

**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 September 30, 2021
OR

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

For the transition period from _____ to _____
Commission file number 001-38485

Amneal Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
Amneal Pharmaceuticals, Inc.
400 Crossing Boulevard, Bridgewater, NJ
(Address of principal executive offices)

32-0546926
(I.R.S. Employer Identification No.)
08807
(Zip Code)

(908) 947-3120
(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 |
|--|-------------------|---|
| Class A Common Stock, par value \$0.01 per share | AMRX | New York Stock Exchange |

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 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

As of October 29, 2021, there were 149,371,355 shares of Class A common stock outstanding and 152,116,890 shares of Class B common stock outstanding, both with a par value of \$0.01.

Amneal Pharmaceuticals, Inc.

Table of Contents

| | | |
|--|---|--------------------|
| Cautionary Note Regarding Forward-Looking Statements | 2 | |
| PART I - FINANCIAL INFORMATION | | |
| Item 1. | Financial Statements (Unaudited) | 4 |
| | Consolidated Statements of Operations | 4 |
| | Consolidated Statements of Comprehensive (Loss) Income | 5 |
| | Consolidated Balance Sheets | 6 |
| | Consolidated Statements of Cash Flows | 7 |
| | Consolidated Statements of Changes in Stockholders' Equity | 8 |
| | Notes to Consolidated Financial Statements | 10 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 44 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 56 |
| Item 4. | Controls and Procedures | 56 |
| PART II - OTHER INFORMATION | | |
| Item 1. | Legal Proceedings | 57 |
| Item 1A. | Risk Factors | 57 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 57 |
| Item 3. | Defaults Upon Senior Securities | 57 |
| Item 4. | Mine Safety Disclosures | 57 |
| Item 5. | Other Information | 57 |
| Item 6. | Exhibits | 58 |
| Signatures | | 59 |

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q and Amneal Pharmaceuticals, Inc.'s other publicly available documents contain "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Management and representatives of Amneal Pharmaceuticals, Inc. and its subsidiaries (the "Company") also may from time to time make forward-looking statements. Forward-looking statements do not relate strictly to historical or current facts and reflect management's assumptions, views, plans, objectives and projections about the future. Forward-looking statements may be identified by the use of words such as "plans," "expects," "will," "anticipates," "estimates" and other words of similar meaning in conjunction with, among other things: discussions of future operations; expected operating results and financial performance; impact of planned acquisitions and dispositions; the Company's strategy for growth; product development; regulatory approvals; market position and expenditures.

Because forward-looking statements are based on current beliefs, expectations and assumptions regarding future events, they are subject to uncertainties, risks and changes that are difficult to predict and many of which are outside of the Company's control. Investors should realize that if underlying assumptions prove inaccurate, known or unknown risks or uncertainties materialize, or other factors or circumstances change, the Company's actual results and financial condition could vary materially from expectations and projections expressed or implied in its forward-looking statements. Investors are therefore cautioned not to rely on these forward-looking statements.

Summary of Material Risks

Risks and uncertainties that make an investment in the Company speculative or risky or that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to:

- the impact of the COVID-19 pandemic;
- the impact of global economic conditions;
- our ability to successfully develop, license, acquire and commercialize new products on a timely basis;
- our ability to obtain exclusive marketing rights for our products;
- the competition we face in the pharmaceutical industry from brand and generic drug product companies, and the impact of that competition on our ability to set prices;
- our ability to manage our growth through acquisitions and otherwise;
- our dependence on the sales of a limited number of products for a substantial portion of our total revenues;
- the risk of product liability and other claims against us by consumers and other third parties;
- risks related to changes in the regulatory environment, including U.S. federal and state laws related to healthcare fraud abuse and health information privacy and security and changes in such laws;
- changes to FDA product approval requirements;
- risks related to federal regulation of arrangements between manufacturers of branded and generic products;
- the impact of healthcare reform and changes in coverage and reimbursement levels by governmental authorities and other third-party payers;
- the continuing trend of consolidation of certain customer groups;
- our reliance on certain licenses to proprietary technologies from time to time;
- our dependence on third-party suppliers and distributors for raw materials for our products and certain finished goods;
- our dependence on third-party agreements for a portion of our product offerings;
- our ability to identify, make and integrate acquisitions or investments in complementary businesses and products on advantageous terms;
- legal, regulatory and legislative efforts by our brand competitors to deter competition from our generic alternatives;
- the significant amount of resources we expend on research and development;
- our substantial amount of indebtedness and our ability to generate sufficient cash to service our indebtedness in the future, and the impact of interest rate fluctuations on such indebtedness;
- the impact of severe weather;
- the high concentration of ownership of our Class A Common Stock and the fact that we are controlled by the Amneal Group; and
- such other factors as may be set forth elsewhere in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, particularly in the section entitled *1A. Risk Factors* and our public filings with the SEC.

Investors should carefully read our Annual Report on Form 10-K for the year ended December 31, 2020, including the section captioned *IA. Risk Factors*, for a description of certain risks that could, among other things, cause our actual results to differ materially from those expressed in our forward-looking statements. Investors should understand that it is not possible to predict or identify all such factors and should not consider the risks described herein and in our Annual Report to be a complete statement of all potential risks and uncertainties. The Company does not undertake to publicly update any forward-looking statement that may be made from time to time, whether as a result of new information or future events or developments.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Amneal Pharmaceuticals, Inc.
Consolidated Statements of Operations
(unaudited; in thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------------|------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenue | \$ 528,593 | \$ 519,294 | \$ 1,556,773 | \$ 1,482,489 |
| Cost of goods sold | 329,394 | 353,345 | 953,514 | 986,589 |
| Cost of goods sold impairment charges | 688 | 32,364 | 688 | 34,579 |
| Gross profit | <u>198,511</u> | <u>133,585</u> | <u>602,571</u> | <u>461,321</u> |
| Selling, general and administrative | 91,397 | 83,120 | 268,280 | 242,040 |
| Research and development | 48,927 | 44,519 | 149,973 | 126,470 |
| In-process research and development impairment charges | — | — | 710 | 960 |
| Intellectual property legal development expenses | 1,627 | 2,134 | 6,574 | 6,954 |
| Acquisition, transaction-related and integration expenses | 134 | 1,041 | 7,219 | 5,403 |
| Charges related to legal matters, net | 19,000 | 60 | 19,000 | 5,860 |
| Restructuring and other charges | 425 | 276 | 788 | 2,657 |
| Change in fair value of contingent consideration | 300 | — | 300 | — |
| Property losses and associated expenses | 8,186 | — | 8,186 | — |
| Operating income | <u>28,515</u> | <u>2,435</u> | <u>141,541</u> | <u>70,977</u> |
| Other (expense) income: | | | | |
| Interest expense, net | (34,400) | (34,895) | (102,368) | (111,463) |
| Foreign exchange (loss) gain, net | (29) | 9,673 | (185) | 7,958 |
| Gain on sale of international businesses, net | — | — | — | 123 |
| Other income, net | 3,871 | 898 | 8,697 | 2,102 |
| Total other expense, net | <u>(30,558)</u> | <u>(24,324)</u> | <u>(93,856)</u> | <u>(101,280)</u> |
| (Loss) income before income taxes | (2,043) | (21,889) | 47,685 | (30,303) |
| Provision for (benefit from) income taxes | 4,049 | 144 | 7,056 | (105,843) |
| Net (loss) income | <u>(6,092)</u> | <u>(22,033)</u> | <u>40,629</u> | <u>75,540</u> |
| Less: Net loss (income) attributable to non-controlling interests | 1,855 | 13,058 | (23,628) | 18,556 |
| Net (loss) income attributable to Amneal Pharmaceuticals, Inc. | <u>\$ (4,237)</u> | <u>\$ (8,975)</u> | <u>\$ 17,001</u> | <u>\$ 94,096</u> |
| Net (loss) income per share attributable to Amneal Pharmaceuticals, Inc.'s class A common stockholders: | | | | |
| Basic | <u>\$ (0.03)</u> | <u>\$ (0.06)</u> | <u>\$ 0.11</u> | <u>\$ 0.64</u> |
| Diluted | <u>\$ (0.03)</u> | <u>\$ (0.06)</u> | <u>\$ 0.11</u> | <u>\$ 0.63</u> |
| Weighted-average common shares outstanding: | | | | |
| Basic | 149,290 | 147,558 | 148,771 | 147,377 |
| Diluted | 149,290 | 147,558 | 151,655 | 148,622 |

The accompanying notes are an integral part of these consolidated financial statements.

Amneal Pharmaceuticals, Inc.
Consolidated Statements of Comprehensive (Loss) Income
(unaudited; in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|--------------------|--|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net (loss) income | \$ (6,092) | \$ (22,033) | \$ 40,629 | \$ 75,540 |
| Less: Net loss (income) attributable to non-controlling interests | 1,855 | 13,058 | (23,628) | 18,556 |
| Net (loss) income attributable to Amneal Pharmaceuticals, Inc. | (4,237) | (8,975) | 17,001 | 94,096 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments arising during the period | (1,164) | (1,646) | (7,348) | (9,748) |
| Unrealized gain (loss) on cash flow hedge, net of tax | 2,711 | (1,599) | 24,187 | (74,031) |
| Less: Other comprehensive (income) loss attributable to non-controlling interests | (781) | 1,648 | (8,531) | 42,575 |
| Other comprehensive income (loss) attributable to Amneal Pharmaceuticals, Inc. | 766 | (1,597) | 8,308 | (41,204) |
| Comprehensive (loss) income attributable to Amneal Pharmaceuticals, Inc. | \$ (3,471) | \$ (10,572) | \$ 25,309 | \$ 52,892 |

The accompanying notes are an integral part of these consolidated financial statements.

Amneal Pharmaceuticals, Inc.
Consolidated Balance Sheets
(unaudited; in thousands)

| | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 302,655 | \$ 341,378 |
| Restricted cash | 7,964 | 5,743 |
| Trade accounts receivable, net | 627,954 | 638,895 |
| Inventories | 520,245 | 490,649 |
| Prepaid expenses and other current assets | 110,212 | 73,467 |
| Related party receivables | 1,307 | 1,407 |
| Total current assets | 1,570,337 | 1,551,539 |
| Property, plant and equipment, net | 459,651 | 477,754 |
| Goodwill | 566,406 | 522,814 |
| Intangible assets, net | 1,232,727 | 1,304,626 |
| Operating lease right-of-use assets | 38,993 | 33,947 |
| Operating lease right-of-use assets - related party | 21,085 | 24,792 |
| Financing lease right-of-use assets | 65,682 | 9,541 |
| Financing lease right-of-use assets - related party | — | 58,676 |
| Other assets | 19,528 | 22,344 |
| Total assets | \$ 3,974,409 | \$ 4,006,033 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 589,412 | \$ 611,867 |
| Current portion of long-term debt, net | 30,471 | 44,228 |
| Current portion of operating lease liabilities | 9,180 | 6,474 |
| Current portion of operating and financing lease liabilities - related party | 2,580 | 3,978 |
| Current portion of financing lease liabilities | 3,218 | 1,794 |
| Current portion of note payable - related party | — | 1,000 |
| Related party payable - short term | 32,474 | 7,561 |
| Total current liabilities | 667,335 | 676,902 |
| Long-term debt, net | 2,687,668 | 2,735,264 |
| Note payable - related party | 37,629 | 36,440 |
| Operating lease liabilities | 32,562 | 30,182 |
| Operating lease liabilities - related party | 19,462 | 23,049 |
| Financing lease liabilities | 60,966 | 2,318 |
| Financing lease liabilities - related party | — | 60,193 |
| Related party payable - long term | 9,566 | 1,584 |
| Other long-term liabilities | 60,795 | 83,365 |
| Total long-term liabilities | 2,908,648 | 2,972,395 |
| Commitments and contingencies (Notes 5 and 13) | | |
| Redeemable non-controlling interests | 15,260 | 11,804 |
| Stockholders' Equity | | |
| Preferred stock, \$0.01 par value, 2,000 shares authorized; none issued at both September 30, 2021 and December 31, 2020 | — | — |
| Class A common stock, \$0.01 par value, 900,000 shares authorized at both September 30, 2021 and December 31, 2020; 149,332 and 147,674 shares issued at September 30, 2021 and December 31, 2020, respectively | 1,492 | 1,475 |
| Class B common stock, \$0.01 par value, 300,000 shares authorized at both September 30, 2021 and December 31, 2020; 152,117 shares issued at both September 30, 2021 and December 31, 2020 | 1,522 | 1,522 |
| Additional paid-in capital | 650,539 | 628,413 |
| Stockholders' accumulated deficit | (269,820) | (286,821) |
| Accumulated other comprehensive loss | (33,227) | (41,318) |
| Total Amneal Pharmaceuticals, Inc. stockholders' equity | 350,506 | 303,271 |
| Non-controlling interests | 32,660 | 41,661 |
| Total stockholders' equity | 383,166 | 344,932 |
| Total liabilities and stockholders' equity | \$ 3,974,409 | \$ 4,006,033 |

The accompanying notes are an integral part of these consolidated financial statements.

Amneal Pharmaceuticals, Inc.
Consolidated Statements of Cash Flows
(unaudited; in thousands)

| | Nine Months Ended September 30, | |
|---|--|-------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net income | \$ 40,629 | \$ 75,540 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 172,223 | 175,514 |
| Unrealized foreign currency loss | (94) | (7,779) |
| Amortization of debt issuance costs and discount | 6,873 | 6,449 |
| Gain on sale of international businesses, net | — | (123) |
| Intangible asset impairment charges | 1,398 | 35,539 |
| Asset-related credit | — | (536) |
| Change in fair value of contingent consideration | 300 | — |
| Stock-based compensation | 20,670 | 15,617 |
| Inventory provision | 39,290 | 56,198 |
| Non-cash property losses | 5,152 | — |
| Other operating charges and credits, net | 3,965 | 6,248 |
| Changes in assets and liabilities: | | |
| Trade accounts receivable, net | 10,894 | (50,748) |
| Inventories | (65,643) | (80,722) |
| Prepaid expenses, other current assets and other assets | (27,493) | 17,638 |
| Related party receivables | 7,201 | 870 |
| Accounts payable, accrued expenses and other liabilities | (32,819) | 21,737 |
| Related party payables | (3,987) | 1,601 |
| Net cash provided by operating activities | <u>178,559</u> | <u>273,043</u> |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (30,230) | (26,912) |
| Deposits for future acquisition of property, plant, and equipment | (2,655) | (4,229) |
| Acquisition of intangible assets | (500) | (3,250) |
| Acquisitions, net of cash acquired | (73,828) | (251,360) |
| Net cash used in investing activities | <u>(107,213)</u> | <u>(285,751)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of debt | — | 180,000 |
| Payments of principal on debt, financing leases and other | (68,240) | (26,500) |
| Payments of deferred financing costs | — | (4,102) |
| Proceeds from exercise of stock options | 834 | 216 |
| Employee payroll tax withholding on restricted stock unit vesting | (2,595) | (795) |
| Tax distributions to non-controlling interests | (36,678) | (1,628) |
| Distribution of earnings to and acquisition of non-controlling interests | — | (3,300) |
| Payments of principal on financing lease - related party | (93) | (802) |
| Repayment of related party note | (1,000) | — |
| Net cash (used in) provided by financing activities | <u>(107,772)</u> | <u>143,089</u> |
| Effect of foreign exchange rate on cash | (76) | 447 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (36,502) | 130,828 |
| Cash, cash equivalents, and restricted cash - beginning of period | 347,121 | 152,822 |
| Cash, cash equivalents, and restricted cash - end of period | <u>\$ 310,619</u> | <u>\$ 283,650</u> |
| Cash and cash equivalents - end of period | <u>\$ 302,655</u> | <u>\$ 281,278</u> |
| Restricted cash - end of period | <u>7,964</u> | <u>2,372</u> |
| Cash, cash equivalents, and restricted cash - end of period | <u>\$ 310,619</u> | <u>\$ 283,650</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 91,678 | \$ 99,207 |
| Cash (paid) received for income taxes, net | \$ (11,583) | \$ 109,444 |
| Supplemental disclosure of non-cash investing and financing activity: | | |
| Notes payable for acquisitions - related party | \$ — | \$ 36,033 |
| Deferred consideration for acquisition - related party | \$ 30,099 | \$ — |
| Contingent consideration for acquisition - related party | \$ 6,100 | \$ — |
| Payments for restricted stock unit tax vesting | \$ 9 | \$ 6 |
| Payable for acquisition of product rights and licenses | \$ 1,500 | \$ — |

The accompanying notes are an integral part of these consolidated financial statements.

Amneal Pharmaceuticals, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(unaudited; in thousands)

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Stockholders' Accumulated Deficit | Accumulated Other Comprehensive Loss | Non-Controlling Interests | Total Equity | Redeemable Non-Controlling Interests |
|--|----------------------|-----------------|----------------------|-----------------|----------------------------|-----------------------------------|--------------------------------------|---------------------------|-------------------|--------------------------------------|
| | Shares | Amount | Shares | Amount | | | | | | |
| Balance at July 1, 2021 | 149,209 | \$ 1,490 | 152,117 | \$ 1,522 | \$ 642,657 | \$ (265,583) | \$ (33,979) | \$ 44,165 | \$ 390,272 | \$ 14,112 |
| Net (loss) income | — | — | — | — | — | (4,237) | — | (3,546) | (7,783) | 1,691 |
| Foreign currency translation adjustment | — | — | — | — | — | — | (577) | (587) | (1,164) | — |
| Stock-based compensation | — | — | — | — | 7,708 | — | — | — | 7,708 | — |
| Exercise of stock options | 53 | 1 | — | — | 149 | — | (6) | 9 | 153 | — |
| Restricted stock unit vesting, net of shares withheld to cover payroll taxes | 70 | 1 | — | — | 25 | — | (8) | (165) | (147) | — |
| Unrealized gain on cash flow hedge, net of tax | — | — | — | — | — | — | 1,343 | 1,368 | 2,711 | — |
| Tax distributions | — | — | — | — | — | — | — | (8,584) | (8,584) | (543) |
| Balance at September 30, 2021 | <u>149,332</u> | <u>\$ 1,492</u> | <u>152,117</u> | <u>\$ 1,522</u> | <u>\$ 650,539</u> | <u>\$ (269,820)</u> | <u>\$ (33,227)</u> | <u>\$ 32,660</u> | <u>\$ 383,166</u> | <u>\$ 15,260</u> |

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Stockholders' Accumulated Deficit | Accumulated Other Comprehensive Loss | Non-Controlling Interests | Total Equity | Redeemable Non-Controlling Interests |
|--|----------------------|-----------------|----------------------|-----------------|----------------------------|-----------------------------------|--------------------------------------|---------------------------|-------------------|--------------------------------------|
| | Shares | Amount | Shares | Amount | | | | | | |
| Balance at January 1, 2021 | 147,674 | \$ 1,475 | 152,117 | \$ 1,522 | \$ 628,413 | \$ (286,821) | \$ (41,318) | \$ 41,661 | \$ 344,932 | \$ 11,804 |
| Net income | — | — | — | — | — | 17,001 | — | 17,958 | 34,959 | 5,670 |
| Foreign currency translation adjustment | — | — | — | — | — | — | (3,626) | (3,722) | (7,348) | — |
| Stock-based compensation | — | — | — | — | 20,670 | — | — | — | 20,670 | — |
| Exercise of stock options | 302 | 3 | — | — | 835 | — | (40) | 36 | 834 | — |
| Restricted stock unit vesting, net of shares withheld to cover payroll taxes | 1,356 | 14 | — | — | 621 | — | (177) | (3,062) | (2,604) | — |
| Unrealized gain on cash flow hedge, net of tax | — | — | — | — | — | — | 11,934 | 12,253 | 24,187 | — |
| Tax distributions | — | — | — | — | — | — | — | (34,464) | (34,464) | (2,214) |
| Non-controlling interests from the KSP Acquisition | — | — | — | — | — | — | — | 2,000 | 2,000 | — |
| Balance at September 30, 2021 | <u>149,332</u> | <u>\$ 1,492</u> | <u>152,117</u> | <u>\$ 1,522</u> | <u>\$ 650,539</u> | <u>\$ (269,820)</u> | <u>\$ (33,227)</u> | <u>\$ 32,660</u> | <u>\$ 383,166</u> | <u>\$ 15,260</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Amneal Pharmaceuticals, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(unaudited; in thousands)

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Stockholders' Accumulated Deficit | Accumulated Other Comprehensive Loss | Non-Controlling Interests | Total Equity | Redeemable Non-Controlling Interests |
|--|----------------------|-----------------|----------------------|-----------------|----------------------------|-----------------------------------|--------------------------------------|---------------------------|-------------------|--------------------------------------|
| | Shares | Amount | Shares | Amount | | | | | | |
| Balance at July 1, 2020 | 147,493 | \$ 1,474 | 152,117 | \$ 1,522 | \$ 617,504 | \$ (274,809) | \$ (39,696) | \$ 65,021 | \$ 371,016 | \$ 12,380 |
| Net loss | — | — | — | — | — | (8,975) | — | (12,665) | (21,640) | (393) |
| Foreign currency translation adjustment | — | — | — | — | — | — | (810) | (836) | (1,646) | — |
| Stock-based compensation | — | — | — | — | 5,415 | — | — | — | 5,415 | — |
| Exercise of stock options | 21 | — | — | — | 59 | — | (3) | 2 | 58 | — |
| Restricted stock unit vesting, net of shares withheld to cover payroll taxes | 73 | 1 | — | — | 49 | — | (10) | (148) | (108) | — |
| Unrealized loss on cash flow hedge, net of tax | — | — | — | — | — | — | (787) | (812) | (1,599) | — |
| Tax distribution | — | — | — | — | — | — | — | — | — | (55) |
| Distribution of earnings to and acquisition of non-controlling interests | — | — | — | — | 106 | — | — | (3,406) | (3,300) | — |
| Balance at September 30, 2020 | <u>147,587</u> | <u>\$ 1,475</u> | <u>152,117</u> | <u>\$ 1,522</u> | <u>\$ 623,133</u> | <u>\$ (283,784)</u> | <u>\$ (41,306)</u> | <u>\$ 47,156</u> | <u>\$ 348,196</u> | <u>\$ 11,932</u> |

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Stockholders' Accumulated Deficit | Accumulated Other Comprehensive Loss | Non-Controlling Interests | Total Equity | Redeemable Non-Controlling Interests |
|--|----------------------|-----------------|----------------------|-----------------|----------------------------|-----------------------------------|--------------------------------------|---------------------------|-------------------|--------------------------------------|
| | Shares | Amount | Shares | Amount | | | | | | |
| Balance at January 1, 2020 | 147,070 | \$ 1,470 | 152,117 | \$ 1,522 | \$ 606,966 | \$ (377,880) | \$ (68) | \$ 114,778 | \$ 346,788 | \$ — |
| Net income (loss) | — | — | — | — | — | 94,096 | — | (19,471) | 74,625 | 915 |
| Foreign currency translation adjustment | — | — | — | — | — | — | (4,795) | (4,953) | (9,748) | — |
| Stock-based compensation | — | — | — | — | 15,617 | — | — | — | 15,617 | — |
| Exercise of stock options | 79 | 1 | — | — | 217 | — | (9) | 7 | 216 | — |
| Restricted stock unit vesting, net of shares withheld to cover payroll taxes | 438 | 4 | — | — | 227 | — | (25) | (1,007) | (801) | — |
| Unrealized loss on cash flow hedge, net of tax | — | — | — | — | — | — | (36,409) | (37,622) | (74,031) | — |
| Tax distributions | — | — | — | — | — | — | — | (1,170) | (1,170) | (458) |
| Non-controlling interests from Rondo transaction | — | — | — | — | — | — | — | — | — | 11,475 |
| Distribution of earnings to and acquisition of non-controlling interests | — | — | — | — | 106 | — | — | (3,406) | (3,300) | — |
| Balance at September 30, 2020 | <u>147,587</u> | <u>\$ 1,475</u> | <u>152,117</u> | <u>\$ 1,522</u> | <u>\$ 623,133</u> | <u>\$ (283,784)</u> | <u>\$ (41,306)</u> | <u>\$ 47,156</u> | <u>\$ 348,196</u> | <u>\$ 11,932</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Amneal Pharmaceuticals, Inc.
Notes to Consolidated Financial Statements
(unaudited)

1. Nature of Operations

Amneal Pharmaceuticals, Inc. (the “Company”) is a pharmaceutical company specializing in developing, manufacturing, marketing and distributing high-value generic and branded specialty pharmaceutical products across a broad array of dosage forms and therapeutic areas. The Company operates principally in the United States, India, and Ireland, and sells to wholesalers, distributors, hospitals, chain pharmacies and individual pharmacies, either directly or indirectly. The Company is a holding company, whose principal assets are common units (“Amneal Common Units”) of Amneal Pharmaceuticals, LLC (“Amneal”). In 2018, Amneal completed the acquisition of Impax Laboratories, Inc. (“Impax”), a generic and specialty pharmaceutical company.

