UPMC Unaudited Financial and Operating Report

FOR THE PERIOD ENDED JUNE 30, 2026

UPMC
LIFE CHANGING MEDICINE

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The following financial data as of June 30, 2026 and for the three and six month periods ended June 30, 2026 and 2025 is derived from the interim condensed consolidated financial statements of UPMC. The unaudited interim condensed consolidated financial statements include all adjustments consisting of a normal recurring nature that UPMC considers necessary for the fair presentation of its financial position and the results of operations for these periods. The financial information as of December 31, 2025 is derived from UPMC's audited consolidated financial statements. Operating and financial results reported herein are not necessarily indicative of the results that may be expected for any future periods.

The information contained herein is being filed by UPMC for the purpose of complying with its obligations under Continuing Disclosure Agreements entered into in connection with the issuance of the series of bonds listed herein and disclosure and compliance obligations in connection with various banking arrangements. Digital Assurance Certification, L.L.C., as the Dissemination Agent, has not participated in the preparation of this Unaudited Financial and Operating Report, has not examined its contents and makes no representations concerning the accuracy and completeness of the information contained herein.

UPMC LIFE CHANGING MEDICINE

INTRODUCTION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2026

UPMC, doing business as the University of Pittsburgh Medical Center, is one of the world's leading Integrated Delivery and Financing Systems. UPMC is based in Pittsburgh, Pennsylvania and primarily serves residents across the Commonwealth of Pennsylvania (the "Commonwealth"), as well as western New York and northwestern Maryland. UPMC also draws patients for highly specialized services from across the nation and around the world. Closely affiliated with the University of Pittsburgh (the "University") and with shared academic and research objectives, UPMC works with the University's Schools of the Health Sciences to deliver outstanding patient care, train tomorrow's health care specialists and biomedical scientists, and conduct groundbreaking research on the causes and course of disease. UPMC's more than 40 hospitals and 800 clinical locations comprise one of the largest nonprofit health systems in the United States. UPMC serves patients and members across the continuum of health care with its hospitals; physician and homecare services; physical and behavioral health insurance product offerings; international operations and its Enterprises division.

UPMC is committed to providing high quality, cost-effective health care to its communities and its insurance members, while continuing to grow its business and execute on its mission of service. As part of this mission, UPMC continues to make significant investments in equipment, technology and operational strategies designed to improve clinical quality and to provide the best possible patient and member experience. Investments in operations and continued capital improvements are expected to become increasingly important as the competitive environment of the market and national changes to the industry continue to shift the landscape of health care. UPMC continues to build new facilities, make strategic acquisitions and enter into joint venture arrangements or affiliations with health care businesses — each case in communities where it believes its mission can be effectively utilized to improve the overall health of those communities.

As the stewards of UPMC's community assets, UPMC is guided by the core values of integrity, quality, excellence and respect. These values govern the manner in which UPMC serves its communities and are embedded in the execution and delivery of Life Changing Medicine. By continually evolving and refining UPMC's best-in-class financial processes, UPMC focuses on achieving optimal financial results that support the continued development of its organization, as well as ongoing investment in the future of the communities it serves. UPMC is committed to achieving these objectives with unyielding commitments to transparency in reporting and disclosure, enterprise-wide integration and ongoing process improvement.

The purpose of this section, Management's Discussion and Analysis ("MD&A"), is to provide a narrative explanation of UPMC's unaudited condensed consolidated financial statements that enhances the overall financial disclosures, to provide the context within which the financial information may be analyzed, and to provide information about the quality of, and potential variability of, UPMC's financial condition, results of operations and cash flows.

Unless otherwise indicated, all financial information included herein relates to UPMC's continuing operations, with dollar amounts expressed in millions (except for statistical information and as otherwise noted). MD&A should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements.

Where appropriate, the presentation of prior period financial highlights and indicators reflect the inclusion of restructuring costs as an operating expense to conform to the current period presentation and improve comparability. These reclassifications did not impact the results of previously reported periods.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Financial Results for the Six Months Ended June 30 (in millions)		2026		2025
Operating revenues	$	**16,960**	$	16,548
Operating income	$	**243**	$	349
Operating margin %		**1.4%**		2.1%
Operating margin % after income tax and interest expense		**0.7%**		1.4%
Gain from investing and financing activities	$	**330**	$	257
Excess of revenues over expenses attributable to controlling interest	$	**442**	$	477
Operating EBIDA	$	**603**	$	699
Capital expenditures	$	**590**	$	553
Reinvestment ratio		**1.64**		1.58

Selected Other Information as of		June 30, 2026		December 31, 2025
Total cash and investments	$	**9,715**	$	9,237
Unrestricted cash and investments	$	**8,098**	$	7,783
Unrestricted cash and investments over long-term debt	$	**1,264**	$	1,047
Days of cash on hand		**89**		87
Days in net accounts receivable		**47**		44
Average age of plant (in years)		**11.8**		11.6

Operating income decreased by $106 million for the six months ended June 30, 2026 when compared to the prior year. The decrease was primarily driven by lower inpatient volumes within the Health Services Division, partially offset by improved underwriting margins within the Insurance Services Division. The improved margins were a result of reduced utilization and governmental product line rate increases. UPMC continues to manage its investment portfolio using a long-term perspective. As of June 30, 2026, UPMC had more than $9.7 billion of cash and investments, of which approximately $3.2 billion was held by UPMC's regulated health and captive insurance companies.

BUSINESS HIGHLIGHTS

Investments to Expand Access to Care

In April 2026, UPMC Children's Hospital of Pittsburgh opened an expanded pediatric cardiology clinic at Children's Pine Center in Wexford, Pennsylvania. This addition of pediatric cardiologists and clinical team members allows UPMC to serve more patients and support continuity and familiarity for local patients and families.

