



GAAP / Non-GAAP Reconciliations

February 28, 2024



Non-GAAP Financial Measures and Other Information

Key References

New product sales, new product launches or new product revenues: Refers to revenue from new products launched in 2023 and the carryover impact of new products, including business development, launched within the last 12 months.

Operational change: Refers to constant currency percentage changes and is derived by translating amounts for the current period at prior year comparative period exchange rates, and in doing so shows the percentage change from 2023 constant currency net sales, revenues and adjusted EBITDA to the corresponding amount in the prior year.

Divestiture-adjusted operational change: Refers to operational changes, further adjusted for the impact of the results from the divested Biosimilars business and proportionate results from the divestitures that closed in 2023 from the 2022 period by excluding net sales from those divested businesses from comparable prior periods, and a reclassification to conform prior year-to-date amounts to current year presentation of divestiture-adjusted operational net sales. Also, for adjusted EBITDA refers to operational changes, adjusted as outlined in the previous sentence and further adjusted for the mark up for the TSA services provided to Biocon Biologics.

Closed divestitures or divestitures closed in 2023: Refers to the divestiture of the Company's rights to two women's healthcare products in certain countries (other than the U.K., which remains subject to regulatory approval) that closed in December 2023 and the divestitures of the commercialization rights in certain of the Upjohn Distributor markets that closed in 2023.

Remaining divestitures or pending announced divestitures: Refers to the remaining announced divestitures that have not been consummated to date, including the divestiture of substantially all of our over-the-counter ("OTC") business, women's healthcare business primarily related to oral and injectable contraceptives, active pharmaceutical ingredient ("API") business in India, and the remaining commercialization rights in the Upjohn Distributor Markets.

Non-GAAP Financial Measures

This presentation includes the presentation and discussion of certain financial information that differs from what is reported under accounting principles generally accepted in the United States ("U.S. GAAP"). These non-GAAP financial measures, including, but not limited to, adjusted EBITDA, free cash flow, free cash flow excluding transaction costs, adjusted EPS adjusted gross margin, adjusted gross profit, 2023 adjusted total revenues excluding divestitures, 2023 adjusted net sales excluding divestitures, 2023 adjusted EBITDA excluding divestitures, Q4 2022 adjusted EBITDA ex divestitures, Q4 2022 adjusted net sales ex divestitures, 2023 adjusted total revenues at 2024 FX rates, 2023 adjusted net sales at 2024 FX rates, adjusted SG&A and as a percentage of total revenues, adjusted R&D and as a percentage of total revenues, adjusted IPR&D and as a percentage of total revenues, constant currency adjusted EBITDA, adjusted EBITDA margin, adjusted net earnings, and adjusted effective tax rate, adjusted earnings from operations, adjusted interest expense, adjusted other (income) expense, net, constant currency total revenues, constant currency net sales, constant currency adjusted EBITDA, divestiture-adjusted change, divestiture-adjusted operational change, notional debt, gross leverage ratio and long-term gross leverage ratio, are presented in order to supplement investors' and other readers' understanding and assessment of the financial performance of Viatrix Inc. ("Viatrix" or the "Company"). Free cash flow refers to U.S. GAAP net cash provided by operating activities, less capital expenditures. Adjusted EBITDA margins refers to adjusted EBITDA divided by total revenues. Adjusted EPS refers to adjusted net earnings divided by the weighted average number of diluted shares of common stock outstanding. Viatrix has provided reconciliations of such non-GAAP financial measures to the most directly comparable U.S. GAAP financial measures. Investors and other readers are encouraged to review the related U.S. GAAP financial measures and the reconciliations of the non-GAAP measures to their most directly comparable U.S. GAAP measures set forth in this presentation on our website at <https://investor.viatrix.com/financial-information/non-gaap-reconciliations>, and investors and other readers should consider non-GAAP measures only as supplements to, not as substitutes for or as superior measures to, the measures of financial performance prepared in accordance with U.S. GAAP.

SG&A and R&D TSA Reimbursement

Expenses related to TSA services provided to Biocon Biologics are recorded in their respective functional line item; however, reimbursement of those expenses plus the mark-up is included in other (income) expense, net. For comparability purposes, amounts related to the cost reimbursement are reclassified to adjusted SG&A and adjusted R&D. This reclassification has no impact on adjusted net earnings or adjusted EBITDA.