The group, together with their affiliates and certain assignees, who owned Amneal when it was a private company (the “Amneal Group”) held 50.5% of Amneal Common Units and the Company held the remaining 49.5% as of September 30, 2021. Although the Company has a minority economic interest in Amneal, it is Amneal’s sole managing member, having the sole voting power to make all of Amneal’s business decisions and control its management. Therefore, the Company consolidates the financial statements of Amneal and its subsidiaries. The Company records non-controlling interests for the portion of Amneal’s economic interests that it does not hold.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements, which are prepared in accordance with generally accepted accounting principles in the United States of America, should be read in conjunction with Amneal’s annual audited financial statements for the year ended December 31, 2020 included in the Company’s 2020 Annual Report on Form 10-K. Certain information and footnote disclosures normally included in annual financial statements have been omitted from the accompanying unaudited consolidated financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the Company’s financial position as of September 30, 2021, cash flows for the nine months ended September 30, 2021 and 2020 and the results of its operations, its comprehensive income (loss) and its changes in stockholders’ equity for the three and nine months ended September 30, 2021 and 2020. The consolidated balance sheet data at December 31, 2020 was derived from the Company’s audited annual financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America.

Except for the updates included in this *Note*, the accounting policies of the Company are set forth in *Note 2. Summary of Significant Accounting Policies* contained in the Company’s 2020 Annual Report on Form 10-K.

Contingent consideration

Business acquisitions may include future payments that are contingent upon the occurrence of certain pharmaceutical regulatory milestones or net sales of pharmaceutical products. For acquisitions that are accounted for as a business combination, the obligations for such contingent consideration payments are recorded at fair value on the acquisition date. For contingent milestone payments, the Company uses a probability-weighted income approach utilizing an appropriate discount rate. For contingent tiered royalties on net sales, the Company uses a Monte Carlo simulation model. Contingent consideration liabilities are revalued to fair value at the end of each reporting period. Changes in the fair value of contingent consideration, other than changes due to payments, are recognized as a gain or loss and recorded within change in fair value of contingent consideration in the consolidated statements of operations. Refer to *Note 3. Acquisitions* and *Note 10. Fair Value Measurements* for additional information.

Foreign Currencies

The Company has operations in the U.S., India, Ireland, and other international jurisdictions. Generally, foreign subsidiaries’ functional currency is the local currency of operations and the net assets of foreign operations are translated into U.S. dollars using current exchange rates. The U.S. dollar results that arise from such translation, as well as exchange gains and losses on intercompany balances of a long-term investment nature, are included in the foreign currency translation adjustments in accumulated other comprehensive loss.

Use of Estimates

The preparation of financial statements requires the Company's management to make estimates and assumptions that affect the reported financial position at the date of the financial statements and the reported results of operations during the reporting period. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The following are some, but not all, of such estimates: the determination of chargebacks, sales returns, rebates, billbacks, valuation of intangible and other assets acquired in business combinations, allowances for accounts receivable, accrued liabilities, initial and subsequent valuation of contingent consideration recognized in business combinations, stock-based compensation, valuation of inventory balances, the determination of useful lives for product rights and the assessment of expected cash flows used in evaluating goodwill and other long-lived assets for impairment. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides elective amendments for entities that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*, to expand and clarify the scope of Topic 848 to include derivative instruments on discounting transactions. The amendments in this ASU are effective in the same timeframe as ASU 2020-04. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

Reclassification

Prior period balances related to (i) financing lease right-of-use assets of \$10 million formerly included in other assets, (ii) current portion of financing lease liabilities of \$2 million formerly included in accounts payable and accrued expenses, and (iii) long-term lease liabilities of \$2 million formerly included in other long-term liabilities as of December 31, 2020 have been reclassified to their respective balance sheet captions to conform to the current period presentation in the consolidated balance sheets.

3. Acquisitions

Kashiv Specialty Pharmaceuticals, LLC Acquisition

On January 11, 2021, the Company and Kashiv Biosciences, LLC (a related party, see *Note 15. Related Party Transactions*) ("Kashiv") entered into a definitive agreement for Amneal to acquire a 98% interest in Kashiv Specialty Pharmaceuticals, LLC ("KSP"), a subsidiary of Kashiv focused on the development of innovative drug delivery platforms, novel 505(b)(2) drugs and complex generics (the "KSP Acquisition").

On April 2, 2021, the Company completed the KSP Acquisition. Under the terms of the transaction, the cash portion of the consideration was \$104 million, comprised of a purchase price of \$100 million (including initial and deferred consideration) and a working capital adjustment of \$4 million. The initial cash purchase price was funded by cash on hand. For further detail of the purchase price, refer to the table below.

For the nine months ended September 30, 2021, the Company incurred \$3 million in transaction costs associated with the KSP Acquisition, which is recorded in acquisition, transaction-related and integration expenses. Transaction costs associated with the KSP Acquisition were immaterial for the three months ended September 30, 2021 and for both of the three and nine months ended September 30, 2020.

The KSP Acquisition was accounted for under the acquisition method of accounting, with Amneal as the accounting acquirer.

The preliminary purchase price was calculated as follows (in thousands):

| | |
|---|-------------------|
| Cash, including working capital payments | \$ 74,440 |
| Deferred consideration ⁽¹⁾ | 30,099 |
| Contingent consideration (regulatory milestones) ⁽²⁾ | 500 |
| Contingent consideration (royalties) ⁽²⁾ | 5,600 |
| Settlement of Amneal trade accounts payable due to KSP ⁽³⁾ | (7,117) |
| Fair value consideration transferred | <u>\$ 103,522</u> |

- (1) The deferred consideration is stated at the preliminary fair value estimate of \$30.1 million, which is the \$30.5 million contractually stated amount less a \$0.4 million discount. The deferred consideration consists of \$30 million due on January 11, 2022 and \$0.5 million due on March 10, 2022. As the deferred consideration is non-interest bearing, the Company, using guideline companies and market borrowings with comparable risk profiles, discounted the deferred consideration at 1.7% over the period from April 2, 2021 to the maturity dates, for a fair value of \$30 million on the date of acquisition. This discount will be amortized to interest expense over the life of the deferred consideration utilizing the effective interest rate method.
- (2) Kashiv is eligible to receive up to an additional \$8 million in contingent payments upon the achievement of certain regulatory milestones and potential royalty payments from high single-digits to mid double-digits, depending on the amount of aggregate annual net sales for certain future pharmaceutical products. The estimated fair value of contingent consideration on the acquisition date was \$6 million and was based on significant Level 3 inputs that were not observable in the market. Key assumptions included the discount rate, probability of achievement of milestones, projected year of payments and expected net product sales. Refer to *Note 10. Fair Value Measurements*, for additional information on the methodology and determination of this liability.
- (3) Represents trade accounts payable due to KSP that were effectively settled upon closing of the KSP Acquisition.

The following is a summary of the preliminary purchase price allocation for the KSP Acquisition (in thousands):

| | Preliminary Fair Values as of April 2, 2021 |
|--|--|
| Cash | \$ 112 |
| Restricted cash | 500 |
| Prepaid expenses and other current assets | 381 |
| Property, plant and equipment | 5,375 |
| Goodwill | 43,830 |
| Intangible assets | 56,500 |
| Operating lease right-of-use assets | 9,367 |
| Total assets acquired | <u>116,065</u> |
| Accounts payable and accrued expenses | 1,239 |
| Operating lease liability | 9,177 |
| Related party payable | 127 |
| Total liabilities assumed | <u>10,543</u> |
| Non-controlling interests | 2,000 |
| Fair value of consideration transferred | <u>\$ 103,522</u> |

Total acquired intangible assets of \$56.5 million were comprised of marketed product rights of \$29.4 million and in-process research and development (“IPR&D”) of \$27.1 million.

The acquired intangible assets are being amortized over their estimated useful lives as follows (in thousands):

| | Fair Value | Weighted-Average Useful Life (in years) |
|-------------------------|-------------------|--|
| Marketed product rights | \$ 29,400 | 5.9 |

The estimated fair value of the in-process research and development and identifiable intangible assets was determined using the "income approach," which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. The assumptions, including the expected projected cash flows, utilized in the purchase price allocation and in determining the purchase price were based on management's best estimates as of the closing date of the KSP Acquisition on April 2, 2021.

Some of the more significant assumptions inherent in the development of those asset valuations included the estimated net cash flows for each year for each asset or product (including net revenues, cost of sales, R&D, selling and marketing costs and working capital / contributory asset charges), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, the potential regulatory and commercial success risks, competitive trends impacting the asset and each cash flow stream, as well as other factors. The underlying assumptions used to prepare the discounted cash flow analysis may change; accordingly, for these and other reasons, actual results may vary significantly from estimated results.

Goodwill is calculated as the excess of the consideration transferred and fair value of the non-controlling interests over the net assets recognized. Of the total goodwill acquired in connection with the KSP Acquisition, \$41 million was allocated to the Company's Generics segment and \$3 million was allocated to the Specialty segment, based on the probability weighted cash flows of the assets acquired as of the date of acquisition.

For the three and nine months ended September 30, 2021, the KSP Acquisition contributed operating loss of \$8 million and \$14 million, respectively, which included approximately \$2 million and \$4 million of amortization expense from intangible assets acquired in the KSP Acquisition, to the Company's consolidated results of operations in the corresponding periods. Offsetting the operating loss was a reduction of third-party consulting services and the elimination of royalties due to KSP.

AvKARE and R&S Acquisitions

On December 10, 2019, the Company, through its investment in Rondo Partners, LLC ("Rondo"), entered into an equity purchase agreement ("Rondo Equity Purchase Agreement") and an operating agreement to acquire approximately a 65.1% controlling financing interest in both AvKARE Inc., a Tennessee corporation, and Dixon-Shane, LLC d/b/a R&S Northeast LLC, a Kentucky limited liability company ("R&S") (collectively the "Rondo Acquisitions"). Prior to closing, AvKARE, Inc. converted to a limited liability company, AvKARE, LLC. AvKARE, LLC is one of the largest private label providers of generic pharmaceuticals in the U.S. federal agency sector, primarily focused on serving the Department of Defense and the Department of Veterans Affairs. R&S is a national pharmaceutical wholesaler focused primarily on offering 340b-qualified entities products to provide consistency in care and pricing.

On January 31, 2020, the Company completed the Rondo Acquisitions. The purchase price of \$294 million, included cash of \$254 million and the issuance of long-term promissory notes to the sellers with an aggregate principal amount of \$44 million (estimated fair value of \$35 million) (the "Sellers Notes") and a short-term promissory note (the "Short-Term Seller Note") with a principal amount of \$1 million to the sellers. The cash purchase price was funded by \$76 million of cash on hand and \$178 million of proceeds from a \$180 million term loan. The remaining \$2 million consisted of working capital costs. The Company is not party to or a guarantor of the term loan, Sellers Notes or Short-Term Sellers Note. For further detail of the purchase price, refer to the table below.

For the nine months ended September 30, 2020, there were \$1 million of transaction costs associated with the Rondo Acquisitions recorded in acquisition, transaction-related and integration expenses (none for the three and nine months ended September 30, 2021 or three months ended September 30, 2020).

The Rondo Acquisitions were accounted for under the acquisition method of accounting, with Amneal as the accounting acquirer of AvKARE, LLC and R&S.

The purchase price was calculated as follows (in thousands):

| | |
|--|-------------------|
| Cash | \$ 254,000 |
| Sellers Notes ⁽¹⁾ | 35,033 |
| Settlement of Amneal trade accounts receivable from R&S ⁽²⁾ | 6,855 |
| Short-Term Seller Note ⁽³⁾ | 1,000 |
| Working capital adjustment ⁽⁴⁾ | (2,640) |
| Fair value consideration transferred | <u>\$ 294,248</u> |

- (1) In accordance with ASC 805, *Business Combinations*, all consideration transferred was measured at its acquisition-date fair value. The Sellers Notes are stated at the fair value estimate of \$35 million, which is the \$44 million aggregate principal amount less a \$9 million discount. The fair value of the Sellers Notes was estimated using the Monte-Carlo simulation approach under the option pricing framework.
- (2) Represents trade accounts receivable from R&S that were effectively settled upon closing of the Rondo Acquisitions.
- (3) Represents the principal amount due on the Short-Term Seller Note, which approximates fair value. The entire Short-Term Seller Note was repaid in February 2021.
- (4) Represents a working capital adjustment pursuant to the terms of the purchase agreement. The entire amount was received in cash by the Company in September 2020.

The following is a summary of the purchase price allocation for the Rondo Acquisitions (in thousands):

| | Final Fair Values as of January 31, 2020 |
|---|---|
| Trade accounts receivable, net | \$ 46,702 |
| Inventories | 71,908 |
| Prepaid expenses and other current assets | 11,316 |
| Related party receivables | 61 |
| Property, plant and equipment | 5,278 |
| Goodwill | 103,679 |
| Intangible assets, net | 130,800 |
| Operating lease right-of-use assets - related party | 5,544 |
| Total assets acquired | <u>375,288</u> |
| Accounts payable and accrued expenses | 62,489 |
| Related party payables | 1,532 |
| Operating lease liabilities - related party | 5,544 |
| Total liabilities assumed | <u>69,565</u> |
| Redeemable non-controlling interests | 11,475 |
| Fair value of consideration transferred | <u>\$ 294,248</u> |

The acquired intangible assets are being amortized over their estimated useful lives as follows (in thousands):

| | Fair Values | Weighted-Average Useful Life |
|------------------------|--------------------|---|
| Government licenses | \$ 66,700 | 7 years |
| Government contracts | 22,000 | 4 years |
| National contracts | 28,600 | 5 years |
| Customer relationships | 13,000 | 10 years |
| Trade name | 500 | 6 years |
| | <u>\$ 130,800</u> | |

The estimated fair value of the government licenses was determined using the “with-and-without method,” which is a valuation technique that provides an estimate of the fair value of an intangible asset that is equal to the difference between the present value of the prospective revenues and expenses for the business with and without the subject intangible asset in place. The estimated fair values of the government contracts, national contracts, and customer relationships were determined using the “income approach,” which is a valuation technique that provides an estimate of the fair value of an intangible asset based on market participant expectations of the cash flows that an intangible asset would generate over its remaining useful life. The estimated fair value of the trade name was determined using the “relief from royalty method,” which is a valuation technique that provides an estimate of the fair value of an intangible asset equal to the present value of the after-tax royalty savings attributable to owning the intangible asset. The assumptions, including the expected projected cash flows, utilized in the purchase price allocation and in determining the purchase price were based on management’s best estimates as of the closing date of the Rondo Acquisitions on January 31, 2020.

Some of the more significant assumptions inherent in the development of those asset valuations included the estimated net cash flows for each year for each asset (including net revenues, cost of sales, selling and marketing costs and working capital / contributory asset charges), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset’s life cycle, competitive trends impacting the asset and each cash flow stream, as well as other factors. The underlying assumptions used to prepare the discounted cash flow analysis may change; accordingly, for these and other reasons, actual results may vary significantly from estimated results.

The Sellers Notes and redeemable non-controlling interests were estimated using the Monte-Carlo simulation approach under the option pricing framework. The non-controlling interests are redeemable at the option of either the non-controlling interest holder or Amneal. The fair value of the redeemable non-controlling interests considers these redemption rights.

Of the \$104 million of goodwill acquired in connection with the Rondo Acquisitions, approximately \$70 million was allocated to the Company’s AvKARE segment and approximately \$34 million was allocated to the Generics segment. Goodwill was allocated to the Generics segment as net revenue of products manufactured from Amneal and distributed by the Rondo Acquisitions is reflected in Generics’ segment results. Goodwill is calculated as the excess of the fair value of the consideration transferred and the fair value of the redeemable non-controlling interests over the fair value of the net assets recognized. Factors that contributed to the recognition of goodwill include Amneal’s intent to diversify its business and open growth opportunities in the large, complex and growing federal healthcare market.

Unaudited Pro Forma Information

The unaudited pro forma combined results of operations for the three and nine months ended September 30, 2021 and 2020 (assuming the closing of the Rondo Acquisitions occurred on January 1, 2019 and the closing of the KSP Acquisition occurred on January 1, 2020) are as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------|--|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenue | \$ 528,593 | \$ 519,349 | \$ 1,556,773 | \$ 1,513,505 |
| Net (loss) income | \$ (5,964) | \$ (24,736) | \$ 42,852 | \$ 60,923 |
| Net (loss) income attributable to Amneal Pharmaceuticals, Inc. | \$ (4,174) | \$ (11,358) | \$ 18,115 | \$ 84,828 |

The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the closing of the Rondo Acquisitions taken place on January 1, 2019 and the closing of the KSP Acquisition taken place on January 1, 2020. Furthermore, the pro forma results do not purport to project the future results of operations of the Company.

Adjustments to arrive at the unaudited pro forma information primarily related to increases in cost of goods sold and selling, general and administrative expenses for amortization of acquired intangible assets, net of the applicable tax impact.

4. Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. Revenue is recognized when the Company transfers control of its products to the customer, which typically occurs at a point-in-time, either upon shipment or delivery. Substantially all of the Company's net revenues relate to products which are transferred to the customer at a point-in-time.

Concentration of Revenue

The following table summarizes revenues from each of our customers which individually accounted for 10% or more of our total gross revenues:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------|----------------------------------|------|---------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Customer A | 27 % | 32 % | 30 % | 34 % |
| Customer B | 26 % | 26 % | 26 % | 26 % |
| Customer C | 27 % | 26 % | 26 % | 24 % |

Disaggregated Revenue

The Company's significant therapeutic classes for its Generics and Specialty segments and sales channels for its AvKARE segment, as determined based on net revenue for each of the three and nine months ended September 30, 2021 and 2020 are set forth below (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------|----------------------------------|-------------------|---------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| <i>Generics</i> | | | | |
| Anti-Infective | \$ 9,406 | \$ 9,813 | \$ 24,996 | \$ 32,589 |
| Hormonal | 107,614 | 93,580 | 325,971 | 271,499 |
| Antiviral ⁽¹⁾ | 9,762 | 9,236 | 1,560 | 26,015 |
| Central Nervous System | 91,263 | 107,139 | 294,182 | 302,949 |
| Cardiovascular System | 35,692 | 28,517 | 107,137 | 82,876 |
| Gastroenterology | 17,172 | 21,371 | 56,333 | 59,249 |
| Oncology | 21,203 | 13,927 | 73,683 | 45,349 |
| Metabolic Disease/Endocrine | 12,893 | 9,987 | 26,331 | 33,395 |
| Respiratory | 8,233 | 10,875 | 26,874 | 28,203 |
| Dermatology | 14,860 | 14,818 | 42,556 | 42,402 |
| Other therapeutic classes | 18,983 | 22,657 | 39,857 | 74,592 |
| International and other | 46 | — | 592 | 1,947 |
| Total Generics net revenue | 347,127 | 341,920 | 1,020,072 | 1,001,065 |
| <i>Specialty</i> | | | | |
| Hormonal/Metabolic | 16,422 | 12,934 | 49,230 | 41,033 |
| Central Nervous System | 68,869 | 68,061 | 201,710 | 210,428 |
| Other therapeutic classes | 7,454 | 6,873 | 26,371 | 18,640 |
| Total Specialty net revenue | 92,745 | 87,868 | 277,311 | 270,101 |
| <i>AvKARE ⁽²⁾</i> | | | | |
| Distribution | 48,048 | 53,399 | 141,863 | 116,824 |
| Government Label | 29,898 | 28,902 | 90,142 | 75,353 |
| Institutional | 7,873 | 4,890 | 18,832 | 12,814 |
| Other | 2,902 | 2,315 | 8,553 | 6,332 |
| Total AvKARE net revenue | 88,721 | 89,506 | 259,390 | 211,323 |
| Total net revenue | \$ 528,593 | \$ 519,294 | \$ 1,556,773 | \$ 1,482,489 |

⁽¹⁾ Antiviral net revenue for the nine months ended September 30, 2021 decreased from the prior year period, primarily due to a decline in Oseltamivir (generic Tamiflu®) sales from lower demand and increased returns activity above historical levels due to decreased influenza activity during the COVID-19 pandemic.