In April 2026, UPMC Washington introduced hospital inpatient tele-neurosurgery consultation services. Secure video technology connects hospitalized patients with specialists from the UPMC Department of Neurosurgery and UPMC Neurological Institute. This service allows specialists to work directly with the UPMC Washington care team, supporting timely expert clinical input during the consultation process that would have previously required patient transfers. Also added to the array of clinical capabilities offered at UPMC Washington are breast surgery services, strengthening the area's coordinated cancer care network that includes UPMC Hillman Cancer Center medical oncology and radiation oncology care. These clinical enhancements reflect UPMC's continued investment in UPMC Washington as the hospital continues to evolve into a regional destination for advanced services since joining UPMC in 2024.

In April 2026, UPMC and the Orthopedic Institute of Pennsylvania opened a new clinic in York, Pennsylvania, in response to a growing community need for local orthopedic care in central Pennsylvania. The clinic's staff includes 16 physicians and 10 advanced practice providers, who partner with UPMC Memorial to perform surgical procedures.

In May 2026, CommonSpirit Health and UPMC signed a definitive agreement to transfer ownership of Trinity Health System ("Trinity"), based in Steubenville, Ohio, to UPMC. Trinity and UPMC share a vision and commitment to extend and advance services available to patients in the surrounding communities. For more than 20 years, physicians and other clinical staff at Trinity and UPMC have collaborated in key areas to deliver high-quality, patient-centered care, including a partnership in cancer treatment that extended UPMC Hillman Cancer Center's medical oncology services to the local community, and advanced orthopedic services, leveraging UPMC's renowned expertise to deliver specialized bone and joint care locally. The transaction is expected to be completed later in 2026, pending regulatory review and customary closing conditions.

In May 2026, UPMC opened the UPMC Children's Rehabilitation Therapies clinics in Erie and Washington, Pennsylvania. The Erie location brings physical, occupational and speech therapy together in one space and is located near the recently opened UPMC Children's pediatric orthopedic clinic. In Washington, UPMC Children's transitioned the Washington and McMurray therapy centers to the UPMC Children's Rehabilitation Therapies, bringing enhanced resources, deeper clinical collaboration and more access to nationally recognized pediatric rehabilitation services for local patients and families.

In May 2026, UPMC Hillman Cancer Center at UPMC Altoona launched Pluvicto, an advanced targeted radiopharmaceutical therapy for patients with metastatic prostate cancer. This treatment was previously available only at select cancer centers. The reduction of patient travel helps alleviate the physical and emotional strain often associated with ongoing cancer care. In Harrisburg, Pennsylvania, the UPMC Hillman Cancer Center began offering High-Dose Rate Prostate Brachytherapy, an advanced internal radiation therapy to reduce the reoccurrence of prostate cancers. This is the only health facility in Harrisburg to offer this service. Additionally, UPMC brought a first-of-its-kind breast cancer vaccine clinical trial to central Pennsylvania. The study was based on decades of research at the University's School of Medicine and was launched at the UPMC Hillman Cancer Center at UPMC Magee-Women's Hospital in Pittsburgh in 2024.

In May 2026, UPMC Women's Behavioral Health Specialists relocated its Camp Hill, Pennsylvania, office to expand mental health services to meet a growing community need. The new space includes 15 therapy rooms, a large conference room, a group therapy room, and a procedure room to support future services.

In June 2026, the new UPMC Children's Heart Institute opened at UPMC Children's Lawrenceville campus, to advance care for children with heart conditions and support their families through every stage of treatment. The Institute includes three state-of-the-art cardiac catheterization labs, nine private pre- and post- procedural rooms, enhanced staff and support spaces. In addition, the expanded cardiac clinic has 14 exam rooms, eight ECHO labs, and a space for the new pediatric cardiac rehabilitation program expected to open in 2027.

In June 2026, UPMC and STAT MedEvac introduced critical care helicopter operations at UPMC Muncy, expanding emergency response capabilities for Lycoming County and the broader northcentral Pennsylvania region. This base improves access to advanced care for patients in rural communities where distance and terrain can delay treatment. The STAT MedEvac helicopter is equipped to begin high-level care as soon as the crew reaches a patient, helping connect patients more quickly to trauma, stroke, cardiac and other specialized care.

In June 2026, the UPMC Heart and Vascular Institute expanded device clinic services to Wellsboro and Mansfield, Pennsylvania. The device clinic provides routine in-person and remote checks for patients with implanted heart rhythm devices to identify device or rhythm issues early, therefore reducing the need for hospital visits.

Driving Quality in Health Care

In April 2026, UPMC was one of 56 employers honored with the Best Employers Award: Excellence in Health & Well-Being from the Business Group on Health. This marks the 15th consecutive year of this recognition and affirms UPMC's commitment to advancing employee well-being through comprehensive and innovative benefits and strategies.

In April 2026, the Kidney Transplant Program at UPMC Harrisburg earned ELITE status from INTERLINK COE Networks & Programs as part of its Programs of Excellence transplant network, the highest designation within the network.

In May 2026, UPMC Harrisburg was designated as a Comprehensive Stroke Center by The Joint Commission and American Stroke Association, recognizing the hospital for its ability to treat central Pennsylvania's most complex stroke cases. The designation is evidence of its quality measures for advanced 24/7 stroke care with onsite access to neurosurgical and vascular procedures.