2024 Guidance

The Company is not providing forward-looking guidance for U.S. GAAP net earnings (loss) or U.S. GAAP earnings per share (EPS) or a quantitative reconciliation of its 2024 adjusted EBITDA or adjusted EPS guidance to the most directly comparable U.S. GAAP measures, U.S. GAAP net earnings (loss) or U.S. GAAP EPS, respectively, because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items, including integration, acquisition and divestiture-related expenses, restructuring expenses, asset impairments, litigation settlements, and other contingencies, such as changes to contingent consideration, acquired IPR&D and certain other gains or losses, including for the fair value accounting for non-marketable equity investments, as well as related income tax accounting, because certain of these items have not occurred, are out of the Company's control and/or cannot be reasonably predicted without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on U.S. GAAP reported results for the guidance period.

Note: Certain amounts in this presentation may not add up due to rounding. All percentages have been calculated using unrounded amounts.

Full-Year 2024 Guidance Items ⁽¹⁾

	GAAP	Non-GAAP
Total Revenues ⁽²⁾	\$15,250 - \$15,750	N/A
Adjusted EBITDA ⁽²⁾	N/A	\$4,800 - \$5,100
Net Cash provided by Operating Activities	\$2,750 - \$3,050	N/A
Free Cash Flow	N/A	\$2,300 - \$2,700
Adjusted EPS	N/A	\$2.70 - \$2.85

For key references and non-GAAP measures, see slide 2

(1) Includes the full-year expected performance for the pending announced divestitures and excludes any potential related costs, such as taxes and transaction costs. Also excludes any acquired IPR&D to be incurred in any future period as it cannot be reasonably forecasted.

(2) Estimated 2024 Total Revenues and Adjusted EBITDA associated with the pending announced divestitures is ~\$1,100M and ~\$320M, respectively.

Reconciliation of Estimated 2024 U.S. GAAP Net Cash Provided by Operating Activities to Free Cash Flow⁽¹⁾

Estimated U.S. GAAP Net Cash provided by Operating Activities	\$2,750 - \$3,050
Less: Capital Expenditures	<u>(\$350) - (\$450)</u>
Free Cash Flow	\$2,300 - \$2,700

For key references and non-GAAP measures, see slide 2

(1) Includes the full-year expected performance for the pending announced divestitures and excludes any potential related costs, such as taxes and transaction costs. Also excludes any acquired IPR&D to be incurred in any future period as it cannot be reasonably forecasted.

Net (Loss) Earnings to Adjusted Net Earnings

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
U.S. GAAP net (loss) earnings	\$ (765.6)	\$ 1,011.2	\$ 54.7	\$ 2,078.6
Purchase accounting related amortization (primarily included in cost of sales) (a).....	556.9	790.8	2,421.5	2,721.3
Impairment of goodwill related to assets held for sale (included in SG&A) (b).....	580.1	117.0	580.1	117.0
Litigation settlements and other contingencies, net.....	148.1	(8.8)	111.6	4.4
Interest expense (primarily amortization of premiums and discounts on long term debt).....	(10.9)	(11.9)	(42.4)	(48.7)
Acquisition and divestiture-related costs (primarily included in SG&A) (c).....	147.8	169.4	377.9	475.7
Loss (gain) on divestitures of businesses (included in other expense (income), net) (d).....	239.9	(1,754.1)	239.9	(1,754.1)
Restructuring-related costs (e).....	26.5	44.9	125.2	86.9
Share-based compensation expense.....	55.8	29.7	180.7	116.5
Other special items included in:				
Cost of sales (f).....	27.3	104.8	119.2	255.2
Research and development expense.....	0.1	0.1	2.8	1.0
Selling, general and administrative expense (g).....	(117.5)	24.5	(83.5)	68.8
Other expense (income), net (h).....	89.6	4.4	(24.4)	(3.8)
Tax effect of the above items and other income tax related items (i).....	(231.5)	301.0	(525.6)	(41.7)
Adjusted net earnings.....	\$ 746.6	\$ 823.0	\$ 3,537.7	\$ 4,077.1

Significant items include the following:

- (a) For the year ended December 31, 2023, includes an intangible asset charge related to the divestitures of the commercialization rights in the Upjohn Distributor Markets of approximately \$32.0 million to write down the disposal group to fair value, less cost to sell. For the three months and year ended December 31, 2023, also includes amortization of the step-up in the fair value of inventory related to the Oyster Point acquisition of approximately \$7.3 million and \$29.3 million, respectively.
- (b) For the three months and year ended December 31, 2023, consists of a goodwill impairment charge of approximately \$580.1 million related to the planned divestiture of the OTC Business.
- (c) Acquisition and divestiture related costs consist primarily of transaction costs including legal and consulting fees and integration activities.
- (d) For the three months and year ended December 31, 2023, includes a charge related to the planned divestiture of the OTC Business of approximately \$154.7 million to write down the disposal group to fair value, less cost to sell, and a charge of approximately \$85.2 million related to the divestitures of the commercialization rights in the Upjohn Distributor Markets.
- (e) For the three months ended December 31, 2023, charges include approximately \$12.9 million in cost of sales, approximately \$0.3 million in R&D, and approximately \$13.3 million in SG&A. For the year ended December 31, 2023, charges include approximately \$101.8 million in cost of sales, approximately \$0.3 million in R&D, and approximately \$23.1 million in SG&A.
- (f) For the three months and year ended December 31, 2023, charges include incremental manufacturing variances at plants in the 2020 restructuring program of approximately \$9.3 million and \$45.9 million, respectively. For the year ended December 31, 2023, also includes charges related to the divestitures of the commercialization rights in the Upjohn Distributor Markets of approximately \$19.2 million.
- (g) For the three months and year ended December 31, 2023, includes a gain of approximately \$156.2 million on the transaction to divest the Company's rights to two women's healthcare products in certain countries (other than in the U.K., which remains subject to regulatory approval), which closed in December 2023.
- (h) For the three months December 31, 2023, includes a loss of approximately \$71.7 million as a result of remeasuring the compulsory convertible preferred shares ("CCPS") in Biocon Biologics to fair value. For the year ended December 31, 2023, includes net gains of approximately \$43.4 million as a result of remeasuring our non-marketable equity investments to fair value, including our equity interests in Mapi Pharma Limited ("Mapi") and Famy Life Sciences Private Limited ("Famy Life Sciences") and the CCPS in Biocon Biologics.
- (i) Adjusted for changes for uncertain tax positions.

Net (Loss) Earnings to Adjusted EBITDA

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
U.S. GAAP net (loss) earnings.....	\$ (765.6)	\$ 1,011.2	\$ 54.7	\$ 2,078.6
Add / (deduct) adjustments:				
Income tax (benefit) provision.....	(89.4)	457.7	148.2	734.6
Interest expense (a).....	140.9	147.1	573.1	592.4
Depreciation and amortization (b).....	644.4	869.8	2,740.5	3,027.6
EBITDA.....	\$ (69.7)	\$ 2,485.8	\$ 3,516.5	\$ 6,433.2
Add / (deduct) adjustments:				
Share-based compensation expense.....	55.8	29.6	180.7	116.4
Litigation settlements and other contingencies, net.....	148.1	(8.8)	111.6	4.4
Loss (gain) on divestitures of businesses.....	239.9	(1,754.1)	239.9	(1,754.1)
Impairment of goodwill related to assets held for sale.....	580.1	117.0	580.1	117.0
Restructuring, acquisition and divestiture related and other special items (c).....	163.2	341.1	495.3	859.9
Adjusted EBITDA.....	\$ 1,117.4	\$ 1,210.6	\$ 5,124.1	\$ 5,776.8

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

(b) Includes purchase accounting related amortization.

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

Summary of Total Revenues by Segment – Q4 2023

	Three Months Ended December 31,										
	2023	2022	% Change	2023 Currency Impact ⁽¹⁾	2023 Constant Currency Revenues	Constant Currency % Change ⁽²⁾	2022 Divestitures ⁽³⁾	2022 Adjusted Ex Divestitures ⁽⁴⁾	Divestiture Adjusted Operational Change ⁽⁵⁾		
Net sales											
Developed Markets.....	\$ 2,319.2	\$ 2,382.2	(3)%	\$ (61.6)	\$ 2,257.6	(5)%	\$ 90.2	\$ 2,292.0	(1)%		
Greater China.....	515.3	505.8	2 %	2.1	517.4	2 %	0.1	505.7	2 %		
JANZ.....	372.3	398.5	(7)%	18.5	390.8	(2)%	4.0	394.5	(1)%		
Emerging Markets.....	619.1	580.6	7 %	17.7	636.8	10 %	21.6	559.0	14 %		
Total net sales.....	\$ 3,825.9	\$ 3,867.1	(1)%	\$ (23.3)	\$ 3,802.6	(2)%	\$ 115.9	\$ 3,751.2	1 %		
Other revenues (6).....	11.4	8.9	NM	(0.2)	11.2	NM					
Consolidated total revenues (7).....	\$ 3,837.3	\$ 3,876.0	(1)%	\$ (23.5)	\$ 3,813.8	(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 2023 constant currency net sales or revenues to the corresponding amount in the prior year.

