
**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, 2020
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)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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 31, 2020, there were 147,628,440 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.

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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. Additionally, many of these risks and uncertainties are, and may continue to be, amplified by the COVID-19 pandemic. 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.

Such risks and uncertainties include, but are not limited to:

- the impact of global economic conditions;
- the potential impact of the COVID-19 pandemic on our business, manufacturing, supply chain, financial results, financial condition, and planned capital expenditures and national and international economies;
- 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 United States 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 and make acquisitions of 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 high concentration of ownership of our Class A Common Stock and the fact that we are controlled by the Amneal Group; and
- risks related to the material weakness in internal controls over financial reporting regarding cash disbursements discussed in Part I, *Item 4. "Controls and Procedures."*

Investors also should carefully read our Annual Report on Form 10-K for the year ended December 31, 2019, including the section captioned “*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, as supplemented by Part II, *Item 1A*. “*Risk Factors*” on our subsequent Quarterly Reports on Form 10-Q. 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,	
	2020	2019	2020	2019
Net revenue	\$ 519,294	\$ 378,283	\$ 1,482,489	\$ 1,229,045
Cost of goods sold	353,345	267,717	986,589	873,841
Cost of goods sold impairment charges	32,364	56,132	34,579	112,441
Gross profit	133,585	54,434	461,321	242,763
Selling, general and administrative	83,120	63,797	242,040	215,514
Research and development	44,519	38,125	126,470	139,999
In-process research and development impairment charges	—	23,382	960	46,169
Intellectual property legal development expenses	2,134	2,586	6,954	9,263
Acquisition, transaction-related and integration expenses	1,041	3,131	5,403	12,682
Charges related to legal matters, net	60	14,750	5,860	14,750
Restructuring and other charges	276	20,937	2,657	29,933
Operating income (loss)	2,435	(112,274)	70,977	(225,547)
Other (expense) income:				
Interest expense, net	(34,895)	(42,209)	(111,463)	(129,376)
Foreign exchange gain (loss), net	9,673	(12,531)	7,958	(9,684)
Gain on sale of international businesses, net	—	—	123	6,930
Gain from reduction of tax receivable agreement liability	—	192,844	—	192,844
Other income, net	898	446	2,102	1,702
Total other (expense) income, net	(24,324)	138,550	(101,280)	62,416
(Loss) income before income taxes	(21,889)	26,276	(30,303)	(163,131)
Provision for (benefit from) income taxes	144	389,668	(105,843)	375,539
Net (loss) income	(22,033)	(363,392)	75,540	(538,670)
Less: Net loss attributable to non-controlling interests	13,058	98,386	18,556	208,881
Net (loss) income attributable to Amneal Pharmaceuticals, Inc.	<u>\$ (8,975)</u>	<u>\$ (265,006)</u>	<u>\$ 94,096</u>	<u>\$ (329,789)</u>
Net (loss) income per share attributable to Amneal Pharmaceuticals, Inc.'s common stockholders:				
Class A and Class B-1 basic	<u>\$ (0.06)</u>	<u>\$ (2.03)</u>	<u>\$ 0.64</u>	<u>\$ (2.56)</u>
Class A and Class B-1 diluted	<u>\$ (0.06)</u>	<u>\$ (2.03)</u>	<u>\$ 0.63</u>	<u>\$ (2.56)</u>
Weighted-average common shares outstanding:				
Class A and Class B-1 basic	147,558	130,729	147,377	128,822
Class A and Class B-1 diluted	147,558	130,729	148,622	128,822

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,	
	2020	2019	2020	2019
Net (loss) income	\$ (22,033)	\$ (363,392)	\$ 75,540	\$ (538,670)
Less: Net loss attributable to non-controlling interests	13,058	98,386	18,556	208,881
Net (loss) income attributable to Amneal Pharmaceuticals, Inc.	(8,975)	(265,006)	94,096	(329,789)
Other comprehensive (loss) income:				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the period	(1,646)	4,997	(9,748)	4,014
Less: Reclassification of foreign currency translation adjustment included in net loss	—	—	—	3,413
Foreign currency translation adjustments, net	(1,646)	4,997	(9,748)	7,427
Unrealized loss on cash flow hedge, net of tax	(1,599)	—	(74,031)	—
Less: Other comprehensive loss (income) attributable to non-controlling interests	1,648	(2,813)	42,575	(4,207)
Other comprehensive (loss) income attributable to Amneal Pharmaceuticals, Inc.	(1,597)	2,184	(41,204)	3,220
Comprehensive (loss) income attributable to Amneal Pharmaceuticals, Inc.	<u>\$ (10,572)</u>	<u>\$ (262,822)</u>	<u>\$ 52,892</u>	<u>\$ (326,569)</u>

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

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

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 281,278	\$ 151,197
Restricted cash	2,372	1,625
Trade accounts receivable, net	707,103	604,390
Inventories	475,760	381,067
Prepaid expenses and other current assets	76,264	70,164
Related party receivables	942	1,767
Total current assets	1,543,719	1,210,210
Property, plant and equipment, net	462,438	477,997
Goodwill	522,690	419,504
Intangible assets, net	1,349,113	1,382,753
Operating lease right-of-use assets	43,643	53,344
Operating lease right-of-use assets - related party	25,463	16,528
Financing lease right-of-use assets - related party	59,328	61,284
Other assets	31,142	44,270
Total assets	<u>\$ 4,037,536</u>	<u>\$ 3,665,890</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 613,619	\$ 507,483
Current portion of long-term debt, net	29,776	21,479
Current portion of operating lease liabilities	11,527	11,874
Current portion of operating and financing lease liabilities - related party	3,895	3,601
Current portion of note payable - related party	1,000	—
Related party payable - short term	8,069	5,969
Total current liabilities	667,886	550,406
Long-term debt, net	2,757,139	2,609,046
Note payable - related party	36,048	—
Operating lease liabilities	34,849	43,135
Operating lease liabilities - related party	23,777	15,469
Financing lease liabilities - related party	60,490	61,463
Related party payable - long term	1,031	—
Other long-term liabilities	96,188	39,583
Total long-term liabilities	3,009,522	2,768,696
Commitments and contingencies (Notes 5 and 17)		
Redeemable non-controlling interests	11,932	—
Stockholders' Equity		
Preferred stock, \$0.01 par value, 2,000 shares authorized; none issued at both September 30, 2020 and December 31, 2019	—	—
Class A common stock, \$0.01 par value, 900,000 shares authorized at both September 30, 2020 and December 31, 2019; 147,587 and 147,070 shares issued at September 30, 2020 and December 31, 2019, respectively	1,475	1,470
Class B common stock, \$0.01 par value, 300,000 shares authorized at both September 30, 2020 and December 31, 2019; 152,117 issued at both September 30, 2020 and December 31, 2019	1,522	1,522
Additional paid-in capital	623,133	606,966
Stockholders' accumulated deficit	(283,784)	(377,880)
Accumulated other comprehensive loss	(41,306)	(68)
Total Amneal Pharmaceuticals, Inc. stockholders' equity	301,040	232,010
Non-controlling interests	47,156	114,778
Total stockholders' equity	348,196	346,788
Total liabilities and stockholders' equity	<u>\$ 4,037,536</u>	<u>\$ 3,665,890</u>

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,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ 75,540	\$ (538,670)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain from reduction of tax receivable agreement liability	—	(192,884)
Depreciation and amortization	175,514	152,932
Amortization of Levothyroxine Transition Agreement asset	—	36,393
Unrealized foreign currency (gain) loss	(7,779)	10,552
Amortization of debt issuance costs and discount	6,449	4,849
Gain on sale of international businesses, net	(123)	(6,930)
Intangible asset impairment charges	35,539	158,610
Non-cash restructuring and asset-related (credit) charges	(536)	11,923
Deferred tax benefit	—	371,683
Stock-based compensation	15,617	16,666
Inventory provision	56,198	67,844
Other operating charges and credits, net	6,248	5,945
Changes in assets and liabilities:		
Trade accounts receivable, net	(50,748)	(46,457)
Inventories	(80,722)	(25,906)
Prepaid expenses, other current assets and other assets	17,638	41,256
Related party receivables	870	(1,305)
Accounts payable, accrued expenses and other liabilities	21,737	(13,932)
Related party payables	1,601	25
Net cash provided by operating activities	<u>273,043</u>	<u>52,594</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(26,912)	(42,664)
Deposits for future acquisition of property, plant, and equipment	(4,229)	—
Acquisition of intangible assets	(3,250)	(50,000)
Acquisitions, net of cash acquired	(251,360)	—
Proceeds from surrender of corporate owned life insurance	—	43,017
Proceeds from sale of international businesses, net of cash sold	—	34,834
Net cash used in investing activities	<u>(285,751)</u>	<u>(14,813)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	180,000	—
Payments of principal on debt, financing leases and other	(26,500)	(20,250)
Payments of deferred financing costs	(4,102)	—
Proceeds from exercise of stock options	216	1,385
Employee payroll tax withholding on restricted stock unit vesting	(795)	(926)
Tax distributions to non-controlling interests	(1,628)	(13,494)
Distribution of earnings to and acquisition of non-controlling interests	(3,300)	(3,543)
Payments of principal on financing lease - related party	(802)	(1,707)
Net cash provided by (used in) financing activities	<u>143,089</u>	<u>(38,535)</u>
Effect of foreign exchange rate on cash	447	(967)
Net increase (decrease) in cash, cash equivalents, and restricted cash	130,828	(1,721)
Cash, cash equivalents, and restricted cash - beginning of period	152,822	218,779
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 283,650</u>	<u>\$ 217,058</u>
Cash and cash equivalents - end of period	\$ 281,278	\$ 212,738
Restricted cash - end of period	2,372	4,320
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 283,650</u>	<u>\$ 217,058</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 99,207	\$ 121,872
Cash received for income taxes, net	\$ 109,444	\$ 11,857
Supplemental disclosure of non-cash investing and financing activity:		
Notes payable for acquisitions - related party	\$ 36,033	\$ —
Payments for restricted stock unit tax vesting	\$ 6	\$ —

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

Amneal Pharmaceuticals, Inc.
Consolidated Statements of 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	—	—	—	—	—	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 distribution	—	—	—	—	—	—	—	(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>

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

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Stockholders' Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount					
Balance at July 1, 2019	128,151	\$ 1,281	170,941	\$ 1,710	\$ 544,161	\$ (80,746)	\$ (6,750)	\$ 289,696	\$ 749,352
Net loss	—	—	—	—	—	(265,006)	—	(98,386)	(363,392)
Foreign currency translation adjustment	—	—	—	—	—	—	2,184	2,813	4,997
Stock-based compensation	—	—	—	—	6,095	—	—	—	6,095
Restricted stock unit vesting, net of shares withheld to cover payroll taxes	3	—	—	—	4	—	—	(9)	(5)
Redemption of Class B Common Stock	5,936	59	(5,936)	(59)	16,481	—	(313)	(16,391)	(223)
Other	—	—	—	—	(1,100)	—	—	—	(1,100)
Balance at September 30, 2019	<u>134,090</u>	<u>\$ 1,340</u>	<u>165,005</u>	<u>\$ 1,651</u>	<u>\$ 565,641</u>	<u>\$ (345,752)</u>	<u>\$ (4,879)</u>	<u>\$ 177,723</u>	<u>\$ 395,724</u>

	Class A Common Stock		Class B Common Stock		Class B-1 Common Stock		Additional Paid-in Capital	Stockholders' Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2019	115,047	\$ 1,151	171,261	\$ 1,713	12,329	\$ 123	\$ 530,438	\$ (20,920)	\$ (7,755)	\$ 391,613	\$ 896,363
Net loss	—	—	—	—	—	—	—	(329,789)	—	(208,881)	(538,670)
Cumulative-effective adjustment from adoption of Topic 842, net of tax	—	—	—	—	—	—	—	4,957	—	8,604	13,561
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	1,759	2,255	4,014
Stock-based compensation	—	—	—	—	—	—	16,666	—	—	—	16,666
Exercise of stock options	205	2	—	—	—	—	922	—	(7)	468	1,385
Restricted stock unit vesting, net of shares withheld to cover payroll taxes	253	2	—	—	—	—	10	—	(5)	(933)	(926)
Redemption of Class B Common Stock	6,256	62	(6,256)	(62)	—	—	17,605	—	(332)	(17,273)	—
Conversion of Class B-1 Common Stock	12,329	123	—	—	(12,329)	(123)	—	—	—	—	—
Reclassification of foreign currency translation adjustment included in net loss	—	—	—	—	—	—	—	—	1,461	1,952	3,413
Tax distribution	—	—	—	—	—	—	—	—	—	(82)	(82)
Balance at September 30, 2019	<u>134,090</u>	<u>\$ 1,340</u>	<u>165,005</u>	<u>\$ 1,651</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 565,641</u>	<u>\$ (345,752)</u>	<u>\$ (4,879)</u>	<u>\$ 177,723</u>	<u>\$ 395,724</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., formerly known as Atlas Holdings, Inc. (the "Company"), was formed along with its wholly owned subsidiary, K2 Merger Sub Corporation, a Delaware corporation ("Merger Sub"), on October 4, 2017, for the purpose of facilitating the combination of Impax Laboratories, Inc. (now Impax Laboratories, LLC), a Delaware corporation then listed on the Nasdaq Stock Market ("Impax") and Amneal Pharmaceuticals LLC, a Delaware limited liability company ("Amneal"). The Company is a holding company, whose principal assets are Amneal Common Units.

Amneal was formed in 2002 and operates through various subsidiaries. Amneal is a vertically integrated developer, manufacturer, and seller of generic pharmaceutical products. Amneal's pharmaceutical research includes analytical and formulation development and stability. Amneal operates principally in the United States, India, and Ireland. Amneal sells to wholesalers, distributors, hospitals, chain pharmacies and individual pharmacies, either directly or indirectly.

On October 17, 2017, Amneal, Impax, the Company and Merger Sub entered into the Business Combination Agreement, as amended on November 21, 2017 and December 16, 2017 (the "BCA").

On May 4, 2018, pursuant to the BCA, Impax and Amneal combined the generics and specialty pharmaceutical business of Impax with the generic drug development and manufacturing business of Amneal to create the Company as a new generics and specialty pharmaceutical company, through the following transactions (together, the "Combination", and the closing of the Combination, the "Closing"): (i) Merger Sub merged with and into Impax, with Impax surviving as a wholly owned subsidiary of the Company, (ii) each share of Impax's common stock, par value \$0.01 per share ("Impax Common Stock"), issued and outstanding immediately prior to the Closing, other than Impax Common Stock held by Impax in treasury, by the Company or by any of their respective subsidiaries, was converted into the right to receive one fully paid and non-assessable share of Class A common stock of the Company, par value \$0.01 per share ("Class A Common Stock"), (iii) Impax converted to a Delaware limited liability company, (iv) the Company contributed to Amneal all of the Company's equity interests in Impax, in exchange for Amneal common units ("Amneal Common Units"), (v) the Company issued an aggregate number of shares of Class B common stock of the Company, par value \$0.01 per share ("Class B Common Stock", and collectively, with the Class A Common Stock and Class B-1 common stock of the Company, par value \$0.01 ("Class B-1 Common Stock"), the "Company Common Stock") to APHC Holdings, LLC (formerly Amneal Holdings, LLC), the parent entity of Amneal as of the Closing ("Holdings"), and (vi) the Company became the managing member of Amneal.

Immediately upon the Closing, holders of Impax Common Stock prior to the Closing collectively held approximately 25% of the Company and Holdings held a majority interest in the Company with an effective voting interest of approximately 75% on a fully diluted and as converted basis through its ownership of Class B Common Stock. Holdings also held a corresponding number of Amneal Common Units, which entitled it to approximately 75% of the economic interests in the combined businesses of Impax and Amneal. The Company held an interest in Amneal of approximately 25% and became its managing member.

In connection with the Combination, on May 4, 2018, Holdings entered into definitive purchase agreements which provided for a private placement of certain shares of Class A Common Stock and Class B-1 Common Stock (the "PIPE Investment") with select institutional investors (the "PIPE Investors"). Pursuant to the terms of the purchase agreements, upon the Closing, Holdings exercised its right to cause the Company to redeem approximately 15% of its ownership interests in the Company in exchange for 34.5 million shares of Class A Common Stock and 12.3 million unregistered shares of Class B-1 Common Stock (the "Redemption"). The shares of Class A Common Stock and Class B-1 Common Stock received in the Redemption were sold immediately following the Closing by Holdings to the PIPE Investors at a per share purchase price of \$18.25 for gross proceeds of \$855 million. Following the PIPE Investment, the PIPE Investors owned collectively approximately 15% of the Company Common Stock on a fully diluted and as converted basis. On May 4, 2018, Holdings also caused Amneal to redeem (the "Closing Date Redemption") 6.9 million of Amneal Common Units held by Holdings for a like number of shares of Class A Common Stock, for future distribution to certain direct and indirect members of Holdings who were or are employees of the Company and to whom were previously issued (prior to the Closing) profit participation units ("PPUs") in Amneal. As a result of the PIPE Investment and Closing Date Redemption, the voting and economic interest of approximately 75% held by Holdings immediately upon Closing was reduced by approximately 18%. The overall interest percentage held by non-controlling interest holders (the "Amneal Group") upon the consummation of the Combination, PIPE Investment and Closing Date Redemption was approximately 57%. As of both September 30, 2020 and December 31, 2019, the overall interest percentage held by non-controlling interest holders was approximately 51%.

On July 5, 2018, Holdings distributed to its members all Amneal Common Units and shares of Class B Common Stock held by Holdings. As a result, as of September 30, 2020, Holdings did not hold any equity interest in Amneal or the Company.

During the year ended December 31, 2019, pursuant to the Company's certificate of incorporation, the Company converted all (12.3 million) of its issued and outstanding shares of Class B-1 Common Stock to Class A Common Stock and such shares of Class B-1 Common Stock have been retired and may not be reissued by the Company. The rights of Class A Common Stock and Class B-1 Common Stock were identical, except that the Class B-1 Common Stock had certain director appointment rights and the Class B-1 Common Stock had no voting rights (other than with respect to its director appointment right and as otherwise required by law).

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, 2019 included in the Company's 2019 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, 2020, cash flows for the nine months ended September 30, 2020 and 2019 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, 2020 and 2019. The consolidated balance sheet data at December 31, 2019 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.

The accounting policies of the Company are set forth in *Note 2. Summary of Significant Accounting Policies* contained in the Company's 2019 Annual Report on Form 10-K, except for the impact of the adoption of new accounting standards discussed under *Recently Adopted Accounting Pronouncements*. The following new significant accounting policy relates to the acquisitions of AvKARE, Inc. and Dixon-Shane, LLC d/b/a R&S Northeast LLC (refer to *Note 3. Acquisitions and Divestitures*).

Chargebacks Received From Manufacturers

When a sale occurs on a contracted item, the difference between the cost the Company pays to the manufacturer of that item and the contract price that the end customer has with the manufacturer is rebated to the Company by the manufacturer as a chargeback. Chargebacks are recorded as a reduction to cost of sales and either a reduction in the amount due to the manufacturer (if there is a right of offset) or as a receivable from the manufacturer.

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, distribution fees, allowances for accounts receivable, accrued liabilities, chargebacks received from manufacturers, stock-based compensation, valuation of inventory balances, the determination of useful lives for product rights, allowances for deferred tax assets, measurement of assets acquired and liabilities assumed in business combinations at fair value 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 Adopted Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 82): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements on fair value measurement. The Company adopted ASU 2018-13 effective January 1, 2020 and it did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, guidance that changes the impairment model for most financial assets including trade receivables and certain other instruments that are not measured at fair value through net income. The standard replaced today's "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost and requires entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount, as they did under the other-than-temporary impairment model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. Entities apply the standard's provisions as a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company adopted ASU 2016-13 effective January 1, 2020 and it did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*, which provided 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. The amendments may be applied to impacted contracts and hedges prospectively through December 31, 2022. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

3. Acquisitions and Divestitures

AvKARE and R&S Acquisitions

On December 10, 2019, the Company, through its investment in Rondo Partners, LLC ("Rondo"), entered into an equity purchase and operating agreements 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 "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 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 Seller Note. (refer to *Note 13. Debt*). For further detail of the preliminary 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 Acquisitions recorded in acquisition, transaction-related and integration expenses (none for the three months ended September 30, 2020).

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

The preliminary purchase price is 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	\$	294,248

- (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 preliminary 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 was effectively settled upon closing of the Acquisitions.
- (3) Represents the principal amount due on the Short-Term Seller Note, which approximates fair value.
- (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 preliminary purchase price allocation for the Acquisitions (in thousands):

	Preliminary 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	375,288
Accounts payable and accrued expenses	62,489
Related party payables	1,532
Operating lease liabilities - related party	5,544
Total liabilities assumed	69,565
Redeemable non-controlling interests	11,475
Fair value of consideration transferred	\$ 294,248

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

	Preliminary 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
	\$ 130,800	

The estimated fair values of the customer relationships, government contracts and national contracts 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 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 assumptions, including the expected projected cash flows, utilized in the preliminary purchase price allocation and in determining the purchase price were based on management's best estimates as of the closing date of the Acquisitions on January 31, 2020.

Some of the more significant assumptions inherent in the development of those asset valuations include 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. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets, assumed liabilities and redeemable non-controlling interests. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities and learns more about the newly acquired businesses, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate the acquired assets, assumed liabilities and redeemable non-controlling interests associated with the Acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

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 and 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 Acquisitions, approximately \$70 million was allocated to the Company's AvKARE segment (refer to *Note 18. Segment Information*) 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 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.

For the three months ended September 30, 2020, the Acquisitions contributed total net revenue of approximately \$94 million and operating income of \$3 million, which included approximately \$9 million of amortization expense from intangible assets acquired in the Acquisitions, to the Company's consolidated results of operations.

For the nine months ended September 30, 2020, the Acquisitions contributed total net revenue of approximately \$226 million and operating income of \$4 million, which included approximately \$23 million of amortization expense from intangible assets acquired in the Acquisitions, to the Company's consolidated results of operations.

Unaudited Pro Forma Information

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenue	\$ 519,294	\$ 452,405	\$ 1,513,197	\$ 1,443,501
Net (loss) income	\$ (22,033)	\$ (357,972)	\$ 75,550	\$ (535,978)
Net (loss) income attributable to Amneal Pharmaceuticals, Inc.	\$ (8,975)	\$ (263,464)	\$ 94,099	\$ (329,176)

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 Acquisitions taken place on January 1, 2019. 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 selling, general and administrative expenses for amortization of acquired intangible assets, net of the applicable tax impact.