Serving Our Members

UPMC continues to monitor and assess the potential impacts of federal legislation resulting from the One Big Beautiful Bill Act on both healthcare providers and health insurers. These changes are expected to reduce funding available for healthcare services and decrease the number of individuals with health insurance coverage, resulting in greater uncompensated care and financial pressure across the healthcare system. The impacts of the expiration of enhanced Affordable Care Act ("ACA") premium subsidies could begin as early as 2026 and worsen in 2027 and 2028 as additional provisions take effect, including changes to federal and state Medicaid funding mechanisms, implementation of Medicaid work requirements, reductions in supplemental funding that support vulnerable and underserved populations and the potential loss of UPMC's 340B Drug Pricing Program ("340B") eligibility. In addition, continued legislative, regulatory, and legal scrutiny of the federal 340B program may create uncertainty regarding the program's future scope, reimbursement methodology, and financial benefits. Changes to the 340B program could adversely affect funding that supports care for low-income, rural and other underserved populations and may increase financial pressures on health systems that rely on these resources to expand access to care and community health services. UPMC remains committed to advocating, alongside healthcare industry partners, on behalf of the patients and communities it serves to help achieve the best possible outcomes.

UPMC *Workpartners* advanced its growth and well-being strategy during the second quarter through successful technology integration and increased employee engagement. The organization completed implementation of its new wellness platform, WebMD One, and launched UPMC's 2026 "Take a Healthy Step' program. Employee participation significantly exceeded expectations, generating engagement levels five times higher than the previous year. UPMC *Workpartners* also recorded the highest level of employee engagement in well-being programming to date, supporting healthier lifestyles and a more engaged workforce.

UPMC *for You* helped members navigate Medicaid renewals and maintain coverage during a period of continued eligibility redetermination. During the first half of 2026, UPMC *for You* assisted with more than 2,500 Medicaid applications and renewals, conducted more than 96,000 outreach calls, and addressed more than 1,400 health-related social needs referrals. Community health workers contacted more than 2,500 members and conducted more than 700 in-person health and wellness visits to provide in-home care.

UPMC *Community Health Choices* ("CHC") continued to expand access to community-based services while improving participant experiences. During the first half of 2026, CHC added more than 4,500 home and community-based services participants and became the first CHC managed care organization to transition participants from a nursing facility to an assisted living setting with Medicaid-covered services.

The UPMC *Center for Social Impact* (the "Center") continued advancing innovative programs that address food insecurity and social determinants of health. The Center enrolled 194 participants in the Fresh Funds pilot program between March 2025 and May 2026 and began enrollment for Fresh Funds 2.0 in June 2026. The program demonstrated lower HbA1c levels among participating Medicaid and CHC members with diabetes through grocery allowances, dietitian support and community health worker engagement. Community health workers have served 495 members in 2026 and 1,205 individuals since program inception, completed 397 Social Determinants of Health screenings and supported community members at 29 outreach events focused on health education, enrollment assistance, vision care, food access and other community needs.

UPMC *Health Plan* remains the market share leader in western Pennsylvania for Individual ACA membership. Despite expected membership headwinds from the impact of the One Big Beautiful Bill Act, UPMC has experienced more favorable enrollment in 2026 year-to-date as a result of its strong product offerings.

In York County, Pennsylvania, *Community Care Behavioral Health* ("CCBH") partnered with York County Human Services, WellSpan and other stakeholders to establish a new 24/7 behavioral health walk-in crisis center. The center offers immediate, same-day support and stabilization services for individuals experiencing a mental health crisis, reducing barriers to care. This advances community and state priorities by providing alternatives to emergency department utilization and promotes early intervention.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Six Months Ended June 30, 2026 Revenues:	Health Services	Insurance Services	Eliminations	Consolidated
Net patient service revenue	$ 8,634	$ -	$ (2,049)	$ 6,585
Insurance enrollment revenue	-	9,408	-	9,408
Other revenue	829	183	(45)	967
Total operating revenues	$ 9,463	$ 9,591	$ (2,094)	$ 16,960
Expenses:				
Salaries, professional fees and benefits	$ 5,116	$ 327	$ (41)	$ 5,402
Insurance claims expense	-	8,261	(2,026)	6,235
Supplies, purchased services and general	4,193	554	(27)	4,720
Depreciation and amortization	358	2	-	360
Total operating expenses	9,667	9,144	(2,094)	16,717
Operating (loss) income	$ (204)	$ 447	$ -	$ 243
Operating margin %	(2.2%)	4.7%	-	1.4%
Operating margin % (including income tax and interest expense)	(3.3%)	4.5%	-	0.7%
Operating EBIDA	$ 154	$ 449	$ -	$ 603
Operating EBIDA %	1.6%	4.7%	-	3.6%

Six Months Ended June 30, 2025 Revenues:				
Net patient service revenue	$ 8,407	$ -	$ (1,992)	$ 6,415
Insurance enrollment revenue	-	8,737	-	8,737
Other revenue	919	523	(46)	1,396
Total operating revenues	$ 9,326	$ 9,260	$ (2,038)	$ 16,548
Expenses:				
Salaries, professional fees and benefits	$ 4,834	$ 319	$ (40)	$ 5,113
Insurance claims expense	-	8,281	(1,970)	6,311
Supplies, purchased services and general	3,902	551	(28)	4,425
Depreciation and amortization	347	3	-	350
Total operating expenses	9,083	9,154	(2,038)	16,199
Operating income	$ 243	$ 106	$ -	$ 349
Operating margin %	2.6%	1.1%	-	2.1%
Operating margin % (including income tax and interest expense)	1.3%	1.1%	-	1.4%
Operating EBIDA	$ 590	$ 109	$ -	$ 699
Operating EBIDA %	6.3%	1.2%	-	4.2%