(3) Represents net sales relating to divestitures that have closed during 2022 and 2023 in the relevant period.

(4) Represents U.S. GAAP net sales minus net sales relating to divestitures that have closed during 2022 and 2023 in the relevant period.

(5) See key references on slide 2.

(6) For the three months ended December 31, 2023, other revenues in Developed Markets, JANZ, and Emerging Markets were approximately \$6.6 million, \$0.3 million, and \$4.5 million, respectively.

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

Summary of Total Revenues by Segment – FY 2023

	Year Ended December, 31										
	2023	2022	% Change	2023 Currency Impact ⁽¹⁾	2023 Constant Currency Revenues	Constant Currency % Change ⁽²⁾	2022 Divestitures ⁽³⁾	Other ⁽⁴⁾	2022 Adjusted Ex Divestitures and Other ⁽⁵⁾	Divestiture Adjusted Operational Change ⁽⁶⁾	
Net sales											
Developed Markets	\$ 9,251.9	\$ 9,768.9	(5)%	\$ (85.2)	\$ 9,166.6	(6)%	\$ 539.6	\$ 13.9	\$ 9,215.4	(1)%	
Greater China.....	2,160.4	2,201.2	(2)%	87.1	2,247.6	2 %	0.7	(4.2)	2,204.7	2 %	
JANZ.....	1,424.5	1,632.4	(13)%	96.2	1,520.6	(7)%	18.8	(9.7)	1,623.3	(6)%	
Emerging Markets	2,551.6	2,615.6	(2)%	160.8	2,712.4	4 %	70.4	-	2,545.2	7 %	
Total net sales.....	\$ 15,388.4	\$ 16,218.1	(5)%	\$ 258.9	\$ 15,647.2	(4)%	\$ 629.5	\$ -	\$ 15,588.6	- %	
Other revenues (7).....	38.5	44.6	NM	(0.1)	38.4	NM					
Consolidated total revenues (8).....	\$ 15,426.9	\$ 16,262.7	(5)%	\$ 258.8	\$ 15,685.6	(4)%					

(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 2023 constant currency net sales or revenues to the corresponding amount in the prior year.

(3) Represents net sales relating to divestitures that have closed during 2022 and 2023 in the relevant period.

(4) Represents a reclassification to conform prior year amounts to current year presentation of divestiture-adjusted operational net sales.

(5) Represents U.S. GAAP net sales minus net sales relating to divestitures that have closed during 2022 and 2023 in the relevant period.

(6) See key references on slide 2.

(7) For the year ended December 31, 2023, other revenues in Developed Markets, JANZ, and Emerging Markets were approximately \$26.1 million, \$1.1 million, and \$11.3 million, respectively.

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

Cost of Sales

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
U.S. GAAP cost of sales.....	\$ 2,240.8	\$ 2,601.9	\$ 8,988.3	\$ 9,765.7
Deduct:				
Purchase accounting amortization and other related items.....	(556.9)	(790.8)	(2,421.6)	(2,721.2)
Acquisition and divestiture-related costs.....	(14.0)	(8.9)	(40.7)	(50.0)
Restructuring-related costs.....	(12.9)	(28.4)	(101.8)	(56.8)
Share-based compensation expense.....	(0.7)	(0.3)	(2.9)	(1.5)
Other special items.....	(27.3)	(104.8)	(119.2)	(255.2)
Adjusted cost of sales.....	<u>\$ 1,629.0</u>	<u>\$ 1,668.7</u>	<u>\$ 6,302.1</u>	<u>\$ 6,681.0</u>
Adjusted gross profit (a).....	<u>\$ 2,208.3</u>	<u>\$ 2,207.3</u>	<u>\$ 9,124.8</u>	<u>\$ 9,581.7</u>
Adjusted gross margin (a).....	<u>58 %</u>	<u>57 %</u>	<u>59 %</u>	<u>59 %</u>