⁽²⁾ The AvKARE segment consists of the businesses acquired in the Rondo Acquisitions on January 31, 2020. Net revenue for the nine months ended September 30, 2020 represents eight months of activity.

A rollforward of the major categories of sales-related deductions for the nine months ended September 30, 2021 is as follows (in thousands):

| | Contract Charge - Backs and Sales Volume Allowances | Cash Discount Allowances | Accrued Returns Allowance | Accrued Medicaid and Commercial Rebates |
|---|---|--------------------------|---------------------------|---|
| Balance at December 31, 2020 | \$ 628,804 | \$ 22,690 | \$ 174,984 | \$ 131,088 |
| Provision related to sales recorded in the period | 2,315,814 | 79,229 | 72,052 | 94,421 |
| Credits/payments issued during the period | (2,503,722) | (79,526) | (64,709) | (130,990) |
| Balance at September 30, 2021 | \$ 440,896 | \$ 22,393 | \$ 182,327 | \$ 94,519 |

5. Alliance and Collaboration

The Company has entered into several alliance, collaboration, license, distribution and similar agreements with respect to certain of its products and services with third-party pharmaceutical companies. The consolidated statements of operations include revenue recognized under agreements the Company has entered into to develop marketing and/or distribution relationships with its partners to fully leverage the technology platform and revenue recognized under development agreements which generally obligate the Company to provide research and development services over multiple periods. The Company's significant arrangements are discussed below.

Distribution, License, Development and Supply Agreement with AstraZeneca UK Limited

In January 2012, Impax entered into an agreement with AstraZeneca UK Limited (“AstraZeneca”) to distribute branded products under the terms of a distribution, license, development and supply agreement (the “AZ Agreement”). The parties subsequently entered into a First Amendment to the AZ Agreement dated May 31, 2016 (as amended, the “AZ Amendment”). Under the terms of the AZ Agreement, AstraZeneca granted to Impax an exclusive license to commercialize the tablet, orally disintegrating tablet and nasal spray formulations of Zomig® (zolmitriptan) products for the treatment of migraine headaches in the United States and in certain U.S. territories, except during an initial transition period when AstraZeneca fulfilled all orders of Zomig® products on Impax’s behalf and AstraZeneca paid to Impax the gross profit on such Zomig® products. Pursuant to the AZ Amendment, under certain conditions, and depending on the nature and terms of the study agreed to with the FDA, Impax agreed to conduct, at its own expense, the juvenile toxicity study and pediatric study required by the FDA under the Pediatric Research Equity Act (“PREA”) for approval of the nasal formulation of Zomig® for the acute treatment of migraine in pediatric patients ages six through eleven years old, as further described in the study protocol mutually agreed to by the parties (the “PREA Study”). In consideration for Impax conducting the PREA Study at its own expense, the AZ Amendment provided for the total royalty payments payable by Impax to AstraZeneca on net sales of Zomig® products under the AZ Agreement to be reduced by an aggregate amount of \$30 million to be received in quarterly amounts specified in the AZ Amendment beginning from the quarter ended June 30, 2016 and through the quarter ended December 31, 2020. In the event the royalty reduction amounts exceed the royalty payments payable by Impax to AstraZeneca pursuant to the AZ Agreement in any given quarter, AstraZeneca was required to pay Impax an amount equal to the difference between the royalty reduction amount and the royalty payment payable by Impax to AstraZeneca. Impax’s commitment to perform the PREA Study could have been terminated, without penalty, under certain circumstances as set forth in the AZ Amendment. The Company recognizes the amounts received from AstraZeneca for the PREA Study as a reduction to research and development expense. The PREA Study was completed during March 2021.

In May 2013, Impax’s exclusivity period for branded Zomig® tablets and orally disintegrating tablets expired and Impax launched authorized generic versions of those products in the United States. As discussed above, pursuant to the AZ Amendment, the total royalty payments payable by Impax to AstraZeneca on net sales of Zomig® products under the AZ Agreement was reduced by certain specified amounts beginning from the quarter ended June 30, 2016 and through the quarter ended December 31, 2020, with such reduced royalty amounts totaling an aggregate amount of \$30 million. The Company recorded cost of sales for royalties under this agreement of \$3 million and \$9 million for the three and nine months ended September 30, 2021, respectively, and \$3 million and \$12 million for the three and nine months ended September 30, 2020, respectively.

Biosimilar Licensing and Supply Agreement

On May 7, 2018, the Company entered into a licensing and supply agreement with Mabxience S.L. for its biosimilar candidate for Avastin® (bevacizumab). The supply agreement was subsequently amended on March 2, 2021 and the licensing agreement was amended on March 4, 2021. The Company will be the exclusive partner in the U.S. market. The Company will pay development and regulatory milestone payments as well as commercial milestone payments on reaching pre-agreed sales targets in the market to Mabxience, up to \$78 million. For the nine months ended September 30, 2021, the Company recognized \$10 million of research and development expense related to the agreement (none for the three months ended September 30, 2021). For the nine months ended September 30, 2020, the Company expensed a milestone of \$5 million in research and development expense related to the agreement (none for the three months ended September 30, 2020).

Agreements with Kashiv Biosciences, LLC

For detail on the Company’s related party agreements with Kashiv Biosciences, LLC, refer to *Note 15. Related Party Transactions*.

6. (Loss) Earnings per Share

Basic (loss) earnings per share of the Company's class A common stock is computed by dividing net (loss) income attributable to Amneal Pharmaceuticals, Inc. by the weighted-average number of shares of class A common stock outstanding during the period. Diluted (loss) earnings per share of class A common stock is computed by dividing net (loss) income attributable to Amneal Pharmaceuticals, Inc. by the weighted-average number of shares of class A common stock outstanding, adjusted to give effect to potentially dilutive securities.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted (loss) earnings per share of class A common stock (in thousands, except per share amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Numerator: | | | | |
| Net (loss) income attributable to Amneal Pharmaceuticals, Inc. | \$ (4,237) | \$ (8,975) | \$ 17,001 | \$ 94,096 |
| Denominator: | | | | |
| Weighted-average shares outstanding - basic | 149,290 | 147,558 | 148,771 | 147,377 |
| Effect of dilutive securities: | | | | |
| Stock options | — | — | 785 | 320 |
| Restricted stock units | — | — | 2,099 | 925 |
| Weighted-average shares outstanding - diluted | 149,290 | 147,558 | 151,655 | 148,622 |
| Net (loss) earnings per share attributable to Amneal Pharmaceuticals, Inc.'s class A common stockholders: | | | | |
| Basic | \$ (0.03) | \$ (0.06) | \$ 0.11 | \$ 0.64 |
| Diluted | \$ (0.03) | \$ (0.06) | \$ 0.11 | \$ 0.63 |

Shares of the Company's class B common stock do not share in the earnings or losses of the Company and, therefore, are not participating securities. As such, separate presentation of basic and diluted (loss) earnings per share of class B common stock under the two-class method has not been presented.

The following table presents potentially dilutive securities excluded from the computations of diluted (loss) earnings per share of class A common stock (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------------|-------------------------------------|------------------------|------------------------------------|------------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Stock options | 3,102 ⁽⁴⁾ | 3,923 ⁽⁴⁾ | 347 ⁽¹⁾ | 671 ⁽¹⁾ |
| Restricted stock units | 8,171 ⁽⁴⁾ | 9,266 ⁽⁴⁾ | — | — |
| Performance stock units | 5,184 ⁽⁴⁾ | 3,001 ⁽⁴⁾ | 5,184 ⁽²⁾ | 3,001 ⁽²⁾ |
| Shares of class B common stock | 152,117 ⁽³⁾ | 152,117 ⁽³⁾ | 152,117 ⁽³⁾ | 152,117 ⁽³⁾ |

- (1) Excluded from the computation of diluted earnings per share of class A common stock because the exercise price of the stock options exceeded the average market price of the class A common stock during the period (out-of-the-money).
- (2) Excluded from the computation of diluted earnings per share of class A common stock because the performance vesting conditions were not met for the nine months ended September 30, 2021 and 2020.
- (3) Shares of class B common stock are considered potentially dilutive shares of class A common stock. Shares of class B common stock have been excluded from the computations of diluted earnings per common share because the effect of their inclusion would have been anti-dilutive under the if-converted method.
- (4) Excluded from the computation of diluted loss per share of class A common stock because the effect of their inclusion would have been anti-dilutive since there was a net loss attributable to the Company for both the three months ended September 30, 2021 and 2020.

7. Income Taxes

For the three months ended September 30, 2021, the Company's provision for income taxes and effective tax rates were \$4 million and (198.2)%, respectively, compared to \$0.1 million and (0.7)%, respectively, for the three months ended September 30, 2020.

For the nine months ended September 30, 2021, the Company's provision for (benefit from) income taxes and effective tax rates were \$7 million and 14.8%, respectively, compared to \$(106) million and 349.3%, respectively, for the nine months ended September 30, 2020. The year-over-year change in provision for (benefit from) income taxes was primarily related to a \$110 million discrete income tax benefit from the carryback of U.S. Federal Net Operating Loss ("NOL") deferred tax assets ("DTAs") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

As of September 30, 2019, the Company established a valuation allowance based upon all available objective and verifiable evidence both positive and negative, including historical levels of pre-tax income (loss) both on a consolidated basis and tax reporting entity basis, legislative developments, expectations and risks associated with estimates of future pre-tax income, and prudent and feasible tax planning strategies. The Company estimated that as of September 30, 2019, it had generated a cumulative consolidated three-year pre-tax loss, which continued as of December 31, 2020. As a result of the initial September 30, 2019 and December 31, 2020 analyses, the Company determined that it remained more likely than not that it would not realize the benefits of its gross DTAs and therefore maintained its valuation allowance. As of December 31, 2020, this valuation allowance was \$423 million, and it reduced the carrying value of these gross DTAs, net of the impact of the reversal of taxable temporary differences, to zero. As of September 30, 2021, based on its evaluation of available positive and negative evidence, the Company had maintained its position with respect to the valuation allowance.

On March 27, 2020, the CARES Act was signed into law. The CARES Act is an emergency economic stimulus package in response to the COVID-19 pandemic which, among other things, includes provisions relating to income and non-income-based tax laws. The CARES Act permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs originating in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate refunds of previously paid income taxes. As a result of the CARES Act in 2020, the Company carried back approximately \$345 million in NOLs generated in 2018 to prior taxable income years.

ASC 740, *Income Taxes*, requires the effect from adjusting deferred tax assets or changes to valuation allowances due to the CARES Act to be recognized as a component of income taxes expense or benefit in the interim period that includes the period in which the legislation is enacted (quarter ended March 31, 2020), and it cannot be allocated to subsequent interim periods by an adjustment of the estimated annual effective tax rate. In the three months ended March 31, 2020, the Company reclassified the 2018 NOL carryback amount for previously paid income taxes to income tax receivable and reversed the corresponding valuation allowance. In carrying back the 2018 loss to an earlier year, the Company is able to benefit the losses at a 35% tax rate rather than the current U.S. corporate tax rate of 21%. Accordingly, the Company recorded a discrete income tax benefit of \$110 million, for the nine months ended September 30, 2020. During July 2020, the Company received a cash refund for \$106 million of the \$110 million NOL carryback, plus interest of approximately \$4 million. During February 2021, the Company received an additional cash refund for \$2 million, plus interest. The remainder of the NOL carryback is expected to be received in the next twelve months.

The Company entered into a tax receivable agreement ("TRA") for which it is generally required to pay the other holders of Amneal Common Units 85% of the applicable tax savings, if any, in U.S. federal and state income tax that it is deemed to realize as a result of certain tax attributes of their Amneal Common Units sold to the Company (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Amneal Common Units for shares of class A Common Stock and (ii) tax benefits attributable to payments made under the TRA. In conjunction with the valuation allowance recorded on the DTAs at September 30, 2019, the Company reversed the TRA liability.

The projection of future taxable income involves significant judgment. Actual taxable income may differ from the Company's estimates, which could significantly impact the timing of the recognition of the contingent liability under the TRA. As noted above, the Company has determined it is more-likely-than-not it will be unable to utilize all of its DTAs subject to the TRA; therefore, as of September 30, 2021, the Company has not recognized the contingent liability under the TRA related to the tax savings it may realize from common units sold or exchanged. If utilization of these DTAs becomes more likely than not in the future, at such time, Amneal will recognize a liability under the TRA as a result of basis adjustments under Internal Revenue Code Section 754. As of both September 30, 2021 and December 31, 2020, the contingent liability, if recognized, amounts to approximately \$206 million.

The timing and amount of any payments under the TRA may vary depending upon a number of factors, including the timing and number of Amneal common units sold or exchanged for the Company's class A Common Stock, the price of the Company's class A Common Stock on the date of sale or exchange, the timing and amount of the Company's taxable income, and the tax rate in effect at the time of realization of the Company's taxable income (the TRA liability is determined based on a percentage of the corporate tax savings from the use of the TRA's attributes). Further sales or exchanges occurring subsequent to September 30, 2021 could result in future Amneal tax deductions and obligations to pay 85% of such benefits to the holders of Amneal common units. These obligations could be incremental to and substantially larger than the approximate \$206 million contingent liability as of September 30, 2021 described above. Under certain conditions, such as a change of control or other early termination event, the Company could be obligated to make TRA payments in advance of tax benefits being realized. Payments could also be in excess of the tax savings that the Company may ultimately realize.

Any future recognition of these TRA liabilities will be recorded through charges in the Company's consolidated statements of operations. However, if the tax attributes are not utilized in future years, it is reasonably possible no amounts would be paid under the TRA. Should the Company determine that a DTA with a valuation allowance is realizable in a subsequent period, the related valuation allowance will be released and if a resulting TRA payment is determined to be probable, a corresponding TRA liability will be recorded.

8. Trade Accounts Receivable, Net

Trade accounts receivable, net is comprised of the following (in thousands):

| | September 30, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| Gross accounts receivable | \$ 1,092,767 | \$ 1,291,785 |
| Allowance for credit losses | (1,524) | (1,396) |
| Contract charge-backs and sales volume allowances | (440,896) | (628,804) |
| Cash discount allowances | (22,393) | (22,690) |
| Subtotal | (464,813) | (652,890) |
| Trade accounts receivable, net | \$ 627,954 | \$ 638,895 |

Concentration of Receivables

The following table summarizes receivables from each of our customers representing 10% or more of the Company's gross trade receivables:

| | September 30, 2021 | | December 31, 2020 | |
|------------|-----------------------|---|----------------------|---|
| Customer A | 31 | % | 39 | % |
| Customer B | 24 | % | 20 | % |
| Customer C | 28 | % | 26 | % |

9. Inventories

Inventories are comprised of the following (in thousands):

| | September 30, 2021 | December 31, 2020 |
|--------------------------|-----------------------|----------------------|
| Raw materials | \$ 214,284 | \$ 209,180 |
| Work in process | 42,851 | 40,937 |
| Finished goods | 263,110 | 240,532 |
| Total inventories | \$ 520,245 | \$ 490,649 |

10. Fair Value Measurements

Fair value is the exit price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. To measure fair value, the Company uses the following fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Value is determined using pricing models, discounted cash flow methodologies, or similar techniques and also includes instruments for which the determination of fair value requires significant judgment or estimation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level of classification for each reporting period. The following table sets forth the Company's financial assets and liabilities that were measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020 (in thousands):

| | Total | Fair Value Measurement Based on | | |
|---|-----------|---|---|---|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| September 30, 2021 | | | | |
| Liabilities | | | | |
| Interest rate swap ⁽¹⁾ | \$ 29,716 | \$ — | \$ 29,716 | \$ — |
| Deferred compensation plan liabilities ⁽²⁾ | \$ 13,686 | \$ — | \$ 13,686 | \$ — |
| Contingent consideration liability ⁽³⁾ | \$ 6,400 | \$ — | \$ — | \$ 6,400 |
| December 31, 2020 | | | | |
| Liabilities | | | | |
| Interest rate swap ⁽¹⁾ | \$ 53,903 | \$ — | \$ 53,903 | \$ — |
| Deferred compensation plan liabilities ⁽²⁾ | \$ 14,007 | \$ — | \$ 14,007 | \$ — |

(1) The fair value measurement of the Company's interest rate swap classified within Level 2 of the fair value hierarchy is a model-derived valuation as of a given date in which all significant inputs are observable in active markets including certain financial information and certain assumptions regarding past, present, and future market conditions. Refer to *Note 11. Financial Instruments* for information on the Company's interest rate swap.

(2) As of both September 30, 2021 and December 31, 2020, deferred compensation plan liabilities of \$2 million and \$12 million were recorded in current and non-current liabilities, respectively. These liabilities are recorded at the value of the amount owed to the plan participants, with changes in value recognized as compensation expense. The calculation of the deferred compensation plan obligation is derived from observable market data by reference to hypothetical investments selected by the participants.

(3) The fair value measurement of contingent consideration liability has been classified as a Level 3 recurring liability as its valuation requires judgment and estimation of factors that are not currently observable in the market. If different assumptions were used for various inputs, the estimated fair value could be higher or lower than what the Company

determined. As of September 30, 2021, contingent consideration liability of \$6 million was recorded within related party payable-long term. Refer to *Note 3. Acquisitions*, for additional information related to the KSP Acquisition.

There were no transfers between levels in the fair value hierarchy during the nine months ended September 30, 2021.

Contingent consideration

On April 2, 2021, the Company completed the KSP Acquisition, which provided for contingent milestone payments of up to an aggregate of \$8 million (undiscounted) upon the achievement of certain regulatory milestones, as well as contingent royalty payments that are tiered depending on the net sales amount of aggregate annual net sales for certain future pharmaceutical products.

The following table provides a reconciliation of the contingent consideration liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) through September 30, 2021 (in thousands):

| | Nine Months Ended September 30, 2021 |
|-------------------------------------|---|
| Balance, beginning of period | \$ — |
| Addition due to the KSP Acquisition | 6,100 |
| Change in fair value during period | 300 |
| Balance, end of period | \$ 6,400 |

The fair value measurement of the contingent consideration liabilities was determined based on significant unobservable inputs, including the discount rate, estimated probabilities of success, timing of achieving specified regulatory milestones and the estimated amount of future sales of the acquired products. The contingent consideration liability is estimated by applying a probability-weighted expected payment model for contingent milestone payments and a Monte Carlo simulation model for contingent royalty payments, which are then discounted to present value. Changes to the fair value of the contingent consideration liabilities can result from changes to one or a number of the aforementioned inputs. If different assumptions were used for various inputs, the estimated fair value could be higher or lower than what the Company determined.

The following table summarizes the significant unobservable inputs used in the fair value measurement of our contingent consideration liabilities as of September 30, 2021:

| Contingent Consideration Liability | Fair Value as of September 30, 2021 (in thousands) | Unobservable input | Range | Weighted Average⁽¹⁾ |
|---|---|---------------------------|----------------|---------------------------------------|
| Regulatory Milestones | \$500 | Discount rate | 2.8 % - 4.6% | 3.0% |
| | | Probability of payment | 1.8 % - 20.0% | 16.7% |
| | | Projected year of payment | 2023 - 2027 | 2023 |
| Royalties | \$5,900 | Discount rate | 11.0 % - 11.0% | 11.0% |
| | | Probability of payment | 1.8 % - 20.0% | 18.0% |
| | | Projected year of payment | 2023 - 2032 | 2029 |

(1) Unobservable inputs were weighted by the relative fair value of each product candidate acquired.

Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

The carrying amounts of cash, accounts receivable and accounts payable approximate their fair values due to the short-term maturity of these instruments.

The Company's outstanding Term Loan falls into the Level 2 category within the fair value level hierarchy. The fair value was determined using market data for valuation. The fair value of the Term Loan as of both September 30, 2021 and December 31, 2020 was approximately \$2.6 billion.

The Rondo Term Loan entered into on January 31, 2020 falls into the Level 2 category within the fair value level hierarchy. During the three months ended September 30, 2021, the Company prepaid \$25 million towards the outstanding principal of the Rondo Term Loan. The fair value of the Rondo Term Loan at September 30, 2021 and December 31, 2020 was \$141 million and \$172 million, respectively.

The Sellers Notes fall into the Level 2 category within the fair value level hierarchy. The carrying value of the Sellers Notes at September 30, 2021 and December 31, 2020 was \$38 million and \$36 million, respectively, which approximate their fair values.

Refer to *Note 17. Debt* in our 2020 Annual Report on Form 10-K for detailed information about our indebtedness, including definitions of terms.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

There were no non-recurring fair value measurements during the nine months ended September 30, 2021 and 2020.

11. Financial Instruments

The Company uses an interest rate swap to manage its exposure to market risks for changes in interest rates.

Interest Rate Risk

The Company is exposed to interest rate risk on its debt obligations. The Company's debt obligations consist of variable-rate and fixed-rate debt instruments. The Company's primary objective is to achieve the lowest overall cost of funding while managing the variability in cash outflows within an acceptable range. In order to achieve this objective, the Company has entered into an interest rate swap on the Term Loan.

Interest income earned on cash and cash equivalents may fluctuate as interest rates change; however, due to their relatively short maturities, the Company does not hedge these assets or their investment cash flows because the impact of interest rate risk is not material.

Interest Rate Derivative – Cash Flow Hedge

The interest rate swap involves the periodic exchange of payments without the exchange of underlying principal or notional amounts. In October 2019, the Company entered into an interest rate lock agreement for a total notional amount of \$1.3 billion to hedge part of the Company's interest rate exposure associated with the variability in future cash flows from changes in the one-month LIBOR associated with its Term Loan.

As of September 30, 2021, the total loss, net of income taxes, related to the Company's cash flow hedge was \$30 million, of which \$15 million was recognized in accumulated other comprehensive loss and \$15 million was recognized in non-controlling interests.