U.K. Divestiture

On March 30, 2019, the Company sold 100% of the stock of its Creo Pharma Holding Limited subsidiary, which comprised substantially all of the Company's operations in the United Kingdom, to AI Sirona (Luxembourg) Acquisition S.a.r.l ("AI Sirona") for net cash consideration of approximately \$32 million which was received in April 2019. The carrying value of the net assets sold was \$22 million, including intangible assets of \$7 million and goodwill of \$5 million. As a result of the sale, the Company recognized a pre-tax gain of \$9 million, inclusive of transaction costs and the recognition of accumulated foreign currency translation adjustment losses of \$3 million, within gain on sale of international businesses, net for the nine months

ended September 30, 2019. For the nine months ended September 30, 2020, the Company made a \$0.5 million payment to AI Sirona for and recognized a \$0.1 million gain on sale of international business for final settlement of the divestiture. As part of the disposition, the Company entered into a supply and license agreement with AI Sirona to supply certain products for a period of up to two years.

Germany Divestiture

On May 3, 2019, the Company sold 100% of the stock of its Amneal Deutschland GmbH subsidiary, which comprised substantially all of the Company's operations in Germany, to EVER Pharma Holding Ges.m.b.H. ("EVER") for net cash consideration of approximately \$3 million which was received in May 2019. The carrying value of the net assets sold was \$7 million, including goodwill of \$0.5 million. As a result of the sale, the Company recognized a pre-tax loss of \$2 million, inclusive of transaction costs and the recognition of accumulated foreign currency translation adjustment losses, within gain on sale of international businesses, net for the nine months ended September 30, 2019. As part of the disposition, the Company also entered into a license and supply agreement with EVER to supply certain products for an 18 month period.

4. Revenue Recognition

Performance Obligations

The Company's performance obligation is the supply of finished pharmaceutical and related products to its customers. The Company's customers consist primarily of major wholesalers, retail pharmacies, managed care organizations, purchasing co-ops, hospitals, government agencies, institutions, and pharmaceutical companies. The Company's customer contracts generally consist of both a master agreement, which is signed by the Company and its customer, and/or a customer submitted purchase order, which is governed by the terms and conditions of the master agreement. Customers purchase product by direct channel sales from the Company or by indirect channel sales through various distribution channels.

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.

The Company offers standard payment terms to its customers and has elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing, since the period between when the Company transfers the product to the customer and when the customer pays for that product is one year or less. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues. The consideration amounts due from customers as a result of product sales are subject to variable consideration, as described further below.

The Company offers standard product warranties which provide assurance that the product will function as expected and in accordance with specifications. Customers cannot purchase warranties separately and these warranties do not give rise to a separate performance obligation.

The Company permits the return of product under certain circumstances, mainly upon product expiration, instances of shipping errors or where product is damaged in transit. The Company accrues for the customer's right to return as part of its variable consideration. See below for further details.

Variable Consideration

The Company includes an estimate of variable consideration in its transaction price at the time of sale, when control of the product transfers to the customer. Variable consideration includes but is not limited to: chargebacks, distribution fees, rebates, group purchasing organization ("GPO") fees, prompt payment (cash) discounts, consideration payable to the customer, billbacks, Medicaid and other government pricing programs, price protection and shelf stock adjustments, sales returns, and profit shares.

The Company assesses whether or not an estimate of its variable consideration is constrained and has determined that the constraint does not apply, since it is probable that a significant reversal in the amount of cumulative revenue will not occur in the future when the uncertainty associated with the variable consideration is subsequently resolved. The Company's estimates for variable consideration are adjusted as required at each reporting period for specific known developments that may result in a change in the amount of total consideration it expects to receive.

Chargebacks

In the case an indirect customer purchases product from their preferred wholesaler instead of directly from the Company, and the contract price charged to the indirect customer is lower than the wholesaler pricing, the Company pays the direct customer (wholesaler) a chargeback for the price differential. The Company estimates its chargeback accrual based on its estimates of the level of inventory of its products in the distribution channel that remain subject to chargebacks and historical chargeback rates. The estimate of the level of products in the distribution channel is based primarily on data provided by key customers.

Rebates

The Company pays fixed or volume-based rebates to its customers based on a fixed amount, fixed percentage of product sales or based on the achievement of a specified level of purchases. The Company's rebate accruals are based on actual net sales, contractual rebate rates negotiated with customers, and expected purchase volumes / corresponding tiers based on actual sales to date and forecasted amounts.

Group Purchasing Organization Fees

The Company pays fees to GPOs for administrative services that the GPOs perform in connection with the purchases of product by the GPO participants who are the Company's customers. The Company's GPO fee accruals are based on actual net sales, contractual fee rates negotiated with GPOs and the mix of the products in the distribution channel that remain subject to GPO fees.

Prompt Payment (Cash) Discounts

The Company provides customers with prompt payment discounts which may result in adjustments to the price that is invoiced for the product transferred, in the case that payments are made within a defined period. The Company's prompt payment discount accruals are based on actual net sales and contractual discount rates.

Consideration Payable to the Customer

The Company pays administrative and service fees to its customers based on a fixed percentage of the product price. These fees are not in exchange for a distinct good or service and therefore are recognized as a reduction of the transaction price. The Company accrues for these fees based on actual net sales, contractual fee rates negotiated with the customer and the mix of the products in the distribution channel that remain subject to fees.

Billbacks

In the case an indirect customer purchases product from their preferred wholesaler instead of directly from the Company, and the contract price charged to the indirect customer is higher than contractual pricing, the Company pays the indirect customer a billback for the price differential. The Company estimates its billback accrual based on its estimates of the level of inventory of its products in the distribution channel that remain subject to billbacks and historical billback rates. The estimate of the level of products in the distribution channel is based primarily on data provided by key customers.

Medicaid and Other Government Pricing Programs

The Company complies with required rebates mandated by law under Medicaid and other government pricing programs. The Company estimates its government pricing accruals based on monthly sales, historical experience of claims submitted by the various states and jurisdictions, historical rates and estimated lag time of the rebate invoices.

Price Protection and Shelf Stock Adjustments

The Company provides customers with price protection and shelf stock adjustments which may result in an adjustment to the price charged for the product transferred, based on differences between old and new prices which may be applied to the customer's on-hand inventory at the time of the price change. The Company accrues for these adjustments when its expected value of an adjustment is greater than zero, based on contractual pricing, actual net sales, accrual rates based on historical average rates, and estimates of the level of inventory of its products in the distribution channel that remain subject to these adjustments. The estimate of the level of products in the distribution channel is based primarily on data provided by key customers.

Sales Returns

The Company permits the return of product under certain circumstances, mainly upon product expiration, instances of shipping errors or where product is damaged in transit, and occurrences of product recalls. The Company's product returns accrual is primarily based on estimates of future product returns based generally on actual net sales, estimates of the level of inventory of its products in the distribution channel that remain subject to returns, estimated lag time of returns and historical return rates. The estimate of the level of products in the distribution channel is based primarily on data provided by key customers.

Profit Shares

For certain product sale arrangements, the Company earns a profit share upon the customer's sell-through of the product purchased from the Company. The Company estimates its profit shares based on actual net sales, estimates of the level of inventory of its products in the distribution channel that remain subject to profit shares, and historical rates of profit shares earned. The estimate of the level of products in the distribution channel is based primarily on data provided by key customers.

Concentration of Revenue

The Company's three largest customers accounted for approximately 84% of total gross sales of products for both the three and nine months ended September 30, 2020. The Company's three largest customers accounted for approximately 81% and 80% of total gross sales of products for the three and nine months ended September 30, 2019, respectively.

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, 2020 and 2019 are set forth below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>Generics</i>				
Anti-Infective	\$ 9,813	\$ 9,915	\$ 32,589	\$ 24,004
Hormonal/Allergy	93,580	85,253	271,499	280,271
Antiviral	9,236	3,572	26,015	19,374
Central Nervous System ⁽¹⁾	107,139	93,819	302,949	335,992
Cardiovascular System	28,517	26,240	82,876	93,595
Gastroenterology	21,371	9,077	59,249	28,571
Oncology	13,927	16,271	45,349	52,976
Metabolic Disease/Endocrine	9,987	12,570	33,395	41,304
Respiratory	10,875	7,772	28,203	25,408
Dermatology	14,818	15,767	42,402	43,511
Other therapeutic classes	22,657	10,128	74,592	43,568
International and other	—	637	1,947	19,988
Total Generics net revenue	341,920	291,021	1,001,065	1,008,562
<i>Specialty</i>				
Hormonal/Allergy	13,039	11,521	40,662	32,308
Central Nervous System ⁽¹⁾	68,061	67,448	210,428	161,041
Gastroenterology	1,247	406	1,734	1,339
Metabolic Disease/Endocrine	(105)	124	371	754
Other therapeutic classes	5,626	7,763	16,906	25,041
Total Specialty net revenue	87,868	87,262	270,101	220,483
<i>AvKARE</i>				
Distribution	53,399	—	116,824	—
Government Label	28,902	—	75,353	—
Institutional	4,890	—	12,814	—
Other	2,315	—	6,332	—
Total AvKARE net revenue	89,506	—	211,323	—
Total net revenue	\$ 519,294	\$ 378,283	\$ 1,482,489	\$ 1,229,045

- (1) During the three months ended September 30, 2019, operating results for Oxymorphone were reclassified from Generics to Specialty, where it is sold as a non-promoted product. Prior period results have not been restated to reflect the reclassification.

A rollforward of the major categories of sales-related deductions for the nine months ended September 30, 2020 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, 2019	\$ 829,807	\$ 34,308	\$ 150,361	\$ 114,960
Impact from the Acquisitions	12,444	944	11,606	10
Provision related to sales recorded in the period	3,010,776	90,720	74,153	104,511
Credits/payments issued during the period	(3,248,364)	(100,515)	(68,955)	(76,320)
Balance at September 30, 2020	\$ 604,663	\$ 25,457	\$ 167,165	\$ 143,161

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.

Levothyroxine License and Supply Agreement; Transition Agreement

On August 16, 2018, the Company entered into a license and supply agreement with Jerome Stevens Pharmaceuticals, Inc. ("JSP") for levothyroxine sodium tablets ("Levothyroxine"). This agreement designated the Company as JSP's exclusive commercial partner for Levothyroxine in the U.S. market for a 10-year term commencing on March 22, 2019. Additionally, under this license and supply agreement, the Company accrued the up-front license payment of \$50 million on March 22, 2019, which was paid in April 2019. The agreement also provides for the Company to pay a profit share to JSP based on net profits of the Company's sales of Levothyroxine, after considering product costs.

On November 9, 2018, the Company entered into a transition agreement ("Transition Agreement") with Lannett Company ("Lannett") and JSP. Under the terms of the Transition Agreement, the Company assumed the distribution and marketing of Levothyroxine from Lannett beginning December 1, 2018 through March 22, 2019, ahead of the commencement date of the license and supply agreement with JSP described above.

In accordance with the terms of the Transition Agreement, the Company made \$47 million of non-refundable payments to Lannett. For the nine months ended September 30, 2019, \$37 million, was expensed to cost of goods sold, as the Company sold Levothyroxine (none in the nine months ended September 30, 2020). As of December 31, 2018 the Company had a \$4 million transition contract liability, which was fully settled in February 2019.

Additionally, during the year ended December 31, 2019, the Company recorded \$1 million in cost of sales related to reimbursement due to Lannett for certain of its unsold inventory at the end of the transition period, which was fully settled in March 2020.

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 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 \$72 million. For the nine months ended September 30, 2019 the Company expensed a milestone payment of \$1 million (none for the three months ended September 30, 2019) to research and development. For the nine months ended September 30, 2020 the Company expensed a milestone payment of \$5 million to research and development (none for the three months ended September 30, 2020).

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 provides 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 will be 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 may be 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.

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 is 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 \$12 million for the three and nine months ended September 30, 2020, respectively, and \$5 million and \$14 million for the three and nine ended September 30, 2019, respectively.

During the three months ended March 31, 2020, AstraZeneca and the Company agreed to terminate the AZ Agreement and subsequent AZ Amendment effective January 2021.

For detail on the Company's related party agreements with Kashiv Biosciences, LLC, refer to *Note 19. Related Party Transactions*.

6. Restructuring and Other Charges

During the three months ended June 30, 2018, in connection with the Combination, the Company committed to a restructuring plan to achieve cost savings. The Company expected to integrate its operations and reduce its combined cost structure through workforce reductions that eliminated duplicative positions and consolidated certain administrative, manufacturing and research and development facilities. In connection with this plan, the Company announced on May 10, 2018 that it intended to close its Hayward, California-based operations.

On July 10, 2019, the Company announced a plan to restructure its operations that was intended to reduce costs and optimize its organizational and manufacturing infrastructure. Pursuant to the restructuring plan as revised, the Company expects to reduce its headcount by approximately 300 to 350 employees through December 31, 2021, primarily by ceasing manufacturing at its Hauppauge, NY facility. Collectively these actions comprise the "Plans".

The following table sets forth the components of the Company's restructuring and other charges (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Employee restructuring separation charges ⁽¹⁾	\$ 292	\$ 6,187	\$ 338	\$ 8,607
Asset-related (credit) charges ⁽²⁾	(536)	10,609	(536)	11,923
Total employee and asset-related restructuring charges	(244)	16,796	(198)	20,530
Other employee severance charges ⁽³⁾	520	4,141	2,855	9,403
Total restructuring and other charges	\$ 276	\$ 20,937	\$ 2,657	\$ 29,933

- (1) Employee restructuring separation charges include the cost of benefits provided pursuant to the Company's severance programs for employees impacted by the Plans at the Company's Hauppauge, NY, Hayward, CA and other facilities.
- (2) For the three and nine months ended September 30, 2020, asset-related credit was primarily associated with the contractual cancellation of an asset retirement obligation related to a lease that was terminated during August 2020. For the three and nine months ended September 30, 2019, asset-related charges were primarily associated with the write-off of property, plant and equipment in connection with the closing of the Company's Hayward, CA facilities.
- (3) For the three and nine months ended September 30, 2019, other employee severance charges were primarily associated with the cost of benefits for former senior executives.

The charges related to restructuring impacted segment earnings as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Generics	\$ (244)	\$ 14,888	\$ (198)	\$ 17,201
Specialty	—	213	—	391
Corporate	—	1,695	—	2,938
Total employee and asset-related restructuring charges	\$ (244)	\$ 16,796	\$ (198)	\$ 20,530

The following table shows the change in the employee separation-related liability associated with the Plans, which is included in accounts payable and accrued expenses (in thousands):

	Employee Restructuring
Balance at December 31, 2019	\$ 3,900
Charges to income	338
Payments	(2,189)
Balance at September 30, 2020	<u>\$ 2,049</u>

7. (Loss) Earnings per Share

Basic (loss) earnings per share of Class A and Class B-1 Common Stock is computed by dividing net (loss) income attributable to Amneal Pharmaceuticals, Inc. by the weighted-average number of shares of Class A and Class B-1 Common Stock outstanding during the period. Diluted (loss) earnings per share of Class A and Class B-1 Common Stock is computed by dividing net (loss) income attributable to Amneal Pharmaceuticals, Inc. by the weighted-average number of shares of Class A and Class B-1 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 and Class B-1 Common Stock (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator:				
Net (loss) income attributable to Amneal Pharmaceuticals, Inc.	\$ (8,975)	\$ (265,006)	\$ 94,096	\$ (329,789)
Denominator:				
Weighted-average shares outstanding - basic ⁽¹⁾	147,558	130,729	147,377	128,822
Effect of dilutive securities:				
Stock options	—	—	320	—
Restricted stock units	—	—	925	—
Weighted-average shares outstanding - diluted	<u>147,558</u>	<u>130,729</u>	<u>148,622</u>	<u>128,822</u>
Net (loss) earnings per share attributable to Amneal Pharmaceuticals, Inc.'s common stockholders:				
Class A and Class B-1 basic	\$ (0.06)	\$ (2.03)	\$ 0.64	\$ (2.56)
Class A and Class B-1 diluted	<u>\$ (0.06)</u>	<u>\$ (2.03)</u>	<u>\$ 0.63</u>	<u>\$ (2.56)</u>

(1) During the three months ended June 30, 2019, pursuant to the Company's certificate of incorporation, the Company converted all 12.3 million of its issued and outstanding shares of Class B-1 Common Stock and such shares of Class B-1 Common Stock have been retired and may not be reissued by the Company. The weighted-average shares for the three and nine months ended September 30, 2020 do not include Class B-1 Common Stock.

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 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 earnings per share of Class A and Class B-1 Common Stock (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock options	3,923 ⁽⁴⁾	7,973 ⁽⁴⁾	671 ⁽¹⁾	7,973 ⁽⁴⁾
Restricted stock units	9,266 ⁽⁴⁾	2,915 ⁽⁴⁾	—	2,915 ⁽⁴⁾
Performance stock units	3,001 ⁽⁴⁾	357 ⁽⁴⁾	3,001 ⁽²⁾	357 ⁽⁴⁾
Shares of Class B Common Stock	152,117 ⁽³⁾	165,004 ⁽³⁾	152,117 ⁽³⁾	165,004 ⁽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, 2020.
- (3) Shares of Class B Common Stock are considered potentially dilutive shares of Class A and Class B-1 Common Stock. Shares of Class B Common Stock have been excluded from the computations of diluted earnings per share of Class A and Class B-1 Common Stock because the effect of their inclusion would have been anti-dilutive under the if-converted method. As noted above, the weighted-average shares for the three and nine months ended September 30, 2020 do not include Class B-1 Common Stock.
- (4) Excluded from the computation of diluted loss per share of Class A and Class B-1 Common Stock because the effect of their inclusion would have been anti-dilutive since there was a net loss attributable to the Company for three months ended September 30, 2020 and the three and nine months ended September 30, 2019. As noted above, the weighted-average shares for the three and nine months ended September 30, 2020 do not include Class B-1 Common Stock.

8. Income Taxes

For the three months ended September 30, 2020 and 2019, the Company's provision for (benefit from) income taxes and effective tax rates were \$0.1 million and (0.7)% and \$390 million and 1483.0%, respectively. The income tax provision for the three and nine months ended September 30, 2019 was primarily impacted by a \$372 million valuation allowance against the Company's deferred tax assets ("DTAs"). The Company recorded valuation allowances against its various DTAs on a jurisdictional basis after it was determined that it is more likely than not that the Company's DTAs will not be realized.

For the nine months ended September 30, 2020 and 2019, the Company's (benefit from) provision for income taxes and effective tax rates were \$(106) million and 349.3% and \$376 million and (230.2)%, respectively. The year over year change in benefit from income taxes was primarily related to the Company's full valuation allowance and the effects of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The income tax benefit for the nine months ended September 30, 2020 was primarily impacted by the \$110 million benefit from the carryback of U.S. Federal net operating losses ("NOL") (deferred tax assets) under the CARES Act. The income tax provision for the nine months ended September 30, 2019 was primarily impacted by a \$372 million valuation allowance against the Company's DTAs.

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, 2019. As a result of the initial September 30, 2019 and December 31, 2019 analyses, the Company determined that it remained more likely than not that it would not realize the benefits of its gross DTAs and therefore recorded an additional valuation allowance of \$428 million for the year ended December 31, 2019 to reduce the carrying value of these gross DTAs, net of the impact of the reversal of taxable temporary differences, to zero. As of September 30, 2020, based on its evaluation of available positive and negative evidence, the Company has maintained its position with respect to the valuation allowance.

On March 27, 2020, President Trump signed into law the CARES Act. 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. Some of the key income tax-related provisions include net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. Some of these tax provisions are effective retroactively for years ending before the date of enactment. Other non-income-based tax provisions include deferral of the employer share of Social Security payroll

taxes due from the CARES Act date of enactment through December 31, 2020, and a potential 50% credit on qualified wages against employment taxes each quarter with any excess credits eligible for refunds.

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, 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 new 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 \$114 million, including \$4 million of interest, 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, with the remainder of the NOL carryback expected to be received before December 31, 2020.

In connection with the Combination, 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, which had been recorded at the time of the Combination.

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, 2020, 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, which amounts to approximately \$203 million as of September 30, 2020 as a result of basis adjustments under Internal Revenue Code Section 754.

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, 2020 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 \$203 million contingent liability as of September 30, 2020 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 we 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.

9. Trade Accounts Receivable, Net

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

	September 30, 2020	December 31, 2019
Gross accounts receivable	\$ 1,337,951	\$ 1,470,706
Allowance for doubtful accounts	(728)	(2,201)
Contract charge-backs and sales volume allowances	(604,663)	(829,807)
Cash discount allowances	(25,457)	(34,308)
Subtotal	(630,848)	(866,316)
Trade accounts receivable, net	\$ 707,103	\$ 604,390

Receivables from customers representing 10% or more of the Company's gross trade accounts receivable reflected three customers at September 30, 2020, equal to 37%, 26%, and 23%, respectively. Receivables from customers representing 10% or more of the Company's gross trade accounts receivable reflected three customers at December 31, 2019, equal to 39%, 25%, and 25%, respectively.

10. Inventories

Inventories are comprised of the following (in thousands):

	September 30, 2020	December 31, 2019
Raw materials	\$ 194,020	\$ 172,159
Work in process	44,550	58,188
Finished goods	237,190	150,720
Total inventories	\$ 475,760	\$ 381,067

11. Prepaid Expenses and Other Current Assets

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

	September 30, 2020	December 31, 2019
Deposits and advances	\$ 700	\$ 1,123
Prepaid insurance	8,480	3,858
Prepaid regulatory fees	219	4,016
Income and other tax receivables ⁽¹⁾	12,772	13,740
Prepaid taxes	3,424	3,255
Other current receivables	14,619	15,996
Chargebacks receivable ⁽²⁾	7,910	—
Other prepaid assets	28,140	28,176
Total prepaid expenses and other current assets	\$ 76,264	\$ 70,164

(1) On March 27, 2020, President Trump signed into law the CARES Act. 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. Amneal recorded a U.S. federal income tax receivable of \$110 million related to benefits associated with the CARES Act, of which \$106 million was received in July 2020 and the remainder is expected to be received before December 31, 2020. For further details, refer to *Note 8. Income Taxes*.

(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.

12. Other Assets

Other assets are comprised of the following (in thousands):

	September 30, 2020	December 31, 2019
Deferred revolving credit facility costs	\$ 2,908	\$ 3,099
Security deposits	2,731	1,938
Long-term prepaid expenses	5,110	6,438
Interest rate swap	—	16,373
Financing lease right-of-use assets	10,023	11,442
Deposit for the purchase of property, plant and equipment	4,229	—
Other long-term assets	6,141	4,980
Total other assets	\$ 31,142	\$ 44,270

13. Debt

The following is a summary of the Company's long-term debt (in thousands):

	September 30, 2020	December 31, 2019
Term Loan due May 2025	\$ 2,638,626	\$ 2,658,876
Rondo Term Loan due January 2025	175,500	—
Other	624	624
Total long-term debt	2,814,750	2,659,500
Less: debt issuance costs	(27,835)	(28,975)
Total debt, net of debt issuance costs	2,786,915	2,630,525
Less: current portion of long-term debt	(29,776)	(21,479)
Total long-term debt, net	\$ 2,757,139	\$ 2,609,046

Senior Secured Credit Facilities

On May 4, 2018 the Company entered into a senior credit agreement that provided a term loan ("Term Loan") with a principal amount of \$2.7 billion and an asset backed revolving credit facility ("Revolving Credit Facility") under which loans and letters of credit up to a principal amount of \$500 million, of which \$498 million were available at September 30, 2020 (principal amount of up to \$25 million is available for letters of credit) (collectively, the "Senior Secured Credit Facilities").

