2022 when compared to the prior year period. This decrease was primarily the result of the unfavorable impact of foreign currency translation of approximately \$102.7 million, or 10%. Constant currency net sales decreased by approximately \$29.3 million, or 3% when compared to the prior year period. The decrease was primarily due to lower net sales of existing products mainly driven by lower pricing in Japan as a result of government price reductions and additional competition, and lower volumes on net sales of existing products in Australia. These decreases were partially offset by higher volumes on net sales of existing products in Japan, including for Celebrex®.

Emerging Markets Segment

Net sales from Emerging Markets decreased by \$268.6 million or 17% for the six months ended June 30, 2022 when compared to the prior year period. This decrease was mainly driven by lower volumes of COVID-19 related products in India, primarily remdesivir and ambisome, and lower sales of ARV products as a result of competitive market conditions. The decrease was further driven by the unfavorable impact of foreign currency translation. These decreases were partially offset by higher volumes in certain markets in Asia. The unfavorable impact of foreign currency translation was \$105.5 million or 7%. Constant currency net sales decreased by approximately \$163.1 million, or 10%.

Cost of Sales and Gross Profit

Cost of sales decreased from \$6.55 billion for the six months ended June 30, 2021 to \$4.83 billion for the six months ended June 30, 2022. Cost of sales was primarily impacted by purchase accounting related amortization of the fair value of step-up of acquired inventory of \$953.7 million in the comparable prior year period, lower restructuring costs in the current period related to the 2020 restructuring program versus the comparable prior year period, and lower costs associated with 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, 2022 was \$3.47 billion and gross margins were 42%. For the six months ended June 30, 2021, gross profit was \$2.46 billion and gross margins were 27%. This change is primarily related to the decrease in cost of sales. Adjusted gross margins were 59% for the six months ended June 30, 2022, essentially flat when compared to the six months ended June 30, 2021.

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, 2022 compared to the six months ended June 30, 2021 is as follows:

<i>(In millions, except %s)</i>	Six Months Ended June 30,	
	2022	2021
U.S. GAAP cost of sales	\$ 4,834.0	\$ 6,553.1
Deduct:		
Purchase accounting related amortization	(1,303.7)	(2,424.8)
Acquisition related items	(24.8)	(3.5)
Restructuring related costs	(19.8)	(246.5)
Share-based compensation expense	(0.8)	(1.2)
Other special items	(81.5)	(186.1)
Adjusted cost of sales	<u>\$ 3,403.4</u>	<u>\$ 3,691.0</u>
Adjusted gross profit ^(a)	<u>\$ 4,905.1</u>	<u>\$ 5,317.1</u>
Adjusted gross margin ^(a)	<u>59 %</u>	<u>59 %</u>

^(a) 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, 2022 was \$304.9 million, compared to \$331.8 million for the comparable prior year period, a decrease of \$26.9 million. This decrease was primarily due to lower costs for products under development and the impact of synergies.

Selling, General & Administrative Expense

SG&A expense for the six months ended June 30, 2022 was \$1.90 billion, compared to \$2.39 billion for the comparable prior year period, a decrease of \$494.9 million. The decrease was due to lower restructuring costs of approximately \$299.8 million related to the 2020 restructuring program and the impact of synergies.

Litigation Settlements and Other Contingencies, Net

The following table includes the losses recognized in litigation settlements and other contingencies, net during the six months ended June 30, 2022 and June 30, 2021:

<i>(In millions)</i>	Six Months Ended June 30,	
	2022	2021
Contingent consideration adjustment (primarily related to respiratory delivery platform)	\$ 13.6	\$ 32.0
Litigation settlements, net	3.5	13.9
Total litigation settlements and other contingencies, net	<u>\$ 17.1</u>	<u>\$ 45.9</u>

Interest Expense

Interest expense for the six months ended June 30, 2022 totaled \$292.1 million, compared to \$336.1 million for the six months ended June 30, 2021, a decrease of \$44.0 million. The decrease is primarily due to the impact of debt repayments.

Other Expense, Net

Other expense, net includes losses from equity affiliates, foreign exchange gains and losses, expense (income) related to post-employment benefit plans and interest and dividend income. Other expense, net was \$47.2 million for the six months ended June 30, 2022, compared to \$10.3 million for the comparable prior year period. The increase was primarily driven by higher foreign exchange costs. The increase was partially offset by lower losses from clean energy investments.