A summary of the fair values of derivative instruments in the consolidated balance sheets was as follows (in thousands):

| Derivatives Designated as Hedging Instruments | September 30, 2021 | | December 31, 2020 | |
|---|------------------------------|------------|------------------------------|------------|
| | Balance Sheet Classification | Fair Value | Balance Sheet Classification | Fair Value |
| Variable-to-fixed interest rate swap | Other long-term liabilities | \$ 29,716 | Other long-term liabilities | \$ 53,903 |

12. Goodwill and Intangible Assets

The changes in goodwill for the nine months ended September 30, 2021 and for the year ended December 31, 2020 were as follows (in thousands):

| | September 30, 2021 | December 31, 2020 |
|-------------------------------------|-----------------------|----------------------|
| Balance, beginning of period | \$ 522,814 | \$ 419,504 |
| Goodwill acquired during the period | 43,830 | 103,679 |
| Currency translation | (238) | (369) |
| Balance, end of period | <u>\$ 566,406</u> | <u>\$ 522,814</u> |

As of September 30, 2021, \$364 million, \$133 million, and \$70 million of goodwill was allocated to the Specialty, Generics, and AvKARE segments, respectively. As of December 31, 2020, \$361 million, \$92 million, and \$70 million of goodwill was allocated to the Specialty, Generics, and AvKARE segments, respectively. Refer to *Note 3. Acquisitions* for additional information related to goodwill acquired during the respective periods.

Intangible assets at September 30, 2021 and December 31, 2020 were comprised of the following (in thousands):

| | Weighted-Average Amortization Period (in years) | September 30, 2021 | | | December 31, 2020 | | |
|-------------------------------------|---|---------------------|-----------------------------|---------------------|---------------------|-----------------------------|---------------------|
| | | Cost | Accumulated Amortization | Net | Cost | Accumulated Amortization | Net |
| Amortizing intangible assets: | | | | | | | |
| Product rights | 8.3 | \$ 1,180,005 | \$ (434,824) | \$ 745,181 | \$ 1,153,096 | \$ (328,587) | \$ 824,509 |
| Other intangible assets | 5.1 | 133,800 | (51,779) | 82,021 | 133,800 | (33,078) | 100,722 |
| Subtotal | | <u>\$ 1,313,805</u> | <u>\$ (486,603)</u> | <u>\$ 827,202</u> | <u>\$ 1,286,896</u> | <u>\$ (361,665)</u> | <u>\$ 925,231</u> |
| In-process research and development | | 405,525 | — | 405,525 | 379,395 | — | 379,395 |
| Total intangible assets | | <u>\$ 1,719,330</u> | <u>\$ (486,603)</u> | <u>\$ 1,232,727</u> | <u>\$ 1,666,291</u> | <u>\$ (361,665)</u> | <u>\$ 1,304,626</u> |

During the nine months ended September 30, 2021, the Company recognized \$57 million of intangible assets associated with the KSP Acquisition, consisting of \$29 million of product rights and \$27 million of IPR&D. Product rights are amortized to cost of goods sold over their estimated useful lives. During the nine months ended September 30, 2020, the Company recognized \$131 million of intangible assets associated with the Rondo Acquisitions, of which all are classified in other intangible assets in the table above. These intangible assets consist of government licenses, government contracts, national contracts, customer relationships and a trade name and are amortized to selling, general, and administrative over their estimated useful lives. Refer to *Note 3. Acquisitions* for additional information.

Amortization expense related to intangible assets recognized is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------|----------------------------------|------------------|---------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Amortization | <u>\$ 43,809</u> | <u>\$ 44,548</u> | <u>\$ 129,001</u> | <u>\$ 131,100</u> |

The following table presents future amortization expense for the next five years and thereafter, excluding \$406 million of IPR&D intangible assets (in thousands):

| | Future Amortization |
|-------------------|--------------------------------|
| Remainder of 2021 | \$ 43,701 |
| 2022 | 164,385 |
| 2023 | 150,681 |
| 2024 | 140,269 |
| 2025 | 100,177 |
| Thereafter | 227,989 |
| Total | <u>\$ 827,202</u> |

The Company reviews intangible assets with finite lives for recoverability whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, and reviews indefinite-lived intangible assets, including IPR&D, are tested for impairment if impairment indicators arise and, at a minimum, annually.

For the three months ended September 30, 2021, the Company recognized a \$0.7 million intangible asset impairment, which was recognized in cost of goods sold impairment charges. For the nine months ended September 30, 2021, the Company recognized \$1.4 million of intangible asset impairments, of which \$0.7 million was recognized in cost of goods sold impairment charges and \$0.7 million was recognized in in-process research and development impairment charges.

The impairment charges for the three months ended September 30, 2021 was related to two marketed products which experienced significant price erosion during 2021. The impairment charges for the nine months ended September 30, 2021 related to the two aforementioned marketed products, and one IPR&D product, which experienced a delay in its estimated launch date.

For the three months ended September 30, 2020, the Company recognized a \$32 million intangible asset impairment, which was recognized in cost of goods sold impairment charges. For the nine months ended September 30, 2020, the Company recognized \$36 million of intangible asset impairments, of which \$35 million was recognized in cost of goods sold impairment charges and \$1 million was recognized in in-process research and development impairment charges.

The impairment charge for the three months ended September 30, 2020 was related to one marketed product for which the supply agreement ended under an early termination due to market conditions.

The impairment charges for the nine months ended September 30, 2020 were primarily related to six marketed products and two IPR&D products. For the marketed products, four products experienced significant price erosion during 2020, without an offsetting increase in customer demand, resulting in significantly lower than expected future cash flows and negative margins, while one product had its contract terminated, and one product's supply agreement ended under an early termination due to market conditions. The IPR&D charges were associated with two products, one of which experienced a delay in its estimated launch date and the other of which was canceled due to the withdrawal of our development partner.

13. Commitments and Contingencies

Commitments

Commercial Manufacturing, Collaboration, License, and Distribution Agreements

The Company continues to seek to enhance its product line and develop a balanced portfolio of differentiated products through product acquisitions and in-licensing. Accordingly, the Company, in certain instances, may be contractually obligated to make potential future development, regulatory, and commercial milestone, royalty and/or profit sharing payments in conjunction with collaborative agreements or acquisitions that the Company has entered into with third parties. The Company has also licensed certain technologies or intellectual property from various third parties. The Company is generally required to make upfront payments as well as other payments upon successful completion of regulatory or sales milestones. The agreements generally permit the Company to terminate the agreement with no significant continuing obligation. The Company could be required to make significant payments pursuant to these arrangements. These payments are contingent upon the occurrence of certain future

events and, given the nature of these events, it is unclear when, if ever, the Company may be required to pay such amounts. Further, the timing of any future payment is not reasonably estimable. Certain of these arrangements are with related parties (refer to *Note 15. Related Party Transactions*).

Contingencies

Legal Proceedings

The Company's legal proceedings are complex, constantly evolving and subject to uncertainty. As such, the Company cannot predict the outcome or impact of the legal proceedings set forth below. Additionally, the Company is subject to legal proceedings that are not set forth below. While the Company believes it has valid claims and/or defenses to the matters described below, the nature of litigation is unpredictable, and the outcome of the following proceedings could include damages, fines, penalties and injunctive or administrative remedies. For any proceedings where losses are probable and reasonably capable of estimation, the Company accrues for a potential loss. When the Company has a probable loss for which a reasonable estimate of the liability is a range of losses and no amount within that range is a better estimate than any other amount, the Company records the loss at the low end of the range. While these accruals have been deemed reasonable by the Company's management, the assessment process relies heavily on estimates and assumptions that may ultimately prove inaccurate or incomplete. Additionally, unforeseen circumstances or events may lead the Company to subsequently change its estimates and assumptions. Unless otherwise indicated below, the Company is unable at this time to estimate the possible loss or the range of loss, if any, associated with such legal proceedings and claims.

The Company currently intends to vigorously prosecute and/or defend these proceedings as appropriate. From time to time, however, the Company may settle or otherwise resolve these matters on terms and conditions that it believes to be in its best interest. For the three and nine months ended September 30, 2021, the Company recorded a charge of \$19 million for a commercial legal proceeding. For the nine months ended September 30, 2020, the Company recorded net charges of \$6 million for commercial legal proceedings (charges for the three months ended September 30, 2020 were immaterial). As of September 30, 2021 and December 31, 2020, the Company recorded total liabilities for legal proceedings of \$57 million and \$11 million, respectively, of which \$33 million and \$6 million, respectively, were recorded for a securities class action covered by insurance (refer to *Securities Class Actions* below and *Note 17. Prepaid Expenses and Other Current Assets* for additional information). Insurance recoveries are recorded in the periods when it is probable they will be realized.

The ultimate resolution of any or all claims, legal proceedings or investigations could differ materially from our estimate and have a material adverse effect on the Company's results of operations and/or cash flows in any given accounting period, or on the Company's overall financial condition.

Additionally, the Company manufactures and derives a portion of its revenue from the sale of pharmaceutical products in the opioid class of drugs and may therefore face claims arising from the regulation and/or consumption of such products.

The Company believes it has meritorious claims and defenses in these matters and intends to vigorously prosecute and defend them. However, because the ultimate outcome and costs associated with litigation are inherently uncertain and difficult to predict, except as otherwise stated, the Company is not in a position to predict the likelihood of an unfavorable outcome or provide an estimate of the amount or range of potential loss in the event of an unfavorable outcome in any of these matters, and any adverse outcome could negatively affect the Company and could have a material adverse effect on the Company's results of operations, cash flows and/or overall financial condition.

Medicaid Reimbursement and Price Reporting Matters

The Company is required to provide pricing information to state agencies, including agencies that administer federal Medicaid programs. Certain state agencies have alleged that manufacturers have reported improper pricing information, which allegedly caused them to overpay reimbursement costs. Other agencies have alleged that manufacturers have failed to timely file required reports concerning pricing information. Liabilities are periodically established by the Company for any potential claims or settlements of overpayment. The Company intends to vigorously defend against any such claims. The ultimate settlement of any potential liability for such claims may be higher or lower than estimated.

Patent Litigation

There is substantial litigation in the pharmaceutical, biological, and biotechnology industries with respect to the manufacture, use, and sale of new products which are the subject of conflicting patent and intellectual property claims. One or more patents

often cover the brand name products for which the Company is developing generic versions and the Company typically has patent rights covering the Company's branded products.

Under federal law, when a drug developer files an Abbreviated New Drug Application ("ANDA") for a generic drug seeking approval before expiration of a patent which has been listed with the FDA as covering the brand name product, the developer must certify its product will not infringe the listed patent(s) and/or the listed patent is invalid or unenforceable (commonly referred to as a "Paragraph IV" certification). Notices of such certification must be provided to the patent holder, who may file a suit for patent infringement within 45 days of the patent holder's receipt of such notice. If the patent holder files suit within the 45-day period, the FDA can review and tentatively approve the ANDA, but generally is prevented from granting final marketing approval of the product until a final judgment in the action has been rendered in favor of the generic drug developer, or 30 months from the date the notice was received, whichever is sooner. The Company's Generics segment is typically subject to patent infringement litigation brought by branded pharmaceutical manufacturers in connection with the Company's Paragraph IV certifications seeking an order delaying the approval of the Company's ANDA until expiration of the patent(s) at issue in the litigation.

The uncertainties inherent in patent litigation make the outcome of such litigation difficult to predict. For the Company's Generics segment, the potential consequences in the event of an unfavorable outcome in such litigation include delaying launch of its generic products until patent expiration. If the Company were to launch its generic product prior to successful resolution of a patent litigation, the Company could be liable for potential damages measured by the profits lost by the branded product manufacturer rather than the profits earned by the Company if it is found to infringe a valid, enforceable patent, or enhanced treble damages in cases of willful infringement. For the Company's Specialty segment, an unfavorable outcome may significantly accelerate generic competition ahead of expiration of the patents covering the Company's branded products. All such litigation typically involves significant expense.

The Company is generally responsible for all of the patent litigation fees and costs associated with current and future products not covered by its alliance and collaboration agreements. The Company has agreed to share legal expenses with respect to third-party and Company products under the terms of certain of the alliance and collaboration agreements. The Company records the costs of patent litigation as expense in the period when incurred for products it has developed, as well as for products which are the subject of an alliance or collaboration agreement with a third-party.

Patent Defense Matter

Biogen International GMBH, et al. v. Amneal Pharmaceuticals LLC, et al. (Dimethyl Fumarate)

In June 2017, Biogen International GMBH ("Biogen") filed suit against Amneal and various other generic manufacturers in the United States District Court for the District of Delaware ("D. Del.") alleging patent infringement based on the filing of ANDAs by Amneal and others for generic alternatives to Biogen's Tecfidera® (dimethyl fumarate) capsules product (Biogen International GMBH, et al. v. Amneal Pharmaceuticals LLC, et al., No. 1:17-cv-00823-MN). Biogen also filed suit in June 2017 against Mylan Pharmaceuticals Inc. ("Mylan") in the United States District Court for the Northern District of West Virginia ("N.D. W. Va.") relating to Mylan's own ANDA for Tecfidera®. On June 18, 2020, the N.D. W. Va. court issued an order finding the sole Biogen patent at issue invalid. Biogen has appealed the order to the United States Court of Appeals for the Federal Circuit. On September 22, 2020, the D. Del. court entered judgment in favor of defendants (including Amneal), adopting the finding of invalidity made by the N.D. W. Va. court but ordering that claims could be reinstated based on the result of the appeal of the N.D. W. Va. court's order. Amneal, like Mylan and a number of other generic manufacturers, has now launched its generic dimethyl fumarate capsules product "at-risk," pending the outcome of Biogen's appeal of the N.D. W. Va. court's order before the Federal Circuit.

Other Litigation Related to the Company's Business

Opana ER® FTC Matters

On February 25, 2014, Impax received a Civil Investigative Demand (“CID”) from the Federal Trade Commission (“FTC”) concerning its investigation into the drug Opana® ER and its generic equivalents. On March 30, 2016, the FTC filed a complaint against Impax, Endo Pharmaceuticals Inc. (“Endo”), and others in the United States District Court for the Eastern District of Pennsylvania, alleging that Impax and Endo violated antitrust laws when they entered into a June 2010 settlement agreement that resolved patent litigation in connection with the submission of Impax’s ANDA for generic original Opana® ER. In October 2016, the Court granted Impax’s motion to sever, formally terminating the suit against Impax. In January 2017, the FTC filed a Part 3 Administrative Complaint against Impax with similar allegations regarding the 2010 settlement. Following trial, in May 2018, the Administrative Law Judge ruled in favor of Impax and dismissed the Complaint in its entirety. FTC Complaint Counsel appealed the decision to the full Commission, and in March 2019, the FTC issued an Opinion & Order reversing the Administrative Law Judge’s decision. The Opinion & Order did not provide for any monetary damages but enjoined Impax from entering into future agreements containing certain terms. Impax filed a Petition for Review of the FTC’s Opinion & Order with the United States Court of Appeals for the Fifth Circuit, and on April 13, 2021, the Fifth Circuit issued a decision denying Impax’s Petition for Review, effectively affirming the FTC’s Opinion & Order. On September 10, 2021, Impax filed a petition for writ of certiorari in the U.S. Supreme Court; the Court has not yet decided whether it will take the case.

On July 12, 2019, the Company received a CID from the FTC concerning an August 2017 settlement agreement between Impax and Endo, which resolved a subsequent patent infringement and breach of contract dispute between the parties regarding the above-referenced June 2010 settlement agreement related to Opana® ER. The Company cooperated with the FTC regarding the CID. On January 25, 2021, the FTC filed a complaint against Endo, Impax and Amneal in the United States District Court for the District of Columbia, alleging that the 2017 settlement violated antitrust laws. In April 2021, the Company filed a motion to dismiss the FTC’s complaint, and that motion is currently pending. The Company believes it has strong defenses to the FTC’s allegations and intends to vigorously defend the action, however, no assurance can be given as to the timing or outcome of the litigation.

Opana ER® Antitrust Litigation

From June 2014 to April 2015, a number of complaints styled as class actions on behalf of direct purchasers and indirect purchasers (or end-payors) and several separate individual complaints on behalf of certain direct purchasers (the “opt-out plaintiffs”) of Opana ER® were filed against Endo and Impax.

In December 2014, the United States Judicial Panel on Multidistrict Litigation (the “JPML”) transferred the actions to the United States District Court for the Northern District of Illinois (“N.D. Ill.”) for coordinated pretrial proceedings, as In Re: Opana ER Antitrust Litigation (MDL No. 2580) (“MDL”). In each case, the complaints allege that Endo engaged in an anticompetitive scheme by, among other things, entering into an anticompetitive settlement agreement with Impax to delay generic competition of Opana ER® and in violation of state and federal antitrust laws. Plaintiffs seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On March 25, 2019, plaintiffs filed motions for class certification and served expert reports. Defendants’ oppositions to class certification and expert reports were filed and served on August 29, 2019. On April 15, 2020, defendants filed motions for summary judgment and each side moved to exclude certain opposing experts. On June 4, 2021, the MDL court granted the end-payor plaintiffs’ and direct purchaser plaintiffs’ class certification motions. Defendants appealed certification of the end-payor plaintiffs’ class, and on July 13, 2021, the Seventh Circuit granted defendants’ petition and remanded the case to the MDL to consider specific issues regarding uninjured class members. On August 11, 2021, the MDL court entered an order certifying end-payor plaintiffs’ class with an amended class definition. On June 4, 2021, the MDL also denied defendants’ summary judgment motion except as to certain state law claims and issued an opinion excluding certain experts of both sides. Trial is currently scheduled for June 2022.

Attorney General of the State of Connecticut Interrogatories and Subpoena Duces Tecum

On July 14, 2014, Impax received a subpoena and interrogations from the State of Connecticut Attorney General (“Connecticut AG”) concerning its investigation into sales of Impax’s generic product, digoxin. According to the Connecticut AG, the investigation concerned whether anyone engaged in a contract, combination or conspiracy in restraint of trade or commerce which had the effect of (i) fixing, controlling or maintaining prices or (ii) allocating or dividing customers or territories relating to the sale of digoxin. Impax cooperated in the investigation and produced documents and information in response to the subpoena in 2014 and 2015. However, no assurance can be given as to the timing or outcome of this investigation.

United States Department of Justice Investigations

On November 6, 2014, Impax disclosed that one of its sales representatives received a grand jury subpoena from the Antitrust Division of the United States Department of Justice (the “DOJ”). On March 13, 2015, Impax received a grand jury subpoena from the DOJ requesting the production of information and documents regarding the sales, marketing, and pricing of four generic prescription medications. Impax has cooperated in the investigation and produced documents and information in response to the subpoenas from 2014 to 2016. However, no assurance can be given as to the timing or outcome of the investigation.

On April 30, 2018, Impax received a CID from the Civil Division of the DOJ (the “Civil Division”). The CID requests the production of information and documents regarding the pricing and sale of Impax’s pharmaceuticals and interactions with other generic pharmaceutical manufacturers regarding whether generic pharmaceutical manufacturers engaged in market allocation and price-fixing agreements, paid illegal remuneration, and caused false claims to be submitted to the Federal government. Impax has cooperated with the Civil Division’s investigation. However, no assurance can be given as to the timing or outcome of the investigation.

In Re Generic Pharmaceuticals Pricing Antitrust Litigation

Since March 2016, multiple putative antitrust class action complaints have been filed on behalf of direct purchasers, indirect purchasers (or end-payors), and indirect resellers, as well as individual complaints on behalf of certain direct and indirect purchasers, and municipalities (the “opt-out plaintiffs”) against manufacturers of generic drugs, including Impax and the Company. The complaints allege a conspiracy to fix, maintain, stabilize, and/or raise prices, rig bids, and allocate markets or customers for various generic drugs in violation of federal and state antitrust and consumer protection laws. Plaintiffs seek unspecified monetary damages and equitable relief, including disgorgement and restitution. The lawsuits have been consolidated in an MDL in the United States District Court for the Eastern District of Pennsylvania (*In re Generic Pharmaceuticals Pricing Antitrust Litigation*, No. 2724, (E.D. Pa.)).

On May 10, 2019, Attorneys General of 43 States and the Commonwealth of Puerto Rico filed a complaint in the United States District Court for the District of Connecticut against various manufacturers and individuals, including the Company, alleging a conspiracy to fix, maintain, stabilize, and/or raise prices, rig bids, and allocate markets or customers for multiple generic drugs. On November 1, 2019, the State Attorneys General filed an Amended Complaint on behalf of nine additional states and territories. On June 10, 2020, Attorneys General of 46 States, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Territory of Guam, the U.S. Virgin Islands, and the District of Columbia filed a new complaint against various manufacturers and individuals, including the Company, alleging a conspiracy to fix prices, rig bids, and allocate markets or customers for additional generic drugs. Plaintiff States seek unspecified monetary damages and penalties and equitable relief, including disgorgement and restitution. On September 9, 2021, the State Attorneys General filed an Amended Complaint on behalf of California in addition to the original Plaintiff States. These lawsuits have been incorporated into MDL No. 2724. Fact and document discovery in MDL No. 2724 are proceeding. In May 2021, the Court issued a revised order designating certain plaintiffs’ complaints regarding two generic drug products to proceed as bellwether cases, along with the Plaintiff States’ June 10, 2020 complaint. No final scheduling order has yet been issued for this matter.

Prescription Opioid Litigation

The Company and certain of its affiliates have been named as defendants in various matters filed in state and federal courts relating to the sale of prescription opioid pain relievers. Plaintiffs in these actions include state Attorneys General, county and municipal governments, hospitals, Indian tribes, pension funds, third-party payors and individuals. Plaintiffs seek unspecified monetary damages and other forms of relief based on various causes of action, including negligence, public nuisance, unjust enrichment, and civil conspiracy, as well as alleged violations of the Racketeer Influenced and Corrupt Organizations Act (“RICO”), state and federal controlled substances laws and other statutes. All cases involving the Company also name other manufacturers, distributors and retail pharmacies as defendants, and there are numerous other cases involving allegations relating to prescription opioid pain relievers against other manufacturers, distributors and retail pharmacies in which the Company and its affiliates are not named.

Nearly all cases pending in federal district courts have been consolidated for pre-trial proceedings in an MDL in the United States District Court for the Northern District of Ohio (*In re: National Prescription Opiate Litigation*, Case No. 17-mdl-2804). There are approximately 890 cases in the MDL in which the Company or its affiliates have been named as defendants. The Company also is named in approximately 120 state court cases pending in 11 states. The Company has filed motions to dismiss in many of these cases. No firm trial dates have been set except one case in New Mexico (September 2022) and one in Alabama (July 2022). Following a decision by the West Virginia Supreme Court of Appeals in June 2021, the trial court in West Virginia

set trial dates for April (manufacturers), July (distributors), and September (pharmacies) 2022, but the Company is not a defendant in the manufacturer trial and it is unclear if the Company will be involved in the trial of any case currently selected by the court.