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

R&D

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
U.S. GAAP R&D.....	\$ 202.8	\$ 182.4	\$ 805.2	\$ 662.2
Deduct:				
Acquisition and divestiture-related costs.....	(2.7)	(5.6)	(11.9)	(11.9)
Restructuring and related costs.....	(0.3)	(1.4)	(0.3)	(1.4)
Share-based compensation expense.....	(1.4)	(1.5)	(5.4)	(5.6)
SG&A and R&D TSA reimbursement (a).....	(5.3)	(4.3)	(32.3)	(4.3)
Other special items.....	(0.1)	(0.1)	(2.8)	(1.0)
Adjusted R&D.....	\$ 193.0	\$ 169.5	\$ 752.5	\$ 638.0
Adjusted R&D as % of total revenues.....	5 %	4 %	5 %	4 %

(a) See SG&A and R&D TSA Reimbursement on slide 2.

SG&A

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
U.S. GAAP SG&A.....	\$ 1,605.8	\$ 1,265.4	\$ 4,650.1	\$ 4,179.1
Deduct:				
Acquisition and divestiture-related costs.....	(131.1)	(154.5)	(325.2)	(413.4)
Restructuring and related costs.....	(13.3)	(15.1)	(23.1)	(28.7)
Purchase accounting amortization and other related items.....	-	-	-	(0.1)
Share-based compensation expense.....	(53.8)	(27.9)	(172.5)	(109.4)
Impairment of goodwill related to held for sale assets.....	(580.1)	(117.0)	(580.1)	(117.0)
SG&A and R&D TSA reimbursement (a).....	(10.6)	(9.7)	(90.4)	(9.7)
Other special items and reclassifications.....	117.5	(24.5)	83.5	(68.8)
Adjusted SG&A.....	\$ 934.4	\$ 916.7	\$ 3,542.3	\$ 3,432.0
Adjusted SG&A as % of total revenues.....	24 %	24 %	23 %	21 %

(a) See SG&A and R&D TSA Reimbursement on slide 2.

Total Operating Expenses

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
U.S. GAAP total operating expenses.....	\$ 2,051.0	\$ 1,475.4	\$ 5,672.4	\$ 4,882.1
Add / (Deduct):				
Litigation settlements and other contingencies, net.....	(148.1)	8.8	(111.6)	(4.4)
R&D adjustments.....	(9.8)	(12.9)	(52.7)	(24.2)
SG&A adjustments.....	(671.4)	(348.7)	(1,107.8)	(747.1)
Adjusted total operating expenses.....	\$ 1,221.7	\$ 1,122.6	\$ 4,400.3	\$ 4,106.4
Adjusted earnings from operations (a).....	\$ 986.6	\$ 1,084.7	\$ 4,724.5	\$ 5,475.3

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

Interest Expense

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
U.S. GAAP interest expense.....	\$ 140.9	\$ 147.1	\$ 573.1	\$ 592.4
Add / (Deduct):				
Accretion of contingent consideration liability.....	(1.8)	(1.7)	(8.1)	(7.3)
Amortization of premiums and discounts on long-term debt.....	13.6	14.7	54.4	60.4
Other special items.....	(0.9)	(1.1)	(3.9)	(4.4)
Adjusted interest expense.....	<u>\$ 151.8</u>	<u>\$ 159.0</u>	<u>\$ 615.5</u>	<u>\$ 641.1</u>

Other Expense (Income), Net

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
U.S. GAAP other expense (income), net.....	\$ 259.6	\$ (1,817.3)	\$ (9.8)	\$ (1,790.7)
Add / (Deduct):				
(Loss) gain on divestitures of businesses (included in other expense (income), net).....	(239.9)	1,754.1	(239.9)	1,754.1
Acquisition and divestiture-related costs.....	-	(0.4)	-	(0.4)
Fair value adjustments on non-marketable equity investments (a).....	(71.7)	-	43.4	-
SG&A and R&D TSA reimbursement (b).....	15.9	14.0	122.7	14.0
Other items.....	(17.9)	(4.4)	(19.0)	3.8
Adjusted other income, net.....	<u>\$ (54.0)</u>	<u>\$ (54.0)</u>	<u>\$ (102.6)</u>	<u>\$ (19.2)</u>

(a) For the three months ended December 31, 2023, includes a loss of approximately \$71.7 million as a result of remeasuring the CCPS in Biocon Biologics to fair value. For the year ended December 31, 2023, includes net gains of approximately \$43.4 million as a result of remeasuring our non-marketable equity interests in Mapi and Famy Life Sciences and the CCPS in Biocon Biologics to fair value.