Income Tax Provision

For the six months ended June 30, 2022, the Company recognized an income tax provision of \$203.7 million, compared to \$656.4 million for the comparable prior year period, a decrease of \$452.7 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 the 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 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

Beginning in 2022, upfront and milestone-related R&D expenses related to collaboration and licensing arrangements are no longer excluded from adjusted net earnings and adjusted EBITDA. This change had no impact on the three and six months ended June 30, 2022. For all prior periods presented, these expenses and payments were excluded from adjusted net earnings and adjusted EBITDA. Prior period adjusted net earnings and adjusted EBITDA have not been recast to reflect this change in policy because the excluded amount was income of approximately \$6.3 million and \$5.8 million for the three and six months ended June 30, 2021, respectively, and is considered immaterial.

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 17 *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 Earnings (Loss) to Adjusted Net Earnings

A reconciliation between net earnings (loss) 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,	
	2022	2021	2022	2021
U.S. GAAP net earnings (loss)	\$ 313.9	\$ (279.2)	\$ 713.1	\$ (1,316.8)
Purchase accounting related amortization (primarily included in cost of sales)	644.9	1,169.8	1,303.8	2,424.8
Litigation settlements and other contingencies, net	10.9	23.0	17.1	45.9
Interest expense (primarily amortization of premiums and discounts on long term debt)	(13.1)	(13.4)	(26.8)	(26.7)
Clean energy investments pre-tax loss	0.1	16.7	—	34.6
Acquisition related costs (primarily included in SG&A) ^(a)	122.4	48.4	207.1	108.2
Restructuring related costs ^(b)	10.2	254.7	27.0	570.1
Share-based compensation expense	29.4	31.0	57.7	63.7
Other special items included in:				
Cost of sales ^(c)	40.5	99.4	81.5	186.1
Research and development expense	0.6	(6.3)	0.9	8.4
Selling, general and administrative expense	17.0	10.2	24.4	29.5
Other expense, net	(0.4)	—	(1.9)	—
Tax effect of the above items and other income tax related items ^(d)	(111.1)	(173.7)	(213.3)	169.2
Adjusted net earnings	<u>\$ 1,065.3</u>	<u>\$ 1,180.6</u>	<u>\$ 2,190.6</u>	<u>\$ 2,297.0</u>

Significant items include the following:

- Acquisition related costs consist primarily of transaction costs including legal and consulting fees and integration activities.
- For the three and six months ended June 30, 2022, charges include approximately \$6.7 million and \$19.8 million, respectively, in cost of sales and approximately \$3.5 million and \$7.2 million, respectively, in SG&A. Refer to Note 14 *Restructuring* included in Part I, Item 1 of this Form 10-Q for additional information.
- For the three and six months ended June 30, 2022, charges include incremental manufacturing variances at plants in the 2020 restructuring program of approximately \$16.5 million and \$47.8 million, respectively.
- Adjusted for changes for uncertain tax positions and for certain impacts of the Combination.

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

Below is a reconciliation of U.S. GAAP net earnings (loss) to EBITDA and adjusted EBITDA for the three and six months ended June 30, 2022 compared to the prior year period:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
U.S. GAAP net earnings (loss)	\$ 313.9	\$ (279.2)	\$ 713.1	\$ (1,316.8)
Add adjustments:				
Net contribution attributable to equity method investments	0.1	16.7	—	34.6
Income tax provision	75.4	60.1	203.7	656.4
Interest expense ^(a)	145.9	167.1	292.1	336.1
Depreciation and amortization ^(b)	722.3	1,317.1	1,458.3	2,739.6
EBITDA	\$ 1,257.6	\$ 1,281.8	\$ 2,667.2	\$ 2,449.9
Add adjustments:				
Share-based compensation expense	29.4	31.0	57.7	63.7
Litigation settlements and other contingencies, net	10.9	23.0	17.1	45.9
Restructuring, acquisition related and other special items ^(c)	184.2	339.6	326.4	752.5
Adjusted EBITDA	\$ 1,482.1	\$ 1,675.4	\$ 3,068.4	\$ 3,312.0

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

^(b) Includes purchase accounting related amortization.

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

Liquidity and Capital Resources

Our primary source of liquidity is net cash provided by operating activities, which was \$1.94 billion for the six months ended June 30, 2022. 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 \$532.8 million to \$1.94 billion for the six months ended June 30, 2022, as compared to net cash provided by operating activities of \$1.41 billion for the six months ended June 30, 2021. Net cash provided by operating activities is derived from net earnings (loss) 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.

The increase in net cash provided by operating activities was principally due to lower payments for restructuring activities and other special items, and the impact of synergies, partially offset by the timing of cash payments and collections.