DIVISIONAL INFORMATION

Health Services

UPMC Health Services Division ("Health Services") includes a comprehensive array of clinical capabilities consisting of hospitals, specialty service lines (e.g., transplantation services, woman's care, behavioral health, pediatrics, cancer care and rehabilitation services), contract services (emergency medicine, pharmacy and laboratory) and approximately 5,200 employed physicians with associated practices. Also included within Health Services are supporting foundations and UPMC's captive insurance programs. Hospital activity is monitored in four distinct groups: (i) academic hospitals that provide a comprehensive array of clinical services that include the specialty service lines listed above and serve as the primary academic and teaching centers for UPMC and are located in Pittsburgh; (ii) community hospitals that provide core clinical services mainly to the suburban Pittsburgh marketplace; (iii) regional hospitals that provide core clinical services to certain other areas of western (including Erie), and central (including Williamsport and Harrisburg) Pennsylvania, as well as western New York and northwestern Maryland; and (iv) pre- and post-acute care capabilities that include: UPMC HomeCare, a network of home health services, and UPMC Senior Communities, facilities which provide senior living capabilities.

Health Services also includes international activities, with locations across the globe, which extend UPMC's core mission and aim to bring new revenue streams into UPMC's domestic operations. In Italy, UPMC locations include ISMETT, a public-private partnership in the region of Sicily that provides end-stage organ disease treatment and research, Salvator Mundi International Hospital in Rome and UPMC Hillman Cancer Centers in Rome, Sicily and Campania. In Ireland, UPMC has a network of four hospitals and two UPMC Hillman Cancer Centers across southeast Ireland, stretching from Cork to Dublin. In Croatia, UPMC has a UPMC Hillman Cancer Center in Zagreb.

Operating results for Health Services decreased by $447 million during the six months ended June 30, 2026, when compared to the prior year, driven by lower inpatient volumes.

Insurance Services

UPMC Insurance Services Division holds various interests in health care financing initiatives and network care delivery operations that have nearly four million members as of June 30, 2026. UPMC *Health Plan* is a health maintenance organization ("HMO") offering coverage for Commercial and Medicare members. UPMC *for You*, also an HMO, is engaged in providing coverage to Medical Assistance & Medicare Special Needs Plan beneficiaries. UPMC *Health Network* offers preferred provider organization ("PPO") plan designs to serve Medicare beneficiaries. UPMC *Health Options* offers PPO plan designs to serve Commercial beneficiaries. UPMC *for Life* is a Medicare product line offered by various companies within the Insurance Services Division. UPMC *Workpartners* provides fully insured workers' compensation, integrated workers' compensation and disability services to employers. CCBH is a state-licensed HMO that manages the behavioral health services for Medical Assistance through mandatory managed care programs in Pennsylvania. CHC is Pennsylvania's managed care program for individuals who are dual eligible for Medicaid and Medicare or qualify for Medicaid Long Term Services and Supports and is designed to increase opportunities for older Pennsylvanians and individuals with physical disabilities to remain in their homes and communities rather than in facilities.

Operating results for the Insurance Services Division increased by $341 million during the six months ended June 30, 2026, when compared to the prior year. This increase is primarily driven by reduced claims expense as a result of lower utilization across Commercial, Medicare, Medicaid and CHC product lines coupled with rate increases for Medicaid, CHC and CCBH offerings.

UPMC Enterprises

As an organization dedicated to outstanding patient care, UPMC has defined a bold mission: to shape the future of health care through innovation. UPMC Enterprises advances this mission by transforming ideas into thriving businesses and Life Changing Medicine. With an emphasis on translational sciences and digital solutions, UPMC Enterprises provides its portfolio companies and partners with capital, connections and resources to develop solutions to health care's most complex problems. Working in close collaboration with innovators from UPMC and the University of Pittsburgh Schools of Health Sciences, as well as others worldwide, UPMC Enterprises strives to accelerate science from the bench to the bedside.

UPMC Enterprises manages a portfolio that includes research and product development initiatives, as well as operating companies with commercially available products and services focused on improving the delivery of health care. UPMC Enterprises' results are classified as investing and financing activity in the consolidated statements of operations and changes in net assets, reflecting the long-term nature of developing and commercializing life sciences and technology-enabled initiatives. Due to the nature of UPMC Enterprises' investment activity, financial results may fluctuate between periods.

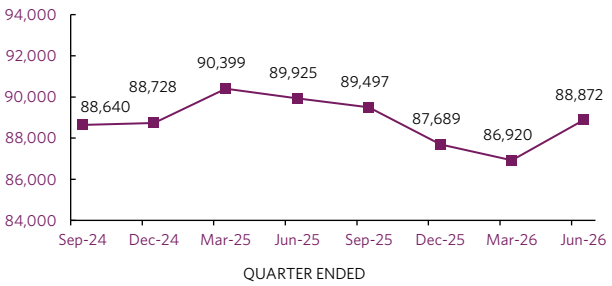
REVENUE METRICS – HEALTH SERVICES

Medical-Surgical Admissions and Observation Visits

Inpatient activity, as measured by medical-surgical admissions and observation visits at UPMC's hospitals for the six months ended June 30, 2026, decreased 2% compared to the same period in 2025.