Securities Class Actions

On April 17, 2017, New York Hotel Trades Council & Hotel Association of New York City, Inc. Pension Fund filed an amended putative class action complaint in the United States District Court for the Northern District of California against Impax and four former Impax officers alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 (*Fleming v. Impax Laboratories Inc., et al.*, No. 4:16-cv-6557-HSG). Plaintiff alleges that Impax (1) concealed collusion with a competitor to fix the price of the generic drug digoxin; (2) concealed anticipated erosion in the price of generic drug diclofenac; and (3) overstated the value of the generic drug budesonide. In August 2019, the Court granted Impax's motion to dismiss Plaintiff's subsequent second amended complaint in its entirety. Plaintiff appealed to the United States Court of Appeals for the Ninth Circuit, and on January 11, 2021, the Ninth Circuit issued an unpublished opinion affirming in part and reversing in part the District Court's decision. Impax subsequently filed a motion for rehearing with the Ninth Circuit, and Plaintiff filed a motion to intervene seeking to add Sheet Metal Workers' Pension Fund of Southern California, Arizona and Nevada ("Sheet Metal Workers") as an additional named Plaintiff. The Ninth Circuit denied the motions, and on April 1, 2021, the case was remanded to the District Court. On April 19, 2021, the Company filed a motion to dismiss the remaining claims and an opposition to Sheet Metal Workers' renewed motion to intervene. In June 2021, the Company reached a tentative agreement to settle all claims in the case for \$33 million, subject to certain terms and conditions and subject to court approval. The proposed settlement is covered in full by insurance (refer to *Note 17. Prepaid Expenses and Other Current Assets*).

On December 18, 2019, Cambridge Retirement System filed a putative class action complaint in the Superior Court of New Jersey, Somerset County against the Company and certain current or former officers alleging violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (*Cambridge Retirement System v. Amneal Pharmaceuticals, Inc., et al.*, No. SOM-L-1701-19). Plaintiffs allege that the May 7, 2018 amended registration statement and prospectus issued in connection with the Amneal/Impax business combination was materially false and/or misleading because it failed to disclose that Amneal allegedly engaged in anticompetitive conduct to fix generic drug prices. Plaintiffs filed a motion for class certification on October 30, 2020 and in April 2021 filed a second amended complaint including similar allegations with regard to a November 2017 registration statement and prospectus issued in connection with the Amneal/ Impax business combination. The Company's motion to dismiss and Plaintiff's motion for class certification are currently pending.

United States Department of Justice / Drug Enforcement Administration Subpoenas

On July 7, 2017, Amneal Pharmaceuticals of New York, LLC received an administrative subpoena issued by the Long Island, NY District Office of the Drug Enforcement Administration (the "DEA") requesting information related to compliance with certain recordkeeping and reporting requirements. On or about April 12, 2019 and May 28, 2019, the Company received grand jury subpoenas from the U.S. Attorney's Office for the Eastern District of New York (the "USAO") relating to similar topics concerning the Company's suspicious order monitoring program and its compliance with the Controlled Substances Act. The Company is cooperating with the USAO in responding to the subpoenas and has entered civil and criminal tolling agreements with the USAO through approximately May 12, 2022. It is not possible to determine the exact outcome of these investigations at this time.

On March 14, 2019, Amneal received a subpoena (the "Subpoena") from an Assistant U.S. Attorney ("AUSA") for the Southern District of Florida. The Subpoena requests information and documents generally related to the marketing, sale, and distribution of oxycodone. The Company intends to cooperate with the AUSA regarding the Subpoena. However, no assurance can be given as to the timing or outcome of its underlying investigation.

On October 7, 2019, Amneal received a subpoena from the New York State Department of Financial Services seeking documents and information related to sales of opioid products in the state of New York. The Company is cooperating with the request and providing responsive information. It is not possible to determine the exact outcome of this investigation at this time.

Ranitidine Litigation

The Company and its affiliates have been named as defendants, along with numerous other pharmaceutical manufacturers, wholesale distributors, and retail pharmacy chains, in *In re Zantac/Ranitidine NDMA Litigation* (MDL No. 2924), pending in the Southern District of Florida. Plaintiffs allege that defendants failed to disclose and/or concealed the alleged inherent

presence of N-Nitrosodimethylamine (or “NDMA”) in brand-name Zantac® or generic ranitidine and the alleged associated risk of cancer. Consolidated groups of (a) personal injury plaintiffs, (b) economic loss/medical monitoring class action plaintiffs, and (c) third-party payor plaintiffs have each filed master complaints against brand and generic pharmaceutical manufacturers, distributors, retailers, and repackagers of ranitidine-containing products. The Company or its affiliates have been named in the three master complaints and approximately 290 personal injury short form complaints. On December 31, 2020, the Court dismissed in full the three master complaints against the generic manufacturers, including the Company and its affiliates, with leave to file amended complaints on certain claims relating to manufacturing, storage and transportation. Plaintiffs filed amended complaints in February 2021, and Defendants filed various motions to dismiss the amended complaints in March 2021. On July 8, 2021, the MDL dismissed all claims against the generic drug manufacturers, including the Company and its affiliates, without leave to file further amended complaints. Plaintiffs have appealed the MDL court’s dismissal to the 11th Circuit Court of Appeals, which has consolidated the appeals of the personal injury cases.

On June 18, 2020, Amneal Pharmaceuticals LLC was named in a lawsuit filed in New Mexico brought by the New Mexico Attorney General alleging claims of public nuisance, negligence, and violations of consumer protection laws against various brand and generic manufacturers and store-brand distributors of Zantac®/Ranitidine. Plaintiff seeks unspecified compensatory and punitive damages, as well as abatement, medical monitoring, restitution and injunctive relief. The Company filed a motion to dismiss on May 17, 2021, and filed a notice of supplemental authority based on the MDL court’s July 2021 dismissal order. The Court denied the motion on August 17, 2021. On November 12, 2020, Amneal Pharmaceuticals LLC was named in a public nuisance and consumer protection lawsuit filed in state court in Baltimore, Maryland, on behalf of the Mayor and City Council of Baltimore. Defendants removed the case to federal court and on April 1, 2021, the case was remanded to state court. On August 23, 2021, the Company filed a motion to dismiss, which is currently pending.

On October 1, 2021, Amneal Pharmaceuticals, LLC, and Amneal Pharmaceuticals of New York, LLC, were named in a lawsuit filed in Pennsylvania state court along with 25 other defendants, including brand-name manufacturers, generic manufacturers, and one Pennsylvania-based pharmacy. The Complaint largely tracks the dismissed master personal injury complaint from the MDL.

Metformin Litigation

Amneal and AvKARE, Inc. were named as defendants, along with numerous other manufacturers, retail pharmacies, and wholesalers, in several putative class action lawsuits pending in the United States District Court for the District of New Jersey (“D.N.J.”), consolidated as In Re Metformin Marketing and Sales Practices Litigation (No. 2:20-cv-02324-MCA-MAH). The lawsuits all allege that defendants made and sold to putative class members generic metformin products that were “adulterated” or “contaminated” with NDMA.

An economic loss complaint filed on behalf of consumers and third-party payors who purchased or paid or made reimbursements for metformin alleges that plaintiffs suffered economic losses in connection with their purchases or reimbursements due to the purported contamination. On May 20, 2021, the Court granted Defendants’ motion to dismiss the economic loss complaint, and Plaintiffs filed an amended complaint on June 21, 2021. On August 5, 2021, Defendants moved to dismiss the amended complaint. Additionally, medical monitoring class action complaints were filed on behalf of consumers who consumed allegedly contaminated metformin allege “cellular damage, genetic harm, and/or are at an increased risk of developing cancer” and seek medical monitoring, including evaluation and treatment. These cases are currently stayed.

On March 29, 2021, a plaintiff filed a complaint in the United States District Court for the Middle District of Alabama asserting claims against manufacturers of Valsartan, Losartan, and Metformin based on the alleged presence of nitrosamines in those products. The only allegations against Amneal concern Metformin. (Davis v. Camber Pharmaceuticals, Inc., et al., C.A. No. 2:21-00254 (M.D. Ala.) (the “Davis Action”). On May 5, 2021, the JPML transferred the Davis Action into the In re: Valsartan, Losartan, and Irbesartan Products Liability Litigation multi-district litigation for pretrial proceedings.

Xyrem® (Sodium Oxybate) Antitrust Litigation

Amneal has been named as a defendant, along with Jazz Pharmaceuticals, Inc. (“Jazz”) and numerous other manufacturers of generic versions of Jazz’s Xyrem® (sodium oxybate), in several putative class action lawsuits filed in the United States District Court for the Northern District of California and the United States District Court for the Southern District of New York, alleging that the generic manufacturers entered into anticompetitive agreements with Jazz in connection with settling patent litigation related to Xyrem®. Plaintiffs seek unspecified monetary damages and penalties as well as equitable relief, including disgorgement and restitution. On December 16, 2020, the JPML transferred the actions to the United States District Court for the Northern District of California for consolidated pretrial proceedings consolidated as *In re Xyrem (Sodium Oxybate) Antitrust Litigation* (No. 5:20-md-02966-LHK). Plaintiffs filed a consolidated amended class complaint in March 2021, which Defendants moved to dismiss. On August 13, 2021, the District Court granted in part and denied in part Defendants’ motion, dismissing the federal damages claims and a number of state-law claims, while permitting the remaining claims to proceed. Discovery is currently ongoing.

Value Drug Company v. Takeda Pharmaceuticals U.S.A., Inc.

On August 5, 2021, Value Drug Company filed a purported class action lawsuit in the United States District Court for the Eastern District of Pennsylvania against Takeda Pharmaceuticals U.S.A., Inc. (“Takeda”) and numerous other manufacturers of generic versions of Takeda’s Colcrys® (colchicine), including Amneal Pharmaceuticals LLC, alleging that the generic manufacturers conspired with Takeda to restrict output of generic Colcrys in order to maintain higher prices, in violation of the antitrust laws. The Company has not yet responded to the allegations.

Galeas v. Amneal Pharmaceuticals, Inc.

On July 27, 2021, Cesy Galeas filed a purported class action lawsuit in the U.S. District Court for the Eastern District of New York against Amneal Pharmaceuticals, Inc., alleging that the payment schedule for certain workers violated New York Labor Law. The Company has not yet responded to the complaint but it has notified the Court that it intends to file a motion to dismiss the claims.

14. Segment Information

The Company has three reportable segments: Generics, Specialty, and AvKARE.

Generics

Generics develops, manufactures and commercializes complex oral solids, injectables, ophthalmics, liquids, topicals, softgels, inhalation products and transdermals across a broad range of therapeutic categories. Generics’ retail and institutional portfolio contains approximately 250 product families, many of which represent difficult-to-manufacture products or products that have a high barrier-to-entry, such as oncologics, anti-infectives and supportive care products for healthcare providers.

Specialty

Specialty delivers proprietary medicines to the U.S. market. The Company offers a growing portfolio in core therapeutic categories including central nervous system disorders, endocrinology, parasitic infections and other therapeutic areas. The Company’s specialty products are marketed through skilled specialty sales and marketing teams, who call on neurologists, movement disorder specialists, endocrinologists and primary care physicians in key markets throughout the U.S. Specialty also has a number of product candidates that are in varying stages of development.

AvKARE

AvKARE provides pharmaceuticals, medical and surgical products and services primarily to governmental agencies, primarily focused on serving the Department of Defense and the Department of Veterans Affairs. AvKARE is also a wholesale distributor of bottle and unit dose pharmaceuticals under the registered names of AvKARE and AvPAK, as well as medical and surgical products. AvKARE is also a packager and wholesale distributor of pharmaceuticals and vitamins to its retail and institutional customers who are located throughout the United States focused primarily on offering 340b-qualified entities products to provide consistency in care and pricing.

The Company’s chief operating decision makers evaluate the financial performance of the Company’s segments based upon segment operating income (loss). Items below operating income (loss) are not reported by segment, since they are excluded

from the measure of segment profitability reviewed by the Company's chief operating decision makers. Additionally, general and administrative expenses, certain selling expenses, certain litigation settlements, and non-operating income and expenses are included in "Corporate and Other." The Company does not report balance sheet information by segment since it is not reviewed by the Company's chief operating decision makers.

The tables below present segment information reconciled to total Company financial results, with segment operating income (loss) including gross profit less direct selling, general and administrative expenses, research and development expenses, and other operating expenses to the extent specifically identified by segment (in thousands):

| Three Months Ended September 30, 2021 | Generics ⁽¹⁾ | Specialty | AvKARE ⁽¹⁾ | Corporate and Other | Total Company |
|---|-------------------------|-----------------|-----------------------|---------------------|------------------|
| Net revenue | \$ 347,127 | \$ 92,745 | \$ 88,721 | \$ — | \$ 528,593 |
| Cost of goods sold | 208,670 | 47,303 | 73,421 | — | 329,394 |
| Cost of goods sold impairment charges | 688 | — | — | — | 688 |
| Gross profit | <u>137,769</u> | <u>45,442</u> | <u>15,300</u> | <u>—</u> | <u>198,511</u> |
| Selling, general and administrative | 15,941 | 22,211 | 14,683 | 38,562 | 91,397 |
| Research and development | 34,999 | 13,928 | — | — | 48,927 |
| Intellectual property legal development expenses | 1,584 | 43 | — | — | 1,627 |
| Acquisition, transaction-related and integration expenses | — | — | — | 134 | 134 |
| Charges related to legal matters, net | — | — | — | 19,000 | 19,000 |
| Restructuring and other charges | — | — | — | 425 | 425 |
| Change in fair value of contingent consideration | — | 300 | — | — | 300 |
| Property losses and associated expenses | 8,186 | — | — | — | 8,186 |
| Operating income (loss) | <u>\$ 77,059</u> | <u>\$ 8,960</u> | <u>\$ 617</u> | <u>\$ (58,121)</u> | <u>\$ 28,515</u> |

| Nine Months Ended September 30, 2021 | Generics ⁽¹⁾ | Specialty | AvKARE ⁽¹⁾ | Corporate and Other | Total Company |
|---|-------------------------|------------------|-----------------------|---------------------|-------------------|
| Net revenue | \$ 1,020,072 | \$ 277,311 | \$ 259,390 | \$ — | \$ 1,556,773 |
| Cost of goods sold | 598,122 | 144,184 | 211,208 | — | 953,514 |
| Cost of goods sold impairment charges | 688 | — | — | — | 688 |
| Gross profit | <u>421,262</u> | <u>133,127</u> | <u>48,182</u> | <u>—</u> | <u>602,571</u> |
| Selling, general and administrative | 46,500 | 62,748 | 41,986 | 117,046 | 268,280 |
| Research and development | 114,547 | 35,426 | — | — | 149,973 |
| In-process research and development impairment charges | 710 | — | — | — | 710 |
| Intellectual property legal development expenses | 6,506 | 68 | — | — | 6,574 |
| Acquisition, transaction-related and integration expenses | — | 16 | 1,422 | 5,781 | 7,219 |
| Charges related to legal matters, net | — | — | — | 19,000 | 19,000 |
| Restructuring and other charges | 80 | — | — | 708 | 788 |
| Change in fair value of contingent consideration | — | 300 | — | — | 300 |
| Property losses and associated expenses | 8,186 | — | — | — | 8,186 |
| Operating income (loss) | <u>\$ 244,733</u> | <u>\$ 34,569</u> | <u>\$ 4,774</u> | <u>\$ (142,535)</u> | <u>\$ 141,541</u> |

| Three Months Ended September 30, 2020 | Generics ⁽¹⁾ | Specialty | AvKARE ^(1,2) | Corporate and Other | Total Company |
|---|-------------------------|------------------|-------------------------|---------------------|-----------------|
| Net revenue | \$ 341,920 | \$ 87,868 | \$ 89,506 | \$ — | \$ 519,294 |
| Cost of goods sold | 229,067 | 47,735 | 76,543 | — | 353,345 |
| Cost of goods sold impairment charges | 32,364 | — | — | — | 32,364 |
| Gross profit | 80,489 | 40,133 | 12,963 | — | 133,585 |
| Selling, general and administrative | 13,153 | 19,181 | 15,374 | 35,412 | 83,120 |
| Research and development | 39,232 | 5,287 | — | — | 44,519 |
| Intellectual property legal development expenses | 2,132 | 2 | — | — | 2,134 |
| Acquisition, transaction-related and integration expenses | — | 1 | — | 1,040 | 1,041 |
| Charges related to legal matters, net | 60 | — | — | — | 60 |
| Restructuring and other (credit) charges | (536) | — | — | 812 | 276 |
| Operating income (loss) | <u>\$ 26,448</u> | <u>\$ 15,662</u> | <u>\$ (2,411)</u> | <u>\$ (37,264)</u> | <u>\$ 2,435</u> |

| Nine Months Ended September 30, 2020 | Generics ⁽¹⁾ | Specialty | AvKARE ^(1,2) | Corporate and Other | Total Company |
|---|-------------------------|------------------|-------------------------|---------------------|------------------|
| Net revenue | \$ 1,001,065 | \$ 270,101 | \$ 211,323 | \$ — | \$ 1,482,489 |
| Cost of goods sold | 666,841 | 145,782 | 173,966 | — | 986,589 |
| Cost of goods sold impairment charges | 34,579 | — | — | — | 34,579 |
| Gross profit | 299,645 | 124,319 | 37,357 | — | 461,321 |
| Selling, general and administrative | 42,578 | 56,993 | 41,809 | 100,660 | 242,040 |
| Research and development | 108,582 | 17,888 | — | — | 126,470 |
| In-process research and development impairment charges | 960 | — | — | — | 960 |
| Intellectual property legal development expenses | 6,947 | 7 | — | — | 6,954 |
| Acquisition, transaction-related and integration expenses | 325 | 83 | — | 4,995 | 5,403 |
| Charges related to legal matters, net | 5,610 | 250 | — | — | 5,860 |
| Restructuring and other (credit) charges | (158) | — | — | 2,815 | 2,657 |
| Operating income (loss) | <u>\$ 134,801</u> | <u>\$ 49,098</u> | <u>\$ (4,452)</u> | <u>\$ (108,470)</u> | <u>\$ 70,977</u> |

(1) Operating results for the sale of Amneal products by AvKARE are included in Generics.

(2) The AvKARE segment consists of the businesses acquired in the Rondo Acquisitions on January 31, 2020. Operating results for the nine months ended September 30, 2021 represent eight months of activity.

15. Related Party Transactions

The Company has various business agreements with certain third-party companies in which there is some common ownership and/or management between those entities, on the one hand, and the Company, on the other hand. The Company has no direct ownership or management in any of such related party companies. The related party relationships that generated income and/ or expense in the respective reporting periods are described below.

Financing Lease - Related Party

The Company has a financing lease for two buildings located in Long Island, New York, which are used as an integrated manufacturing and office facility. The Company leased these buildings from LAX Hotel, LLC from 2012 until January 2021. LAX Hotel, LLC had been controlled by a member of the Amneal Group, who also serves as observer on the Company's Board of Directors. As a result, this lease had been historically accounted for as a related party financing lease.

During January 2021, LAX Hotel, LLC sold its interests in the leased buildings to an unrelated third party. Therefore, this lease is no longer a related party transaction, and the corresponding financing lease right-of-use asset and liability have been reclassified in the consolidated balance sheet as of September 30, 2021 to reflect this change. For the nine months ended September 30, 2021, related party lease costs and interest expense associated with this lease were \$0.2 million and \$0.4 million, respectively (none for the three months ended September 30, 2021). For the three and nine months ended September 30, 2020, related party lease costs and interest expense were approximately \$1 million and \$4 million, respectively.

For annual payments required under the terms of the non-cancelable lease agreement over the next five years and thereafter, refer to *Note 12. Leases* in the Company's 2020 Annual Report on Form 10-K.

Kanan, LLC

Kanan, LLC ("Kanan") is a real estate company which owns Amneal's manufacturing facilities located at 65 Readington Road, Branchburg, New Jersey, 131 Chambers Brook Road, Branchburg, New Jersey and 1 New England Avenue, Piscataway, New Jersey. Certain executive officers of the Company beneficially own, through certain revocable trusts, equity securities of Kanan. In addition, they serve on the management team of Kanan. Amneal leases these facilities from Kanan under two separate triple-net lease agreements that expire in 2027 and 2031, respectively, at an annual rental cost of approximately \$2 million combined, subject to CPI rent escalation adjustments as provided in the lease agreements. Rent expense paid to Kanan for both the three months ended September 30, 2021 and 2020 was \$0.5 million. Rent expense paid to Kanan for both the nine months ended September 30, 2021 and 2020 was \$1.6 million.

Industrial Real Estate Holdings NY, LLC and Sutaria Family Realty, LLC

Industrial Real Estate Holdings NY, LLC ("IRE") is a real estate management entity, which was the sub-landlord of Amneal's leased manufacturing facility located at 75 Adams Avenue, Hauppauge, New York. IRE is controlled by a member of the Amneal Group, who also serves as an observer on the Company's Board of Directors. Effective June 1, 2020, the lease was assigned to the Company with the consent of the landlord, Sutaria Family Realty, LLC, which is also a related party because a member of Company management is a beneficial owner. Concurrently with the assignment of the lease, the Company exercised a renewal option for \$0.1 million to extend the lease by 5 years until March 31, 2026. Monthly rent payments are \$0.1 million and increase by 3% annually. Rent paid to the related parties for the three months ended September 30, 2021 and 2020 was \$0.3 million and \$0.4 million, respectively. Rent paid to the related parties for both of the nine months ended September 30, 2021 and 2020 was approximately \$1 million.

Kashiv BioSciences, LLC

Kashiv is an independent contract development organization focused primarily on the development of 505(b)(2) NDA products. Amneal has various business agreements with Kashiv. Certain executive officers of the Company beneficially own, directly and through certain revocable or irrevocable trusts for the benefit of their immediate families, outstanding equity securities of Kashiv. In addition, they serve as managers of Kashiv.

On January 11, 2021, the Company and Kashiv entered into a definitive agreement for Amneal to acquire a 98% interest in KSP, a subsidiary of Kashiv focused on the development of complex generics, innovative drug delivery platforms and novel 505(b)(2) drugs. The acquisition closed on April 2, 2021. Certain of the contracts between Amneal and Kashiv were acquired in this transaction and have become transactions among Amneal's consolidated subsidiaries subsequent to the transaction closing. Refer to *Note 3. Acquisitions* for further details on the KSP Acquisition.

Agreements with Kashiv Not Affected by the Acquisition of KSP

The parties entered into a lease for parking spaces next to the Company's manufacturing site in Piscataway, NJ. The total amount of expense paid to Kashiv pursuant to this agreement for each of the three and nine months ended September 30, 2021 and 2020 was less than \$0.1 million.