(b) See SG&A and R&D TSA Reimbursement on slide 2.

Earnings Before Income Taxes and Income Tax Provision

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2023	2022	2023	2022
U.S. GAAP (loss) earnings before income taxes.....	\$ (855.0)	\$ 1,468.9	\$ 202.9	\$ 2,813.2
Total pre-tax non-GAAP adjustments.....	1,743.8	(489.1)	4,008.6	2,040.2
Adjusted earnings before income taxes.....	<u>\$ 888.8</u>	<u>\$ 979.8</u>	<u>\$ 4,211.5</u>	<u>\$ 4,853.4</u>
U.S. GAAP income tax (benefit) provision.....	\$ (89.4)	\$ 457.7	\$ 148.2	\$ 734.6
Adjusted tax expense (benefit).....	231.6	(301.0)	525.6	41.7
Adjusted income tax provision.....	<u>\$ 142.2</u>	<u>\$ 156.7</u>	<u>\$ 673.8</u>	<u>\$ 776.3</u>
Adjusted effective tax rate.....	<u>16.0 %</u>	<u>16.0 %</u>	<u>16.0 %</u>	<u>16.0 %</u>

Free Cash Flow over the Last 12 Quarters

	Year Ended			Free Cash Flow over the last 12 quarters
	December 31, 2021	December 31, 2022	December 31, 2023	
U.S. GAAP net cash provided by operating activities	\$ 3,016.9	\$ 2,952.6	\$ 2,799.6	\$ 8,769.1
Less: Capital expenditures	(457.2)	(406.0)	(377.0)	(1,240.2)
Free cash flow	<u>\$ 2,559.7</u>	<u>\$ 2,546.6</u>	<u>\$ 2,422.6</u>	<u>\$ 7,528.9</u>
Add: Acquisition and divestiture related costs	—	254.3	219.3	473.6
Free cash flow excluding transaction costs	<u>\$ 2,559.7</u>	<u>\$ 2,800.9</u>	<u>\$ 2,641.9</u>	<u>\$ 8,002.5</u>

Gross Leverage - Debt to Adjusted EBITDA

	Year Ended
	December 31, 2023
Adjusted EBITDA.....	\$ 5,124.1
Reported debt balances:	
Long-term debt, including current portion.....	18,122.8
Short-term borrowings and other current obligations.....	-
Total.....	18,122.8
Add / (deduct):	
Net premiums on various debt issuances.....	(536.9)
Deferred financing fees.....	30.2
Total debt at notional amounts.....	\$ 17,616.1
 Gross debt to adjusted EBITDA.....	 3.4 x

Long-term Gross Leverage Target

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

Gross Leverage - Debt to Adjusted EBITDA - Q4 2022

	Year Ended
	December 31, 2022
Adjusted EBITDA (a)	\$ 5,776.8
Reported debt balances:	
Long-term debt, including current portion.....	19,265.7
Short-term borrowings and other current obligations.....	-
Total.....	19,265.7
Add / (deduct):	
Net premiums on various debt issuances.....	(583.8)
Deferred financing fees.....	35.7
Fair value adjustment for hedged debt.....	(0.6)
Total debt at notional amounts.....	<u>\$ 18,717.0</u>
Gross debt to adjusted EBITDA.....	3.2 x

(a) See Q4 2022 reconciliation from U.S. GAAP Net Earnings to Adjusted EBITDA in the subsequent table.

Net Earnings to Adjusted EBITDA - Q4 2022

	Year ended
	December 31, 2022
U.S. GAAP net earnings.....	\$ 2,078.6
Add adjustments:	
Income tax provision.....	734.6
Interest expense (a).....	592.4
Depreciation and amortization (b).....	3,027.6
EBITDA.....	6,433.2
Add / (deduct) adjustments:	
Share-based compensation expense.....	116.4
Litigation settlements and other contingencies, net.....	4.4
Biocon Biologics gain on divestiture.....	(1,754.1)
Impairment of goodwill related to assets held for sale.....	117.0
Restructuring, acquisition and divestiture related and other special items.....	859.9
Adjusted EBITDA.....	<u>\$ 5,776.8</u>

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

(b) Includes purchase accounting related amortization.