The Term Loan is repayable in equal quarterly installments at a rate of 1.00% of the original principal amount annually, with the balance payable at maturity on May 4, 2025. The Term Loan bears a variable annual interest rate, which is one-month LIBOR plus 3.5% at September 30, 2020. 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. For further details, refer to *Note 16. Financial Instruments*.

The Revolving Credit Facility bears an annual interest rate of one-month LIBOR plus 1.25% at September 30, 2020 and matures on May 4, 2023. The annual interest rate for the Revolving Credit Facility may be reduced or increased by 0.25% based on step-downs and step-ups determined by the average historical excess availability.

The proceeds of any loans made under the Senior Secured Credit Facilities can be used for capital expenditures, acquisitions, working capital needs and other general purposes, subject to covenants as described below. The Company pays a commitment fee based on the average daily unused amount of the Revolving Credit Facility at a rate based on average historical excess availability, between 0.25% and 0.375% per annum. At September 30, 2020, the Revolving Credit Facility commitment fee rate was 0.375% per annum.

During March 2020, as a precautionary measure to mitigate the uncertainty surrounding overall market liquidity due to the COVID-19 pandemic, the Company borrowed \$300 million on the Revolving Credit Facility. As the financial markets stabilized following a period of high volatility due to the COVID-19 pandemic, the Company repaid all borrowings under the Revolving Credit Facility as of June 30, 2020.

The Company incurred costs associated with the Term Loan due May 2025 of \$38 million and the Revolving Credit Facility of \$5 million, which have been capitalized and are being amortized over the life of the applicable debt agreement to interest expense using the effective interest method. The Term Loan has been recorded in the balance sheet net of issuance costs. Costs associated with the Revolving Credit Facility have been recorded in other assets because there were no borrowings outstanding on the effective date of the Revolving Credit Facility. For both the three months ended September 30, 2020 and 2019, amortization of deferred financing costs related to the Term Loan and the Revolving Credit Facility was \$2 million. For both the nine months ended September 30, 2020 and 2019, amortization of deferred financing costs related to the Term Loan and the Revolving Credit Facility was \$5 million.

The Senior Secured Credit Facilities contain a number of covenants that, among other things, create liens on Amneal's and its subsidiaries' assets. The Senior Secured Credit Facilities contain certain negative covenants that, among other things and subject to certain exceptions, restrict Amneal's and its subsidiaries' ability to incur additional debt or guarantees, grant liens, make loans, acquisitions or other investments, dispose of assets, merge, dissolve, liquidate or consolidate, pay dividends or other payments on capital stock, make optional payments or modify certain debt instruments, modify certain organizational documents, enter into arrangements that restrict the ability to pay dividends or grant liens, or enter into or consummate transactions with affiliates. The Revolving Credit Facility also includes a financial covenant whereby Amneal must maintain a minimum fixed charge coverage ratio if certain borrowing conditions are met. The Senior Secured Credit Facilities contain customary events of default, subject to certain exceptions. Upon the occurrence of certain events of default, the obligations under the Senior Secured Credit Facilities may be accelerated and the commitments may be terminated. At September 30, 2020, Amneal was in compliance with all covenants.

Acquisition Financing - Revolving Credit and Term Loan Agreement

On January 31, 2020, in connection with the Acquisitions, Rondo Intermediate Holdings, LLC ("Rondo Holdings"), a wholly-owned subsidiary of Rondo, entered into a revolving credit and term loan agreement ("Rondo Credit Facility") that provided a term loan ("Rondo Term Loan") with a principal amount of \$180 million and a revolving credit facility ("Rondo Revolving Credit Facility") which loans up to a principal amount of \$30 million. The Rondo Term Loan is repayable in equal quarterly installments at a rate of 5.0% of the original principal amount annually, with the balance payable at maturity on January 31, 2025. The Rondo Credit Facility bears a variable annual interest rate, which is one-month LIBOR plus 3.0% at September 30, 2020 and matures on January 31, 2025. The annual interest rate for borrowings under the Rondo Credit Facility may be reduced or increased by 0.25% based on step-downs and step-ups determined by the total net leverage ratio, as defined in that agreement. At September 30, 2020, the Company had no outstanding borrowings under the Rondo Revolving Credit Facility.

A commitment fee based on the average daily unused amount of the Rondo Credit Facility is assessed at a rate based on total net leverage ratio, between 0.25% and 0.50% per annum. At September 30, 2020, the Rondo Credit Facility commitment fee rate was 0.4% per annum.

Costs associated with the Rondo Term Loan of \$3 million and the Rondo Credit Facility of \$1 million have been capitalized and are being amortized over the life of the applicable debt instrument to interest expense using the effective interest method. The Rondo Term Loan has been recorded in the balance sheet net of issuance costs. Costs associated with the Rondo Revolving Credit Facility have been recorded in other assets. For both the three and nine months ended September 30, 2020, amortization of deferred financing costs associated with the Rondo Credit Facility was less than \$1 million.

The Rondo Credit Facility contains a number of covenants that, among other things, create liens on the equity securities and assets of Rondo Holdings, Rondo, AvKARE, LLC and R&S. The Rondo Credit Facility contains certain negative, affirmative and financial covenants that, among other things, restrict the ability to incur additional debt, grant liens, transact in mergers and acquisitions, make certain investments and payments or engage in certain transactions with affiliates. The Rondo Credit Facility also contains customary events of default. Upon the occurrence of certain events of default, the obligations under the Rondo Credit Facility may be accelerated and/ or the interest rate may be increased. At September 30, 2020, Rondo was in compliance with all covenants. The Company is not party to the Rondo Credit Facility and is not a guarantor of any debt incurred thereunder.

The Term Loan and Rondo Term Loan require payments of \$27 million and \$9 million, respectively, per year for the next four years and the balance thereafter.

Acquisition Financing – Notes Payable-Related Party

The Sellers Notes with a stated aggregate principal amount of \$44 million and the Short-Term Sellers Note with a stated principal amount of \$1 million were issued by Rondo or its subsidiary, Rondo Top Holdings, LLC, on January 31, 2020, the

closing date of the Acquisitions. The Sellers Notes are unsecured and accrue interest at a rate of 5% per annum, not compounded, until June 30, 2025. The Sellers Notes are subject to prepayment at the option of Rondo, as the obligor, without premium or penalty. Mandatory payment of the outstanding principal and interest is due on June 30, 2025 if certain financial targets are achieved, the borrowers' cash flows are sufficient (as defined in the Sellers Notes) and repayment is not prohibited by senior debt. If repayment of all outstanding principal and accrued interest on the Sellers Notes is not made on June 30, 2025, the requirements for repayment are revisited on June 30 of each subsequent year until all principal and accrued interest are satisfied no later than January 31, 2030 or earlier, upon a change in control. The Short-Term Sellers Note is also unsecured and accrues interest at a rate of 1.6% and is due on January 31, 2021.

In accordance with ASC 805, *Business Combinations*, all consideration transferred was measured at its acquisition-date fair value. The Sellers Notes were stated at the preliminary fair value estimate of \$35 million, which was estimated using the Monte-Carlo simulation approach under the option pricing framework. The Short-Term Sellers Note of \$1 million was recorded at the stated principal amount of \$1 million, which approximates fair value. The \$9 million discount on the Sellers Notes will be amortized to interest expense using the effective interest method from January 31, 2020 to June 30, 2025 and the carrying value of the Sellers Notes will accrete to the stated principal amount of \$44 million.

The Company is not party to or a guarantor of the Sellers Notes or Short-Term Sellers Notes. The Sellers Notes and the Short-Term Sellers Note are recorded in notes payable-related party within long-term liabilities and notes payable-related party within current liabilities, respectively.

14. Other Long-Term Liabilities

Other long-term liabilities are comprised of the following (in thousands):

	September 30, 2020	December 31, 2019
Interest rate swap ⁽¹⁾	\$ 57,658	\$ —
Uncertain tax positions	3,680	5,088
Long-term compensation ⁽²⁾	20,469	22,735
Financing lease liabilities	2,815	3,869
Other long-term liabilities	11,566	7,891
Total other long-term liabilities	\$ 96,188	\$ 39,583

(1) Refer to *Notes 15. Fair Value Measurements* and *16. Financial Instruments* for information about the Company's interest rate swap.

(2) Includes \$12 million of long-term deferred compensation plan liabilities (refer to *Note 15. Fair Value Measurements*), \$8 million of long-term employee benefits for the Company's international employees and \$0.5 million of long-term severance liabilities (refer to *Note 6. Restructuring and Other Charges*).

15. 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, 2020 and December 31, 2019 (in thousands):

		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, 2020	Total				
Liabilities					
Interest rate swap ⁽¹⁾	\$ 57,658	\$ —	\$ 57,658	\$ —	
Deferred compensation plan liabilities ⁽²⁾	13,883	—	13,883	—	
December 31, 2019					
Assets					
Interest rate swap ⁽¹⁾	\$ 16,373	\$ —	\$ 16,373	\$ —	
Liabilities					
Deferred compensation plan liabilities ⁽²⁾	\$ 18,396	\$ —	\$ 18,396	\$ —	

- (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.
- (2) As of September 30, 2020, deferred compensation plan liabilities of \$2 million and \$12 million were recorded in current and non-current liabilities, respectively. As of December 31, 2019, deferred compensation plan liabilities of \$4 million and \$14 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.

There were no transfers between levels in the fair value hierarchy during the nine months ended September 30, 2020.

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 \$2.6 billion 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 at September 30, 2020 and December 31, 2019 was approximately \$2.5 billion and \$2.4 billion, respectively.

The \$176 million Rondo Term Loan entered into on January 31, 2020 falls into the Level 2 category within the fair value level hierarchy. The fair value of the Rondo Term Loan at September 30, 2020 was approximately \$172 million.

The Sellers Notes and the Short-Term Sellers Note fall into the Level 2 category within the fair value level hierarchy. At September 30, 2020, the carrying value of the Sellers Notes and the Short-Term Sellers Note of \$36 million and \$1 million, respectively, approximate their fair values.

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, 2020 and 2019.

16. 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. 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. The Company's debt obligations consist of variable-rate and fixed-rate debt instruments (for further details, refer to *Note 13. Debt*). 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 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, 2020, the total loss, net of income taxes, related to the Company's cash flow hedge was \$58 million, of which \$29 million was recognized in accumulated other comprehensive loss and \$29 million was recognized in non-controlling interests (none as of September 30, 2019).

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, 2020		December 31, 2019	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Variable-to-fixed interest rate swap	Other long-term liabilities	\$ 57,658	Other assets	\$ 16,373

17. 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 19. 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. 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, 2020, the Company recorded net charges of approximately \$0.1 million and \$6 million, respectively, for commercial legal proceedings and claims.

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.

The Company had total liabilities for legal proceedings and claims of \$16 million and \$17 million as of September 30, 2020 and December 31, 2019, respectively.

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 flow 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.

Although the outcome and costs of the asserted and unasserted claims is difficult to predict, based on the information presently known to management, the Company does not currently expect the ultimate liability, if any, for such matters to have a material adverse effect on its business, financial condition, results of operations, or cash flows.

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. Reserves 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. Likewise, the Company's Specialty segment is currently involved in patent infringement litigation against generic drug manufacturers that have filed Paragraph IV certifications to market their generic drugs prior to expiration of the Company's patents 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.

Patent Infringement Matter

Impax Laboratories, LLC. v. Zydus Pharmaceuticals USA, Inc. and Cadila Healthcare Ltd. (Rytary®)

On December 21, 2017, Impax filed suit against Zydus Pharmaceuticals USA, Inc. and Cadila Healthcare Ltd. (collectively, "Zydus") in the United States District Court for the District of New Jersey, alleging infringement of U.S. Patent No. 9,089,608, based on the filing of Zydus's ANDA relating to carbidopa and levodopa extended release capsules, generic to Rytary®. Zydus answered the complaint on April 27, 2018, asserting counterclaims of non-infringement and invalidity of U.S. Pat. Nos. 7,094,427; 8,377,474; 8,454,998; 8,557,283; and 9,089,607. Impax answered Zydus's counterclaims on June 1, 2018. Zydus filed a motion for judgment on the pleadings regarding its counterclaims. On November 29, 2018, the Court granted Zydus's motion for judgment as to its counterclaims. A case schedule had been set with trial anticipated in April 2020, which was postponed indefinitely due to the COVID-19 pandemic. The parties thereafter reached a settlement agreement on or about May 15, 2020, and the case has been dismissed.

Other Litigation Related to the Company's Business

Opana ER® FTC Antitrust Litigation

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 co-promotion and development agreement and a June 2010 settlement agreement that resolved patent litigation in connection with the submission of Impax's ANDA for generic original Opana® ER. In July 2016, the defendants filed a motion to dismiss the complaint, and a motion to sever the claims regarding Opana® ER from claims with respect to a separate settlement agreement that was challenged by the FTC. On October 20, 2016, the Court granted the motion to sever, formally terminating the suit against Impax, with an order that the FTC re-file no later than November 3, 2016 and dismissed the motion to dismiss as moot. On October 25, 2016, the FTC filed a notice of voluntary dismissal. On January 19, 2017, the FTC filed a Part 3 Administrative complaint against Impax with similar allegations regarding Impax's June 2010 settlement agreement with Endo that resolved patent litigation in connection with the submission of Impax's ANDA for generic original Opana® ER. Impax filed its answer to the Administrative Complaint on February 7, 2017. Trial concluded on November 15, 2017. On May 11, 2018, the

Administrative Law Judge ruled in favor of Impax and dismissed the case in its entirety. The government appealed this ruling to the FTC. On March 28, 2019, the FTC issued an Opinion & Order reversing the Administrative Law Judge's initial dismissal decision. The FTC found that Impax had violated Section 5 of the FTC Act by engaging in an unfair method of competition, and accordingly entered an order enjoining Impax from entering into anticompetitive reverse patent settlements (or agreements with other generic original Opana® ER manufacturers) and requiring Impax to maintain an antitrust compliance program. On June 6, 2019, Impax filed a Petition for Review of the FTC's Opinion & Order with the United States Court of Appeals for the Fifth Circuit. Impax filed its opening appellate brief with the Fifth Circuit on October 3, 2019; the FTC filed its brief in response on December 9, 2019 and Impax filed a reply brief on December 30, 2019. Oral argument before the Fifth Circuit, which had been postponed due to the COVID-19 pandemic, was heard on June 9, 2020.

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 dispute between the parties regarding, and amended, the above-referenced June 2010 settlement agreement related to Opana® ER. The Company has been cooperating and intends to continue cooperating with the FTC regarding the CID. However, no assurance can be given as to the timing or outcome of the FTC's underlying investigation.

Opana ER® Antitrust Litigation

From June 2014 to April 2015, 14 complaints styled as class actions on behalf of direct purchasers and indirect purchasers (also known as end-payors) and several separate individual complaints on behalf of certain direct purchasers (the "opt-out plaintiffs") were filed against the manufacturer of the brand drug Opana ER® and Impax.

The direct purchaser plaintiffs comprise Value Drug Company and Meijer Inc. The end-payor plaintiffs comprise the Fraternal Order of Police, Miami Lodge 20, Insurance Trust Fund; Wisconsin Masons' Health Care Fund; Massachusetts Bricklayers; Pennsylvania Employees Benefit Trust Fund; International Union of Operating Engineers, Local 138 Welfare Fund; Louisiana Health Service & Indemnity Company d/b/a Blue Cross and Blue Shield of Louisiana; Kim Mahaffay; and Plumbers & Pipefitters Local 178 Health & Welfare Trust Fund. The opt-out plaintiffs comprise Walgreen Co.; The Kroger Co.; Safeway, Inc.; HEB Grocery Company L.P.; Albertson's LLC; Rite Aid Corporation; Rite Aid Hdqtrs. Corp.; and CVS Pharmacy, Inc.

On December 12, 2014, the United States Judicial Panel on Multidistrict Litigation (the "JPML") ordered the pending class actions transferred 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). (Actions subsequently filed in other jurisdictions also were transferred by the JPML to the N.D. Ill. to be coordinated or consolidated with the coordinated proceedings, and the District Court likewise has consolidated the opt-out plaintiffs' actions with the direct purchaser class actions for pretrial purposes.)

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 opening expert reports. Defendants' oppositions to class certification and rebuttal expert reports were filed and served on August 29, 2019. On November 5, 2019, plaintiffs filed reply briefs in further support of their motions for class certification. On January 17, 2020, defendants filed a motion for leave to file joint surreply briefs in response thereto; plaintiffs filed responses on January 24, 2020. On February 5, 2020, the court granted defendants' motion for leave, and entered a case schedule to which the parties jointly stipulated, setting a trial date of March 15, 2021, which the MDL court later re-set for June 7, 2021 in light of COVID-19 pandemic-related delays. On April 15, 2020, defendants filed motions for summary judgment. On August 19, 2020, the MDL court issued a minute entry indicating that it was taking the motions under consideration and would advise the parties if oral argument was needed.

The Company believes it has substantial meritorious defenses to the claims asserted with respect to the litigation. However, 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.

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

On July 14, 2014, Impax received a subpoena and interrogatories (the "Subpoena") 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 is to determine whether anyone engaged in a contract, combination or conspiracy in restraint of trade or commerce which has the effect of (i) fixing, controlling or maintaining prices or (ii) allocating or dividing customers or territories relating to the sale of digoxin in violation of Connecticut state antitrust law. The Company has produced

documents and information in response to the Subpoena. 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"). In connection with this same investigation, 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 certain generic prescription medications. In particular, the DOJ's subpoena to Impax focused on four generic medications: digoxin tablets, terbutaline sulfate tablets, prilocaine/lidocaine cream, and calcipotriene topical solution. The Company produced documents and information in connection with the investigation. 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 Impax's interactions with other generic pharmaceutical manufacturers. According to the CID, the investigation concerns allegations that generic pharmaceutical manufacturers, including Impax, engaged in market allocation and price-fixing agreements, paid illegal remuneration, and caused false claims to be submitted to the Federal government. The Company produced documents and information in connection with the Civil Division's investigation. However, no assurance can be given as to the timing or outcome of the investigation.

Texas State Attorney General Civil Investigative Demand

On May 27, 2014, a CID was served on Amneal by the Office of the Attorney General for the state of Texas (the "Texas AG") relating to products distributed by Amneal under a specific Amneal labeler code. Shortly thereafter, Amneal received a second CID with respect to the same products sold by Interpharm Holding, Inc. ("Interpharm"), the assets of which had been acquired by Amneal in June 2008. Amneal completed its production of the direct and indirect sales transaction data in connection with the products at issue and provided this information to the Texas AG in November 2015. In May 2016, the Texas AG delivered two settlement demands to Amneal in connection with alleged overpayments made by the State of Texas for such products under its Medicaid programs. For the Amneal and Interpharm products at issue, the Texas AG's initial demand was for an aggregate total of \$36 million based on \$16 million in alleged overpayments. After analyzing the Texas AG's demand, Amneal raised certain questions regarding the methodology used in the Texas AG's overpayment calculations, including the fact that the calculations treated all pharmacy claims after 2012 for the products at issue as claims for over-the-counter ("OTC") drugs, even though the products were prescription pharmaceuticals. This had the effect of increasing the alleged overpayment because the dispensing fee for OTC drugs was lower than that for prescription drugs. Therefore, the Texas AG's calculations were derived by subtracting a lower (and incorrect) OTC dispensing fee from the higher (and correct) prescription dispensing fee. The Texas AG later acknowledged this discrepancy. In March 2019, the Texas AG provided Amneal with a recalculation of the alleged overpayment. In October 2019, Amneal reached an agreement in principle with the Texas AG to settle the matter. The parties executed a Settlement Agreement and Release as of March 5, 2020, and the matter is now closed.

In Re Generic Pharmaceuticals Pricing Antitrust Litigation

Beginning in March 2016, numerous complaints styled as antitrust class actions on behalf of direct purchasers, indirect reseller purchasers, (end-payors) and several separate individual complaints on behalf of certain direct and indirect purchasers (the "opt-out plaintiffs") have been filed against manufacturers of generic digoxin, lidocaine/prilocaine, glyburide-metformin, and metronidazole, including Impax.

The end-payor plaintiffs comprised Plaintiff International Union of Operating Engineers Local 30 Benefits Fund; Tulsa Firefighters Health and Welfare Trust; NECA-IBEW Welfare Trust Fund; Pipe Trade Services MN; Edward Carpinelli; Fraternal Order of Police, Miami Lodge 20, Insurance Trust Fund; Nina Diamond; UFCW Local 1500 Welfare Fund; Minnesota Laborers Health and Welfare Fund; The City of Providence, Rhode Island; Philadelphia Federation of Teachers Health and Welfare Fund; United Food & Commercial Workers and Employers Arizona Health and Welfare Trust; Ottis McCrary; Plumbers & Pipefitters Local 33 Health and Welfare Fund; Plumbers & Pipefitters Local 178 Health and Welfare Trust Fund; Unite Here Health; Valerie Velardi; and Louisiana Health Service Indemnity Company. The direct purchaser plaintiffs comprised KPH Healthcare Services, Inc. a/k/a Kinney Drugs, Inc.; Rochester Drug Co-Operative, Inc.; César Castillo, Inc.; Ahold USA, Inc.; and FWK Holdings, L.L.C. The opt-out plaintiffs comprised The Kroger Co.; Albertsons Companies, LLC; H.E. Butt Grocery Company L.P.; Humana Inc.; and United Healthcare Services, Inc.

On April 6, 2017, the JPML ordered the consolidation of all civil actions involving allegations of antitrust conspiracies in the generic pharmaceutical industry regarding 18 generic drugs in the United States District Court for the Eastern District of Pennsylvania (“E.D. Pa.”), as In Re: Generic Pharmaceuticals Pricing Antitrust Litigation (MDL No. 2724). Consolidated class action complaints were filed on August 15, 2017 for each of the 18 drugs; Impax is named as a defendant in the 2 complaints respecting digoxin and lidocaine-prilocaine. Impax also is a defendant in the class action complaint filed with the MDL court on June 22, 2018 (as amended December 21, 2018) by certain direct purchasers of glyburide-metformin and metronidazole.