Investing Activities

Net cash used in investing activities was \$149.0 million for the six months ended June 30, 2022, as compared to net cash provided by investing activities of \$219.5 million for the six months ended June 30, 2021, a net decrease of \$368.5 million.

In 2022, significant items in investing activities included the following:

- capital expenditures, primarily for equipment and facilities, totaling approximately \$148.4 million. While there can be no assurance that current expectations will be realized, capital expenditures for the 2022 calendar year are expected to be approximately \$425 million to \$575 million.

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.;
- capital expenditures, primarily for equipment and facilities, totaling approximately \$138.8 million; and
- payments for product rights and other, net totaling approximately \$17.3 million, primarily related to the acquisition of intellectual property rights and marketing authorizations.

Financing Activities

Net cash used in financing activities was \$1.79 billion for the six months ended June 30, 2022, as compared to \$1.79 billion for the six months ended June 30, 2021, an increase of \$3.3 million.

In 2022, significant items in financing activities included the following:

- long-term debt payments of approximately \$1.79 billion consisting of the repayment of the 0.816% Euro Senior Notes due 2022 and the 1.125% Senior Notes due 2022;
- long-term debt borrowings of \$795.4 million primarily consisting of Revolving Facility borrowings;
- net repayments of short-term borrowings of \$473.5 million; and
- cash dividends paid of \$290.6 million.

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

- long-term debt payments of \$2.25 billion consisting of the repayment of the 3.150% Senior Notes due 2021;
- long-term borrowings under the 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.

Capital Resources

Our cash and cash equivalents totaled \$664.7 million at June 30, 2022, 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 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.

The Company has access to \$4.0 billion under the Revolving Facility which matures in July 2026. Up to \$1.65 billion of the Revolving Facility may be used to support borrowings under our Commercial Paper Program. As of June 30, 2022, the Company had \$620.8 million outstanding under the Commercial Paper Program and had borrowings outstanding of \$795.0 million under the Revolving Facility.

In addition to the Revolving Facility, MPI, a wholly owned subsidiary of the Company, has access to \$400 million under the Receivables Facility. On April 22, 2022, the Company entered into an agreement to extend the expiration date of the Receivables Facility to April 22, 2025. As of June 30, 2022, the Company had \$198.7 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 30, 2022. As of June 30, 2022, the Company had borrowings of \$200.0 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 the applicable base rate plus 0.775% and under the Note Securitization Facility at the relevant base rate plus 0.85% 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 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 \$41.9 million and \$29.6 million of accounts receivable as of June 30, 2022 and December 31, 2021 under these factoring arrangements, respectively.

For information regarding our dividends paid and declared, refer to Note 8 *Earnings (Loss) per Share* in Part I, Item 1 of this Form 10-Q.

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

For information regarding our debt agreements and mandatory minimum repayments remaining on the outstanding notional amount of long-term debt at June 30, 2022, refer to Note 11 *Debt* in Part I, Item 1 of this Form 10-Q.

The YEN Term Loan Facility and the Revolving Facility 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, 2022 and expects to remain in compliance for the next twelve months.

Supplemental Guarantor Financial Information

Viatrix Inc. is the issuer of the Registered Upjohn Notes, which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan Inc., Mylan II B.V. and Utah Acquisition Sub Inc.

Following the Combination, Utah Acquisition Sub Inc. is the issuer of the Utah U.S. Dollar Notes, which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan Inc., Viatrix Inc. and Mylan II B.V.

Mylan Inc. is the issuer of the Mylan Inc. U.S. Dollar Notes, which are fully and unconditionally guaranteed on a senior unsecured basis by Mylan II B.V., Viatrix Inc. and Utah Acquisition Sub Inc.

The respective obligations of Viatrix Inc., Mylan Inc., Utah Acquisition Sub Inc., and Mylan II B.V. as guarantors of the applicable series of Senior U.S. Dollar Notes 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 such guarantor's guarantee of the applicable series of Senior U.S. Dollar Notes, rank senior in right of payment to any future obligations of such guarantor that are expressly subordinated to such guarantor's guarantee of the applicable series

of Senior U.S. Dollar Notes, and are effectively subordinated to such guarantor's existing and future secured obligations to the extent of the value of the collateral securing such obligations. Such obligations are structurally subordinated to all of the existing and future liabilities, including trade payables, of the existing and future subsidiaries of such guarantor that do not guarantee the applicable series of Senior U.S. Dollar Notes.