For the Six Months Ended June 30			
(in thousands)	**2026**	2025	Change
Academic	**56.3**	56.8	(1%)
Community	**23.7**	24.8	(4%)
Regional	**95.8**	98.7	(3%)
Total	**175.8**	180.3	(2%)

Quarter Ended

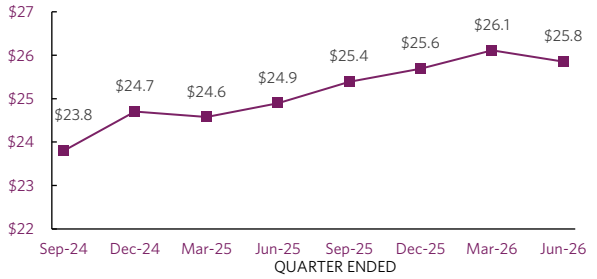


Outpatient Revenue per Workday

UPMC's outpatient activity for the six months ended June 30, 2026, as measured by average revenue per workday, increased 5% compared to the same period in 2025. Surgical demand, particularly in the outpatient setting, has increased as former inpatient services continue to move to outpatient. This, coupled with the increase in ambulatory patient volumes, has caused the increase to outpatient revenue per workday. Hospital outpatient activity is measured on an equivalent workday ("EWD") basis to adjust for weekend and holiday hours.

For the Six Months Ended June 30			
(in thousands)	**2026**	2025	Change
Academic	**$ 9,799**	$ 9,322	5%
Community	**2,582**	2,378	9%
Regional	**13,545**	12,995	4%
Total	**$ 25,926**	$ 24,695	5%

Quarterly Average (in millions)



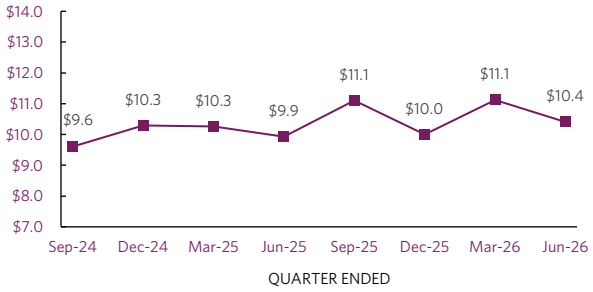
METRICS – HEALTH SERVICES (CONTINUED)

Physician Service Revenue per Weekday

UPMC's physician activity for the six months ended June 30, 2026, as measured by average revenue per weekday, increased 7% from the comparable period in 2025. Physician services activity is measured on a weekday basis.

For the Six Months Ended June 30			
(in.thousands)	**2026**	2025	Change
Academic	**$ 4,269**	$ 4,286	(0%)
Community	**2,873**	2,165	33%
Regional	**3,596**	3,539	2%
Total	**$ 10,738**	$ 9,990	7%

Quarterly Average (in millions)



Sources of Patient Service Revenue

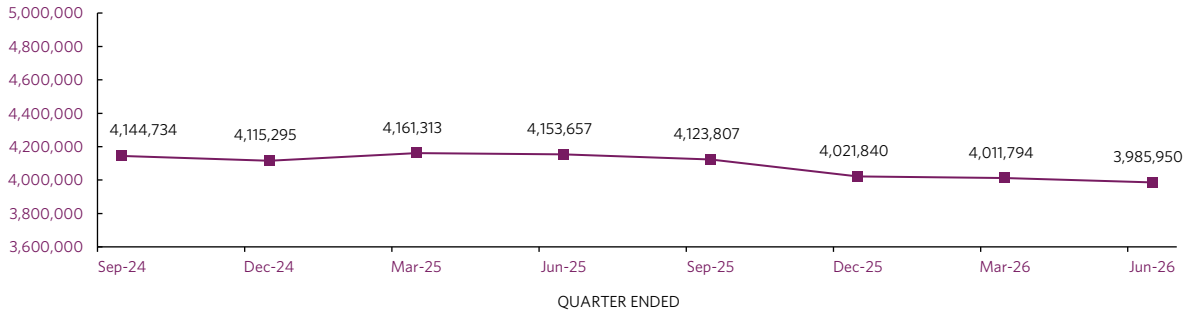
The gross patient service revenues of UPMC, before price concessions and intercompany eliminations, are derived from payers which reimburse or pay UPMC for the services it provides to patients covered by such payers. The following table is a summary of the percentage of the hospitals' gross patient service revenue by payer.

	Six Months Ended June 30	
	2026	2025
Medicare	**51%**	50%
Medicaid	**15%**	16%
Commercial Insurers	**16%**	16%
UPMC Insurance Services Commercial	**10%**	11%
Self-pay/Other	**8%**	7%
Total	**100%**	100%

OPERATING METRICS - INSURANCE SERVICES

Membership

Membership in the UPMC Insurance Services Division has remained stable through the six months ended June 30, 2026.

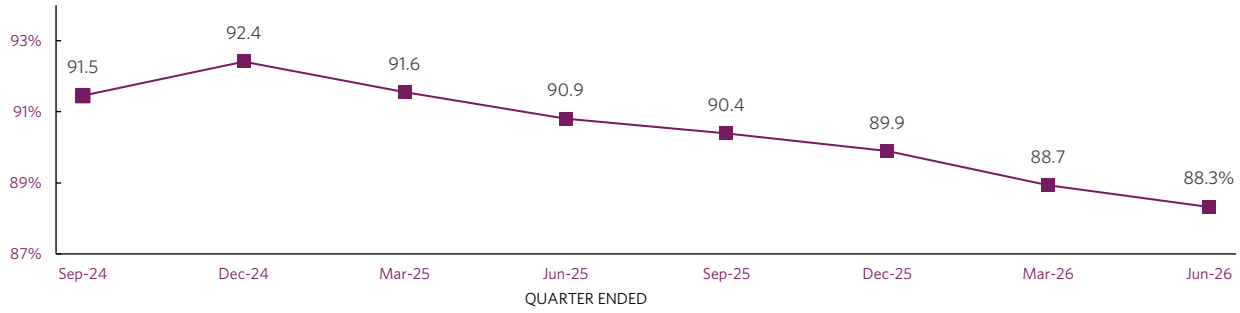


As of	**June 30, 2026**	June 30, 2025
Commercial Health	**536,518**	557,294
Medicare	**226,281**	227,860
Medical Assistance	**607,581**	630,723
Sub-Total Physical Health Products	**1,370,380**	1,415,877
Community HealthChoices	**139,578**	136,273
Behavioral Health	**1,138,689**	1,201,682
Sub-Total Health Products	**2,648,647**	2,753,832
Workpartners	**841,151**	903,569
Ancillary Products	**496,152**	484,908
Third-Party Administration	**-**	11,348
Total Membership	**3,985,950**	4,153,657