Each of the various complaints alleges a conspiracy to fix, maintain, stabilize, and/or raise prices, rig bids, and allocate markets or customers for the particular drug products at issue. Plaintiffs seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On October 16, 2018, the Court denied Impax and its co-defendants’ motion to dismiss the digoxin complaint. On February 15, 2019, the Court granted in part and denied in part defendants’ motions to dismiss various state antitrust, consumer protection, and unjust enrichment claims brought by two classes of indirect purchasers in the digoxin action. The Court dismissed seven state law claims in the end-payor plaintiffs’ complaint and six state law claims in the indirect reseller plaintiffs’ complaint. Motions to dismiss the glyburide-metformin and metronidazole complaint, as well as 2 of the complaints filed by certain opt-out plaintiffs, were filed February 21, 2019. On March 11, 2019, the Court issued an order approving a stipulation withdrawing the direct purchaser plaintiffs’ glyburide-metformin claims against Impax.

On May 10, 2019, the Company was named in a civil lawsuit filed by the Attorneys General of 43 States and the Commonwealth of Puerto Rico in the United States District Court for the District of Connecticut against numerous generic pharmaceutical manufacturers, as well as certain of their current or former sales and marketing executives, regarding an alleged conspiracy to fix prices and allocate or divide customers or markets for various products, including, with respect to the Company, bethanechol chloride tablets, norethindrone acetate tablets, and ranitidine HCL tablets, in violation of federal and state antitrust and consumer protection laws. Plaintiff States seek, among other things, unspecified monetary damages (including treble damages and civil penalties), as well as equitable relief, including disgorgement and restitution. On June 4, 2019, the JPML transferred the lawsuit to the E.D. Pa. for coordination and consolidation with MDL No. 2724. On November 1, 2019, the State Attorneys General filed an Amended Complaint in their lawsuit, bringing claims on behalf of 9 additional states and territories against several defendants; the relief sought and allegations concerning the Company (including the products allegedly at issue) are unchanged from the original complaint.

On July 31, 2019, the Company and Impax were served with a Praecipe to Issue Writ of Summons and Writ of Summons filed in the Philadelphia County Court of Common Pleas by 87 health insurance companies and managed health care providers (America’s 1st Choice of South Carolina, Inc., et al. v. Actavis Elizabeth, LLC, et al., No. 190702094), naming as defendants in the putative action the same generic pharmaceutical manufacturers and individuals named in the above-referenced State Attorneys General lawsuit. However, to date, no complaint has been filed or served in this action. On December 12, 2019, the court entered an Order placing the case in deferred status pending further developments in MDL No. 2724.

On October 11, 2019, opt-out plaintiff United Healthcare Services, Inc. filed a second complaint, in the United States District Court for the District of Minnesota (United Healthcare Services, Inc. v. Teva Pharmaceuticals USA, Inc., et al., No. 0:19-cv-2696), following on and supplementing its original action, asserting antitrust claims against the Company and other generic pharmaceutical manufacturers arising from the facts alleged in the above-referenced State Attorneys General lawsuit. Plaintiff seeks, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On October 25, 2019, the lawsuit was transferred by the JPML to the E.D. Pa. for coordination and consolidation with MDL No. 2724.

On October 18, 2019, opt-out plaintiff Humana, Inc. also filed a second complaint, likewise following on supplementing its original action to assert antitrust claims against the Company and other generic pharmaceuticals manufacturers arising from the facts alleged in the above-referenced State Attorneys General lawsuit, and similarly seeking, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. The lawsuit was filed in the E.D. Pa. (Humana Inc. v. Actavis Elizabeth, LLC, et al., No. 2:19-cv-4862), and likely will be incorporated into MDL No. 2724 for coordinated pretrial proceedings.

On November 14, 2019, the Company was named in a complaint filed in the Supreme Court of the State of New York, Nassau County, on behalf of 14 counties in the state of New York, who allege to be both direct and end-payor purchasers of generic pharmaceutical drugs (County of Nassau, et al., v. Actavis Holdco U.S., Inc., et al., No. 616029/2019). The complaint asserts antitrust claims against the Company and other generic pharmaceutical manufacturers arising from the facts alleged in the above-referenced State Attorneys General lawsuit. Plaintiff Counties seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On December 17, 2019, defendants removed the case to the United

States District Court for the Eastern District of New York (No. 2:19-cv-7071) and, on January 3, 2020, the case was transferred by the JPML to the E.D. Pa. for coordination and consolidation with MDL No. 2724.

On December 11, 2019, the Company and Impax were named in a complaint filed in E.D. Pa. by Health Care Service Corp., a customer-owned health insurer opting out of the end-payor plaintiff class (Health Care Service Corp. v. Actavis Elizabeth, LLC, et al., No. 2:19-cv-5819-CMR). Plaintiff alleges a conspiracy among generic pharmaceutical manufacturers to fix prices and allocate or divide customers or markets for various products (including, with respect to the Company, bethanechol chloride tablets, norethindrone acetate tablets, and ranitidine HCL tablets; and with respect to Impax, digoxin, lidocaine-prilocaine, and metronidazole) in violation of federal and state antitrust and consumer protection laws. Plaintiff seeks, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. The lawsuit likely will be incorporated into MDL No. 2724 for coordinated pretrial proceedings.

On December 16, 2019, a complaint was filed in the United States District Court for the District of Connecticut against Impax and against numerous generic pharmaceutical manufacturers on behalf of assignees of claims from third-party health benefit plans, opting out of the end-payor plaintiff class (MSP Recovery Claims, Series LLC, et al. v. Actavis Elizabeth, LLC, et al., No. 3:19-cv-1972-SRU), and alleging a conspiracy to fix prices and allocate or divide customers or markets for various products (including, with respect to Impax, digoxin and lidocaine-prilocaine) in violation of federal and state antitrust and consumer protection laws. Plaintiffs seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On January 10, 2020, the case was transferred by the JPML to the E.D. Pa. for coordination and consolidation with MDL No. 2724.

On December 19, 2019, the end-payor plaintiffs filed a new complaint, following on and supplementing their putative class action lawsuit pending in MDL No. 2724. Plaintiffs' new complaint, which names as defendants the Company, Amneal, Impax, and numerous generic pharmaceutical manufacturers, alleges a conspiracy to fix prices and allocate or divide customers or markets for various products (including, with respect to the Company/Amneal, bethanechol chloride tablets, norethindrone acetate tablets, ranitidine HCL tablets, naproxen sodium tablets, oxycodone/acetaminophen tablets, phenytoin sodium capsules, and warfarin sodium tablets; and with respect to Impax, metronidazole, amphetamine salts tablets, dextroamphetamine sulfate ER capsules, cyproheptadine HCL tablets, methylphenidate tablets, and pilocarpine HCL tablets) in violation of federal and state antitrust and consumer protection laws. On September 4, 2020, the end-payor plaintiffs filed an amended complaint including additional allegations with respect to Impax concerning calcipotriene and mometasone furoate. Plaintiffs continue to seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution.

On December 20, 2019, the indirect-reseller plaintiffs filed a new complaint naming the Company, following on and supplementing their putative class action lawsuit pending in MDL No. 2724. The new complaint is brought on behalf of both independent pharmacies and hospitals, and asserts antitrust claims against the Company and other generic pharmaceutical manufacturers (as well as distributors of generic pharmaceuticals, including AmerisourceBergen Corp., Cardinal Health Inc., and McKesson Corporation) arising from the facts alleged in the above-referenced State Attorneys General lawsuit. Plaintiffs continue to seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On March 11, 2020, the indirect-reseller plaintiffs filed an amended complaint.

On December 27, 2019, the Company and Impax were named in a complaint filed in the United States District Court for the Northern District of California by Molina Healthcare, Inc., a publicly traded healthcare management organization opting out of the end-payor plaintiff class (Molina Healthcare, Inc. v. Actavis Elizabeth, LLC, et al., No. 3:19-cv-8438). Plaintiff alleges a conspiracy among generic pharmaceutical manufacturers to fix prices and allocate or divide customers or markets for various products (including, with respect to the Company, bethanechol chloride tablets, norethindrone acetate tablets, and ranitidine HCL tablets; and with respect to Impax, digoxin, lidocaine-prilocaine, and metronidazole) in violation of federal and state antitrust and consumer protection laws. Plaintiff seeks, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On February 5, 2020, the case was transferred by the JPML, to the E.D. Pa. for coordination and consolidation with MDL No. 2724.

On February 7, 2020, the direct purchaser plaintiffs filed a new complaint, following on and supplementing their putative class action lawsuit pending in MDL No. 2724. Plaintiffs' new complaint, which names as defendants the Company, Amneal, Impax, and numerous generic pharmaceutical manufacturers, alleges a conspiracy to fix prices and allocate or divide customers or markets for various products (including, with respect to the Company/Amneal, bethanechol chloride tablets, ranitidine HCL tablets, naproxen sodium tablets, oxycodone/acetaminophen tablets, hydrocodone/acetaminophen tablets, phenytoin sodium capsules, and warfarin sodium tablets; and with respect to Impax, amphetamine salts tablets, dextroamphetamine sulfate ER capsules, methylphenidate tablets, and pilocarpine HCL tablets) in violation of federal and state antitrust and consumer protection laws. On October 21, 2020, the direct purchaser plaintiffs filed an amended complaint. Plaintiffs continue to seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution.

On March 2, 2020, the Company, Amneal, and Amneal Pharmaceuticals of NY, LLC, were named in a complaint filed in the United States District Court for the Southern District of Texas by Harris County, Texas, which is the primary county for the Houston Metropolitan Area (Harris County, Texas v. Teva Pharmaceuticals USA, Inc., et al., No. 4:20-cv-733). Plaintiff alleges a conspiracy among generic pharmaceutical manufacturers to fix prices and allocate or divide customers or markets for various products in violation of federal and state antitrust and consumer protection laws; specifically, plaintiff alleges that it has paid approximately \$3.86 million since 2013 for products attributable to Amneal entities. On March 30, 2020, the JPML issued a conditional transfer order tagging the case for transfer to the E.D. Pa. for coordination and consolidation with MDL No. 2724. On May 15, 2020, Harris County, Texas filed an amended complaint.

On June 9, 2020, the Company and Impax were named in a complaint filed in E.D. Pa. by Cigna Corp., the parent company of businesses that operate pharmacies (including Express Scripts Holding Company), as well as of health insurance plans and prescription drug plans (Cigna Corp. v. Actavis Holdco US, Inc., et al., No. 2:20-cv-02711). Plaintiff alleges a conspiracy among generic pharmaceutical manufacturers to fix prices and allocate or divide customers or markets for various products (including, with respect to the Company, bethanechol chloride tablets, norethindrone acetate tablets, ranitidine HCL tablets, and warfarin sodium tablets; and with respect to Impax, digoxin, lidocaine-prilocaine, and metronidazole) in violation of federal and state antitrust and consumer protection laws. Plaintiff seeks, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. The lawsuit likely will be incorporated into MDL No. 2724 for coordinated pretrial proceedings.

On June 10, 2020, the State Attorneys General filed in the United States District Court for the District of Connecticut a new complaint following on and supplementing their lawsuit pending in MDL No. 2724 against numerous generic pharmaceutical manufacturers, as well as certain of their current or former sales and marketing executives, regarding an alleged conspiracy to fix prices and allocate or divide customers or markets for various drug products (chiefly topical drugs), including, with respect to the Company, phenytoin sodium ER capsules, in violation of federal and state antitrust and consumer protection laws. Plaintiff States seek, among other things, unspecified monetary damages (including treble damages and civil penalties), as well as equitable relief, including disgorgement and restitution. On July 20, 2020, the JPML transferred the lawsuit to the E.D. Pa. for coordination and consolidation with MDL No. 2724.

On July 3, 2020, the Company and Impax received a Praecipe to Issue Writ of Summons and Writ of Summons filed in the Philadelphia County Court of Common Pleas by 7 health insurance companies and managed health care providers, including Aetna, Inc. (Blue Cross and Blue Shield of North Carolina, et al. v. Actavis Elizabeth, LLC, et al., No. 200500347), naming as defendants in the putative action the same generic pharmaceutical manufacturers and individuals named in the above-referenced State Attorneys General lawsuit. However, to date, no complaint has been filed or served in this action.

On July 7, 2020, the Company and Impax were named in a complaint filed in the E.D. Pa. by Rite Aid Corporation and Rite Aid Hdqtrs. Corp. (Rite Aid Corp. et al. v. Actavis Holdco U.S., Inc., et al., No. 2:20-cv-03367). Plaintiff alleges a conspiracy among generic pharmaceutical manufacturers to fix prices and allocate or divide customers or markets for various products (including, with respect to the Company, bethanechol chloride, metformin ER, norethindrone acetate, oxycodone/acetaminophen, and ranitidine HCL; and with respect to Impax, amphetamine/dextroamphetamine, digoxin, lidocaine-prilocaine, metronidazole, and methylphenidate) in violation of federal antitrust laws. Plaintiff seeks, among other things, unspecified monetary damages and equitable relief.

On August 27, 2020, the Company was named in a complaint filed in the United States District Court for Eastern District of New York (“E.D.N.Y.”) by the County of Suffolk, which is a county comprising central and eastern Long Island, New York (County of Suffolk v. Actavis Holdco US, Inc. et al., No. 2:20-cv-4009). Plaintiff alleges a conspiracy among generic pharmaceutical manufacturers to fix prices and allocate or divide customers or markets for various products in violation of federal and state antitrust and consumer protection laws. Plaintiff seeks, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On October 2, 2020, the JPML issued a conditional transfer order tagging the case for transfer to the E.D. Pa. for coordination and consolidation with MDL No. 2724.

On September 4, 2020, the Company and Impax were named in a complaint filed in E.D. Pa. by J M Smith Corporation (J M Smith Corp. v. Actavis Holdco U.S., Inc. et al., No. 2:20-cv-04370). Plaintiff alleges a conspiracy among generic pharmaceutical manufacturers to fix prices and allocate or divide customers or markets for various products (including, with respect to the Company, bethanechol chloride tablets, metformin ER tablets, naproxen sodium, norethindrone acetate, oxycodone/acetaminophen, phenytoin sodium, ranitidine HCL, and warfarin sodium tablets; and with respect to Impax, amphetamine/dextroamphetamine, calcipotriene, cyproheptadine HCL tablets, dextroamphetamine sulfate ER, digoxin, lidocaine-prilocaine, methylphenidate, metronidazole, and pilocarpine) in violation of federal antitrust laws. Plaintiff seeks, among other things, unspecified monetary damages and equitable relief.

Fact and document discovery in MDL No. 2724 are proceeding. On December 26, 2019, the MDL court entered a case management order extending by stipulation certain pretrial discovery deadlines, including leaving open-ended the date by which, after consultation with MDL court's appointed Special Master, the parties are to agree upon bellwether claims or cases for, inter alia, class certification and/or trials. On February 20, 2020, the Special Master issued a Report & Recommendation and Proposed Order providing for the establishment of two parallel bellwether trial tracks; Track One would involve a jury trial of the overarching conspiracy claims presented in the State Attorneys General's May 10, 2019 complaint (in which the Company and Amneal are defendants), and Track Two would consist of trials on three different individual drug conspiracy complaints (none of which involve the Company or any Amneal entities). On July 13, 2020, the MDL court entered orders adopting the Special Master's Report & Recommendation. On September 9, 2020, the parties submitted competing schedules for discovery, motions, and other proceedings to bring the two Tracks to trial. The Court has not ruled on the schedule at this time.

On June 3, 2020, the Company and Impax were named in a proposed class action complaint filed in the Federal Court of Canada in Toronto, Ontario against numerous generic pharmaceutical manufacturers on behalf of a putative class of individuals who have purchased generic drugs in the private sector from 2012 to present (*Kathryn Eaton v. Teva Canada Limited, et al.*, No. T-607-20). Plaintiff alleges a conspiracy in Canada among generic pharmaceutical manufacturers to fix prices and allocate or divide customers or markets for various products (including, with respect to the Company, bethanechol chloride tablets, norethindrone acetate tablets, ranitidine HCL tablets, and warfarin sodium tablets; and with respect to Impax, digoxin and lidocaine-prilocaine) in violation of Canada's Competition Act. Plaintiff seeks, among other things, \$2.75 billion in monetary damages or compensation, pre- and post-judgment interest, and costs.

The Company believes it has substantial meritorious defenses to the claims asserted with respect to the litigation. However, 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.

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) product, in several putative class action lawsuits filed in the United States District Court for the Northern District of California ("N.D. Cal.") on behalf of a regional health plan primarily providing prescription drug coverage for New York residents (*New York State Teamsters Council Health and Hospital Fund v. Jazz Pharmaceuticals, Inc., et al.*, No. 5:20-cv-04056 (filed June 18, 2020)), and two national health plans providing coverage for federal employees and retirees (*Government Employees Health Association, Inc. v. Jazz Pharmaceuticals, Inc., et al.*, No. 3:20-cv-04671 (filed July 13, 2020) and *Blue Cross and Blue Shield Association v. Jazz Pharmaceuticals, Inc., et al.*, No. 4:20-cv-04667 (filed July 13, 2020)), and an individual Xyrem® user (*Hollman v. Jazz Pharmaceuticals PLC, et al.*, No. 3:20-cv-06491 (filed September 16, 2020)), as well as in the United States District Court for the Southern District of New York on behalf of an Alabaman self-insured health and welfare benefit plan (*A.F. of L.—A.G.C. Building Trades Welfare Plan v. Jazz Pharmaceuticals plc, et al.*, No. 7:20-cv-06003 (filed July 31, 2020)) and a Californian Joint Powers Authority (*Self-Insured Schools of California v. Jazz Pharmaceuticals PLC, et al.*, No. 7:20-cv-06495 (filed August 14, 2020)). All of the lawsuits allege that the generic manufacturers (including Amneal) entered into anticompetitive agreements with Jazz in connection with settling patent litigation related to Xyrem® (sodium oxybate), in violation of state and federal antitrust and competition laws. In addition to class certification, plaintiffs seek, among other things, unspecified monetary damages (including treble damages and civil penalties), as well as equitable relief, including disgorgement and restitution. On October 16, 2020, the N.D. Cal. court denied motions to consolidate the cases and transfer them to the District of New Jersey (where the underlying patent suits regarding Xyrem® were litigated) without prejudice pending a decision by the JPML on a motion requesting consolidation of the cases in an MDL (which is expected to be heard during the JPML's December 2020 calendar).

The Company believes it has substantial meritorious defenses to the claims asserted with respect to the litigation. However, 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.

Prescription Opioid Litigation

The Company and certain of its affiliates have been named as defendants in various matters relating to the promotion and sale of prescription opioid pain relievers. The Company is aware that other individuals and states and political subdivisions are filing comparable actions against, among others, manufacturers and parties that have promoted and sold prescription opioid pain relievers, and additional suits may be filed.

The complaints, asserting claims under provisions of different state and Federal law, generally contend that the defendants allegedly engaged in improper marketing of opioids, and seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. None of the complaints specifies the exact amount of damages at issue. The Company and its affiliates that are defendants in the various lawsuits deny all allegations asserted in these complaints and have filed or intend to file motions to dismiss where possible. The Company intends to continue to vigorously defend these cases. In light of the inherent uncertainties of civil litigation, 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.

On August 17, 2017, plaintiff Linda Hughes, as the mother of Nathan Hughes, decedent, filed a complaint in Missouri state court naming Amneal Pharmaceuticals of New York LLC, Impax, five other pharmaceutical company defendants, and three healthcare provider defendants. Plaintiff alleges that use of defendants' opioid medications caused the death of her son, Nathan Hughes. The complaint alleges causes of action against Amneal and Impax for strict product liability, negligent product liability, violation of Missouri Merchandising Practices Act and fraudulent misrepresentation. The case was removed to federal court on September 18, 2017. It was transferred to the United States District Court for the Northern District of Ohio on February 2, 2018 and is part of the multidistrict litigation pending as In Re National Prescription Opiate Litigation, MDL No. 2804 (the "MDL"). Plaintiff has filed a motion to remand the case to Missouri state court. That motion remains pending before the MDL court. All activity in the case is stayed by order of the MDL court.

On March 15, 2018, plaintiff Scott Ellington, purporting to represent the State of Arkansas, more than sixty counties and a dozen cities, filed a complaint in Arkansas state court naming Gemini Laboratories, LLC and fifty-one other pharmaceutical companies as defendants. Plaintiffs allege that Gemini and the other pharmaceutical company defendants improperly marketed, sold, and distributed opioid medications and failed to adequately warn about the risks of those medications. Plaintiffs allege causes of actions against Gemini and the other pharmaceutical company defendants for negligence and nuisance and alleged violations of multiple Arkansas statutes. Plaintiffs request past damages and restitution for monies allegedly spent by the State of Arkansas and the county and city plaintiffs for "extraordinary and additional services" for responding to what plaintiffs term the "Arkansas Opioid Epidemic." Plaintiffs also seek prospective damages to allow them to "comprehensively intervene in the Arkansas Opioid Epidemic," punitive and treble damages as provided by law, and their costs and fees. The complaint does not include any specific damage amounts. Gemini filed a general denial and, on June 28, 2018, it joined the other pharmaceutical company defendants in moving to dismiss plaintiffs' complaint. On January 29, 2019, the Court granted without prejudice Gemini's motion to dismiss and dismissed Gemini from the litigation on March 22, 2019.

On March 27, 2018, plaintiff American Resources Insurance Company, Inc. filed a complaint in the United States District Court for the Southern District of Alabama against Amneal, Amneal Pharmaceuticals of New York, LLC, Impax, and thirty-five other pharmaceutical company defendants. Plaintiff seeks certification of a class of insurers that since January 1, 2010, allegedly have been wrongfully required to: (i) reimburse for prescription opioids that allegedly were promoted, sold, and distributed illegally and improperly by the pharmaceutical company defendants; and (ii) incur costs for treatment of overdoses of opioid medications, misuse of those medications, or addiction to them. The complaint seeks compensatory and punitive damages, but plaintiff's complaint does not include any allegation of specific damage amounts. On or about May 2, 2018, the case was transferred to the MDL. All activity in the case is stayed by order of the MDL court.

On May 30, 2018, plaintiff William J. Comstock filed a complaint in Washington state court against Amneal Pharmaceuticals of New York, LLC, and four other pharmaceutical company defendants. Plaintiff alleges he became addicted to opioid medications manufactured and sold by the pharmaceutical company defendants, which plaintiff contends caused him to experience opioid-induced psychosis, prolonged hospitalizations, pain, and suffering. Plaintiff asserts causes of action against Amneal and the other pharmaceutical company defendants for negligence, fraudulent misrepresentation, and violations of the Washington Consumer Protection Act. On July 12, 2018, Amneal and other defendants removed the case to the United States District Court for the Eastern District of Washington. On August 17, 2018, the case was transferred to the MDL. All activity in the case is stayed by order of the MDL court.

On June 18, 2018, a Subpoena and CID issued by the Office of the Attorney General of Kentucky, Office of Consumer Protection was served on Amneal. The CID contains eleven requests for production of documents pertaining to opioid medications manufactured and/or sold by Amneal, or for which Amneal holds an Abbreviated New Drug Application. The Company is evaluating the CID and has been in communication with the Office of the Attorney General about the scope of the CID, the response to the CID, and the timing of the response. It is unknown if the Office of the Attorney General will pursue any claim or file a lawsuit against Amneal.