Amneal also has various consulting arrangements with Kashiv to collaborate on the development and commercialization of certain generic pharmaceutical products. The total expenses associated with these arrangements for the nine months ended September 30, 2021 was \$0.5 million (none for the three months ended September 30, 2021).

The table below includes the terms and expenses recognized for each of the product specific contracts with Kashiv.

(Amounts in millions)

| Products | Agreement Date | Research and development expenses | | | |
|---|----------------|---|------|--|------|
| | | For the three months ended September 30 | | For the nine months ended September 30 | |
| | | 2021 | 2020 | 2021 | 2020 |
| Filgrastim and PEG-Filgrastim ⁽¹⁾ | October 2017 | \$ — | \$ 1 | \$ — | \$ 1 |
| Ganirelix Acetate and Cetrorelix Acetate ⁽²⁾ | August 2020 | \$ — | \$ 1 | \$ 1 | \$ 1 |

⁽¹⁾ Kashiv granted Amneal an exclusive license, under its New Drug Application, to distribute and sell two bio-similar products in the U.S. Kashiv is responsible for development, regulatory filings, obtaining FDA approval, and manufacturing, and Amneal is responsible for marketing, selling and pricing activities. The term of the agreement is 10 years from the respective product's launch date. The agreement provides for potential future milestone payments to Kashiv of (i) up to \$21 million relating to regulatory approval, (ii) up to \$43 million for successful delivery of commercial launch inventory, (iii) between \$20 million and \$50 million relating to number of competitors at launch for one product, and (iv) between \$15 million and \$68 million for the achievement of cumulative net sales for both products. The milestones are subject to certain performance conditions which may or may not be achieved, including FDA filing, FDA approval, launch activities and commercial sales volume objectives. In addition, the agreement provides for Amneal to pay a profit share equal to 50% of net profits, after considering manufacturing and marketing costs.

⁽²⁾ Amneal and Kashiv entered into a product development agreement for the development and commercialization of two generic peptide products, Ganirelix Acetate and Cetrorelix Acetate. Under the agreement, the intellectual property and ANDA for these products are owned by Amneal, and Kashiv is to receive a profit share for all sales of the products made by Amneal. In connection with the agreement, Amneal made an upfront payment for \$1 million during August 2020. The agreement also provides for potential future milestone payments to Kashiv of (i) up to \$2 million relating to development milestones, and (ii) up to \$0.3 million relating to regulatory filings. The milestones are subject to certain performance conditions which may or may not be achieved, including FDA filings. In addition, Amneal is to pay \$3 million of development fees to Kashiv as the development work is completed.

Agreements with Kashiv Included in the Acquisition of KSP

The following contracts previously between Amneal and Kashiv were acquired with KSP and have become transactions among Amneal's consolidated subsidiaries subsequent to the transaction closing on April 2, 2021. The disclosures below relate to the historical agreements as related party transactions through April 2, 2021. Additionally, there were no related expenses for any of these agreements during the three months ended September 30, 2021.

Amneal had various development and commercialization arrangements with Kashiv to collaborate on the development and commercialization of certain generic pharmaceutical products. For the nine months ended September 30, 2021 and 2020, total reimbursable expenses associated with these arrangements was \$0.3 million and \$0.2 million, respectively (none for either of the three months ended September 30, 2021 and 2020). Kashiv received a percentage of net profits with respect to Amneal's sales of these products. The total profit share paid to Kashiv for the nine months ended September 30, 2021 was \$3 million. For the three and nine months ended September 30, 2020, total profit share paid to Kashiv was \$3 million and \$8 million, respectively.

On February 20, 2020, the Company and Kashiv entered into a master services agreement covering certain services that Kashiv provided the Company for commercial product support related to EluRyng and other products, including Ranitidine and Nitrofurantoin. For the nine months ended September 30, 2021, the Company recorded \$1 million to cost of goods sold to compensate Kashiv for services performed. For the three and nine months ended September 30, 2020, the Company recorded \$2 million and \$5 million, respectively, to cost of goods sold to compensate Kashiv for services performed.

The following table includes the expenses recognized for each of the product specific contracts with Kashiv prior to the acquisition of these contracts as part of the KSP Acquisition.

(Amounts in millions)

| Products | Agreement Date | Research and development expenses | | | |
|-------------------------------------|----------------|---|------|--|------|
| | | For the three months ended September 30 | | For the nine months ended September 30 | |
| | | 2021 | 2020 | 2021 | 2020 |
| Levothyroxine Sodium ⁽¹⁾ | June 2019 | \$ — | \$ — | \$ — | \$ 2 |
| K127 ⁽²⁾ | November 2019 | \$ — | \$ — | \$ 3 | \$ 2 |
| Posaconazole ⁽³⁾ | May 2020 | \$ — | \$ — | \$ — | \$ — |

⁽¹⁾ Pursuant to a product development agreement, Amneal and Kashiv agreed to collaborate on the development and commercialization of Levothyroxine Sodium. Under the agreement, the intellectual property and ANDA for this product is owned by Amneal, and Kashiv received a profit share for all sales of the product made by Amneal. Amneal was precluded from selling the product made by Kashiv during the term of the license and supply agreement with Jerome Stevens Pharmaceuticals (refer to *Note 5. Alliance and Collaboration*, in the Company's 2020 Annual Report on Form 10-K for additional details). Under the terms of the amended agreement with Kashiv, Amneal paid \$2 million in July 2019 and may be required to pay up to an additional \$18 million upon certain regulatory milestones being met.

⁽²⁾ Amneal and Kashiv had a licensing agreement for the development and commercialization of Kashiv's orphan drug K127 (Pyridostigmine) for the treatment of Myasthenia Gravis. Under the terms of the agreement, Kashiv was responsible for all development and clinical work required to secure Food and Drug Administration approval, and Amneal was responsible for filing the NDA and commercializing the product. The Company made an upfront payment of approximately \$2 million to Kashiv in December 2019, and Kashiv was eligible to receive development and regulatory milestones totaling approximately \$17 million. Kashiv was also eligible to receive tiered royalties from the low double-digits to mid-teens on net sales of K127.

⁽³⁾ Amneal and Kashiv had a product development agreement for the development and commercialization of Posaconazole. In connection with the agreement, Amneal paid an upfront amount of \$0.3 million in May 2020 for execution of the agreement. The agreement also provided for potential future milestone payments to Kashiv of (i) up to \$0.8 million relating to development milestones, (ii) up to \$0.3 million relating to regulatory approval, and (iii) up to \$1 million for the achievement of cumulative net sales. The milestones were subject to certain performance conditions which may or may not be achieved, including FDA filing, FDA approval and commercial sales volume objectives.

As of September 30, 2021 and December 31, 2020, payables of approximately \$0.1 million and \$5 million, respectively, were due to Kashiv. Additionally, as of December 31, 2020 a receivable of \$0.1 million was due from Kashiv.

As discussed in *Note 3. Acquisitions*, the purchase price for the KSP Acquisition included payment of cash on hand, deferred consideration, and contingent consideration. As of September 30, 2021, deferred consideration of \$30 million was recorded within related party payable-short term. Additionally, as of September 30, 2021, contingent consideration liability of \$6 million was recorded within related party payable-long term.

PharmaSophia, LLC

PharmaSophia, LLC ("PharmaSophia") is a joint venture formed by Nava Pharma, LLC ("Nava") and Oakwood Laboratories, LLC for the purpose of developing certain products. Certain executive officers of the Company beneficially own, directly and through certain revocable or irrevocable trusts for the benefit of their immediate families, outstanding equity securities of Nava. Nava beneficially owns 50% of the outstanding equity securities of PharmaSophia. In addition, these executive officers also serve as managers of Nava.

Currently PharmaSophia is actively developing one injectable product. PharmaSophia and Nava are parties to a research and development agreement pursuant to which Nava provides research and development services to PharmaSophia. Nava subcontracted this obligation to Amneal, entering into a subcontract research and development services agreement pursuant to which Amneal provides research and development services to Nava in connection with the products being developed by PharmaSophia. The total amount of income earned from these agreements for both the three months ended September 30, 2021

and 2020 was less than \$0.1 million. The total amount of income earned from these agreements for the nine months ended September 30, 2021 and 2020 was \$0.3 million and \$0.4 million, respectively. At September 30, 2021 and December 31, 2020, receivables of \$1 million and \$0.8 million, respectively, were due from the related party.

Fosun International Limited

Fosun International Limited (“Fosun”) is a Chinese international conglomerate and investment company that is a shareholder of the Company. On June 6, 2019, the Company entered into a license and supply agreement with a subsidiary of Fosun, which is a Chinese pharmaceutical company. Under the terms of the agreement, the Company will hold the imported drug license required for pharmaceutical products manufactured outside of China and will supply Fosun with finished, packaged products for Fosun to then sell in the China market. Fosun will be responsible for obtaining regulatory approval in China and for shipping the product from Amneal’s facility to Fosun’s customers in China. In consideration for access to the Company’s U.S. regulatory filings to support its China regulatory filings and for the supply of product, Fosun paid the Company a \$1 million non-refundable fee, net of tax, in July 2019 and will be required to pay the Company \$0.3 million for each of eight products upon the first commercial sale of each in China in addition to a supply price and a profit share. The Company has not recognized any revenue from this agreement.

On August 12, 2021, the Company entered into an active pharmaceutical ingredient (“API”) co-development agreement with a subsidiary of Fosun. Under the terms of the agreement, the Company provided Fosun a license to manufacture and sell two pharmaceutical products outside of the United States. Fosun will be responsible for obtaining regulatory approval outside the United States. Fosun paid the Company a \$0.2 million non-refundable fee in October 2021 and will be required to pay the Company \$0.1 million for each of the two products upon the first commercial sale of each in China in addition to a profit share.

Apace KY, LLC d/b/a Apace Packaging LLC

Apace KY, LLC d/b/a Apace Packaging LLC (“Apace”) provides packaging solutions pursuant to an exclusive packaging agreement. Apace markets its services which include bottling and blistering for the pharmaceutical industry. A member of Company management beneficially owns outstanding equity securities of Apace. The total amount of expenses from this arrangement for the three months ended September 30, 2021 and 2020 was \$3 million and \$2 million, respectively. The total amount of expenses from this arrangement for both the nine months ended September 30, 2021 and 2020 was \$8 million. At September 30, 2021 and December 31, 2020, payables of approximately \$0.7 million and \$1 million respectively, were due to the related party for packaging services. Additionally, at December 31, 2020, receivables of \$0.5 million was due from the related party for a product recall (none at September 30, 2021).

Tracy Properties LLC

R&S leases operating facilities, office and warehouse space from Tracy Properties LLC (“Tracy”). A member of Company management beneficially owns outstanding equity securities of Tracy. The total amount of expenses from this arrangement for both of the three months ended September 30, 2021 and 2020 was \$0.2 million. The total amount of expenses from this arrangement for both of the nine months ended September 30, 2021 and 2020 was \$0.4 million.

AzaTech Pharma LLC

R&S purchases inventory from AzaTech Pharma LLC (“AzaTech”) for resale. A member of Company management beneficially owns outstanding equity securities of AzaTech. The total amount of purchases from this arrangement for both of the three months ended September 30, 2021 and 2020 was approximately \$1 million. The total amount of purchases from this arrangement for both of the nine months ended September 30, 2021 and 2020 was approximately \$3 million. At September 30, 2021 and December 31, 2020, payables of approximately \$0.8 million and \$1 million, respectively, were due to AzaTech for inventory purchases.

AvPROP, LLC

AvKARE LLC leases its operating facilities from AvPROP, LLC (“AvPROP”). A member of Company management beneficially owns outstanding equity securities of AvPROP. Rent expense from this arrangement for both of the three months ended September 30, 2021 and 2020 was less than \$0.1 million. Rent expense from this arrangement for both of the nine months ended September 30, 2021 and 2020 was \$0.1 million.

Tarsadia Investments, LLC

Tarsadia Investments, LLC (“Tarsadia”) is a private investment firm that provides financial services and is a significant shareholder of the Company. A member of Amneal Group, and an observer to the Board, is the Chairman and Founder of Tarsadia Investments. Another member of the Amneal Group, and a member of the Board, is a Managing Director of Tarsadia Investments. Tarsadia offers capital and strategic support for companies with substantial growth potential primarily in the healthcare, financial services, real estate, and clean technology sectors. The Company entered into an agreement in which Tarsadia will provide financial consulting services. The services are not expected to have a material impact to the Company’s financial statements.

Avtar Investments, LLC

Avtar Investments, LLC (“Avtar”) is a private investment firm. Members of Company management beneficially own, directly and through certain revocable or irrevocable trusts for the benefit of their immediate families, outstanding equity securities of Avtar. During April 2020, the Company entered into an agreement in which Avtar will provide consulting services. The total amount of consulting expense incurred for the three and nine months ended September 30, 2021 was \$0.1 million and \$0.3 million, respectively. The total amount of consulting expense incurred for the three and nine months ended September 30, 2020 was \$0.1 million and \$0.9 million, respectively. As of both September 30, 2021 and December 31, 2020, less than \$0.1 million was due to Avtar.

Zep Inc.

Zep Inc. (“Zep”) is a producer, and distributor of maintenance and cleaning solutions for retail, food & beverage, industrial & institutional, and vehicle care customers. An executive officer of the Company serves as a director of Zep. During May 2020, AvKARE entered into an agreement to supply cleaning products to Zep. The amount of revenue recorded for the three and nine months ended September 30, 2020 was \$0.1 million and \$0.5 million, respectively (none for the three and nine months ended September 30, 2021). As of December 31, 2020, \$0.1 million was recorded in related party receivables (there was no related party receivable as of September 30, 2021).

Tax Distributions

Under the terms of its limited liability company agreement, Amneal is obligated to make tax distributions to its members, which are also holders of non-controlling interests in the Company. For further details, refer to *Note 16. Stockholders' Equity and Redeemable Non-Controlling Interests*.

Additionally, under the terms of the limited liability company agreement between the Company and the holders of the Rondo Class B Units, Rondo is obligated to make tax distributions to those holders, subject to certain limitations as defined in the Rondo Credit Facility. For further details, refer to *Note 16. Stockholders' Equity and Redeemable Non-Controlling Interests*.

Tax Indemnification – Rondo Acquisitions

In accordance with the Rondo Equity Purchase Agreement, the Company will be indemnified by the sellers of AvKARE, LLC and R&S for \$0.2 million of state taxes paid on behalf of the sellers for a tax period prior to the closing of the Rondo Acquisition. As a result, the Company recorded \$0.2 million of related party receivables as of September 30, 2021.

Notes Payable – Related Party

The sellers of AvKARE, LLC and R&S hold the remaining 34.9% interest in Rondo (“Rondo Class B Units”). Certain holders of the Rondo Class B Units are also holders of the Sellers Notes and were holders of the Short-Term Sellers Note until it was repaid in its entirety in February 2021. For additional information, refer to *Note 3. Acquisitions*.

16. Stockholders’ Equity and Redeemable Non-Controlling Interests

Non-Controlling Interests

The Company consolidates the financial statements of Amneal and its subsidiaries and records non-controlling interests for the portion of Amneal’s economic interests that is not held by the Company. Non-controlling interests are adjusted for capital transactions that impact the non-publicly held economic interests in Amneal.

Under the terms of Amneal's limited liability company agreement, as amended, Amneal is obligated to make tax distributions to its members based on the members' taxable income from Amneal. During the three and nine months ended September 30, 2021, the Company recorded tax distributions of approximately \$9 million and \$34 million as a reduction of non-controlling interests, respectively, and paid in full. For the nine months ended September 30, 2020, a tax distribution of \$1 million (none for the three months ended September 30, 2020) was recorded as a reduction of non-controlling interests. As of September 30, 2021, there were no amounts due for tax distributions.

During September 2020, the Company made a \$3 million payment to the non-controlling interest holders in one of Amneal's non-public subsidiaries to distribute earnings of approximately \$1 million and acquire their ownership interests in the non-public subsidiary for \$2 million.

As discussed in *Note 3. Acquisitions*, the Company acquired a 98% interest in KSP on April 2, 2021. The sellers of KSP, a related party, hold the remaining interest. The Company will attribute 2% of the net income or loss of KSP to the non-controlling interests. As of September 30, 2021, the non-controlling interest attributable to KSP was approximately \$2 million.

Redeemable Non-Controlling Interests

As discussed in *Note 3. Acquisitions*, the Company acquired a 65.1% interest in Rondo on January 31, 2020. The sellers of AvKARE, LLC and R&S hold the remaining 34.9% interest as Rondo Class B Units. Beginning on January 1, 2026, the holders of the Rondo Class B Units have the right ("Put Right") to require the Company to acquire the Rondo Class B Units for a purchase price that is based on a multiple of Rondo's earnings before income taxes, depreciation, and amortization (EBITDA) if certain financial targets and other conditions are met. Additionally, beginning on January 31, 2020, the Company has the right to acquire the Rondo Class B Units based on the same value and conditions as the Put Right. The Rondo Class B Units are also redeemable by the holders upon a change in control.

Since the redemption of the Rondo Class B Units is outside of the Company's control, the units have been presented outside of stockholders' equity as redeemable non-controlling interests. Upon closing of the Rondo Acquisitions on January 31, 2020, the redeemable non-controlling interests were recorded as a component of the fair value of consideration transferred at an estimated fair value of \$11 million. The fair value of the redeemable non-controlling interests was estimated using the Monte-Carlo simulation approach under the option pricing framework, which considers the redemption rights of both the Company and the holders of the Rondo Class B Units.

The Company will attribute 34.9% of the net income or loss of Rondo to the redeemable non-controlling interests. The Company will also accrete the redeemable non-controlling interests to redemption value upon an event that makes redemption probable. For the three and nine months ended September 30, 2021, the Company recorded tax distributions of \$0.5 million and \$2.2 million as a reduction of redeemable non-controlling interests, respectively. For the three and nine months ended September 30, 2020, the Company recorded tax distributions of \$0.1 million and \$0.5 million as a reduction of redeemable non-controlling interests, respectively. As of September 30, 2021, there were no amounts due for tax distributions related to redeemable non-controlling interests.

Changes in Accumulated Other Comprehensive Loss by Component (in thousands):

| | Foreign currency translation adjustment | Unrealized gain (loss) on cash flow hedge, net of tax | Accumulated other comprehensive loss |
|--|--|--|---|
| Balance December 31, 2019 | \$ (7,832) | \$ 7,764 | \$ (68) |
| Other comprehensive loss before reclassification | (6,643) | (34,560) | (41,203) |
| Reallocation of ownership interests | (22) | (25) | (47) |
| Balance December 31, 2020 | (14,497) | (26,821) | (41,318) |
| Other comprehensive loss before reclassification | (3,626) | 11,934 | 8,308 |
| Reallocation of ownership interests | (88) | (129) | (217) |
| Balance September 30, 2021 | <u>\$ (18,211)</u> | <u>\$ (15,016)</u> | <u>\$ (33,227)</u> |

17. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised of the following (in thousands):

| | September 30, 2021 | December 31, 2020 |
|--|-----------------------|----------------------|
| Deposits and advances | \$ 2,113 | \$ 1,696 |
| Prepaid insurance | 10,066 | 6,916 |
| Prepaid regulatory fees | 1,707 | 3,565 |
| Income and other tax receivables | 9,062 | 11,882 |
| Prepaid taxes | 8,270 | 5,542 |
| Other current receivables ⁽¹⁾ | 45,297 | 17,117 |
| Chargebacks receivable ⁽²⁾ | 12,167 | 4,913 |
| Other prepaid assets | 21,530 | 21,836 |
| Total prepaid expenses and other current assets | \$ 110,212 | \$ 73,467 |

(1) As discussed in *Note 13. Commitments and Contingencies*, the Company recorded receivables from insurers of \$33 million and \$6 million as of September 30, 2021 and December 31, 2020, respectively, associated with an insured securities class action lawsuit.

(2) When a sale occurs on a contract item, the difference between the cost paid to the manufacturer by the Company and the contract cost that the end customer has with the manufacturer is rebated back to the Company by the manufacturer. The Company establishes a chargeback (rebate) receivable and a reduction to cost of goods sold in the same period as the related sale.

18. Property Losses and Associated Expenses

On September 1, 2021, Tropical Storm Ida brought extreme rainfall and flash flooding to New Jersey that caused damage to two of the Company's facilities in Branchburg. Operations at these facilities were closed for the majority of September in order to assess the damage, make repairs and restore operations. As a result of the significant recovery effort and sufficient safety stock, the Company did not incur a material business disruption for the three and nine months ended September 30, 2021.

The Company nevertheless concluded that all inventory on-hand at the time of the flooding was damaged and unsellable and that a majority of the equipment was damaged beyond repair. In addition, the Company incurred significant costs to repair both facilities. Accordingly, the Company recorded \$8 million of charges for property losses and associated expenses for both of the three and nine months ended September 30, 2021, which was comprised of the following (in thousands):

| | |
|---|-----------------|
| Impairment of equipment | \$ 4,202 |
| Impairment of inventory | 950 |
| Repairs and maintenance expenses | 2,025 |
| Salaries and benefits for cleaning and repairing facilities | 1,009 |
| Subtotal | \$ 8,186 |

The Company has insurance policies for property damage, inventory losses and business interruption. Insurance recoveries are recorded in the periods when it is probable they will be realized. No insurance recoveries have been recorded for the three or nine months ended September 30, 2021 related to property losses.

19. Subsequent Events

Biotechnology license agreement

On October 1, 2021, the Company entered into a license agreement with a clinical-stage biotechnology company for the development and commercialization of injectable products. The Company will pay a profit share in the low double digits on sales of these products. The agreement also contains contingent pre-approval, approval and commercial milestone payments of up to \$4 million, \$27 million, and \$200 million, respectively, payable by the Company. The milestone payments are subject to certain performance conditions, including regulatory approvals and sales, which may not be achieved.

Puniska Healthcare Pvt. Ltd.

On November 2, 2021, the Company entered into a definitive agreement to acquire Puniska Healthcare Pvt. Ltd. (“Puniska”), a privately held manufacturer of parenteral and injectable drugs in India.

Under the terms of the transaction, Amneal will pay the sellers of Puniska \$93 million. Upon execution of the agreement, the Company paid \$73 million for approximately 74% of the equity interests of Puniska. The Company expects to pay an additional \$4 million for land held by one of the sellers during November 2021 and \$16 million for the remaining 26% of the equity interests upon approval by the government of India. The Company expects to fund the entire purchase price with cash on hand.