Medical Expense Ratio

UPMC Insurance Services' medical expense ratio ("MER") for the trailing twelve months has decreased to 88.3% as of June 30, 2026. Through Q2 of 2026, higher revenue within the Medicaid, CHC, and CCBH products, supported by improved Pennsylvania Department of Health Services ("DHS") rates and lower utilization, have contributed to the decline in MER. The chart below is revised quarterly to reflect updated estimates and actual medical claims for each period presented.

Trailing Twelve Months



MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD ENDED JUNE 30, 2026

KEY FINANCIAL INDICATORS

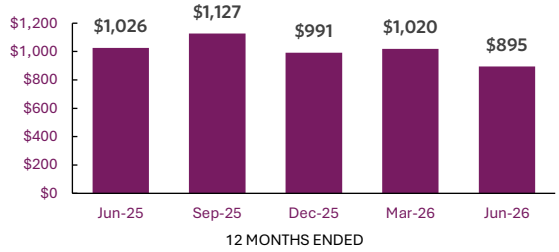
(Dollars in millions)

Operating Earnings before Interest, Depreciation and Amortization

Operating EBIDA for the six months ended June 30, 2026, decreased 14% compared to the six months ended June 30, 2025.

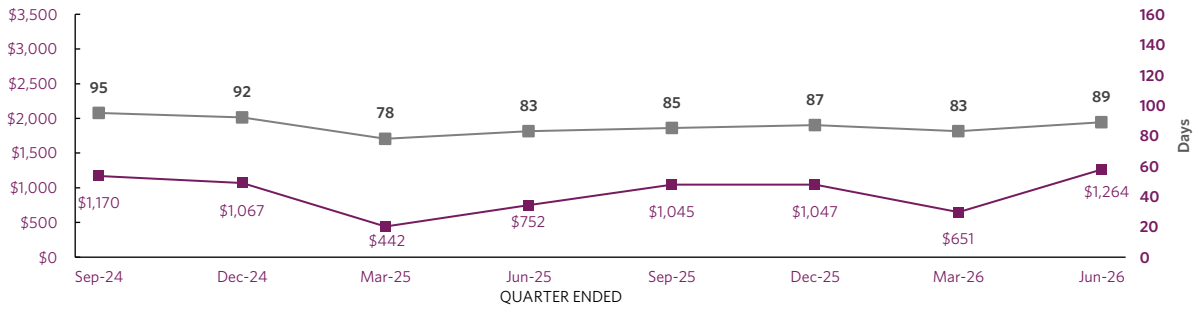
For the Six Months Ended June 30			
(in millions)	2026	2025	Change
Operating Income	$ 243	$ 349	(30%)
Depreciation and Amortization	360	350	3%
Operating EBIDA	$ 603	$ 699	(14%)

Trailing Twelve Months Operating EBIDA



Unrestricted Cash and Investments over Long Term Debt and Days Cash on Hand

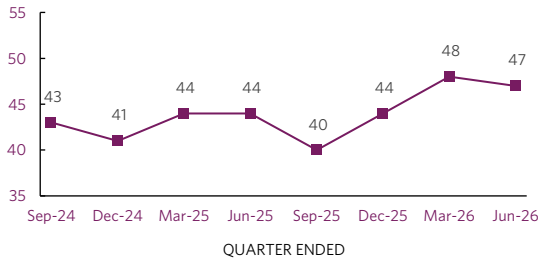
As of June 30, 2026, unrestricted cash and investments over long term debt increased $217 million compared to December 31, 2025. The increase is primarily due to positive operating results and investment returns in 2026.



Days in Net Accounts Receivable

Days in net Accounts Receivable at June 30, 2026 and December 31, 2025 were 47 and 44, respectively.

By Receivable	June 30, 2026 Balance	Days June 30, 2026	Days Dec 31, 2025
Patient	$ 2,243	63	56
Insurance and Other	2,176	37	36
Consolidated	$ 4,419	47	44