On July 9, 2018, the Muscogee (Creek) Nation filed a First Amended Complaint in its case pending in the MDL against the Company and 55 other defendants consisting of pharmaceutical companies, wholesalers, distributors, and pharmacies. Plaintiff

alleges it has been damaged by the Company and the other pharmaceutical company defendants as a result of alleged improper marketing, including off-label marketing, failure to adequately warn of the risks of opioid medications, and failure to properly monitor and control diversion of opioid medications within the Nation. The case has been designated as a bellwether motion to dismiss case for the MDL, meaning it is a test case for arguments directed at the complaints filed by Indian tribes in the MDL cases. On August 31, 2018, the Company moved to dismiss the First Amended Complaint, and also joined in separate motions to dismiss filed by different defense subgroups. Plaintiff opposed these motions. Additionally, on September 28, 2018, plaintiff filed a motion to add Amneal and Amneal Pharmaceuticals of New York, LLC, and to dismiss the Company from the complaint. The Company opposed that motion, and plaintiff filed a reply on October 19, 2018. On April 1, 2019, the MDL court's designated magistrate judge issued a Report and Recommendation as to the Company's motion to dismiss, recommending dismissal of plaintiff's Lanham Act claims and state-law claims based on an alleged duty to correct alleged misrepresentations of brand-name manufacturers, but recommending denial of relief as to all other claims. On April 12, 2019, the magistrate judge overruled the Company's objection to adding Amneal and Amneal Pharmaceuticals of New York, LLC, but dismissed the Company. Amneal and Amneal Pharmaceuticals of New York, LLC, filed an objection to the magistrate's Report and Recommendation as to the Company's motion to dismiss on April 29, 2019. On June 13, 2019, the MDL court denied the objections and subsequently ordered the defendants to file Answers to the First Amended Complaint. On August 16, 2019, Amneal and Amneal Pharmaceuticals of New York, LLC filed their respective answers. Further activity in the case is stayed by order of the MDL court.

On July 18, 2018, the County of Webb, Texas requested waivers of service from Amneal and Amneal Pharmaceuticals of New York, LLC, in its case pending in the MDL. Plaintiff's Amended Complaint, filed against Amneal and forty-one other defendants consisting of pharmaceutical companies, wholesalers, distributors, and pharmacy benefit managers, alleges damages as a result of Amneal's and the pharmaceutical company defendants' improper marketing, failure to adequately warn of the risks of opioid medications, and failure to properly monitor and control diversion of opioid medications in or affecting Webb County. Amneal and Amneal Pharmaceuticals of New York, LLC have returned the requested waivers. All activity in the case is stayed by order of the MDL court.

On August 24, 2018, the Tucson Medical Center filed a complaint against the Company and 18 other defendants consisting of pharmaceutical companies, distributors, and unidentified John Doe defendants, in the Superior Court of the State of Arizona, Pima County. Plaintiff alleges damages as a result of Amneal's and the pharmaceutical company defendants' improper marketing, failure to adequately warn of the risks of opioid medications, and failure to properly monitor and control diversion of opioid medications. Plaintiff seeks economic damages related to its purchase of opioid medications and for the costs of unreimbursed healthcare it has provided as a result of the opioid epidemic over and above ordinary healthcare services. In addition, plaintiff seeks compensatory damages, treble damages, punitive damages, awards of attorney's fees, and abatement of the alleged public nuisance, as provided by law. On September 24, 2018, the distributor defendants removed the case to the United States District Court for the District of Arizona. Plaintiff filed a motion to remand on September 25, 2018, which the distributor defendants opposed. The Company filed a motion to dismiss on October 1, 2018. On October 8, 2018, following the Court's denial of its remand motion, plaintiff voluntarily dismissed its Complaint without prejudice. Plaintiff re-filed its Complaint on October 9, 2018, in the Superior Court of the State of Arizona, Pima County, along with a motion to designate the case as "complex." The distributor defendants filed a notice of removal on October 29, 2018. Plaintiff filed an Emergency Motion to Remand on October 30, 2018. On December 19, 2018, the Court granted plaintiff's motion and remanded the case to the Superior Court of Pima County, Arizona. On February 13, 2019, the Company again filed a motion to dismiss the complaint. The defendants (including the Company) also moved for a discovery stay pending resolution of their motions to dismiss. The Court entered an order on April 8, 2019 staying discovery until the earlier of June 25, 2019 or when the Court rules on the defendants' separate motions to dismiss. On June 12, 13, and 14, 2019, the Court held hearings on all pending motions to dismiss. Immediately prior to the hearing on Amneal's Motion to Dismiss, plaintiff agreed to a voluntary dismissal without prejudice of Amneal, which the parties then entered on the record. The co-defendants removed the case to federal court, but the federal court re-remanded the case to state court. Plaintiff initially amended its complaint in state court and attempted to name Amneal as a defendant; however, plaintiff did not serve that complaint on Amneal. On February 7, 2020, plaintiff filed a second amended complaint that did not name Amneal as a defendant. Accordingly, Amneal is not presently a defendant in this lawsuit.

On October 4, 2018, the City of Martinsville, Virginia, filed a complaint in Virginia state court, naming the Company, Amneal, Amneal Pharmaceuticals of New York, LLC, Impax, and 45 other pharmaceutical companies and other entities as defendants. Plaintiff alleges that the defendants are liable for the economic and non-economic injuries allegedly suffered by resident doctors, health care payors, and opioid-addicted individuals, as well as for the costs incurred in addressing the opioid epidemic. Plaintiff requests an unspecified amount of damages against the defendants. The case was removed to federal court on December 13, 2018 and was conditionally transferred to the MDL on December 27, 2018. Plaintiff opposed the transfer to the MDL and moved to remand the case to Virginia state court. On February 14, 2019, the United States District Court for the Western District of Virginia, Roanoke Division, remanded the case to the Martinsville Circuit Court in Martinsville, Virginia.

Nine other Virginia municipalities have filed identical complaints naming the same defendants, but none have been served on the Company or its affiliates. The unserved Virginia cases were removed to federal court and subsequently transferred to the MDL. On April 24, 2019, the Martinsville Circuit Court stayed this case until it is determined whether the other Virginia cases that were removed to federal court will be remanded, or until the parties or the court may determine whether consolidation of this case with others is possible in Virginia state court. The removed cases were transferred to the MDL, but this case remains stayed in state court.

In October and November 2018, the SouthEast Alaska Regional Health Consortium, the Kodiak Area Native Association, and the Norton Sound Health Corporation requested that the Company execute waivers of service in their cases pending in the MDL. Plaintiffs' complaints name the Company and 37 other entities as defendants. Plaintiffs allege damages and seek injunctive relief, compensatory and statutory damages, "as well as the means to abate the epidemic" that they allege was "created by Defendants' wrongful and/or unlawful conduct." All activity in these cases is stayed by order of the MDL court.

On December 3, 2018, Appalachian Regional Healthcare, Inc., filed a complaint in Kentucky state court, naming Amneal and 32 other pharmaceutical companies and other entities as defendants. Plaintiff alleges that the defendants are liable for the economic and non-economic injuries allegedly suffered by Kentucky's hospitals and others. Plaintiff requested an unspecified amount of damages against the defendants. The case has now been removed to federal court, and all activity in these cases is stayed by order of the MDL court.

On January 23, 2019, Indian Health Council, Inc., requested that the Company execute a waiver of service in its case pending in the MDL. Plaintiff's complaint names the Company and 18 other pharmaceutical companies and other entities as defendants. Plaintiff, an intertribal health organization which provides healthcare services to its consortium's member tribes, alleges that the defendants are liable for the economic injuries it allegedly suffered as a result of its role in responding to an alleged "epidemic of opioid abuse". Plaintiff requests an unspecified amount of damages against the defendants. The case has been transferred to the MDL. All activity in the case is stayed by order of the MDL court.

On February 7, 2019, Kentucky River District Health Department requested that the Company execute a waiver of service in its case pending in the MDL. Plaintiff's putative class action complaint names Amneal and 20 other pharmaceutical companies and other entities as defendants. Plaintiff alleges that the defendants are liable for the economic injuries it suffered, on behalf of itself and similarly situated Kentucky health departments, as a result of their role in responding to an alleged "opioid epidemic." Plaintiff requests an unspecified amount of damages against the defendants. All activity in the case is stayed by order of the MDL court.

In February and March 2019, the Aleutian Pribilof Islands Association and Alaska Native Tribal Health Consortium requested that the Company execute waivers of service in their cases pending in the MDL. Plaintiffs' complaints name the Company and 37 other entities as defendants. Plaintiffs allege damages and seek injunctive relief, compensatory and statutory damages, "as well as the means to abate the epidemic" that they allege was "created by Defendants' wrongful and/or unlawful conduct." All activity in these cases is stayed by order of the MDL court.

In March 2019, Glynn County, Georgia, requested waivers of service from the Company and Amneal in its case pending in the MDL. Plaintiff's second amended short-form complaint, filed against Amneal and 39 other defendants consisting of pharmaceutical companies, wholesalers, retailers, and distributors, alleges damages as a result of defendants' alleged improper marketing, fraud, including RICO violations, failure to adequately warn of the risks of opioid medications, failure to properly monitor and control diversion of opioid medications in or affecting Glynn County, negligence, public nuisance, and unjust enrichment. All activity in the case is stayed by order of the MDL court.

On March 14, 2019, the City of Concord, New Hampshire, filed a short-form amendment to its Second Amended Complaint in the MDL court adding the Company, Amneal, and Impax, to 31 other defendants, including pharmaceutical companies, corporate officers of certain brand manufacturer pharmaceutical companies, and distributors. As to the Company, Amneal, and Impax, plaintiff asserts claims for violation of the New Hampshire Consumer Protection Act, public nuisance, unjust enrichment, and violation of RICO. Plaintiff alleges that defendants are liable for economic injuries experienced by plaintiff, including unspecified restitution, civil penalties, disgorgement of unjust enrichment and attorneys' fees, as well as for injunctive relief as to defendants' further false or misleading statements as to opioids, and for exemplary damages. Amneal was served on April 25, 2019. All activity in the case is stayed by order of the MDL court.

On March 15, 2019, the International Union of Painters and Allied Trades, District Council No. 21 Welfare Fund, and, separately, the International Brotherhood of Electrical Workers Local 98 Health & Welfare Fund, and International Brotherhood of Electrical Workers Local 98 Sound and Communications Health and Welfare Fund, filed complaints in the Philadelphia County Common Pleas Court, naming Amneal, Impax, Amneal Pharmaceuticals of New York, LLC, and 29 other

pharmaceutical companies as defendants. In each, plaintiffs allege that the defendants are liable for economic injuries allegedly suffered by the respective funds to the extent those funds paid for long term treatment of their benefit members with opioids, and for the costs incurred in addressing an alleged “opioid epidemic.” Plaintiffs request an unspecified amount of damages against the defendants. On April 17, 2019, Amneal and Amneal Pharmaceuticals of New York, LLC were served with both complaints. On January 7, 2020, Karen Davidson, individually and as administratrix of the estate of John C. Davidson, filed a complaint in the Philadelphia County Common Pleas Court, naming the Company and Amneal, among other parties, as defendants. All three cases have been transferred to Delaware County, Pennsylvania, where numerous other opioid cases currently are pending. The cases are now stayed by order of the Delaware County court.

In March 2019, the State of New Mexico filed a Second Amended Complaint in its case pending against numerous generic drug manufacturers and distributors in the First District Court of Santa Fe County, naming as defendants Amneal and Amneal Pharmaceuticals of New York, LLC. Plaintiff seeks unspecified damages, and injunctive relief, “to eliminate the hazard to public health and safety caused by the opioid epidemic, to abate the nuisance, and to recoup State monies that have been spent” on account of defendants’ alleged “false, deceptive and unfair marketing and/or unlawful diversion of prescription opioids.” On July 17, 2019, the Amneal entities moved to dismiss for lack of personal jurisdiction and failure to state a claim upon which relief can be granted. On October 15, 2019, the court entered an order dismissing the plaintiff’s negligence per se claims, but declining to dismiss the Amneal entities for lack of personal jurisdiction. The Amneal entities timely filed answers and moved for reconsideration of their jurisdictional motion on January 21, 2020. On March 27, 2020, the court held oral argument and denied the motion for reconsideration from the bench. The court entered an order denying the motion for reconsideration, without explanation, on April 6, 2020. On September 29, 2020, the plaintiff State filed a Third Amended Complaint, solely to add dispensing claims against the pharmacy defendants. The parties are now engaged in discovery.

In April 2019, several Virginia municipalities (the County Board of Arlington, Dinwiddie County, and Mecklenburg County) filed Complaints in their respective local circuit courts against the Company, Amneal, Amneal Pharmaceuticals of New York, LLC, and Impax along with numerous additional generic drug manufacturers, distributors, and pharmacies. In each Complaint, plaintiffs seek unspecified damages and equitable relief, alleging that defendants were negligent and/or grossly negligent in flooding the relevant municipalities with prescription opioid medications and engaged in civil conspiracies to do so. Each case had been removed to the United States District Court for the Eastern District of Virginia, but all three since have been remanded back to Virginia state court. The Company was nonsuited (dismissed) from the Arlington case. Amended Complaints were filed in the Dinwiddie and Mecklenburg cases at the end of November 2019, but they did not include the Amneal entities as defendants.

On June 10, 2019, in their cases currently pending in the MDL, West Virginia municipal-entity plaintiffs Cabell County Commission and the City of Huntington were granted leave to file, then filed, a Joint and Third Amended Complaint naming approximately 20 additional defendants, including the Company, Amneal, Amneal Pharmaceuticals of New York, LLC, and Impax. The plaintiff municipalities, seek unspecified actual, treble, and punitive damages and disgorgement “to eliminate the hazard to public health and safety, to abate the public nuisance caused by the opioid epidemic in the City and County and to compensate both for abatement measures undertaken or underway and damages sustained as a result of the opioid epidemic” they allege the defendants “proximately caused.” These actions have been designated “Track Two” bellwether cases by the MDL court (intended to be adjudicated following the “Track One” cases for which bellwether trials had been scheduled for October 2019). On December 31, 2018, the MDL court entered an Order directing the then-parties in these Track Two actions to work with one of the MDL court’s appointed Special Masters to prepare case management deadlines. On May 12, 2019, the Special Master entered an Order acknowledging that the press of issues surrounding ongoing litigation of the Track One cases had prevented both the parties and the MDL court from acting on the directives of the prior Track Two Order, and setting deadlines of June 10, 2019 for plaintiffs to amend their complaints, and June 14, 2019 for the submission of proposals for case management by the then-parties to the cases (the Amneal entities were not served with plaintiffs’ Third Amended Complaints until June 25, 2019). On December 16, 2019, the MDL court granted plaintiffs’ motion to sever all defendants from the Track Two cases except certain distributor defendants (AmerisourceBergen Drug Corporation, Cardinal Health, Inc., and McKesson Corporation). On January 3, 2020, the MDL court ordered that plaintiffs cannot take discovery of any severed Track Two defendant. On January 14, 2020, the Track Two cases were remanded to the United States District Court for the Southern District of West Virginia, without the severed defendants. To the extent Amneal entities were defendants in the Track Two cases but have been severed, the cases are now stayed by order of the MDL court.

In October 2019, the Company, Amneal, Amneal Pharmaceuticals of New York, LLC, and Impax were served with a putative class action complaint, which also names as defendants numerous manufacturers of opioid products (and certain corporate officers thereof), filed in the United States District Court for the Middle District of Tennessee by several individuals who allegedly purchased prescription opioid medication in cash and/or with an insurance co-payment (Rhodes, et al., v. Rhodes Technologies, Inc., et al., No. 3:19-cv-885). Plaintiffs claim that they would not have purchased these prescription opioid products had defendants not allegedly misrepresented the products’ “addiction propensities,” and thereby suffered economic

loss. Plaintiffs purport to represent a nationwide class of all individuals who directly or indirectly purchased prescription opioid medication from January 2008 to the present in 31 different states, allege causes of action for violations of those states' antitrust laws and consumer protection statutes (and unjust enrichment), and seek, in addition to class certification, unspecified monetary damages (including actual, statutory, and punitive or treble damages) and equitable relief, including declaratory judgment and restitution. On February 13, 2020, this case was transferred to the MDL. All activity in the case is stayed by order of the MDL court.

There are currently 26 cases brought by various West Virginia and Kentucky hospitals that have been consolidated in the state-court West Virginia Opioid Litigation Multi-Litigation Panel (the "MLP"). On November 20, 2019, the manufacturer defendants collectively filed a motion to dismiss, in which Amneal joined, and the Company filed its own individual motion to dismiss. The MLP has denied the manufacturer defendants' motion to dismiss, but has not yet ruled on the Company's separate motion. There also are 26 additional cases brought by West Virginia municipalities against the Company, Amneal, Amneal Pharmaceuticals of New York, LLC, and Impax which have been transferred to the MLP. The Company has filed a motion to dismiss in three cases. Each motion remains pending. Amneal, APNY, and/or Impax filed motions to dismiss in 23 of 26 of those cases to date. The MLP denied the motions to dismiss in 19 cases. Four of those motions remain pending. Motions to dismiss will be filed in the three remaining cases on November 16, 2020. The MLP also ordered an early mediation on February 26 and 27, 2020, during which plaintiffs did not make a settlement demand. The MLP had ordered a public nuisance bench trial to occur beginning on March 22, 2021. Defendants filed a motion to continue that trial date and, on October 13, 2020, the MLP granted the motion, ordering the trial re-scheduled to November 1, 2021. Defendants also previously filed a motion for reconsideration of the order denying a jury trial. That motion was denied, and the MLP also issued an order striking defendants' notices of non-party fault with respect to plaintiffs' public nuisance claim. Defendants have filed a Petition for Writ of Prohibition with the West Virginia Supreme Court on both orders.

Including the above-referenced cases, the Company and certain of its affiliates recently have been named in approximately 948 cases now pending in the MDL court or in various state and territorial courts, including cases brought by:

- Political subdivision / municipal entity plaintiffs from the states of Alabama, Arkansas, Arizona, California, Colorado, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming;
- Third-party payor plaintiffs;
- Individual plaintiffs;
- Indian tribe plaintiffs; and
- Hospital / healthcare provider plaintiffs.

Requests for waivers for service of process have been transmitted by plaintiffs' counsel to defense counsel in relation to the Company and certain of its affiliates in most of these cases. In each case where service on the Company or its affiliates has been perfected, and the case is not stayed, responsive pleadings or pre-answer motions have been filed.

The Company believes it has substantial meritorious defenses to the claims asserted with respect to the litigation. However, 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.

Securities Class Actions

On April 17, 2017, lead plaintiff New York Hotel Trades Council & Hotel Association of New York City, Inc. Pension Fund filed an amended class action complaint in the United States District Court for the Northern District of California on behalf of itself and others similarly situated against Impax and four current or 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 asserts claims regarding alleged misrepresentations about three generic drugs. Its principal claim alleges that Impax concealed that it colluded with competitor Lannett Corp. to fix the price of generic drug digoxin, and that its digoxin profits stemmed from this collusive pricing. Plaintiff also alleges that Impax concealed from the market anticipated erosion in the price of generic drug diclofenac and that Impax overstated the value of budesonide, a generic drug that it acquired from Teva. On June 1, 2017, Impax filed its motion to dismiss the amended complaint. On September 7, 2018, the Court granted Impax's motion, dismissing plaintiff's claims without prejudice and with leave to amend the complaint. Plaintiff filed a second amended complaint October 26, 2018. Impax filed a motion to dismiss the second amended complaint on December 6, 2018; plaintiffs' opposition thereto was filed on January 17, 2019; and Impax's reply in support of its motion to dismiss was filed on February 7, 2019. A hearing before the Court on the motion to dismiss took place on May 2, 2019. On August 12,

2019, the Court entered an order granting Impax's motion, dismissing plaintiff's second amended complaint with prejudice. On September 5, 2019, plaintiff filed a notice of appeal from both dismissal orders with the United States Court of Appeals for the Ninth Circuit. Plaintiff's opening brief was filed with the Ninth Circuit on February 14, 2020, Impax's answering brief was filed on May 15, 2020, and plaintiff filed its reply brief on August 4, 2020. Oral argument is scheduled for December 9, 2020.

On December 18, 2019, Cambridge Retirement System filed a class action complaint in the Superior Court of New Jersey, Somerset County, on behalf of itself and others similarly situated against the Company and fourteen 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). Plaintiff principally alleges that the amended registration statement and prospectus issued on May 7, 2018 in connection with the Amneal/Impax business combination was materially false and/or misleading, insofar as it purportedly failed to disclose that Amneal was an active participant in an alleged antitrust conspiracy with several other pharmaceutical manufacturers to fix generic drug prices, and that this secret collusion improperly bolstered Amneal's financial results reflected in the registration statement. Plaintiff seeks, among other things, certification of a class and unspecified compensatory and/or recessionary damages. On March 31, 2020, the Company filed a motion to dismiss the complaint. Oral argument on the motion to dismiss was held telephonically on July 14, 2020 and, on July 15, 2020, the court entered an order denying the motion.

The Company believes it has substantial meritorious defenses to the claims asserted with respect to the litigation. However, 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.

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 pursuant to regulations promulgated by the DEA. The Company is cooperating with this request for information and has provided relevant information responsive to the request. The Company and the U.S. Attorney for the E.D.N.Y. have entered into a tolling agreement (and several amendments thereto) with respect to the investigation. The material provisions of the tolling agreement (as amended) provide that the investigation is ongoing, that the U.S. Attorney will not file a claim against the Company on or before November 11, 2020, and requests that the Company agree that the applicable statute(s) of limitations be tolled during the period from January 19, 2018 through November 12, 2020. The Company cannot predict at this time whether the U.S. Attorney will file a lawsuit or other claims against the Company with respect to the investigation.

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 oxymorphone. The Company has produced documents and information to the AUSA in response to the Subpoena. However, no assurance can be given as to the timing or outcome of its underlying investigation.

On May 28, 2019, Amneal received a subpoena (the "Subpoena") from an AUSA for the E.D.N.Y. requesting information and documents generally related to the Company's compliance with Controlled Substances Act regulations. The Company is cooperating with the AUSA regarding the Subpoena. The Company and the U.S. Attorney for the E.D.N.Y. have entered into a tolling agreement (and several amendments thereto) with respect to the investigation. The material provisions of the tolling agreement (as amended) provide that the E.D.N.Y. has made no decision as yet as to the appropriate resolution of its pending investigation, that the Company's time to present evidence and arguments to the E.D.N.Y. concerning the investigation is extended to November 12, 2020, and that the Company agrees that the applicable statute(s) of limitations are tolled during the period from April 12, 2019 through November 12, 2020. The Company cannot predict at this time whether the U.S. Attorney will file a lawsuit or other claims against the Company with respect to the investigation.