The guarantees by Mylan Inc., Mylan II B.V. and Utah Acquisition Sub Inc. under the applicable series of Senior U.S. Dollar Notes will terminate under certain customary circumstances, each as described in the applicable indenture, including: (1) a sale or disposition of the applicable guarantor in a transaction that complies with the applicable indenture such that such guarantor ceases to be a subsidiary of the issuer of the applicable series of Senior U.S. Dollar Notes; (2) legal defeasance or covenant defeasance or if the issuer's obligations under the applicable indenture are discharged; (3) with respect to the Utah U.S. Dollar Notes, the earlier to occur of (i) with respect to the guarantee provided by Mylan Inc., (x) the release of Utah Acquisition Sub Inc.'s guarantee under all applicable Mylan Inc. Debt (as defined in the applicable indenture) and (y) Mylan Inc. no longer having any obligations in respect of any Mylan Inc. Debt and (ii) with respect to the guarantee provided by Mylan II B.V., (x) the release of Mylan II B.V.'s guarantee under all applicable Triggering Indebtedness (as defined in the applicable indenture) and (y) the issuer and/or borrower of the applicable Triggering Indebtedness no longer having any obligations with respect to such Triggering Indebtedness; (4) with respect to the guarantees provided by Utah Acquisition Sub Inc. and Mylan II B.V. of the Mylan Inc. U.S. Dollar Notes, subject to certain exceptions set forth in the applicable indenture, such guarantor ceasing to be a guarantor or obligor in respect of any Triggering Indebtedness; and (5) with respect to the Registered Upjohn Notes, (a) upon the applicable guarantor no longer being an issuer or guarantor in respect of (i) Mylan Notes (as defined in the indenture governing the Registered Upjohn Notes) that have an aggregate principal amount in excess of \$500.0 million or (ii) any Triggering Indebtedness; in each case, other than in respect of indebtedness or guarantees, as applicable, that are being concurrently released; or (b) upon receipt of the consent of holders of a majority of the aggregate principal amount of the outstanding notes of such series in accordance with the indenture governing the Registered Upjohn Notes.

The guarantee obligations of Viatris Inc., Mylan Inc., Utah Acquisition Sub Inc., and Mylan II B.V. under the Senior U.S. Dollar Notes are subject to certain limitations and terms similar to those applicable to other guarantees of similar instruments, including that (i) the guarantees are subject to fraudulent transfer and conveyance laws and (ii) each guarantee is limited in amount to an amount not to exceed the maximum amount that can be guaranteed by the applicable guarantor without rendering the guarantee, as it relates to such guarantor, voidable under applicable fraudulent transfer and conveyance laws or similar laws affecting the rights of creditors generally.

The following table presents unaudited summarized financial information of Viatris Inc., Mylan Inc., Utah Acquisition Sub Inc., and Mylan II B.V. on a combined basis as of and for the six months ended June 30, 2022 and as of and for the year ended December 31, 2021. All intercompany balances have been eliminated in consolidation. This unaudited combined summarized financial information is presented utilizing the equity method of accounting.

<i>(In millions)</i>	Combined Summarized Balance Sheet Information of Viatris Inc., Mylan Inc., Utah Acquisition Sub Inc. and Mylan II B.V.	
	June 30, 2022	December 31, 2021
ASSETS		
Current assets	\$ 328.9	\$ 280.2
Non-current assets	60,171.7	60,298.0
LIABILITIES AND EQUITY		
Current liabilities	24,424.0	23,619.9
Non-current liabilities	16,271.1	16,465.6

<i>(In millions)</i>	Combined Summarized Income Statement Information of Viatris Inc., Mylan Inc., Utah Acquisition Sub Inc. and Mylan II B.V.	
	Six Months Ended June 30, 2022	Year Ended December 31, 2021
Revenues	\$ —	\$ —
Gross profit	—	—
Loss from operations	(483.9)	(1,023.9)
Net earnings (loss)	713.1	(1,269.1)

Other Commitments

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. We have approximately \$570.3 million accrued for legal contingencies at June 30, 2022. In July 2022, the accrual was reduced by \$259.0 million as a result of the EpiPen® Auto-Injector settlement payment. Refer to Note 17 *Litigation* in Part I, Item 1 of this Form 10-Q for additional information.

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 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, 2022, the Company incurred approximately \$9.5 million and \$26.1 million, respectively, related to this provision of the TSA and approximately \$109.6 million during the period beginning on the closing date of the Combination and ended June 30, 2022.