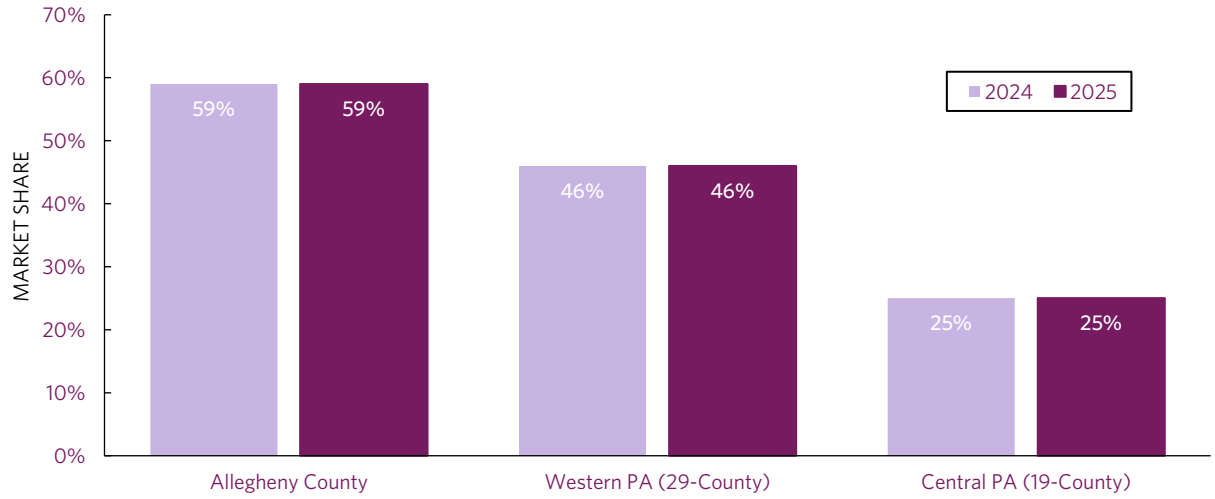


MARKET SHARE

The chart below shows the change in UPMC's estimated inpatient market share for calendar years 2024 and 2025 by service area(1). This is the most recent market share data currently available.

UPMC INPATIENT MEDICAL-SURGICAL MARKET SHARE

AS OF DECEMBER 31[2]



[1] UPMC's three service areas are (A) Allegheny County, (B) a 29-county region which also includes Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Cameron, Centre, Clarion, Clearfield, Crawford, Elk, Erie, Fayette, Forest, Greene, Huntingdon, Indiana, Jefferson, Lawrence, McKean, Mercer, Potter, Somerset, Venango, Warren, Washington and Westmoreland counties, and (C) a 19-county region including Adams, Clinton, Columbia, Cumberland, Dauphin, Franklin, Fulton, Juniata, Lancaster, Lebanon, Lycoming, Mifflin, Montour, Northumberland, Perry, Snyder, Tioga, Union, and York counties.

[2] Excludes psychiatry and substance abuse discharge

ASSET AND LIABILITY MANAGEMENT

As of June 30, 2026, UPMC's investment portfolio, excluding Enterprises and various restricted assets, utilized 156 ongoing external investment managers, including 21 traditional managers, 13 hedge fund managers and 48 private capital managers. UPMC is also invested with an additional 74 legacy private capital and hedge fund managers. UPMC's investment portfolio has a long-term perspective and has generated annualized returns of 12.5%, 10.8% and 5.6% for the trailing one-, three- and five-year periods, respectively, ending June 30, 2026. As of June 30, 2026, 72% of UPMC's investment portfolio could be liquidated within three days.

UPMC's cost of capital during the six-month period ended June 30, 2026, was 3.7%. This cost of capital includes the accrual of interest payments, the amortization of financing costs and original issue discount or premium, the ongoing costs of variable rate debt and the cash flow impact of derivative contracts. As of June 30, 2026, the interest rates on UPMC's long-term debt were approximately 88% fixed and 12% variable. Interest cost for the variable rate debt for the period averaged 3.0%. The interest cost for the fixed rate debt was 3.8%. UPMC's primary credit facility, which expires in May 2028, has a borrowing limit of $1 billion. As of June 30, 2026, UPMC had approximately $54 million in letters of credit outstanding under the credit facility leaving $946 million available to fund operating and capital needs, none of which was drawn.

During the second quarter of 2026, the Insurance Services Division closed on a $350 million credit facility, which replaces a facility of an equal commitment that expired in May 2026. Subject to certain conditions, the full $350 million commitment is available from May 15th through August 14th, with a reduction to $35 million for the balance of the calendar year. This new facility expires in May 2031. Also supporting the Insurance Services Division is a $250 million credit facility wherein the full $250 million commitment is available from May 1st through August 31st, with a reduction to $25 million for the balance of the calendar year. This facility expires in May 2027. As of June 30, 2026, these credit facilities were undrawn.

During the second quarter of 2026, UPMC issued the tax-exempt Series 2026A, Series 2026B, and Series 2026C Bonds with par values of $787 million, $278 million, and $35 million, respectively. These bonds refunded certain indebtedness and will fund capital projects. Additionally, UPMC publicly remarketed the tax-exempt Series 2016B and Series 2023D Bonds, both of which had previously been held by banks.

The table below compares reported Investing and Financing Activity for the six months ended June 30, 2026 and 2025 by type.

Investing and Financing Activity by Type

Six Months Ended June 30	2026	2025
(in thousands)		
Realized gain	$ 278,164	$ 51,439
Interest and dividends, net of fees	90,118	95,419
Realized investment gain	$ 368,282	$ 146,858
Unrealized gain on derivative contracts	106	31
Unrealized investment gain	53,403	250,617
Investment gain	$ 421,791	$ 397,506
Interest expense	(112,210)	(112,038)
Gain on extinguishment of debt	6,115	11,886
UPMC Enterprises activity	13,954	(39,874)
Gain from investing and financing activities	$ 329,650	$ 257,480

Sources and Uses of Cash

UPMC's primary source of operating cash is the collection of revenues and related accounts receivable. As of June 30, 2026, UPMC had approximately $1.3 billion of cash and cash equivalents.

Operating EBIDA was $603 million for the six months ended June 30, 2026, compared to $699 million for the six months ended June 30, 2025. Key uses of cash for the six months ended June 30, 2026 include capital expenditures, net of disposals, of approximately $584 million (excluding any capital acquired through lease arrangements). Major capital projects included construction and improvements at UPMC Presbyterian, as well as ongoing expansion and improvement across the entirety of UPMC. Major information services projects include UPMC's implementation of a single EHR aimed at improving health data interoperability and streamlining patient care, enhancements that are advancing UPMC's leading clinician centric computing environment, technology infrastructure that supports UPMC's diversified digital environment, investments in enterprise data analytics and other technologies that are transforming the consumer experience across the spectrum of health care.