The Company is evaluating the accounting for the transaction. As such, the Company is not able to disclose certain information relating to the acquisition, including the preliminary fair value of assets acquired and liabilities assumed.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Amneal Pharmaceuticals, Inc. (the “Company,” “we,” “us,” or “our”) is a pharmaceutical company specializing in developing, manufacturing, marketing and distributing high-value generic pharmaceutical products across a broad array of dosage forms and therapeutic areas, as well as branded products. We operate principally in the United States, India, and Ireland, and sell to wholesalers, distributors, hospitals, chain pharmacies and individual pharmacies, either directly or indirectly.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under Item 1A. Risk Factors in our 2020 Annual Report on Form 10-K and under the heading *Cautionary Note Regarding Forward-Looking Statements* included elsewhere in this Quarterly Report on Form 10-Q.

The following discussion and analysis for the three and nine months ended September 30, 2021 should also be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements for the year ended December 31, 2020 included in our 2020 Annual Report on Form 10-K.

Overview

We have three reportable segments: Generics, Specialty, and AvKARE.

Generics

Our Generics segment includes approximately 250 product families covering an extensive range of dosage forms and delivery systems, including both immediate and extended release oral solids, powders, liquids, sterile injectables, nasal sprays, inhalation and respiratory products, ophthalmics (which are sterile pharmaceutical preparations administered for ocular conditions), films, transdermal patches and topicals (which are creams or gels designed to administer pharmaceuticals locally through the skin). We focus on developing products with substantial barriers-to-entry resulting from complex drug formulations or manufacturing, or legal or regulatory challenges. 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 / or pricing of the affected products. Additionally, pricing is determined by market place dynamics and is often affected by factors outside of the Company’s control.

Specialty

Our Specialty segment is engaged in the development, promotion, sale and distribution of proprietary branded pharmaceutical products, with a focus on products addressing central nervous system (“CNS”) disorders, including migraine and Parkinson’s disease. Our portfolio of products includes Rytary®, an extended release oral capsule formulation of carbidopa-levodopa for the treatment of Parkinson’s disease, post-encephalitic parkinsonism, and parkinsonism that may follow carbon monoxide intoxication or manganese intoxication. In addition to Rytary®, our promoted Specialty portfolio includes Unithroid® (levothyroxine sodium), for the treatment of hypothyroidism, which is sold under a license and distribution agreement with Jerome Stevens Pharmaceuticals, Inc., Emverm® (mebendazole) 100 mg chewable tablets, for the treatment of pinworm, whipworm, common roundworm, common hookworm and American hookworm in single or mixed infections, and Zomig® (zolmitriptan) products, for the treatment of migraine headaches, which is sold under a license agreement with AstraZeneca U.K. Limited. We believe that we have the research, development and formulation expertise to develop branded products that will deliver significant improvements over existing therapies.

For Specialty 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. when market exclusivity expires and generic versions of a product are approved and marketed, there can often be very substantial and rapid declines in the branded product’s sales. For example, our patent for Zomig® Spray expired in May 2021. Although no generic product has been commercially launched in the United States as of September 30, 2021, we anticipate to lose market exclusivity in the fourth quarter of 2021.

AvKARE

Our AvKARE segment provides pharmaceuticals, medical and surgical products, and services primarily to governmental agencies. AvKARE is a re-packager of bottle and unit dose pharmaceuticals under the registered names of AvKARE and AvPAK, which service the Department of Defense and Department of Veterans Affairs as well as institutional customers. AvKARE is also a wholesale distributor of pharmaceuticals, over the counter products and medical supplies to institutional customers which are located throughout the United States of America focused primarily on offering 340b-qualified entities products to provide consistency in care and pricing.

The Pharmaceutical Industry

The pharmaceutical industry is highly competitive and highly regulated. As a result, we face a number of industry-specific factors and challenges, which can significantly impact our results. For a more detailed explanation of our business and its risks, refer to our *2020 Annual Report on Form 10-K*, as supplemented by Part II, Item 1A “Risk Factors” of our subsequent Quarterly Reports on Form 10-Q.

COVID-19 Pandemic

In March 2020, the World Health Organization designated the outbreak of a novel strain of coronavirus (“COVID-19”) as a global pandemic. Governments and businesses around the world have taken unprecedented actions to mitigate the spread of COVID-19, including imposing restrictions on movement and travel, and restricting or prohibiting outright some or all commercial and business activity, including the manufacture and distribution of certain goods and the provision of non-essential services. These measures, though currently temporary in nature, may become more severe and continue indefinitely depending on the evolution of the outbreak.

We observed lost sales and some supply interruptions during the year ended December 31, 2020 in our New York, New Jersey and India manufacturing plants. Additionally, decreased influenza activity during the nine months ended September 30, 2021 drove significantly lower sales volume and increased returns related to Oseltamivir as compared to the prior year period.

While manufacturing has resumed to around pre-COVID-19 levels, we may again experience supply chain constraints at our New York, New Jersey, India or other facilities during subsequent waves of COVID-19 infections. Although not currently expected, any supply chain disruptions may significantly impact our 2021 results of operations and cash flows. Several of our key domestic manufacturing, packaging, and facilities are located in New York and New Jersey, two states with a high number of confirmed cases of COVID-19. Additionally, we have key international manufacturing and research and development facilities in India, a country with a high number of confirmed cases of COVID-19.

To the extent that the COVID-19 pandemic continues or worsens, national, state, local and international governments may impose additional restrictions or extend the restrictions already in place. The worsening of the pandemic and the related safety and business operating restrictions could result in a number of adverse impacts to our business, including, but not limited to, additional disruption to the economy and our customers, additional work restrictions, supply chains being interrupted or slowed, and rising supply prices. Also, governments may impose other laws, regulations, or taxes that could adversely impact our business, financial condition, or results of operations. Further, depending on the extent to which our customers are affected, they could delay or reduce purchases of products we provide. The potential effects of the COVID-19 pandemic also could impact us in a number of other ways including, but not limited to, reductions to our profitability, fluctuations in foreign currency markets, the availability of future borrowings, the cost of borrowings, credit risks of our customers and counterparties, and potential impairment of the carrying amount of goodwill or other definite-lived assets.

We continue to actively monitor the situation and may take further precautionary and preemptive actions as may be required by national, state, or local authorities or that we determine are in the best interests of our employees, customers, partners, suppliers, and shareholders. Until the ultimate extent and duration of the pandemic is known, we cannot predict the ultimate effects the pandemic may have on our business, in particular with respect to demand for our products, our strategy, and our prospects, the effects on our customers, or the impact on our financial results.

Inflation

While it is difficult to accurately measure the impact of inflation, we believe our business has not been materially impacted by the overall effects of inflation to date. However, rising inflationary pressures due to higher input costs, including higher material, transportation, labor and other costs, may affect us as well as our vendors and may adversely impact our operating results in future periods.

Results of Operations

Consolidated Results

The following table sets forth our summarized, consolidated results of operations for the three and nine months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------|------------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenue | \$ 528,593 | \$ 519,294 | \$ 1,556,773 | \$ 1,482,489 |
| Cost of goods sold | 329,394 | 353,345 | 953,514 | 986,589 |
| Cost of goods sold impairment charges | 688 | 32,364 | 688 | 34,579 |
| Gross profit | 198,511 | 133,585 | 602,571 | 461,321 |
| Selling, general and administrative | 91,397 | 83,120 | 268,280 | 242,040 |
| Research and development | 48,927 | 44,519 | 149,973 | 126,470 |
| In-process research and development impairment charges | — | — | 710 | 960 |
| Intellectual property legal development expenses | 1,627 | 2,134 | 6,574 | 6,954 |
| Acquisition, transaction-related and integration expenses | 134 | 1,041 | 7,219 | 5,403 |
| Charges related to legal matters, net | 19,000 | 60 | 19,000 | 5,860 |
| Restructuring and other charges | 425 | 276 | 788 | 2,657 |
| Change in fair value of contingent consideration | 300 | — | 300 | — |
| Property losses and associated expenses | 8,186 | — | 8,186 | — |
| Operating income | 28,515 | 2,435 | 141,541 | 70,977 |
| Total other expense, net | (30,558) | (24,324) | (93,856) | (101,280) |
| (Loss) income before income taxes | (2,043) | (21,889) | 47,685 | (30,303) |
| Provision for (benefit from) income taxes | 4,049 | 144 | 7,056 | (105,843) |
| Net (loss) income | \$ (6,092) | \$ (22,033) | \$ 40,629 | \$ 75,540 |

Net Revenue

Net revenue for the three months ended September 30, 2021 increased by 2%, or \$9 million, to \$529 million as compared to \$519 million for the three months ended September 30, 2020. The increase from the prior year period was attributable to the following:

- Our Generics segment revenues of \$347 million grew \$5 million from the prior year period, which was primarily due to new products launched in 2020 and 2021 that contributed revenue growth of \$45 million. The overall increase was offset, in part, by price erosion in our base business and the impact of weaker orders of Oseltamivir (generic Tamiflu®).
- Our Specialty segment revenues of \$93 million increased \$5 million from the prior year period, primarily attributed to a year-over-year increase in revenue for Rytary® and Unithroid® of 11% and 18%, respectively. This increase was partially offset by a decline in non-promoted Specialty brands.
- Our AvKARE segment revenues were flat year-over-year as growth in new product introductions offset favorable timing of a discrete item that benefited three months ended September 30, 2020.

Net revenue for the nine months ended September 30, 2021 increased by 5%, or \$74 million, to \$1,557 million as compared to \$1,482 million for the nine months ended September 30, 2020. The increase from the prior year period was attributable to growth in all three operating segments as follows:

- Growth in our Generics segment of \$19 million was primarily due to new products launched in 2020 and 2021 that contributed revenue growth of \$141 million, as well as volume growth in the base business. This increase was partially offset by a \$40 million decline in Oseltamivir (generic Tamiflu®) sales from lower demand due to decreased influenza activity during the COVID-19 pandemic, as well as price erosion in our base business.
- Our Specialty segment revenues increased \$7 million from the prior year period, reflecting revenue growth in Rytary® and Unithroid® of 7% and 19%, respectively. This increase was partially offset by declines in Zomig® nasal spray and other non-promoted products.

- Our AvKARE segment revenues of \$259 million grew \$48 million versus the prior year period, in part due to the timing of the acquisition in 2020 as well as organic growth due to better new product introductions.

Cost of Goods Sold and Gross Profit

Cost of goods sold, including impairment charges, decreased 14%, or \$56 million, to \$330 million for the three months ended September 30, 2021 as compared to \$386 million for the three months ended September 30, 2020. The decrease in cost of goods sold, including impairment charges, was primarily attributable to a decrease in impairment charges of \$32 million. Excluding impairment charges, cost of goods sold decreased approximately \$24 million from the prior year period, attributed to reduced material costs, better plant utilization including manufacturing a higher percentage of the Company's products, and favorable product mix, which offset the increase in revenue, as noted above.

Gross profit for the three months ended September 30, 2021 was \$199 million (38% of total net revenue) as compared to gross profit of \$134 million (26% of total net revenue) for the three months ended September 30, 2020. Our gross profit as a percentage of net revenue increased compared to the prior year period primarily as a result of the factors noted above.

Cost of goods sold, including impairment charges, decreased 7%, or \$67 million, to \$954 million for the nine months ended September 30, 2021 as compared to \$1,021 million for the nine months ended September 30, 2020. The decrease in cost of goods sold, including impairment charges, was primarily attributable to \$34 million of impairment charges in the prior year period, as well as gross margin improvement in the current year, which was related to reduced material costs, better plant utilization including manufacturing a higher percentage of the Company's products, and favorable product mix. Partially offsetting this decrease was an extra month of AvKARE expense, as well as an increase in revenues for the comparative period.

Gross profit for the nine months ended September 30, 2021 was \$603 million (39% of total net revenue) as compared to gross profit of \$461 million (31% of total net revenue) for the nine months ended September 30, 2020. Our gross profit as a percentage of net revenue increased compared to the prior year period primarily as a result of the factors noted above.

Selling, General, and Administrative

Selling, general, and administrative ("SG&A") expenses for the three months ended September 30, 2021 were \$91 million, as compared to \$83 million for the three months ended September 30, 2020. The \$8 million increase from the prior year period was primarily due to an increase in employee compensation, increased logistics costs, and an increase in third party spend and promotional efforts as the Company began to resume normal activities and in-person meetings in the current year. This increase was partially offset by a reduction in cost savings associated with the elimination of redundancies in connection with Company's integration efforts of recent business acquisitions.

Selling, general, and administrative ("SG&A") expenses for the nine months ended September 30, 2021 were \$268 million, as compared to \$242 million for the nine months ended September 30, 2020. The \$26 million increase from the prior year period was primarily due to an increase in employee compensation, an extra month of expenses from our AvKARE segment and an increase in indirect taxes. This increase was partially offset by a reduction in cost savings associated with the elimination of redundancies in connection with Company's integration efforts of recent business acquisitions.

Research and Development

Research and development ("R&D") expenses for the three months ended September 30, 2021 was \$49 million, as compared to \$45 million for the three months ended September 30, 2020. The increase compared to the prior year period was primarily attributable to projects acquired in the acquisition of Kashiv Specialty Pharmaceuticals, LLC (the "KSP Acquisition") and other development costs, partially offset by a reduction in in-licensing and upfront milestone payments. Refer to *Note 3. Acquisitions* for additional information.

R&D expenses for the nine months ended September 30, 2021 were \$150 million, as compared to \$126 million for the nine months ended September 30, 2020. The \$24 million increase compared to the prior year period was primarily attributable to a \$7 million increase related to projects acquired in the KSP Acquisition as well as \$6 million increase for in-licensing and upfront milestone payments, which was incurred to grow our Specialty and Generics pipelines, and increased project spend for ongoing project costs associated with IPX203 and complex generic product candidates.

Intellectual Property Legal Development Expense

Intellectual property legal development expenses include, but are not limited to, costs associated with formulation assessments, patent challenge opinions and strategy, and litigation expenses to defend our intellectual property. Intellectual property legal development expenses for each of the three months ended September 30, 2021 and 2020 were each \$2 million. Intellectual property legal development expenses for each of the nine months ended September 30, 2021 and 2020 were \$7 million. Expenses may vary by period based upon the number of individual cases and corresponding litigation outstanding in any particular period.

Acquisition, Transaction-Related and Integration Expenses

Acquisition, transaction-related and integration expenses were \$1 million for the three months ended September 30, 2020 (immaterial for the three months ended September 30, 2021). Acquisition, transaction-related and integration expenses were \$7 million for the nine months ended September 30, 2021 as compared to \$5 million for the nine months ended September 30, 2020.

Acquisition, transaction-related and integration expenses for the nine months ended September 30, 2021 were primarily related to KSP Acquisition, which closed on April 2, 2021, and the related integration, and the integration of the acquisitions that comprise our AvKARE segment. For the three and nine months ended September 30, 2020, acquisition, transaction-related and integration expenses were primarily related to the acquisition and integration of the businesses that comprise our AvKARE segment and system integration expenses related to the combination with Impax Laboratories, LLC. Refer to *Note 3. Acquisitions* for additional information.

Charges Related to Legal Matters, Net

For the three and nine months ended September 30, 2021, we recorded charges of \$19 million for Corporate commercial legal proceedings and claims. For the nine months ended September 30, 2020, we recorded net charges of \$6 million for commercial legal proceedings and claims, which were primarily recorded in our Generics segment (immaterial for the three months ended September 30, 2020). Insurance recoveries are recorded in the periods when it is probable they will be realized. Refer to *Note 13. Commitments and Contingencies*, for additional information about legal matters.

Restructuring and Other Charges

On July 10, 2019, we announced a plan to restructure our operations that is intended to reduce costs and optimize our organizational and manufacturing infrastructure. Pursuant to the restructuring plan as revised, we expect to reduce our headcount by approximately 300 to 350 by June 30, 2022, primarily by closing our manufacturing facility located in Hauppauge, NY. Through September 30, 2021, the Company had reduced headcount by 280 employees under this plan.

For the three months ended September 30, 2021 and 2020, restructuring and other charges were \$0.4 million and \$0.3 million, respectively. For the nine months ended September 30, 2021 and 2020, restructuring and other charges were \$0.8 million and \$3 million, respectively. These charges primarily consisted of the cost of benefits provided pursuant to our severance programs for former senior executives and management employees.

Property Losses and Associated Expenses

On September 1, 2021, Tropical Storm Ida brought extreme rainfall and flash flooding to New Jersey that caused damage to two of our facilities in Branchburg. Operations at these facilities were closed for the majority of September in order to assess the damage, make repairs and restore operations. Although, as a result of the significant recovery effort and sufficient safety stock, we did not incur a material business disruption for the three and nine months ended September 30, 2021, we concluded that all inventory on-hand at the time of the flooding was damaged and unsellable, and that a majority of the equipment was damaged beyond repair. In addition, we incurred significant costs to repair both facilities. Accordingly, we recorded \$8 million of charges for property losses and associated expenses in our Generics segment for the three and nine months ended September 30, 2021.

The Company has insurance policies for property damage, inventory losses and business interruption. Insurance recoveries are recorded in the periods when it is probable they will be realized. No insurance recoveries have been recorded for the three or nine months ended September 30, 2021 related to property damage. Refer to *Note 18. Property Losses and Associated Expenses* for additional information.

Other Expense, Net

Other expense, net was \$31 million for the three months ended September 30, 2021, compared to \$24 million for the three months ended September 30, 2020. Overall, the increase was driven by a \$10 million unfavorable period-over-period impact of net foreign exchange gains and losses, which was partially offset by a \$3 million benefit relating to a previously outstanding contingent liability.

Other expense, net was \$94 million for the nine months ended September 30, 2021, as compared to \$101 million for the three months ended September 30, 2020. The decrease of \$7 million was primarily due to a \$9 million decline in interest expense due to a reduction in interest rates compared to the prior year period, and a \$7 million benefit relating to a previously outstanding contingent liability. The overall decrease was partially offset by a \$8 million favorable period-over-period impact of net foreign exchange gains and losses.

Provision For (Benefit From) Income Taxes

For the three months ended September 30, 2021, our provision for income taxes and effective tax rates were \$4 million and (198.2)%, respectively, compared to \$0.1 million and (0.7)%, respectively, for the three months ended September 30, 2020.

For the nine months ended September 30, 2021, our provision for (benefit from) income taxes and effective tax rates were \$7 million and 14.8%, respectively, compared to \$(106) million and 349.3%, respectively, for the nine months ended September 30, 2020.

The income tax benefit for the nine months ended September 30, 2020 was primarily impacted by a \$110 million carryback of U.S. Federal net operating losses under the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The CARES Act was an emergency economic stimulus package in response to the COVID-19 pandemic which, among other things, includes provisions relating to income and non-income-based tax laws. For further details, refer to *Note 7. Income Taxes*.

Net (Loss) Income

We recognized a net loss for the three months ended September 30, 2021 of \$6 million as compared to net loss of \$22 million for the three months ended September 30, 2020. The year-over-year decrease in net loss of \$16 million was attributable to the factors listed above.

We recognized net income for the nine months ended September 30, 2021 of \$41 million as compared to net income of \$76 million for the nine months ended September 30, 2020. The year-over-year decrease in net income of \$35 million was attributable to the factors listed above.

Generics

The following table sets forth results of operations for our Generics segment for the three and nine months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenue | \$ 347,127 | \$ 341,920 | \$ 1,020,072 | \$ 1,001,065 |
| Cost of goods sold | 208,670 | 229,067 | 598,122 | 666,841 |
| Cost of goods sold impairment charges | 688 | 32,364 | 688 | 34,579 |
| Gross profit | 137,769 | 80,489 | 421,262 | 299,645 |
| Selling, general and administrative | 15,941 | 13,153 | 46,500 | 42,578 |
| Research and development | 34,999 | 39,232 | 114,547 | 108,582 |
| In-process research and development impairment charges | — | — | 710 | 960 |
| Intellectual property legal development expenses | 1,584 | 2,132 | 6,506 | 6,947 |
| Acquisition, transaction-related and integration expenses | — | — | — | 325 |
| Charges related to legal matters, net | — | 60 | — | 5,610 |
| Restructuring and other (credit) charges | — | (536) | 80 | (158) |
| Property losses and associated expenses | 8,186 | — | 8,186 | — |
| Operating income | \$ 77,059 | \$ 26,448 | \$ 244,733 | \$ 134,801 |

Net Revenue

Generics net revenue was \$347 million for the three months ended September 30, 2021, an increase of \$5 million or 2% when compared with the same period in 2020. The increase from the prior year period was attributable to new products launched in 2020 and 2021, which contributed revenue growth of approximately \$45 million. The overall increase was offset, in part, by price erosion in our base business and the impact of weaker orders of Oseltamivir (generic Tamiflu®).

Generics net revenue was \$1,020 million for the nine months ended September 30, 2021, an increase of \$19 million or 2% when compared with the same period in 2020. The increase primarily related to new products launched in 2020 and 2021 which contributed revenue growth of \$141 million, as well as volume growth in our base business. This increase was partially offset by a \$40 million decline in Oseltamivir (generic Tamiflu®) sales from lower demand due to decreased influenza activity during the COVID-19 pandemic, and price erosion in our base business.

Cost of Goods Sold and Gross Profit

Generics cost of goods sold, including impairment charges, for the three months ended September 30, 2021 was \$209 million, a decrease of 20% or \$52 million compared to the three months ended September 30, 2020. The decrease in cost of goods sold was primarily attributable to a decrease in impairment charges of \$32 million. Excluding impairment charges, cost of goods sold decreased approximately \$20 million from the prior year period, attributed to reduced material costs, better plant utilization including manufacturing a higher percentage of the Company's products, and favorable product mix.

Generics gross profit for the three months ended September 30, 2021 was \$138 million (40% of net revenue) as compared to gross profit of \$80 million (24% of net revenue) for the three months ended September 30, 2020 as a result of the factors described above.

Generics cost of goods sold, including impairment charges, for the nine months ended September 30, 2021 was \$599 million, a decrease of 15% or \$103 million compared to the nine months ended September 30, 2020. The decrease in cost of goods sold was primarily attributable to \$35 million of impairment charges in the prior year period, as well as gross margin improvement in the current year, which was related to reduced material costs, better plant utilization including manufacturing a higher percentage of the Company's products, and favorable product mix.

Generics gross profit for the nine months ended September 30, 2021 was \$421 million (41% of net revenue) as compared to gross profit of \$300 million (30% of net revenue) for the nine months ended September 30, 2020 as a result of the factors described above.