Application of Critical Accounting Policies

There have been no changes to the Critical Accounting Policies disclosed in Viatris' 2021 Form 10-K. The following discussion supplements our Critical Accounting Policy for Acquisitions, Intangible Assets, Goodwill and Contingent Consideration as it relates to the interim and annual goodwill impairment test performed as of March 31, 2022 and April 1, 2022, respectively.

The Company performed both its interim and annual goodwill impairment tests on a quantitative basis for its five reporting units, North America, Europe, Emerging Markets, JANZ, and Greater China. 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 March 31, 2022 and April 1, 2022, the allocation of the Company's total goodwill (prior to the reclassification of goodwill to assets held for sale) was as follows: North America \$3.61 billion, Europe \$4.95 billion, Emerging Markets \$1.64 billion, JANZ \$0.78 billion and Greater China \$0.97 billion.

As of March 31, 2022 and April 1, 2022, the Company determined that the fair value of the North America 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 \$797 million or 5.3% for both the interim and annual goodwill impairment tests. As it relates to the income approach for the Europe reporting unit at March 31, 2022 and April 1, 2022, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately 0.5%. A terminal year value was calculated with a negative 1.0% revenue growth rate applied. The discount rate utilized was 9.5% and the estimated tax rate was 15.3%. Under the market-based approach, we utilized an estimated range of market multiples of 7.5 to 8.0 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 3.0% 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 \$231 million or 7.4% for both the interim and annual goodwill impairment tests. As it relates to the income approach for the JANZ reporting unit at March 31, 2022 and April 1, 2022, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately negative 4.8%. A terminal year value was calculated assuming no revenue growth. The discount rate utilized was 6.0% and the estimated tax rate was 30.4%. 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 3.5% or an increase in discount rate by 2.0% would result in an impairment charge for the JANZ reporting unit.

For the Emerging Markets reporting unit, the estimated fair value exceeded its carrying value by approximately \$816 million or 10.3% for both the interim and annual goodwill impairment tests. As it relates to the income approach for the Emerging Markets reporting unit at March 31, 2022 and April 1, 2022, the Company forecasted cash flows for the next 10 years. During the forecast period, the revenue compound annual growth rate was approximately 1.6%. A terminal year value was calculated with a 0.8% revenue growth rate applied. The discount rate utilized was 10.5% and the estimated tax rate was 18.4%. Under the market-based approach, we utilized an estimated market multiple of 7.5 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 approximately 8.5% or an increase in discount rate by 3.0% would result in an impairment charge for the Emerging Markets 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' 2021 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, 2022. 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 identified the following change in the Company's internal control over financial reporting ("ICFR") that occurred during the quarter that has materially affected, or is reasonably likely to materially affect, the Company's ICFR. During the quarter ended June 30, 2022, the Company continued to transition certain support services from Pfizer, as well as certain subsidiaries, to a new ERP system. The Company has modified and will continue to modify its internal controls relating to its business and financial processes throughout the transition period, which is expected through the end of calendar year 2022. While the Company believes that this new system and the related changes to internal controls will ultimately strengthen its ICFR, there are inherent risks in implementing any new ERP system and the Company will continue to evaluate and test control changes in order to provide certification as of its fiscal year ending December 31, 2022 on the effectiveness of its ICFR.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, refer to Note 17 *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 Viatris' 2021 Form 10-K.

ITEM 6. EXHIBITS

22	List of subsidiary guarantors and issuers of guaranteed securities.
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).

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 8, 2022

/s/ SANJEEV NARULA

Sanjeev Narula
Chief Financial Officer
(Principal Financial Officer)

August 8, 2022

List of Subsidiary Guarantors and Issuers of Guaranteed Securities

As of June 30, 2022, Viatris Inc., a Delaware corporation (“Viatris”), Mylan Inc., a Pennsylvania corporation (“Mylan Inc.”), and Mylan II B.V., a company incorporated under the laws of the Netherlands (“Mylan II”), were the guarantors of the 3.950% Senior Notes due 2026 and 5.250% Senior Notes due 2046 issued by Utah Acquisition Sub Inc., a Delaware corporation (“Utah”).

As of June 30, 2022, Viatris, Utah and Mylan II were the guarantors of the 4.200% Senior Notes due 2023, 3.125% 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.

As of June 30, 2022, Utah, Mylan Inc. and Mylan II were the guarantors of the 1.650% Senior Notes due 2025, 2.300% Senior Notes due 2027, 2.700% Senior Notes due 2030, 3.850% Senior Notes due 2040 and 4.000% Senior Notes due 2050 issued by Viatris.

**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 Viatris 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 8, 2022

**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 Viatris 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 8, 2022

**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 June 30, 2022 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 8, 2022

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.