Ranitidine Litigation

On January 27, 2020, the Company and Amneal were named in a putative class action complaint filed in the United States District Court for the Northern District of Illinois by several named plaintiffs on behalf of consumers who purchased Zantac® (ranitidine) and have not been diagnosed with, but "live in constant fear of developing," cancer, alleging that the defendants, comprising various entities alleged to have manufactured or sold brand-name Zantac® or generic ranitidine, failed to disclose and/or concealed the product's "dangerous propensities" in respect of the alleged presence in the product of N-Nitrosodimethylamine (or "NDMA") (White, et al., v. GlaxoSmithKline plc, et al., No. 1:19-cv-7773). The complaint purports to state claims for violations of state consumer protection acts, breaches of implied warranties, negligence/gross negligence, and fraudulent concealment (and seeks the certification of corresponding nationwide classes and subclasses). In addition to class

certification, plaintiffs seek, among other things, unspecified monetary damages and equitable relief, including the implementation and funding of a medical monitoring program. The complaint is one of hundreds of similar putative class actions and personal injury/product liability lawsuits filed in federal courts nationwide. In November 2019, the JPML established In re Zantac/Ranitidine NDMA Litigation (MDL No. 2924) for coordinated or consolidated pretrial proceedings and, on February 6, 2020, ordered the MDL centralized in the Southern District of Florida. On February 24, 2020 this lawsuit was transferred to and consolidated with MDL No. 2924. On March 2, 2020, plaintiffs voluntarily dismissed their claims without prejudice against the generic ranitidine manufacturers named as defendants (including the Company and Amneal).

On March 6, 2020, plaintiff Kathy McMillian filed a personal injury / products liability complaint in the United States District Court for the Southern District of Alabama against brand and generic ranitidine product manufacturers (including Amneal), as well as Walmart, Inc., alleging that she developed kidney cancer as a result of her use of Zantac®, Equate®, and/or generic ranitidine, and that defendants knew about but failed to warn regarding an alleged “NDMA defect” in those products (McMillian v. Sanofi-Aventis U.S. LLC, et al., No. 1:20-cv-141-N). Plaintiff seeks unspecified amounts of both compensatory and punitive damages, as well as attorneys’ fees and other costs. On March 31, 2020, the case was transferred to and consolidated with MDL No. 2924.

On March 13, 2020, plaintiff Walter Jones, on behalf of decedent Sue Jones, filed an amended complaint naming the Company, Amneal, and Amneal Pharmaceuticals of New York, LLC, in his personal injury / products liability lawsuit against brand and generic ranitidine product manufacturers pending in the United States District Court for the Western District of Tennessee (Jones v. Boehringer Ingelheim Pharmaceuticals, Inc., et al., No. 1:20-cv-2157-JDB-JAY). Plaintiff alleges that his decedent spouse developed liver cancer and died as a result of six years of use with Zantac®, and that defendants knew about but failed to warn regarding an alleged “NDMA defect” in their ranitidine products. Plaintiff seeks unspecified amounts of both compensatory and punitive damages, as well as attorneys’ fees and other costs. On March 31, 2020, the case was transferred to and consolidated with MDL No. 2924.

By order of the MDL court, on June 22, 2020, consolidated groups of personal injury plaintiffs, economic loss/medical monitoring class action plaintiffs, and third-party payor plaintiffs (comprising NECA-IBEW Welfare Trust Fund, Plumbers & Pipefitters Local Union 630, and Indiana Laborers Welfare Fund) each filed master complaints (superseding and replacing all previously filed individual complaints), in which the Company, Amneal, and Amneal Pharmaceuticals of New York, LLC are named as defendants, along with all brand and generic manufacturers, distributors, retailers, and repackagers of ranitidine-containing products. There are now a total of 700 active cases in the MDL. Amneal entities have been named in 58 MDL cases. Motions to dismiss the master complaints were filed on August 23, 2020, and October 8, 2020.

On June 18, 2020, Amneal was named in a lawsuit filed in New Mexico state court on behalf of its Attorney General (State of New Mexico, ex rel. Hector H. Balderas v. Glaxosmithkline PLC, et al., No. D-101-CV-2020-01289), alleging claims of public nuisance, negligence, and violations of state consumer protection laws against brand/generic manufacturers and store-brand distributors of Zantac®/ranitidine. Plaintiff seeks unspecified amounts of both compensatory and punitive damages, as well as civil penalties and injunctive relief (including restitution, disgorgement, and the funding of a medical monitoring program). Defendants removed the case to federal court on August 29, 2020, and a conditional transfer order was issued on September 29, 2020. The plaintiff State filed a motion to vacate the conditional transfer order, which remains pending.

The Company believes it has substantial meritorious defenses to the claims asserted with respect to these lawsuits. However, 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.

Metformin Litigation

The Company, Amneal, and AvKARE, Inc. have been 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.”), filed on behalf of consumers who purchased and third-party payors who paid or made reimbursements for prescription generic metformin products manufactured by or for defendants, alleging that defendants made and sold to putative class members metformin products that were “adulterated” or “contaminat[ed]” with NDMA and thus “worthless,” and therefore that plaintiffs suffered economic losses in connection with their purchases or reimbursements.

On June 3, 2020, the D.N.J. consolidated the lawsuits, as In Re Metformin Marketing and Sales Practices Litigation (No. 2:20-cv-02324-MCA-MAH). On July 6, 2020, plaintiffs filed a consolidated economic loss class action complaint, in which they seek, in addition to class certification, among other things, unspecified compensatory and punitive damages, statutory penalties, and equitable relief. Defendants filed a motion to dismiss the consolidated action on October 8, 2020. Plaintiffs’ opposition is due on November 23, 2020, and defendants’ reply is due on December 21, 2020.

In October 2020, the Company and AvKARE, Inc. were named as defendants, along with Walmart, in two additional medical monitoring class action lawsuits pending in the D.N.J., filed on behalf of individuals who consumed metformin that was allegedly “contaminated” with NDMA and who allegedly suffered “cellular damage, genetic harm, and/or are at an increased risk of developing cancer as a result, but have not yet been diagnosed with cancer.” Plaintiffs therefore seek for defendants to fund medical monitoring, including, but not limited to, evaluations and treatments.

The Company believes it has substantial meritorious defenses to the claims asserted with respect to this matter. However, 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.

18. Segment Information

As a result of the Acquisitions, the Company added a third reportable segment, AvKARE, to its existing reportable segments, Generics and Specialty. 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 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 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 maker evaluates the financial performance of the Company's segments based upon segment operating income (loss). Items below income (loss) from operations are not reported by segment, since they are excluded from the measure of segment profitability reviewed by the Company's chief operating decision maker. 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 maker.

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

Three Months Ended September 30, 2020	Generics ⁽¹⁾⁽²⁾	Specialty ⁽²⁾	AvKARE ⁽¹⁾	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
Charges related to legal matters, net	60	—	—	—	60
Restructuring and other charges	(536)	—	—	812	276
Other operating expenses	—	1	—	1,040	1,041
Operating income (loss)	\$ 26,448	\$ 15,662	\$ (2,411)	\$ (37,264)	\$ 2,435

Nine Months Ended September 30, 2020	Generics ⁽¹⁾⁽²⁾	Specialty ⁽²⁾	AvKARE ⁽¹⁾	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
Charges related to legal matters, net	5,610	250	—	—	5,860
Restructuring and other charges	(158)	—	—	2,815	2,657
Other operating expenses	325	83	—	4,995	5,403
Operating income (loss)	\$ 134,801	\$ 49,098	\$ (4,452)	\$ (108,470)	\$ 70,977

Three Months Ended September 30, 2019	Generics ⁽²⁾	Specialty ⁽²⁾	Corporate and Other	Total Company
Net revenue	\$ 291,021	\$ 87,262	\$ —	\$ 378,283
Cost of goods sold	217,773	49,944	—	267,717
Cost of goods sold impairment charges	49,115	7,017	—	56,132
Gross profit	24,133	30,301	—	54,434
Selling, general and administrative	14,256	20,228	29,313	63,797
Research and development	34,316	3,809	—	38,125
In-process research and development impairment charges	23,382	—	—	23,382
Charges related to legal matters, net	14,750	—	—	14,750
Intellectual property legal development expenses	2,586	—	—	2,586
Acquisition, transaction-related and integration expenses	502	2,455	174	3,131
Restructuring and other charges	14,702	213	6,022	20,937
Operating (loss) income	\$ (80,361)	\$ 3,596	\$ (35,509)	\$ (112,274)

Nine Months Ended September 30, 2019	Generics ⁽²⁾	Specialty ⁽²⁾	Corporate and Other	Total Company
Net revenue	\$ 1,008,562	\$ 220,483	\$ —	\$ 1,229,045
Cost of goods sold	760,074	113,767	—	873,841
Cost of goods sold impairment charges	105,424	7,017	—	112,441
Gross profit	143,064	99,699	—	242,763
Selling, general and administrative	52,783	57,705	105,026	215,514
Research and development	129,915	10,084	—	139,999
In-process research and development impairment charges	46,169	—	—	46,169
Charges related to legal matters, net	14,750	—	—	14,750
Intellectual property legal development expenses	8,218	1,045	—	9,263
Acquisition, transaction-related and integration expenses	4,086	5,705	2,891	12,682
Restructuring and other charges	17,201	391	12,341	29,933
Operating (loss) income	<u>\$ (130,058)</u>	<u>\$ 24,769</u>	<u>\$ (120,258)</u>	<u>\$ (225,547)</u>

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

(2) During the three months ended September 30, 2019, operating results for Oxymorphone were reclassified from Generics to Specialty, where it is sold as a non-promoted product. Prior period results have not been restated to reflect the reclassification.

19. 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 with LAX Hotel, LLC for two buildings located in Long Island, New York, that are used as an integrated manufacturing and office facility. 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 2019 Annual Report on Form 10-K.

Lease costs and interest expense related to this lease were approximately \$1 million and \$4 million for the three and nine months ended September 30, 2020, respectively. Lease costs and interest expense related to this lease were each approximately \$1 million and \$5 million for the three and nine months ended September 30, 2019, respectively.

Kanan, LLC

Kanan, LLC ("Kanan") is an independent 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. 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 the related party for both the three months ended September 30, 2020 and 2019 was \$1 million. Rent expense paid to the related party for both of the nine months ended September 30, 2020 and 2019 was \$2 million.

Asana Biosciences, LLC

Asana Biosciences, LLC ("Asana") is an early stage drug discovery and research and development company focusing on several therapeutic areas, including oncology, pain and inflammation. Amneal provided research and development services to Asana under a development and manufacturing agreement. The total amount of income earned from this arrangement for the nine months ended September 30, 2019 was \$1 million (none in 2020 or for the three months ended September 30, 2019). At

December 31, 2019 receivables of approximately \$1 million were due from the related party for research and development related services (none at September 30, 2020).

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

Industrial Real Estate Holdings NY, LLC is an independent real estate management entity, which was the sub-landlord of Amneal's leased manufacturing facility located at 75 Adams Avenue, Hauppauge, New York. 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. 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, 2020 and 2019 was \$0.4 million and \$0.3 million, respectively. Rent paid to the related parties for both the nine months ended September 30, 2020 and 2019 was \$1 million.

Kashiv BioSciences, LLC

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.

The parties entered into a lease for parking spaces in Piscataway, NJ. The total amount of expense paid to Kashiv from this agreement for both the three and nine months ended September 30, 2020 was less than \$0.1 million (none in 2019).

Amneal has also entered into various development and commercialization arrangements with Kashiv to collaborate on the development and commercialization of certain generic pharmaceutical products. The total reimbursable expenses associated with these arrangements for the nine months ended September 30, 2020 were \$0.2 million (none for the three months ended September 30, 2020). The total reimbursable expenses associated with these arrangements for the nine months ended September 30, 2019 were \$1 million (none for the three months ended September 30, 2019). Kashiv receives a percentage of net profits with respect to Amneal's sales of these products. The total profit share for the three and nine months ended September 30, 2020 was \$3 million and \$8 million, respectively. The total profit share for the three and nine months ended September 30, 2019 was \$0.6 million and \$2 million, respectively.

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 is to receive a profit share for all sales of the product made by Amneal. Amneal is precluded from selling the product made by Kashiv during the term of the license and supply agreement with JSP. 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. For the nine months ended September 30, 2020, the Company recorded \$2 million to research and development expense (none for the three months ended September 30, 2020).

In November 2019, Amneal and Kashiv entered into 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 will be responsible for all development and clinical work required to secure Food and Drug Administration approval and Amneal will be responsible for filing the NDA and commercializing the product. The Company made an upfront payment of approximately \$2 million to Kashiv in December 2019, which was recorded in research and development, and Kashiv is eligible to receive development and regulatory milestones totaling approximately \$17 million. Kashiv is also eligible to receive tiered royalties from the low double-digits to mid-teens on net sales of K127. For the nine months ended September 30, 2020, the Company recorded \$2 million (none in the three months ended September 30, 2020 or three and nine months ended September 30, 2019), as research and development expense to compensate Kashiv for costs incurred to develop the product.

On February 20, 2020, the Company and Kashiv entered into a master services agreement covering certain services that Kashiv provides the Company for commercial product support related to EluRyng and other products, including Ranitidine and Nitrofurantoin. For the three and nine months ended September 30, 2020, the Company recorded a combined \$2 million and \$5 million, respectively, (none in 2019), to cost of goods sold and research and development to compensate Kashiv for services performed.

At both September 30, 2020 and December 31, 2019, payables of approximately \$6 million, were due to the related party for the aforementioned transactions. Additionally, at both September 30, 2020 and December 31, 2019 a receivable of \$0.1 million was due from the related party.

On October 1, 2017, Amneal and Kashiv, entered into a license and commercialization agreement. 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.

In connection with the agreement, Amneal paid an upfront amount of \$2 million in October 2017 for execution of the agreement which was expensed in research and development. The agreement also 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. The research and development expenses under this agreement for the three and nine months ended September 30, 2020 were \$1 million (none in 2019).

In May 2020, Amneal and Kashiv entered into a product development agreement for the development and commercialization of Posaconazole. Under the agreement, the intellectual property and ANDA for this product is owned by Amneal and Kashiv is to receive a profit share for all sales of the product made by Amneal.

In connection with the agreement, Amneal paid an upfront amount of \$0.3 million in May 2020 for execution of the agreement which was expensed in research and development. The agreement also provides 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 are subject to certain performance conditions which may or may not be achieved, including FDA filing, FDA approval and commercial sales volume objectives.

In August 2020, 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 expensed an upfront amount of \$1 million in research and development during the three and nine months ended September 30, 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.

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. Currently PharmaSophia is actively developing two injectable products. 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 the three months ended September 30, 2020 and 2019 was less than \$0.1 million and \$0.3 million, respectively. The total amount of income earned from these agreements for the nine months ended September 30, 2020 and 2019 was \$0.4 million and \$0.9 million, respectively. At both September 30, 2020 and December 31, 2019 receivables of \$0.7 million were due from the related party. Additionally, as of December 31, 2019 a payable of less than \$0.1 million was due to the related party, which was settled in February 2020.

Fosun International Limited

Fosun International Limited ("Fosun") is a Chinese international conglomerate and investment company that is a significant 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 regulatory filings in China 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 8 products upon the first commercial sale of each in China in addition to a supply price and a profit share. For the three and nine months ended September 30, 2020 and 2019, the Company did not recognize any revenue from this agreement.

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. The total amount of expenses from this arrangement for the three and nine months ended September 30, 2020 was \$2 million and \$8 million, respectively (none in 2019). At September 30, 2020, payables of \$0.7 million were due to the related party for packaging services.

Tracy Properties LLC

R&S leases operating facilities, office and warehouse space from Tracy Properties LLC. The total amount of expenses from this arrangement for the three and nine months ended September 30, 2020 was \$0.2 million and \$0.4 million, respectively (none in 2019).

AzaTech Pharma LLC

R&S purchases inventory from AzaTech Pharma LLC for resale. The total amount of expenses from this arrangement for the three and nine months ended September 30, 2020 was \$1 million and \$3 million, respectively (none in 2019). At September 30, 2020, payables of approximately \$0.5 million were due to the related party for inventory purchases.

AvPROP, LLC

AvKARE LLC leases its operating facilities from AvPROP, LLC. Rent expense from this arrangement for the three and nine months ended September 30, 2020 was less than \$0.1 million and \$0.1 million, respectively.

Tarsadia Investments, LLC

Tarsadia Investments, LLC ("Tarsadia") is a private investment firm that provides financial services and is a significant shareholder of the Company. 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. 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, 2020 was \$0.1 million and \$0.9 million, respectively. As of September 30, 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. 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. As of September 30, 2020, \$0.2 million was recorded in related party receivables.

Tax Distributions

Under the terms of the 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 21. 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 21. Stockholders' Equity and Redeemable Non-Controlling Interests*.

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 the Short-Term Sellers Note. For additional information, refer to *Note 13. Debt*.

20. Goodwill and Intangible Assets

The changes in goodwill for the nine months ended September 30, 2020 and for the year ended December 31, 2019 were as follows (in thousands):

	September 30, 2020	December 31, 2019
Balance, beginning of period	\$ 419,504	\$ 426,226
Impax acquisition adjustment	—	(1,255)
Goodwill acquired during the period	103,679	—
Goodwill divested during the period	—	(5,175)
Currency translation	(493)	(292)
Balance, end of period	\$ 522,690	\$ 419,504

As of September 30, 2020, \$361 million, \$92 million, and \$70 million of goodwill was allocated to the Specialty, Generics, and AvKARE segments, respectively. As of December 31, 2019, \$361 million and \$59 million of goodwill was allocated to the Specialty and Generics segment, respectively. For the year ended December 31, 2019, goodwill divested was associated with the sale of the Company's operations in the United Kingdom and Germany. For the year ended December 31, 2019, the adjustment to goodwill was associated with the Combination. Refer to *Note 3. Acquisitions and Divestitures* for additional information about the Acquisitions and the divestitures of the Company's operations in the United Kingdom and Germany.

Intangible assets at September 30, 2020 and December 31, 2019 are comprised of the following (in thousands):

	September 30, 2020				December 31, 2019		
	Weighted-Average Amortization Period (in years)	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Amortizing intangible assets:							
Product rights	9.2	\$ 1,152,806	\$ (294,274)	\$ 858,532	\$ 1,197,535	\$ (198,857)	\$ 998,678
Other intangible assets	5.8	133,800	(24,334)	109,466	3,000	(1,000)	2,000
Subtotal		\$ 1,286,606	\$ (318,608)	\$ 967,998	\$ 1,200,535	\$ (199,857)	\$ 1,000,678
In-process research and development							
		381,115	—	381,115	382,075	—	382,075
Total intangible assets		\$ 1,667,721	\$ (318,608)	\$ 1,349,113	\$ 1,582,610	\$ (199,857)	\$ 1,382,753

The Company evaluated assets for potential impairment by comparing estimated future undiscounted net cash flows to the carrying amount of the asset. 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 impairment charges, 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 currently marketed product acquired in the Combination 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 currently marketed products and two in-process research and development (“IPR&D”) products acquired in the Combination. For the currently 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, 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 are 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.

The impairment charges for the three months ended September 30, 2019 were primarily related to 4 currently marketed products and 4 IPR&D products, all acquired as part of the Combination. For the currently marketed products, the impairment charges were the result of significant price erosion during the three months ended September 30, 2019, without an offsetting increase in customer demand, resulting in significantly lower than expected future cash flows. For the IPR&D products, the impairment charges were the result of expected significant price erosion for the products resulting in significantly lower than expected future cash flows.

The impairment charges for the nine months ended September 30, 2019 are primarily related to twelve products, six of which are currently marketed products and six of which are IPR&D products, all acquired as part of the Combination. For the currently marketed products, the impairment charges were the result of significant price erosion during 2019, without an offsetting increase in customer demand, resulting in significantly lower than expected future cash flows. For one IPR&D product, the impairment charge was the result of increased competition at launch resulting in significantly lower than expected future cash flows. For one IPR&D product, the impairment charge was the result of a strategic decision to no longer pursue approval of the product. For the other four IPR&D products, the impairment charges were the result of expected significant price erosion for the products resulting in significantly lower than expected future cash flows.

During the nine months ended September 30, 2020, the Company recognized \$131 million of intangible assets associated with the 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 and Divestitures* for additional information.

During the nine months ended September 30, 2019, the Company recognized a \$50 million product rights intangible asset for the exclusive rights to sell Levothyroxine in the U.S. market under a license and supply agreement with JSP. Refer to *Note 5. Alliance and Collaboration* for additional information.

For the nine months ended September 30, 2019, included in the Company's divested United Kingdom operations were a net customer relationship intangible asset and a net trade name intangible asset of \$5 million and \$2 million, respectively. Refer to *Note 3. Acquisitions and Divestitures* 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,	
	2020	2019	2020	2019
Amortization	\$ 44,548	\$ 38,015	\$ 131,100	\$ 103,774

The following table presents future amortization expense for the next five years and thereafter, excluding \$381 million of IPR&D intangible assets (in thousands):

	Future Amortization
Remainder of 2020	\$ 43,803
2021	166,302
2022	154,553
2023	143,205
2024	136,754
Thereafter	323,381
Total	<u>\$ 967,998</u>

21. Stockholders' Equity and Redeemable Non-Controlling Interests

Non-Controlling Interests

Under the terms of the Limited Liability Company Agreement, Amneal is obligated to make tax distributions to its members. 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. For the nine months ended September 30, 2019, a tax distribution of \$0.1 million (none for the three months ended September 30, 2019) was recorded as a reduction to non-controlling interests. As of September 30, 2020, no liability was included in related-party payables for the 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 \$1 million and acquire their ownership interests in the non-public subsidiary for \$2 million.

During December 2018, the Company acquired the non-controlling interests in one of Amneal's non-public subsidiaries for approximately \$3 million. As of December 31, 2018, the Company recorded a \$3 million related party payable for this transaction which was paid in full in 2019.

Redeemable Non-Controlling Interests

As discussed in *Note 3. Acquisitions and Divestitures*, 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 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 preliminary 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 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, 2020, a tax distribution of \$0.1 million and \$0.5 million, respectively, was recorded as a reduction of redeemable non-controlling interests. As of September 30, 2020, 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, 2018	\$ (7,755)	\$ —	\$ (7,755)
Other comprehensive (loss) income before reclassification	(729)	7,764	7,035
Amounts reclassified from accumulated other comprehensive loss	1,461	—	1,461
Reallocation of ownership interests	(809)	—	(809)
Balance December 31, 2019	(7,832)	7,764	(68)
Other comprehensive loss before reclassification	(4,795)	(36,409)	(41,204)
Reallocation of ownership interests	(18)	(16)	(34)
Balance September 30, 2020	<u>\$ (12,645)</u>	<u>\$ (28,661)</u>	<u>\$ (41,306)</u>

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 were formed on October 4, 2017 under the name Atlas Holdings, Inc. for the purpose of facilitating the combination (the "Combination") of Impax Laboratories, Inc. ("Impax") and Amneal Pharmaceuticals LLC ("Amneal"), which closed on May 4, 2018.