Selling, General, and Administrative

Generics SG&A expense for the three months ended September 30, 2021 was \$16 million, as compared to \$13 million for the three months ended September 30, 2020. The \$3 million, or 23%, increase from the prior year period was primarily related to increased payroll costs and logistics costs.

Generics SG&A expense for the nine months ended September 30, 2021 was \$47 million, as compared to \$43 million for the nine months ended September 30, 2020. The \$4 million, or 9%, increase was primarily attributed to increased employee compensation and an increase in indirect taxes, partially offset by cost savings associated with the elimination of redundancies in connection with Company's integration efforts of recent business acquisitions.

Research and Development

Generics R&D expenses for the three months ended September 30, 2021 was \$35 million, a decrease of 11% or \$4 million compared to the three months ended September 30, 2020. The decrease from the prior year period was primarily attributable to a decrease of in-licensing and upfront milestone payments of \$6 million, which was partially offset by an increase in employee compensation and project costs on complex generics.

Generics R&D expenses for the nine months ended September 30, 2021 was \$115 million, an increase of 5% or \$6 million compared to the nine months ended September 30, 2020. The increase from the prior year period was primarily associated with an increase in employee compensation, and increased project spend on complex generics.

Intellectual Property Legal Development Expenses

Intellectual property legal development expenses include, but are not limited to, costs associated with formulation assessments, patent challenge opinions and strategy, and litigation expenses to defend our intellectual property. Intellectual property legal development expenses for both the three months ended September 30, 2021 and 2020 were \$2 million. Intellectual property legal development expenses for both the nine months ended September 30, 2021 and 2020 were \$7 million. Expenses may vary based upon in the number of individual cases and corresponding litigation outstanding in particular period.

Charges Related to Legal Matters, Net

There were no charges related to legal matters for the three and nine months ended September 30, 2021. For the nine months ended September 30, 2020, we recorded a net charge of \$6 million for commercial legal claims (immaterial for the three months ended September 30, 2020).

Property Losses and Associated Expenses

On September 1, 2021, Tropical Storm Ida brought extreme rainfall and flash flooding to New Jersey that caused damage to two of our facilities in Branchburg. Operations at these facilities were closed for the majority of September in order to assess the damage, make repairs and restore operations. Although, as a result of the significant recovery effort and sufficient safety stock, we did not incur a material business disruption for the three and nine months ended September 30, 2021, we concluded that all inventory on-hand at the time of the flooding was damaged and unsellable, and that a majority of the equipment was damaged beyond repair. In addition, we incurred significant costs to repair both facilities. Accordingly, we recorded \$8 million of charges for property losses and associated expenses in our Generics segment for the three and nine months ended September 30, 2021.

The Company has insurance policies for property damage, inventory losses and business interruption. Insurance recoveries are recorded in the periods when it is probable they will be realized. No insurance recoveries have been recorded for the three or nine months ended September 30, 2021 related to property damage.

Refer to *Note 18. Property Losses and Associated Expenses* for additional information.

Specialty

The following table sets forth results of operations for our Specialty segment for the three and nine months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenue | \$ 92,745 | \$ 87,868 | \$ 277,311 | \$ 270,101 |
| Cost of goods sold | 47,303 | 47,735 | 144,184 | 145,782 |
| Gross profit | 45,442 | 40,133 | 133,127 | 124,319 |
| Selling, general and administrative | 22,211 | 19,181 | 62,748 | 56,993 |
| Research and development | 13,928 | 5,287 | 35,426 | 17,888 |
| Intellectual property legal development expenses | 43 | 2 | 68 | 7 |
| Acquisition, transaction-related and integration expenses | — | 1 | 16 | 83 |
| Charges related to legal matters, net | — | — | — | 250 |
| Change in fair value of contingent consideration | 300 | — | 300 | — |
| Operating income | \$ 8,960 | \$ 15,662 | \$ 34,569 | \$ 49,098 |

Net Revenue

Specialty net revenue for the three months ended September 30, 2021 was \$93 million, an increase of \$5 million, or 6%, compared to the three months ended September 30, 2020. The overall growth was primarily attributed an increase in Rytary® and Unithroid® revenue of \$4 million, or 11%, and \$2 million, or 18%, respectively, compared to the prior year period, partially offset by a decline in non-promoted Specialty brands.

Specialty net revenue for the nine months ended September 30, 2021 was \$277 million, an increase of \$7 million, or 3% compared to the nine months ended September 30, 2020. The increase in revenues reflected growth in Rytary® and Unithroid® of \$8 million, or 7%, and \$7 million, or 19%, respectively, compared to the prior year period, partially offset by declines in Zomig® nasal spray and other non-promoted products.

Cost of Goods Sold and Gross Profit

Specialty cost of goods sold for the three months ended September 30, 2021 was \$47 million as compared to \$48 million for the three months ended September 30, 2020. Specialty gross profit for the three months ended September 30, 2021 was \$45 million (49% of net revenue) as compared to gross profit of \$40 million (46% of net revenue) for the three months ended September 30, 2020. The increase in gross profit primarily related to revenue growth and the mix of revenues, including the impact of non-promoted products.

Specialty cost of goods sold for of the nine months ended September 30, 2021 was \$144 million as compared to \$146 million for the nine months ended September 30, 2020. Specialty gross profit for the nine months ended September 30, 2021 was \$133 million (48% of net revenue) as compared to gross profit of \$124 million (46% of net revenue) for the nine months ended September 30, 2020. The increase in gross profit primarily related to the mix of revenues, including the impact of non-promoted products and declines in Zomig® nasal spray, which has a higher cost structure than the overall Specialty portfolio.

Selling, General, and Administrative

Specialty SG&A expense was \$22 million for the three months ended September 30, 2021, an increase of \$3 million or 16% compared to the three months ended September 30, 2020. The increase was primarily driven by an increase in employee compensation mainly due to additional headcount in our endocrinology sales force, and an increase in third party spend and promotional efforts as the Company began to resume normal activities and in-person meetings in the current year.

Specialty SG&A expense was \$63 million for the nine months ended September 30, 2021, an increase of \$6 million or 10% compared to the nine months ended September 30, 2020. The increase was driven by payroll-related expenses, primarily

attributable to the expansion of our sales force, an increase in indirect taxes, and an increase in third party spend and promotional efforts as the Company began to resume normal activities and in-person meetings in the current year.

Research and Development

Specialty R&D expenses for the three months ended September 30, 2021 were \$14 million, as compared to \$5 million for the three months ended September 30, 2020. The \$9 million increase from the prior year period was primarily attributable to increased project spend, including \$3 million relating to new projects associated with the KSP Acquisition, and an increase in in-licensing and upfront milestone payments of \$2 million.

Specialty R&D expenses for the nine months ended September 30, 2021 were \$35 million, as compared to \$18 million for the nine months ended September 30, 2020. The \$18 million increase from the prior year period was primarily attributable to an increase in in-licensing and upfront milestone payments of \$7 million to grow our Specialty pipeline and increased project spend, including \$6 million relating to new projects associated with the KSP Acquisition.

AvKARE

The following table sets forth results of operations for our AvKARE segment for the three and nine months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-------------------|--|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenue | \$ 88,721 | \$ 89,506 | \$ 259,390 | \$ 211,323 |
| Cost of goods sold | 73,421 | 76,543 | 211,208 | 173,966 |
| Gross profit | 15,300 | 12,963 | 48,182 | 37,357 |
| Selling, general and administrative | 14,683 | 15,374 | 41,986 | 41,809 |
| Acquisition, transaction-related and integration expenses | — | — | 1,422 | — |
| Operating income (loss) | \$ 617 | \$ (2,411) | \$ 4,774 | \$ (4,452) |

We completed the acquisitions of the businesses that comprise our AvKARE segment on January 31, 2020. As a result, the increase in results of operations for the AvKARE segment was primarily due to nine months of activity in 2021 as compared to eight months of activity in 2020. The following discussion specifically is for operating results for the comparative three months ended September 30, 2021 and 2020. Refer to *Note 3. Acquisitions*, for additional information on the acquisitions.

Net Revenue

AvKARE net revenue for the three months ended September 30, 2021 of \$89 million, was flat to the prior year period as growth in new product introductions offset favorable timing of a discrete item that benefited the three months ended September 30, 2020.

Cost of Goods Sold and Gross Profit

AvKARE cost of goods sold for the three months ended September 30, 2021 was \$73 million as compared to \$77 million for the three months ended September 30, 2020. AvKARE gross profit for the three months ended September 30, 2021 was \$15 million (17% of net revenue) as compared to gross profit of \$13 million (14% of net revenue) for the three months ended September 30, 2020. The increase in gross profit and gross profit percentage primarily related to organic growth due to new product introductions which more than offset a decrease in less profitable revenues.

Selling, General, and Administrative

AvKARE SG&A expense was approximately \$15 million for each of the three-month periods ended September 30, 2021 and 2020.

Liquidity and Capital Resources

Our primary source of liquidity is cash generated from operations, available cash on hand and borrowings under debt financing arrangements, including \$469 million of available capacity on our revolving credit facility as of September 30, 2021. Refer to *Note 17. Debt* in our 2020 Annual Report on Form 10-K for additional information. We believe these sources are sufficient to fund our planned operations, meet our interest and contractual obligations, including acquisitions, and provide sufficient liquidity over the next 12 months from the date of filing of this Form 10-Q. However, our ability to satisfy our working capital

requirements and debt obligations will depend upon economic conditions, the impact of the COVID-19 pandemic, and demand for our products, which are factors that may be out of our control.

Our primary uses of capital resources are to fund operating activities, including research and development expenses associated with new product filings, and pharmaceutical product manufacturing expenses, license payments, spending on production facility expansions and capital equipment, and acquisitions. As the impact of the COVID-19 pandemic on the economy and our operations evolves, we will continue to assess our liquidity needs. A continued worldwide disruption could materially affect our future access to sources of liquidity, particularly our cash flows from operations, and financial condition. In the event of a sustained market deterioration, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions.

We estimate that we will invest approximately \$50 million to \$60 million during 2021 for capital expenditures to support and grow our existing operations, primarily related to investments in manufacturing equipment, information technology and facilities. As discussed in *Note 3 Acquisitions*, the KSP Acquisition closed on April 2, 2021. Under the terms of the acquisition, in addition to the cash paid at closing, we are required to make a cash payment of \$30 million on January 11, 2022. Additionally, as discussed in *Note 19, Subsequent Events*, we announced on November 2, 2021 that we had entered into a definitive agreement to acquire Puniska Healthcare Pvt. Ltd. (“Puniska”). We paid \$73 million for approximately 74% of the equity interests of Puniska. We expect to pay an additional \$4 million for land held by one of the sellers during November 2021 and \$16 million for the remaining 26% of the equity interests upon approval by the government of India. We expect to fund the entire purchase price with cash on hand.

Over the next 12 months, we will make substantial payments for monthly interest and quarterly principal amounts due for our debt instruments, including our Term Loan and Rondo Term Loan, as well as contractual payments for leased premises. Refer to *Note 17. Debt* and *Note 12. Leases* in our 2020 Annual Report on Form 10-K for detailed information. Related to our Term Loan, we were required to calculate the amount of excess cash flows based on our results for the year ended December 31, 2020. As a result, we made a payment of \$14 million in March 2021 to satisfy the excess cash flow requirements, in addition to our normal principal payments. Related to our Rondo Term Loan, we made a prepayment of \$25 million towards the outstanding principal during the three months ended September 30, 2021, in addition to planned principal payments during 2021. Additionally, we fully repaid the Short-Term Sellers Note of \$1 million during February 2021.

We are party to a tax receivable agreement (“TRA”) that requires us to make cash payments to APHC Holdings LLC (formerly known as Amneal Holdings LLC) (“Holdings”) in respect of certain tax benefits that we may realize or may be deemed to realize as a result of sales or exchanges of Amneal common units by Holdings. The timing and amount of any payments under the TRA will also vary, depending upon a number of factors including the timing and number of Amneal common units sold or exchanged for our class A Common Stock, the price of our class A Common Stock on the date of sale or exchange, the timing and amount of our taxable income, and the tax rate in effect at the time of realization of our taxable income. The tax receivable agreement also requires that we make an accelerated payment to Holdings equal to the present value of all future payments due under the agreement upon certain change of control and similar transactions. Further sales or exchanges occurring subsequent to September 30, 2021 could result in future Amneal tax deductions and obligations to pay 85% of such benefits to the holders of Amneal common units. These obligations could be incremental to and substantially larger than the approximate \$206 million contingent liability as of September 30, 2021 (refer to *Note 7. Income Taxes*). As a result of the foregoing, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity. For further details, refer to *Item 1A. Risk Factors* and *Note 8. Income Taxes* in our 2020 Annual Report on Form 10-K.

In addition, pursuant to the limited liability operating agreement of Amneal, as amended, in connection with any tax period, we will be required to make distributions to Amneal's members, on a pro rata basis in proportion to the number of Amneal Common Units held by each member, of cash until each member (other than Amneal) has received an amount at least equal to its assumed tax liability and Amneal has received an amount sufficient to enable it to timely satisfy all of its U.S. federal, state and local and non-U.S. tax liabilities, and meet its obligations pursuant to the tax receivable agreement. During the three and nine months ended September 30, 2021, we made tax distributions of \$9 million and \$34 million, respectively, to Amneal's members.

At September 30, 2021, our cash and cash equivalents consist of cash on deposit and highly liquid investments. A portion of our cash flows are derived outside the United States. As a result, we are subject to market risk associated with changes in foreign exchange rates. We maintain cash balances at both U.S. based and foreign country based commercial banks. At various times during the year, our cash balances held in the United States may exceed amounts that are insured by the Federal Deposit Insurance Corporation (FDIC). We make our investments in accordance with our investment policy. The primary objectives of our investment policy are liquidity and safety of principal.

Cash Flows
(in thousands)

| | Nine Months Ended September 30, | |
|--|------------------------------------|-------------------|
| | 2021 | 2020 |
| Cash provided by (used in): | | |
| Operating activities | \$ 178,559 | \$ 273,043 |
| Investing activities | (107,213) | (285,751) |
| Financing activities | (107,772) | 143,089 |
| Effect of exchange rate changes on cash | (76) | 447 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | <u>\$ (36,502)</u> | <u>\$ 130,828</u> |

Cash Flows from Operating Activities

Net cash provided by operating activities was \$179 million for the nine months ended September 30, 2021 as compared to \$273 million for the nine months ended September 30, 2020. Excluding the Federal tax refund and related interest of \$110 million received in August 2020 (refer to Note 7. *Income Taxes* for additional information), cash provided by operating activities for the nine months ended September 30, 2021 increased \$16 million as compared to the prior year period. The period-over-period increase was primarily a result of increased income and an improvement in days sales outstanding in trade accounts receivable, partially offset by an increase in rebate payments and an increase in inventory resulting from rebuilding stock levels drawn down during the COVID-19 pandemic.

Cash Flows from Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2021 was \$107 million as compared to \$286 million for the nine months ended September 30, 2020. The \$179 million decrease in net cash used in investing activities for the nine months ended September 30, 2021 as compared to the prior year period was due to \$254 million of net cash paid for the Rondo Acquisitions in the prior year period as compared to \$74 million of net cash paid for the KSP Acquisition in the current year period. Refer to Note 3. *Acquisitions*, for additional information on our acquisitions.

Cash Flows from Financing Activities

Net cash used in financing activities was \$108 million for the nine months ended September 30, 2021 as compared to net cash provided by financing activities of \$143 million for the nine months ended September 30, 2020. The \$250 million year-over-year change was primarily attributable to net proceeds from the \$180 million Rondo Term Loan in the prior year period, an increase in period-over-period tax distributions made to non-controlling interests of \$35 million, and an increase in period-over-period payments on debt, primarily the \$14 million paid in March 2021 to satisfy the excess cash flow requirements of Amneal's Term Loan, and the \$25 million prepayment made on the Rondo Term Loan in September 2021. Refer to Note 3. *Acquisitions*, for additional information on our acquisitions. Refer to Note 17. *Debt* in our 2020 Annual Report on Form 10-K for detailed information about our indebtedness, including definitions of terms.

Commitments and Contractual Obligations

The contractual obligations of the Company are set forth in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in the Company's 2020 Annual Report on Form 10-K. As of September 30, 2021, other than the contractual obligations noted below, there have been no material changes to the disclosure presented in our 2020 Annual Report on Form 10-K.

| Contractual Obligations | Payments Due by Period | | | | |
|---|------------------------|------------------------|--------------|--------------|-------------------------|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Kashiv Specialty Pharmaceuticals, LLC acquisition | \$ 30,500 | \$ 30,500 | \$ — | \$ — | \$ — |

The foregoing table does not include contingent consideration liabilities related to the KSP Acquisition. Such milestone payments are dependent upon the occurrence of specific and contingent events, and not the passage of time. Refer to *Note 3. Acquisitions* and *Note 10. Fair Value Measurements* for additional information.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2021.

Critical Accounting Policies

For a discussion of the Company's critical accounting policies, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2020 Annual Report on Form 10-K. There have been no material changes to the disclosures presented in our 2020 Annual Report on Form 10-K, except those discussed in *Note 2. Summary of Significant Accounting Policies*.

Recently Issued Accounting Standards

Recently issued accounting standards are discussed in *Note 2. Summary of Significant Accounting Policies*.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has not been any material change in our assessment of market risk as set forth in *Item 7A. Quantitative and Qualitative Disclosures About Market Risk*, in our 2020 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our Co-Chief Executive Officers and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2021.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2021, there were no changes in our internal control over financial reporting which materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Management, including our Co-Chief Executive Officers and Chief Financial Officer, does not expect that our disclosure controls and procedures or our system of internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed or operated, can provide only reasonable, but not absolute, assurance that the objectives of the system of internal control are met. The design of our control system reflects the fact that there are resource constraints, and that the benefits of such control system must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control failures and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the intentional acts of individuals, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurance that the design of any particular control will always succeed in achieving its objective under all potential future conditions.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

Information pertaining to legal proceedings can be found in *Note 13. Commitments and Contingencies* and is incorporated by reference herein.

Item 1A. Risk Factors

Other than as set forth below, there have been no material changes to the disclosures presented in our 2020 Annual Report on Form 10-K under *Item 1A. Risk Factors*.

Severe weather or legal, regulatory or market measures to address severe weather may negatively affect our business and results of operations.

Severe weather, such as a hurricane, tornado, earthquake, wildfire or flooding, may pose physical risks to our facilities and disrupt the operation of our supply chain. For example, on September 1, 2021, Tropical Storm Ida brought extreme rainfall and flash flooding to New Jersey that caused damage to two of our facilities in Branchburg. The impacts of the changing weather on water resources may result in water scarcity, limiting our ability to access sufficient high-quality water in certain locations, which may increase operational costs.

Concern over severe weather may also result in new or additional legal or regulatory requirements designed to mitigate the effects of severe weather on the environment. If such laws or regulations are more stringent than current legal or regulatory obligations, we may experience disruption in, or an increase in the costs associated with sourcing, manufacturing and distribution of our products, which may adversely affect our business, results of operations or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 2, 2021, the Company entered into a definitive agreement to acquire Puniska Healthcare Pvt. Ltd. (“Puniska”), a privately held manufacturer of parenteral and injectable drugs in India.

Under the terms of the transaction, Amneal will pay the sellers of Puniska \$93 million. Upon execution of the agreement, the Company paid \$73 million for approximately 74% of the equity interests of Puniska. The Company expects to pay an additional \$4 million for land held by one of the sellers during November 2021 and \$16 million for the remaining 26% of the equity interests upon approval by the government of India. The Company expects to fund the entire purchase price with cash on hand.

Item 6. Exhibits

| Exhibit No. | Description of Document |
|-----------------------------|---|
| <u>31.1</u> | <u>Certification of the Co - Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u> |
| <u>31.2</u> | <u>Certification of the Co - Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u> |
| <u>31.3</u> | <u>Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u> |
| <u>32.1</u> | <u>Certification of the Co - Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</u> |
| <u>32.2</u> | <u>Certification of the Co - Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</u> |
| <u>32.3</u> | <u>Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</u> |
| 101 | The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for each of the three and nine months ended September 30, 2021 and 2020, (ii) Consolidated Statements of Comprehensive (Loss) Income for each of the three and nine months ended September 30, 2021 and 2020, (iii) Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020, (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and 2020, (v) Consolidated Statements of Changes in Stockholders' Equity for each of the three and nine months ended September 30, 2021 and 2020 and (vi) Notes to Consolidated Financial Statements.* |
| 104 | Cover Page Interactive Data File – The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 is formatted in Inline XBRL (included as Exhibit 101). |

* Filed herewith

** This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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.

Date: November 8, 2021

Anneal Pharmaceuticals, Inc.

(Registrant)

By: /s/ Anastasios Konidaris

Anastasios Konidaris

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chirag Patel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021 of Amneal Pharmaceuticals, 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 officers 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 officers 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.

November 8, 2021

By: /s/ Chirag Patel

Chirag Patel
President and Co-Chief Executive Officer
(Co-Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chintu Patel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021 of Amneal Pharmaceuticals, 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 officers 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 officers 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.

November 8, 2021

By: /s/ Chintu Patel

Chintu Patel
Co-Chief Executive Officer
(Co-Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anastasios Konidaris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021 of Amneal Pharmaceuticals, 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 officers 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 officers 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.

November 8, 2021

By: /s/ Anastasios Konidaris

Anastasios Konidaris
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Amneal Pharmaceuticals, Inc. (the “Company”) for the fiscal quarter ended September 30, 2021 (the “Report”), Chirag Patel, President and Co-Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

November 8, 2021

By: /s/ Chirag Patel
Chirag Patel
President and Co-Chief Executive Officer
(Co-Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Amneal Pharmaceuticals, Inc. and will be retained by Amneal Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Amneal Pharmaceuticals, Inc. (the "Company") for the fiscal quarter ended September 30, 2021 (the "Report"), Chintu Patel, Co-Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

November 8, 2021

By: /s/ Chintu Patel

Chintu Patel

Co-Chief Executive Officer

(Co-Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Amneal Pharmaceuticals, Inc. and will be retained by Amneal Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Amneal Pharmaceuticals, Inc. (the "Company") for the fiscal quarter ended September 30, 2021 (the "Report"), Anastasios Konidaris, Executive Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

November 8, 2021

By: /s/ Anastasios Konidaris

Anastasios Konidaris

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Amneal Pharmaceuticals, Inc. and will be retained by Amneal Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.