Gross Leverage - Debt to Adjusted EBITDA - Q4 2021

	Year Ended
	December 31, 2021
Adjusted EBITDA (a)	\$ 6,426.1
Reported debt balances:	
Long-term debt, including current portion.....	21,577.4
Short-term borrowings and other current obligations.....	1,493.0
Total.....	23,070.4
Add / (deduct):	
Net premiums on various debt issuances.....	(651.6)
Deferred financing fees.....	42.4
Fair value adjustment for hedged debt.....	(16.3)
Total debt at notional amounts.....	\$ 22,444.9
Gross debt to adjusted EBITDA.....	3.5 x

(a) See Q4 2021 reconciliation from U.S. GAAP Net Loss to Adjusted EBITDA in the subsequent table. Beginning in 2022, the Company no longer excludes upfront and milestone related R&D expenses from adjusted EBITDA. For purposes of calculating the gross leverage ratio, adjusted EBITDA for prior periods has not been revised as the impact of this change was immaterial to the report gross leverage ratio for those periods.

Net Loss to Adjusted EBITDA - Q4 2021

	Year ended
	December 31, 2021
U.S. GAAP net loss.....	\$ (1,269.1)
Add / (deduct) adjustments:	
Net contribution attributable to equity method investments.....	61.9
Income tax provision.....	604.7
Interest expense (a).....	636.2
Depreciation and amortization (b).....	<u>4,506.5</u>
EBITDA.....	4,540.2
Add adjustments:	
Share-based compensation expense.....	111.2
Litigation settlements and other contingencies, net.....	329.2
Restructuring, acquisition related and other special items.....	<u>1,445.5</u>
Adjusted EBITDA.....	<u><u>\$ 6,426.1</u></u>

(a) Includes clean energy investment financing and accretion of contingent consideration.

(b) Includes purchase accounting related amortization.

Gross Leverage - Debt to Combined Adjusted EBITDA - Q4 2020

	Year Ended
	December 31, 2020
Combined Adjusted EBITDA (a)	\$ 6,807.2
Reported debt balances:	
Long-term debt, including current portion.....	24,685.5
Short-term borrowings and other current obligations.....	1,100.9
Total.....	25,786.4
Add / (deduct):	
Net premiums on various debt issuances.....	(731.4)
Deferred financing fees.....	49.2
Fair value adjustment for hedged debt.....	(31.6)
Total debt at notional amounts.....	\$ 25,072.6
Gross debt to adjusted EBITDA.....	3.7 x

(a) See Q4 2020 reconciliation from U.S. GAAP Net Loss to Combined Adjusted EBITDA in the subsequent table. Beginning in 2022, the Company no longer excludes upfront and milestone related R&D expenses from adjusted EBITDA. For purposes of calculating the gross leverage ratio, adjusted EBITDA for prior periods has not been revised as the impact of this change was immaterial to the report gross leverage ratio for those periods.

Net Loss to Combined Adjusted EBITDA - Q4 2020

	Year ended December 31, 2020
U.S. GAAP net loss.....	\$ (669.9)
Add / (deduct) adjustments:	
Net contribution attributable to equity method investments.....	48.4
Income tax benefit	(51.3)
Interest expense (a).....	497.8
Depreciation and amortization (b).....	2,216.1
EBITDA.....	2,041.1
Add adjustments:	
Share-based compensation expense.....	79.2
Litigation settlements and other contingencies, net.....	107.8
Restructuring, acquisition related and other special items.....	1,426.0
Viatrix Adjusted EBITDA.....	3,654.1
Upjohn Adjusted EBITDA for nine months ended September 30, 2020.....	2,806.0
	6,460.1
Upjohn estimated Adjusted EBITDA (c)	347.1
Combined Adjusted EBITDA.....	<u>\$ 6,807.2</u>

(a) Includes clean energy investment financing and accretion of contingent consideration.

(b) Includes purchase accounting related amortization.

(c) Amount represents an estimate of Upjohn's Adjusted EBITDA for the period from October 1, 2020, through the closing of the Combination, including estimated adjustments.