The following discussion and analysis for the three and nine months ended September 30, 2020 should 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, 2019 included in our 2019 Annual Report on Form 10-K.

On January 31, 2020, we acquired a 65.1% controlling interest in both AvKARE Inc., a Tennessee corporation now a limited liability company ("AvKARE, LLC"), and Dixon-Shane, LLC d/b/a R&S Northeast LLC, a Kentucky limited liability company ("R&S"). As a result of the AvKARE, LLC and R&S acquisitions (the "Acquisitions"), we now have three reportable segments, Generics, Specialty, and AvKARE.

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 Zomig® (zolmitriptan) products, for the treatment of migraine headaches, which is sold under a license agreement with AstraZeneca U.K. Limited, 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 Unithroid® (levothyroxine sodium), for the treatment of hypothyroidism, which is sold under a license and distribution agreement with JSP.

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. and some other countries, when market exclusivity expires and generic versions of a product are approved and marketed, there can often be very substantial and rapid declines in the branded product's sales.

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 pricing of the affected products. Additionally, pricing is often affected by factors outside of the Company's control.

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 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 of America focused primarily on offering 340b-qualified entities products to provide consistency in care and pricing.

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 *2019 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

On March 11, 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 such as quarantines and shelter-in-place requirements, 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.

The Company did not observe significant impacts on its business or results of operations for the three months ended March 31, 2020 due to the global emergence of COVID-19. However, during April and May 2020, as the infection rate of COVID-19 spread throughout New York and New Jersey, the governors of those states issued executive orders requiring residents, among other things, to remain at home with limited exceptions such as working at an essential business. Although as a pharmaceutical manufacturer Amneal is an essential business, we did experience supply chain constraints, including manufacturing and packaging delays at several of our key domestic manufacturing and packaging facilities in New York and New Jersey during the three months ended June 30, 2020. To mitigate any potential overall market liquidity constraints, we borrowed \$300 million under our revolving credit facility in March 2020 as a precautionary measure. As the financial markets stabilized following a period of high volatility due the COVID-19 pandemic, we repaid all of the \$300 million of borrowings under our revolving credit facility before June 30, 2020. (Refer to *Note 13. Debt*, for further details). In June and July 2020, as the restrictions from the governors of New York and New Jersey were eased, our manufacturing and distribution facilities were able to resume normal productivity. However, we may again experience supply chain constraints at our New York, New Jersey, India or other facilities during subsequent waves of COVID-19 infections. These potential supply chain disruptions may significantly impact our fourth quarter 2020 results of operations and cash flows. As noted in our 2019 Annual Report on Form 10-K, 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.

To the extent that the COVID-19 pandemic continues or worsens, national, state, and local 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, and supply chains being interrupted or slowed. 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 will 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.

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, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenue	\$ 519,294	\$ 378,283	\$ 1,482,489	\$ 1,229,045
Cost of goods sold	353,345	267,717	986,589	873,841
Cost of goods sold impairment charges	32,364	56,132	34,579	112,441
Gross profit	133,585	54,434	461,321	242,763
Selling, general and administrative	83,120	63,797	242,040	215,514
Research and development	44,519	38,125	126,470	139,999
In-process research and development impairment charges	—	23,382	960	46,169
Intellectual property legal development expenses	2,134	2,586	6,954	9,263
Acquisition, transaction-related and integration expenses	1,041	3,131	5,403	12,682
Charges related to legal matters, net	60	14,750	5,860	14,750
Restructuring and other charges	276	20,937	2,657	29,933
Operating income (loss)	2,435	(112,274)	70,977	(225,547)
Gain from reduction of tax receivable agreement liability	—	192,844	—	192,844
Other expense, net	(24,324)	(54,294)	(101,280)	(130,428)
Total other expense, net	(24,324)	138,550	(101,280)	62,416
(Loss) income before income taxes	(21,889)	26,276	(30,303)	(163,131)
Provision for (benefit from) income taxes	144	389,668	(105,843)	375,539
Net (loss) income	\$ (22,033)	\$ (363,392)	\$ 75,540	\$ (538,670)

Net Revenue

Net revenue for the three months ended September 30, 2020 increased by 37%, or \$141 million, to \$519 million as compared to \$378 million for the three months ended September 30, 2019. The increase over the prior year was primarily attributable to \$90 million from our newly acquired AvKARE segment, \$51 million from new product launches in our Generics segment and growth in Generic volume from new commercial initiatives, partially offset by erosion in our Generics segment from competition related to Levothyroxine Sodium Tabs and Diclofenac Gel 1%.

Net revenue for the nine months ended September 30, 2020 increased by 21%, or \$253 million, to \$1.5 billion as compared to \$1.2 billion for the nine months ended September 30, 2019. The increase over the prior year was primarily attributable to \$211 million from our newly acquired AvKARE segment, \$170 million from new product launches in our Generics segment and \$20 million primarily from volume increases in our Specialty segment, which were partially offset by erosion in our Generics segment from competition related to Levothyroxine Sodium Tabs and Diclofenac Gel 1% and a \$16 million decline from the divestitures of our international businesses, primarily in the U.K. and Germany.

Cost of Goods Sold and Gross Profit

Cost of goods sold, including impairment charges, increased 19%, or \$62 million, to \$386 million for the three months ended September 30, 2020 as compared to \$324 million for the three months ended September 30, 2019. The increase in cost of goods sold was primarily attributable to a \$77 million increase associated with our newly acquired AvKARE segment and new product launches of \$18 million, which were partially offset by a \$24 million decline in intangible asset impairment charges and from competition to Levothyroxine Sodium Tabs and Diclofenac Gel 1%.

Accordingly, gross profit for the three months ended September 30, 2020 was \$134 million (26% of total net revenue) as compared to gross profit of \$54 million (14% of total net revenue) for the three months ended September 30, 2019. Our gross profit as a percentage of net revenue increased compared to the prior year primarily as a result of the factors noted above.

Cost of goods sold, including impairment charges, increased 4%, or \$35 million, to \$1.0 billion for the nine months ended September 30, 2020 as compared to \$986 million for the nine months ended September 30, 2019. The increase in cost of goods sold was primarily attributable to a \$174 million increase from our newly acquired AvKARE segment and new product launches of \$61 million, partially offset by a \$78 million decrease in intangible asset impairments mainly in our Generics segment, a \$36 million decrease in expenses related to the Levothyroxine transition agreement with Lannett Company ("Lannett"), a \$25 million decline in royalty expenses, a \$13 million decline in site closure expenses, a \$12 million decline associated with the divestitures of our international businesses primarily in the U.K. and Germany, a \$12 million decline in

inventory related charges, cost savings associated with our restructuring programs and lower costs associated with sales erosion in our Generics segment.

Accordingly, gross profit for the nine months ended September 30, 2020 was \$461 million (31% of total net revenue) as compared to gross profit of \$243 million (20% of total net revenue) for the nine months ended September 30, 2019. Our gross profit as a percentage of net revenue increased compared to the prior year primarily as a result of the factors described above.

Selling, General, and Administrative

Selling, general, and administrative (“SG&A”) expenses for the three months ended September 30, 2020 were \$83 million, as compared to \$64 million for the three months ended September 30, 2019. The \$19 million increase from the prior year was primarily due to a \$15 million increase from our newly acquired AvKARE segment and a \$4 million increase in personnel costs partially offset by a \$3 million decline in integration costs.

SG&A expenses for the nine months ended September 30, 2020 were \$242 million, as compared to \$216 million for the nine months ended September 30, 2019. The \$26 million increase from the prior year was primarily due to a \$42 million increase from our newly acquired AvKARE segment, which was partially offset by cost savings associated with our restructuring and integration programs.

Research and Development

Research and development (“R&D”) expenses for the three months ended September 30, 2020 were \$45 million, as compared to \$38 million for the three months ended September 30, 2019. The \$7 million increase compared to the prior year was primarily attributable to a \$6 million increase in milestone achievements and upfront license payments with our development partners.

R&D expenses for the nine months ended September 30, 2020 were \$126 million, as compared to \$140 million for the nine months ended September 30, 2019. The \$14 million decrease compared to the prior year was primarily attributable to cost savings in our Generics segment associated with the Company’s restructuring programs and the timing of expenses in 2020 due to delayed spending as a result of COVID-19, partially offset by a \$5 million increase in milestone achievements and upfront license payments with our development partners.

In-Process Research and Development Impairment Charges

For the three months ended September 30, 2019, we recognized in-process research and development (“IPR&D”) impairment charges of \$23 million associated with four intangible assets that were acquired as part of the Combination (none in the three months ended September 30, 2020). For the three months ended September 30, 2019, the impairment charges were the result of expected significant price erosion for the products resulting in significantly lower than expected future cash flows.

We recognized IPR&D impairment charges of \$1 million for the nine months ended September 30, 2020 as compared to \$46 million for the nine months ended September 30, 2019.

For the nine months ended September 30, 2020, the impairment charges were primarily associated with two products. One of the products experienced a delay in its estimated launch date and the other product was canceled due to the withdrawal of our development partner. For the nine months ended September 30, 2019, the impairment charges were primarily associated with six products in our Generics segment that were acquired as part of the Combination.

Intellectual Property Legal Development Expense

Intellectual property legal development expenses for the three months ended September 30, 2020 were \$2 million as compared to \$3 million for the three months ended September 30, 2019. Intellectual property legal development expenses for the nine months ended September 30, 2020 were \$7 million as compared to \$9 million for the nine months ended September 30, 2019. These costs include, but are not limited to, formulation assessments, patent challenge opinions and strategy, and litigation expenses to defend the intellectual property.

Acquisition, Transaction-Related and Integration Expenses

We recognized approximately \$1 million of acquisition, transaction-related and integration expenses for the three months ended September 30, 2020 as compared to \$3 million for the three months ended September 30, 2019. We recognized approximately

\$5 million of acquisition, transaction-related and integration expenses for the nine months ended September 30, 2020 as compared to \$13 million for the nine months ended September 30, 2019.

For the three and nine months ended September 30, 2020 acquisition, transaction-related and integration expenses were primarily related to systems integrations associated with the Combination and integration activities associated with the Acquisitions. The decreases from the prior year are primarily related to the substantial completion of business integration activities related to the Combination.

Charges Related to Legal Matters, Net

For the three months ended September 30, 2020, we recorded net charges of \$0.1 million for commercial legal proceedings and claims in our Generics segment.

For the nine months ended September 30, 2020, we recorded net charges of \$6 million for commercial legal proceedings and claims, which was primarily recorded in our Generics segment.

For the three and nine months ended September 30, 2019, we recorded a net charge of \$15 million in our Generics segment primarily associated with an agreement in principal with Teva Pharmaceuticals.

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 December 31, 2021, primarily by ceasing manufacturing at our Hauppauge, NY facility.

Restructuring and other charges were \$0.3 million and \$3 million for the three and nine months ended September 30, 2020, respectively. These charges primarily consisted of charges associated with cash severance and other benefits provided pursuant to our severance programs for former employees.

Restructuring and other charges for the three and nine months ended September 30, 2019 were \$21 million and \$30 million, respectively. These charges primarily consisted of cash and other severance charges provided pursuant to our severance programs for employees at our Hauppauge, NY, Hayward, CA and other facilities as well as cash severance charges associated with the cost of benefits for former senior executives.

Gain From Reduction in Tax Receivable Agreement Liability

In connection with the Combination, 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.

During the three months and nine months ended September 30, 2019, we recorded a \$372 million valuation allowance to reduce our deferred tax assets (“DTAs”). For further discussion, see Provision For (Benefit From) Income Taxes below. In conjunction with the valuation allowance of our DTAs, we reversed the accrued TRA liability, which resulted in a \$193 million gain to our statement of operations.

Other Expense, Net

Other expense, net was \$24 million for the three months ended September 30, 2020, as compared to \$54 million for the three months ended September 30, 2019. The decrease of \$30 million was primarily attributable to a \$7 million decline in interest expense and a \$22 million favorable foreign currency impact primarily associated with the Indian Rupee.

Other expense, net was \$101 million for the nine months ended September 30, 2020, as compared to \$130 million for the nine months ended September 30, 2019. The decrease of \$29 million was primarily attributable to an \$18 million decline in interest expense as reductions in interest rates offset increased borrowings and a \$18 million favorable foreign currency impact primarily associated with the Indian Rupee, partially offset by a \$7 million unfavorable impact from divestitures.

Provision For (Benefit From) Income Taxes

For the three months ended September 30, 2020 and 2019, our provision for income taxes and effective tax rates were \$0.1 million and (0.7%) and \$390 million and 1483.0%, respectively. The income tax provision for the three months ended September 30, 2019 was primarily impacted by a \$372 million valuation allowance against our DTAs. We recorded valuation allowances against our various DTAs on a jurisdictional basis after it was determined that it is more likely than not that our DTAs will not be realized.

For the nine months ended September 30, 2020 and 2019, our (benefit from) provision for income taxes and effective tax rates were \$(106) million and 349.3% and \$376 million and (230.2)%, respectively. The income tax benefit for the nine months ended September 30, 2020 was primarily impacted by the \$110 million benefit from the carryback of U.S. Federal NOLs (deferred tax assets) under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). In July 2020, we received \$106 million in cash from U.S. federal tax refunds associated with the CARES Act, plus interest of approximately \$4 million, with the remaining \$4 million in cash refunds expected to be received before December 31, 2020. 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. These deferred tax assets had a 100% valuation allowance as of December 31, 2019. The income tax provision for the nine months ended September 30, 2019 was primarily impacted by a \$372 million valuation allowance against our DTAs. For further details, refer to *Note 8. Income Taxes*.

Net (Loss) Income

We recognized a net loss for the three months ended September 30, 2020 of \$22 million as compared to net loss of \$363 million for the three months ended September 30, 2019. The year-over-year decrease in our net loss of \$341 million was primarily attributable to the factors described above.

We recognized net income for the nine months ended September 30, 2020 of \$76 million as compared to net loss of \$539 million for the nine months ended September 30, 2019. The year-over-year increase of \$615 million was primarily attributable to the factors described above.

Generics

The following table sets forth results of operations for our Generics segment for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenue	\$ 341,920	\$ 291,021	\$ 1,001,065	\$ 1,008,562
Cost of goods sold	229,067	217,773	666,841	760,074
Cost of goods sold impairment charges	32,364	49,115	34,579	105,424
Gross profit	80,489	24,133	299,645	143,064
Selling, general and administrative	13,153	14,256	42,578	52,783
Research and development	39,232	34,316	108,582	129,915
In-process research and development impairment charges	—	23,382	960	46,169
Intellectual property legal development expenses	2,132	2,586	6,947	8,218
Charges related to legal matters, net	60	14,750	5,610	14,750
Other operating (income) expense	(536)	15,204	167	21,287
Operating income (loss)	<u>\$ 26,448</u>	<u>\$ (80,361)</u>	<u>\$ 134,801</u>	<u>\$ (130,058)</u>

Net Revenue

Generics net revenue was \$342 million for the three months ended September 30, 2020, an increase of \$51 million or 17% when compared with the same period in 2019. The year-over-year increase was primarily driven by \$51 million from new product launches, which included EluRyng and Sucralfate Oral Suspension, and growth in Generic volume from new commercial initiatives, offset by competition related to Levothyroxine Sodium Tabs and Diclofenac Gel 1%.

Generics net revenue was \$1.0 billion for the nine months ended September 30, 2020, a decrease of \$7 million or 1% when compared with the same period in 2019. The year-over-year decrease was primarily driven by erosion in our existing business primarily from Levothyroxine and Diclofenac Gel generic competition, a \$28 million decline from the reclassification of Oxymorphone to our Specialty segment, and a \$16 million decline from the divestitures of our international businesses primarily in the U.K. and Germany, partially offset by \$170 million from new product launches, which included EluRyng and Sucralfate Oral Suspension.

Cost of Goods Sold and Gross Profit

Generics cost of goods sold, including impairment charges, for the three months ended September 30, 2020 was \$261 million, a decrease of 2% or \$5 million compared to the three months ended September 30, 2019. The year-over-year decrease was primarily associated with a \$17 million decline in intangible asset impairment charges and from competition to Levothyroxine Sodium Tabs and Diclofenac Gel 1%, partially offset by an increase of \$18 million from new product launches.

Generics gross profit for the three months ended September 30, 2020 was \$80 million (24% of Generics net revenue) as compared to gross profit of \$24 million (8% of Generics net revenue) for the three months ended September 30, 2019. Our Generics gross profit as a percentage of sales increased compared to the prior year period primarily as a result of the factors described above.

Generics cost of goods sold, including impairment charges, for the nine months ended September 30, 2020 was \$701 million, a decrease of 19% or \$164 million compared to the nine months ended September 30, 2019. The year-over-year decrease was primarily associated with a \$71 million decline in intangible asset impairment charges. Cost of goods sold was also favorably impacted by a \$36 million decline of expenses related to the Levothyroxine transition agreement with Lannett, a \$25 million decline in royalty expenses, a \$15 million decline from the reclassification of Oxymorphone to our Specialty segment, a \$13 million decline in site closure expenses, a \$12 million decline associated with the divestitures of our international businesses primarily in the U.K. and Germany, a \$12 million decline in inventory related charges, a \$4 million decline in amortization expense, cost savings associated with our restructuring programs, and erosion in our existing business, partially offset by \$61 million from new product launches.

Generics gross profit for the nine months ended September 30, 2020 was \$300 million (30% of Generics net revenue) as compared to gross profit of \$143 million (14% of Generics net revenue) for the nine months ended September 30, 2019. Our Generics gross profit as a percentage of sales increased compared to the prior year period primarily as a result of the \$71 million decline in impairment charges and the other factors described above.

Selling, General, and Administrative

Generics SG&A expense for the three months ended September 30, 2020 was \$13 million, as compared to \$14 million for the three months ended September 30, 2019. The \$1 million or 8% year-over-year decrease was primarily associated with cost savings initiatives associated with our restructuring and integration programs and the timing of expenses in 2020 due to delayed spending as a result of COVID-19.

Generics SG&A expense for the nine months ended September 30, 2020 was \$43 million, as compared to \$53 million for the nine months ended September 30, 2019. The \$10 million or 19% year-over-year decrease was primarily associated with cost savings initiatives associated with our restructuring and integration programs and the timing of expenses in 2020 due to delayed spending as a result of COVID-19 and a reduction in international expenditures.

Research and Development

Generics R&D expenses for the three months ended September 30, 2020 was \$39 million, an increase of 14% or \$5 million compared to the three months ended September 30, 2019. The year-over-year increase is primarily associated with \$6 million of milestone achievements and upfront license payments with our development partners.

Generics R&D expenses for the nine months ended September 30, 2020 was \$109 million, a decrease of 16% or \$21 million compared to the nine months ended September 30, 2019. The year-over-year decrease is primarily associated with cost savings associated with our restructuring programs, delays from COVID-19 and transitioning some third-party costs in-house, partially offset by a \$3 million increase in milestone achievements and upfront license payments with our development partners.

In-Process Research and Development Impairment Charges

For the three months ended September 30, 2019, we recognized IPR&D impairment charges of \$23 million associated with four intangible assets that were partially impaired and one intangible asset that was fully impaired (none for the three months ended September 30, 2020).

We recognized IPR&D impairment charges of \$1 million for the nine months ended September 30, 2020 as compared to \$46 million for the nine months ended September 30, 2019.

For the nine months ended September 30, 2020, the charges were primarily associated with two products. One of the products experienced a delay in its estimated launch date and the other product was canceled due to the withdrawal of our development partner. For the nine months ended September 30, 2019, the charges were primarily associated with six products that were acquired as part of the Combination. For one IPR&D product, the impairment charge was the result of increased competition at launch resulting in significantly lower than expected future cash flows. For one IPR&D product, the impairment charge was the result of a strategic decision to no longer pursue approval of the product. For the other four IPR&D products, the impairment charges were the result of expected significant price erosion for the products resulting in significantly lower than expected future cash flows.

Charges Related to Legal Matters, Net

For the three and nine months ended September 30, 2020, we recorded charges of approximately \$0.1 million and \$6 million, respectively, for commercial legal claims. For the three and nine months ended September 30, 2019 the Company recorded a net charge of \$15 million primarily associated with an agreement in principle with Teva Pharmaceuticals.

Intellectual Property Legal Development Expenses

Generics intellectual property legal development expenses for the three months ended September 30, 2020 were \$2 million as compared to \$3 million for the prior year period. Generics intellectual property legal development expenses for the nine months ended September 30, 2020 were \$7 million as compared to \$8 million for the prior year period.

These costs include, but are not limited to, formulation assessments, patent challenge opinions and strategy, and litigation expenses to defend the intellectual property.

Other Operating (Income) Expense

For the three months ended September 30, 2020, Generics other operating income was \$0.5 million as compared to other operating expense of \$15 million for the three months ended September 30, 2019. For the three months ended September 30, 2019, the charges were primarily attributable to restructuring, severance, and integration expenses associated with the Combination.

For the nine months ended September 30, 2020, Generics other operating expense was not material. For the nine months ended September 30, 2019, we recorded \$21 million of other operating expense. These expenses were primarily attributable to restructuring, severance and integration expenses associated with the Combination.

Specialty

The following table sets forth results of operations for our Specialty segment for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenue	\$ 87,868	\$ 87,262	\$ 270,101	\$ 220,483
Cost of goods sold	47,735	49,944	145,782	113,767
Cost of goods sold impairment charges	—	7,017	—	7,017
Gross profit	40,133	30,301	124,319	99,699
Selling, general and administrative	19,181	20,228	56,993	57,705
Research and development	5,287	3,809	17,888	10,084
Intellectual property legal development expenses	2	—	7	1,045
Charges related to legal matters, net	—	—	250	—
Other operating expense	1	2,668	83	6,096
Operating income	\$ 15,662	\$ 3,596	\$ 49,098	\$ 24,769

Net Revenue

Specialty net revenue for the three months ended September 30, 2020 remained consistent at approximately \$88 million for the three months ended September 30, 2019 as strong demand growth for Ryтары and Unithroid were offset by declines in non-promoted products.

Specialty net revenue for the nine months ended September 30, 2020 was \$270 million, an increase of 23% or \$50 million compared to the nine months ended September 30, 2019. The increase from the prior year period was primarily due to \$28 million from the reclassification of Oxymorphone from our Generics segment as well as a \$20 million increase in our existing business primarily associated with volume increases in Oxymorphone, Ryтары and Unithroid.

Cost of Goods Sold and Gross Profit

Specialty cost of goods sold, including impairment charges, for the three months ended September 30, 2020 was \$48 million, a decrease of \$9 million or 16% compared to the three months ended September 30, 2019. The decrease from the prior year period was primarily due to a \$7 million decline in intangible asset impairment charges and a \$2 million decline in amortization expense.

Accordingly, Specialty gross profit for the three months ended September 30, 2020 was \$40 million (46% of Specialty net revenue) as compared to gross profit of \$30 million (35% of Specialty net revenue) for the three months ended September 30, 2019.

Specialty cost of goods sold, including impairment charges, for the nine months ended September 30, 2020 was \$146 million, an increase of \$25 million or 21% compared to the nine months ended September 30, 2019. The increase from the prior year period was primarily due to \$20 million of incremental expenses associated with the reclassification of Oxymorphone and \$9 million of incremental amortization expense, as well as a volume increase in our existing business, partially offset by a \$7 million decline in intangible asset impairment charges.

Accordingly, Specialty gross profit for the nine months ended September 30, 2020 was \$124 million (46% of Specialty net revenue) as compared to gross profit of \$100 million (45% of Specialty net revenue) for the nine months ended September 30, 2019.

Selling, General, and Administrative

Specialty SG&A expense of \$19 million and \$57 million for the three and nine months ended September 30, 2020, respectively, was flat with the prior year periods. Increases in compensation were offset by a reduction in expenditures due to COVID-19.

Research and Development

Specialty R&D expenses for the three months ended September 30, 2020 were \$5 million, as compared to \$4 million for the three months ended September 30, 2019. The \$1 million increase from the prior year period was primarily due to an increase in development costs for IPX203.

Specialty R&D expenses for the nine months ended September 30, 2020 were \$18 million, as compared to \$10 million for the nine months ended September 30, 2019. The \$8 million increase from the prior year period was primarily due to an increase in development costs for IPX203 and a \$2 million milestone achievement of one of our development partners.

Other Operating Expense

For the three and nine months ended September 30, 2019, Specialty other operating expense of \$3 million and \$6 million, respectively, were primarily attributable to integration expenses associated with the Combination.

AvKARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net revenue	\$ 89,506	\$ —	\$ 211,323	\$ —
Cost of goods sold	76,543	—	173,966	—
Gross profit	12,963	—	37,357	—
Selling, general and administrative	15,374	—	41,809	—
Operating loss	\$ (2,411)	\$ —	\$ (4,452)	\$ —

Our AvKARE segment consists of the businesses we acquired in the Acquisitions on January 31, 2020. Prior to the Acquisitions, we did not have an AvKARE segment. Refer to *Note 3. Acquisitions and Divestitures*.

Liquidity and Capital Resources

Our primary source of liquidity is cash generated from operations, available cash and borrowings under debt financing arrangements, including \$498 million of available additional capacity on our Revolving Credit Facility as of October 19, 2020, as defined below. We believe these sources are sufficient to fund our planned operations, meet our interest and contractual obligations and provide sufficient liquidity over the next 12 months. 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, and spending on production facility expansions and capital equipment items. 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.

On March 27, 2020, President Trump signed into law the CARES Act. 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. In July 2020, we received \$106 million in cash from U.S. federal tax refunds associated with the CARES Act (refer to *Note 8. Income Taxes*), plus interest of \$4 million, with an additional \$4 million in cash refunds expected to be received before December 31, 2020. Other non-income-based tax provisions include deferral of the employer share of Social Security payroll taxes due from the CARES Act date of enactment through December 31, 2020, and a potential 50% credit on qualified wages against employment taxes each quarter with any excess credits eligible for refunds.

Over the next 12 months, we will make substantial payments for monthly interest and quarterly principal amounts due on our term loans, Revolving Credit Facility, severance and capital expenditures.

We are party to a tax receivable agreement 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, 2020 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 \$203 million contingent liability as of September 30, 2020 (refer to *Note 8. Income Taxes*). Because of the foregoing, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity. For further details, see *Item 1A. Risk Factors* and *Note 8. Income Taxes* in our 2019 Annual Report on Form 10-K.

In addition, pursuant to the limited liability operating agreement of Amneal, in connection with any tax period, Amneal will be required to make distributions to its 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 the Company) has received an amount at least equal to its assumed tax liability and the Company 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. For the nine months ended September 30, 2020, we made cash tax cash distributions of \$1 million to Holdings pursuant to the limited liability operating agreement.

At September 30, 2020, 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,	
	2020	2019
Cash provided by (used in):		
Operating activities	\$ 273,043	\$ 52,594
Investing activities	(285,751)	(14,813)
Financing activities	143,089	(38,535)
Effect of exchange rate changes on cash	447	(967)
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 130,828</u>	<u>\$ (1,721)</u>

Cash Flows from Operating Activities

Net cash provided by operating activities was \$273 million for the nine months ended September 30, 2020 compared to \$53 million for the nine months ended September 30, 2019. The change was primarily attributed to an increase in cash received from taxes associated with the CARES Act, improved operating performance, a favorable timing impact from payments of accounts payable and accrued expenses, and a decrease in payments of employee separation benefits and interest, which were partially offset by an unfavorable impact from inventory.

Cash Flows from Investing Activities

The increase in cash used in investing activities of \$271 million for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, was primarily related to cash paid for the Acquisitions, a decrease in proceeds from the surrender of corporate owned life insurance, and a decrease related to proceeds from the sale of our international businesses in the U.K. and Germany in 2019, partially offset by a decrease in the acquisition of intangible assets and a decrease in purchases of property, plant and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$143 million for the nine months ended September 30, 2020 compared to net cash used in financing activities of \$39 million for the nine months ended September 30, 2019. The change was primarily attributable to the net proceeds from a \$180 million term loan associated with the Acquisitions and a decrease in tax distributions to non-controlling interests.

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 2019 Annual Report on Form 10-K. Other than the contractual obligations noted below, there have been no material changes to the disclosure presented in our 2019 Annual Report on Form 10-K.

Contractual Obligations	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Rondo Term Loan ⁽¹⁾	\$ 175,500	\$ 2,250	\$ 18,000	\$ 18,000	\$ 137,250
Interest payments on Rondo Term Loan ⁽²⁾	32,262	2,093	15,651	13,966	552

(1) Rondo Term loan relates to the Acquisitions.

(2) Interest on the Rondo Term Loan was calculated based on the applicable rate at September 30, 2020.

The foregoing table does not include the \$45 million of aggregate principal and the related interest due on the long-term promissory notes ("Sellers Notes") and the short-term promissory note ("Short-Term Sellers Note") issued in connection with the Acquisition because of the uncertainty as to when those amounts will be repaid. Refer to the section *Acquisition Financing – Notes Payable-Related Party* below for additional information.

Levothyroxine License and Supply Agreement; Transition Agreement

On August 16, 2018, the Company entered into a license and supply agreement with Jerome Stevens Pharmaceuticals, Inc. ("JSP") for Levothyroxine. This agreement designated the Company as JSP's exclusive commercial partner for Levothyroxine in the U.S. market for a 10-year term commencing on March 22, 2019. Under this license and supply agreement with JSP, the Company accrued the up-front license payment of \$50 million on March 22, 2019, which was paid in April 2019. The agreement also provides for the Company to pay a profit share to JSP based on net profits of the Company's sales of Levothyroxine, after considering product costs.

On November 9, 2018, the Company entered into a transition agreement ("Transition Agreement") with Lannett and JSP. Under the terms of the Transition Agreement, the Company assumed the distribution and marketing of Levothyroxine from Lannett beginning December 1, 2018 through March 22, 2019, ahead of the commencement date of the license and supply agreement with JSP described above.

In accordance with the terms of the Transition Agreement, the Company made \$47 million of non-refundable payments to Lannett. For the nine months ended September 30, 2019, \$37 million (none in 2020) were expensed to cost of goods sold, as the Company sold Levothyroxine. As of December 31, 2018, the Company had a \$4 million transition contract liability, which was fully settled in February 2019.

Additionally, during the year ended December 31, 2019, the Company recorded \$1 million in cost of sales related to reimbursement due to Lannett for certain of its unsold inventory at the end of the Transition Period, which was fully settled in March 2020.

Outstanding Debt Obligations

Senior Secured Credit Facilities

On May 4, 2018 we entered into a senior credit agreement that provided a term loan ("Term Loan") with a principal amount of \$2.7 billion and an asset backed revolving credit facility ("Revolving Credit Facility") under which the capacity for loans and letters of credit are up to a principal amount of \$500 million, of which \$498 million is available as of September 30, 2020

(principal amount of up to \$25 million is available for letters of credit) (collectively, the "Senior Secured Credit Facilities"). The Term Loan is repayable in equal quarterly installments at a rate of 1.00% or the original principal amount annually, with the balance payable at maturity on May 4, 2025. The Term Loan bears a variable annual interest rate, which is one-month LIBOR plus 3.5% at September 30, 2020. The Revolving Credit Facility bears an annual interest rate of one-month LIBOR plus 1.25% at September 30, 2020 and matures on May 4, 2023. The annual interest rate for the Revolving Credit Facility may be reduced or increased by 0.25% based on step-downs and step-ups determined by the average historical excess availability.

The proceeds of any loans made under the Senior Secured Credit Facilities can be used for capital expenditures, acquisitions, working capital needs and other general purposes, subject to covenants as described below. We pay a commitment fee based on the average daily unused amount of the Revolving Credit Facility at a rate based on average historical excess availability, between 0.25% and 0.375% per annum. At September 30, 2020, the Revolving Credit Facility commitment fee rate is 0.375% per annum.

During March 2020, as a precautionary measure to mitigate the uncertainty surrounding overall market liquidity due to COVID-19, we borrowed \$300 million on the Revolving Credit Facility. As of June 30, 2020, we repaid all \$300 million of outstanding borrowings.

The Senior Secured Credit Facilities contain a number of covenants that, among other things, create liens on Amneal's and its subsidiaries' assets. The Senior Secured Credit Facilities contain certain negative covenants that, among other things and subject to certain exceptions, restrict Amneal's and its subsidiaries' ability to incur additional debt or guarantees, grant liens, make loans, acquisitions or other investments, dispose of assets, merge, dissolve, liquidate or consolidate, pay dividends or other payments on capital stock, make optional payments or modify certain debt instruments, modify certain organizational documents, enter into arrangements that restrict the ability to pay dividends or grant liens, or enter into or consummate transactions with affiliates. The Revolving Credit Facility also includes a financial covenant whereby Amneal must maintain a minimum fixed charge coverage ratio if certain borrowing conditions are met. The Senior Secured Credit Facilities contain customary events of default, subject to certain exceptions. Upon the occurrence of certain events of default, the obligations under the Senior Secured Credit Facilities may be accelerated and the commitments may be terminated. At September 30, 2020, Amneal was in compliance with all covenants under the Senior Secured Credit Facilities.

Acquisition Financing – Revolving Credit and Term Loan Agreement

On January 31, 2020, in connection with the Acquisitions, Rondo Intermediate Holdings, LLC ("Rondo Holdings"), a wholly-owned subsidiary of Rondo, entered into a revolving credit and term loan agreement ("Rondo Credit Facility") that provided a term loan ("Rondo Term Loan") with a principal amount of \$180 million and a revolving credit facility ("Rondo Revolving Credit Facility") which loans up to a principal amount of \$30 million. The Rondo Term Loan is repayable in equal quarterly installments at a rate of 5.0% of the original principal amount annually, with the balance payable at maturity on January 31, 2025. The Rondo Credit Facility bears a variable annual interest rate, which is one-month LIBOR plus 3.0% at September 30, 2020 and matures on January 31, 2025. The annual interest rate for borrowing under the Rondo Credit Facility may be reduced or increased by 0.25% based on step-downs and step-ups determined by the total net leverage ratio, as defined in that agreement. At September 30, 2020, the Company had no outstanding borrowings under the Rondo Revolving Credit Facility.

A commitment fee based on the average daily unused amount of the Rondo Credit Facility is assessed at a rate based on total net leverage ratio, between 0.25% and 0.50% per annum. At September 30, 2020, the Rondo Credit Facility commitment fee rate is 0.4% per annum.

The Rondo Credit Facility contains a number of covenants that, among other things, create liens on the equity securities and assets of Rondo Holdings, Rondo, AvKARE, LLC and R&S. The Rondo Credit Facility contains certain negative, affirmative and financial covenants that, among other things, restrict the ability to incur additional debt, grant liens, transact in mergers and acquisitions, make certain investments and payments or engage in certain transactions with affiliates. The Rondo Credit Facility also contains customary events of default. Upon the occurrence of certain events of default, the obligations under the Rondo Credit Facility may be accelerated and/ or the interest rate may be increased. At September 30, 2020, Rondo was in compliance with all covenants. The Company is not party to the Rondo Credit Facility and is not a guarantor of any debt incurred thereunder.

Acquisition Financing – Notes Payable-Related Party

The Sellers Notes with a stated principal amount of \$44 million and the Short-Term Sellers Note with a stated principal amount of \$1 million were issued by Rondo or its subsidiary, Rondo Top Holdings, LLC, on January 31, 2020, the closing date of the Acquisitions. The Sellers Notes are unsecured and accrue interest at a rate of 5% per annum, not compounded, until June 30,

2025. The Sellers Notes are subject to prepayment at the option of Rondo, as the obligor, without premium or penalty. Mandatory payment of the outstanding principal and interest is due on June 30, 2025 if certain financial targets are achieved, the borrowers' cash flows are sufficient (as defined in the Sellers Notes) and repayment is not prohibited by senior debt. If repayment of all outstanding principal and accrued interest on the Sellers Notes is not made on June 30, 2025, the requirements for repayment are revisited on June 30 of each subsequent year until all principal and accrued interest on the Sellers Notes are satisfied no later than January 31, 2030 or earlier, upon a change in control. The Short-Term Sellers Note is also unsecured and accrues interest at a rate of 1.6% and is due on January 31, 2021.

The Sellers Notes were recorded at a fair value of \$35 million, which was estimated using the Monte-Carlo simulation approach under the option pricing framework. The Short-Term Sellers Note of \$1 million was recorded at the stated principal amount of \$1 million, which approximates fair value. The \$9 million discount on the Sellers Notes will be amortized to interest expense using the effective interest method from January 31, 2020 to June 30, 2025 as the carrying value of the Sellers Notes will accrete to the stated principal amount of \$44 million.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2020.

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 2019 Annual Report on Form 10-K. There have been no material changes to the disclosure presented in our 2019 Annual Report on Form 10-K.

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

Except for the broad effects of COVID-19 on the global economy and major financial markets during the three and nine months ended September 30, 2020, 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 2019 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. Consistent with guidance issued by the Securities and Exchange Commission that an assessment of internal controls over financial reporting of a recently acquired business may be omitted from management's evaluation of disclosure controls and procedures, management is excluding an assessment of such internal controls of AvKARE, LLC and R&S Northeast LLC from its evaluation of the effectiveness of our disclosure controls and procedures. We acquired AvKARE, LLC and R&S Northeast LLC on January 31, 2020. AvKARE, LLC and R&S Northeast LLC represented approximately 9% of our consolidated total assets and 17% of our consolidated net revenue as of and for the quarter ended September 30, 2020. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer concluded that due to the material weakness, described below, our disclosure controls and procedures were not effective as of September 30, 2020.

The material weakness in internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act), which we identified during the three months ended June 30, 2020, resulted from ineffective controls over cash disbursements. Specifically, we did not have adequate controls to prevent improper changes to banking information in our vendor master file,

which allowed cash disbursements to be redirected from a vendor bank account to an unrelated bank account. In light of the material weakness, we performed additional analysis, including validating changes to vendor bank account information made during 2020, to ensure that the Company's financial statements covered by this Quarterly Report on Form 10-Q are prepared in accordance with generally accepted accounting principles in the United States of America.

This control deficiency did not result in any financial loss or any material impact to the financial statements for the periods covered by this Quarterly Report on Form 10-Q or for any prior periods.

To remediate the material weakness described above, we have enhanced the design and execution of our existing controls and procedures to prevent improper changes to the banking information in our vendor master file. We expect that remediation will be completed prior to December 31, 2020 following sufficient operational time for the applicable remedial controls and subsequent testing.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2020, except as noted above, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) which materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. As mentioned above, the Company acquired AvKARE, LLC and R&S Northeast LLC on January 31, 2020. We are in the process of reviewing the internal control structure of AvKARE, LLC and R&S Northeast LLC and, if necessary, will make appropriate changes as we integrate AvKARE, LLC and R&S Northeast LLC into our overall internal control over financial reporting process.

Limitations on the Effectiveness of Controls

Systems of disclosure controls and internal controls over financial reporting and their associated policies and procedures, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the system of control are achieved. Further, the design of a control system must be balanced against resource constraints, and therefore the benefits of controls must be considered relative to their costs. Given the inherent limitations in all systems of controls, no evaluation of controls can provide absolute assurance all control issues and instances of fraud, if any, within a 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 a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Accordingly, given the inherent limitations in a cost-effective system of internal control, financial statement misstatements due to error or fraud may occur and may not be detected. Our disclosure controls and procedures are designed to provide a reasonable assurance of achieving their objectives. We conduct periodic evaluations of our systems of controls to enhance, where necessary, our control policies and procedures.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

Information pertaining to legal proceedings can be found in *Note 17. Commitments and Contingencies* and is incorporated by reference herein.

Item 1A. Risk Factors

There have been no material changes to the disclosures presented in our 2019 Annual Report on Form 10-K under *Item 1A. Risk Factors* other than as updated in Part II, *Item 1A. Risk Factors*, of our subsequent Quarterly Reports on Form 10-Q.

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

None.

Item 6. Exhibits

Exhibit No.	Description of Document
<u>10.1</u>	<u>Modification No. 1 to Employment Agreement, effective as of August 1, 2020, by and among Amneal Pharmaceuticals LLC, Amneal Holdings, LLC and Andrew Boyer * †</u>
<u>10.2</u>	<u>Amneal Pharmaceuticals, Inc. 2018 Incentive Award Plan, as amended and restated (incorporated by reference to Exhibit 99.1 to Amneal's Registration Statement on Form S-8 filed on August 17, 2020). †</u>
<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, 2020 formatted in inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for each of the three and nine months ended September 30, 2020 and 2019, (ii) Consolidated Statements of Comprehensive (Loss) Income for each of the three and nine months ended September 30, 2020 and 2019, (iii) Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019, (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019, (v) Consolidated Statements of Stockholders' Equity for each of the three and nine months ended September 30, 2020 and 2019 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, 2020 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.
†	Denotes management compensatory plan or arrangement.

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 6, 2020

Amneal Pharmaceuticals, Inc.

(Registrant)

By: /s/ Anastasios Konidaris

Anastasios Konidaris

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

MODIFICATION No. 1
to
EMPLOYMENT AGREEMENT ENTERED FEBRUARY 6, 2018

This Modification No. 1, dated as of July 29, 2020, and effective as of August 1, 2020, is made by and among Amneal Pharmaceuticals, Inc. (the “**Company**”) and Andrew Boyer (the “**Executive**” and, collectively with the Company, the “**Parties**”).

WHEREAS, the Company and the Executive executed that certain Employment Agreement dated February 6, 2018, a complete copy of which is attached as Exhibit A (hereinafter referred to as the “**Agreement**”); and

WHEREAS, the Company and the Executive have agreed, pursuant to the terms of Section 8.5 of the Agreement, to modify the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration contained herein, the Parties agree as follows.

1. Section 1.1 of the Agreement is hereby modified to read as follows:

“1.1 Term of Employment. Subject to Section 8.2 below, the Executive's term of employment under this Agreement commenced on the Effective Date of the Employment Agreement and shall continue until June 30, 2023 (the “**Term**”), unless further extended or earlier terminated as provided in the Agreement. The Agreement will automatically be renewed for single one-year periods unless written notice of non-renewal (a “**Non-Renewal Notice**”) is provided by any party at least 90 days prior to the end of the Term or the successive one-year period then in effect or unless earlier terminated as provided in the Agreement. Neither non-renewal of the Agreement for additional periods after the third anniversary of the Effective Date, nor expiration of the Agreement as a result of such non-renewal, shall, by itself, result in termination of the Executive's employment.

2. Section 1.2.1 of the Agreement is hereby modified to read as follows:

“1.2.1 Subject to the terms set forth herein, as of the Effective Date of Modification No. 1, the Executive shall serve as the Executive Vice President, Chief Commercial Officer - Generics of the Company and shall perform such duties as are customarily associated with such position and such other reasonable duties consistent with such position as may from time to time be assigned to Executive by the Company. During the Term, the Executive shall report to the Co-Chief Executive Officer and President of the Company.”

3. Section 2.1 of the Agreement is hereby modified to read as follows:

“2.1 Base Salary. Starting August 1, 2020, the Executive shall be entitled to receive a base salary at the annual rate of \$600,000, subject to applicable withholding

(the "**Base Salary**"). The Base Salary shall be subject to increase but not decrease in the sole discretion of the Board, provided however, that any increase in Base Salary shall become the Base Salary under the Agreement and shall not be decreased from such increased amount. The Base Salary shall be paid in accordance with the payroll practices of the Company, but not less than monthly."

4. Section 2.3 of the Agreement is hereby modified to add new subsection 2.3.5, which shall read as follows:

"2.3.5 In consideration of the Executive's agreement to and execution of Modification No. 1 to Employment Agreement Entered February 6, 2018, on August 1, 2020, or as promptly as practicable thereafter, the Company shall grant to the Executive an award of restricted stock units (the "**Modification RSUs**") having a grant date fair value equal to \$300,000. The Modification RSUs will vest as follows: (i) 1/3 of the total number of Modification RSUs shall vest on June 30, 2021; (ii) 1/3 of the total number of Modification RSUs shall vest on June 30, 2022; 1/3 of the total number of Modification RSUs shall vest on June 30, 2023, all such vesting subject to the Executive's continuous services to the Company through the applicable vesting date. The Modification RSUs shall otherwise be subject to the terms of the plan pursuant to which they are granted and an award agreement to be entered into between the Executive and the Company and Section 4.4.2(iii) or 4.4.3(iv) (as applicable) below."

Except as specifically provided for in this Modification No. 1, no other modifications, amendments, revisions or changes are made to the Agreement. All other terms and conditions of the Agreement remain in full force and effect. In the event of a conflict between the Agreement and this Modification No. 1, the terms of this Modification No. 1 shall control. This Modification No. 1 may be executed in counterparts. This Modification No. 1 shall be construed and enforced in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the undersigned have executed this Modification No. 1 as of the date first above written.

Amneal Pharmaceuticals, Inc.

By: /s/ Chirag Patel

Name: Chirag Patel

Title: Co-Chief Executive Officer

/s/ Andrew Boyer

ANDREW BOYER

**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, 2020 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 6, 2020

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, 2020 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 6, 2020

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, 2020 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 6, 2020

By: /s/ Anastasios Konidaris

Anastasios Konidaris

Executive Vice President, 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, 2020 (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 6, 2020

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, 2020 (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 6, 2020

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, 2020 (the “Report”), Anastasios Konidaris, Executive Vice President, 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 6, 2020

By: /s/ Anastasios Konidaris

Anastasios Konidaris

Executive Vice President, 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.