UTILIZATION STATISTICS

PERIOD ENDED JUNE 30, 2026

The following table presents selected consolidated statistical indicators of medical-surgical, psychiatric, rehabilitation and skilled nursing patient activity for the six months ended June 30, 2026 and 2025.

	Six Months Ended June 30	
	2026	2025
Licensed Beds	**7,789**	7,916
BEDS IN SERVICE		
Medical-Surgical	**5,175**	5,175
Psychiatric	**417**	417
Rehabilitation	**232**	237
Skilled Nursing	**492**	562
Total Beds in Service	**6,316**	6,391
PATIENT DAYS		
Medical-Surgical	**700,513**	716,360
Psychiatric	**58,528**	59,829
Rehabilitation	**36,620**	34,125
Skilled Nursing	**86,058**	101,026
Total Patient Days	**881,719**	911,340
Average Daily Census	**4,871**	5,035
Observation Days	**69,108**	59,374
Obs Average Daily Census	**382**	328
ADMISSIONS AND OBSERVATION CASES		
Medical-Surgical	**128,830**	137,633
Observation Cases	**46,962**	42,691
Subtotal	**175,792**	180,324
Psychiatric	**5,228**	5,180
Rehabilitation	**2,505**	2,339
Skilled Nursing	**1,013**	1,045
Total Admissions and Observation Cases	**184,538**	188,888
Overall Occupancy	**83%**	84%
AVERAGE LENGTH OF STAY		
Medical-Surgical	**5.4**	5.2
Psychiatric	**11.2**	11.6
Rehabilitation	**14.6**	14.6
Skilled Nursing	**85.0**	96.7
Overall Average Length of Stay	**6.4**	6.2
Emergency Room Visits	**551,621**	556,433
TRANSPLANTS (DOMESTIC AND INTERNATIONAL)		
Liver	**139**	139
Kidney	**196**	193
All Other	**159**	215
Total	**494**	547
OTHER POST-ACUTE METRICS		
Home Health Visits	**268,604**	272,425
Hospice Care Days	**128,987**	128,785
Outpatient Rehab Visits	**379,727**	370,234

OUTSTANDING DEBT

PERIOD ENDED JUNE 30, 2026
(DOLLARS IN THOUSANDS)

Issuer	Original Borrower	Series	Amount Outstanding
Allegheny County Hospital Development Authority	UPMC Health System	1997B	$ 18,989
	UPMC	2007A	18,480
	UPMC	2017D	368,462
	UPMC	2019A	632,206
	UPMC	2021B	34,464
Monroeville Finance Authority	UPMC	2012	20,261
	UPMC	2022B	165,727
	UPMC	2023C	34,705
	UPMC	2026C	37,225
Pennsylvania Economic Development Financing Authority	UPMC	2015B	100,040
	UPMC	2016	174,026
	UPMC	2017A	352,373
	UPMC	2017B	81,373
	UPMC	2017C	124,095
	UPMC	2020A	246,917
	UPMC	2021A	229,331
	UPMC	2022A	218,398
	UPMC	2023A	450,778
	UPMC	2023B	85,526
	UPMC	2023D	248,473
	UPMC	2025A	398,176
	UPMC	2025B	345,219
	UPMC	2026A	793,725
	UPMC	2026B	299,916
	UPMC	2026 Bank Loan	97,716
Tioga County Industrial Development Authority	Laurel Health System	2010	3,801
	Laurel Health System	2011	2,075
Dauphin County General Authority	Pinnacle Health System	2016A	9,169
	Pinnacle Health System	2016B	69,516
Potter County Hospital Authority	UPMC	2018A	2,557
Washington County Hospital Authority	The Washington Hospital	2020A	35,550
	The Washington Hospital	2020B	3,040
Maryland Health and Higher Educational Facilities Authority	UPMC	2020B	180,564
None	UPMC	2020 Term Loan	299,967
	UPMC	2023	796,407
	Somerset Management Services	2013	1,044
	Various	Financing Leases & Loans	260,609
Total UPMC Outstanding Debt			**$ 7,240,900**

Includes original issue discount and premium, deferred financing costs and other.

Source: UPMC Records

DEBT COVENANT CALCULATIONS

PERIOD ENDED JUNE 30, 2026
(DOLLARS IN THOUSANDS)

DEBT SERVICE COVERAGE RATIO

UPMC is subject to a Debt Service Coverage Ratio covenant, tested annually at fiscal year-end, of 1.25x in various bank agreements and 1.10x in the 2007 MTI.

	Trailing Twelve-Month Period Ended June 30, 2026
Excess of revenues over expenses	$ 600,338
ADJUSTED BY:	
Net Unrealized Gains during Period[1]	(318,663)
Depreciation and Amortization[1]	714,577
Gain on Extinguishment of Debt[1]	(6,115)
Premium Deficiency Reserve[1]	42,300
Release of Premium Deficiency Reserve[2]	(42,300)
Lease Impairment Realization – Facilities[2]	(11,052)
Realized Investment Impairments[2]	(6,988)
Interest Expense[3]	218,658
Revenues Available for Debt Service	$ 1,190,755
Historical Debt Service Requirements - 2007 Master Trust Indenture ("MTI")	$ 497,686
Debt Service Coverage Ratio – applicable to the 2007 MTI and various bank agreements	**2.39X**
For informational purposes:	
Historical Debt Service Requirements - All Debt and Finance Leases	$ 543,112
Debt Service Coverage Ratio - All Debt and Finance Leases	2.19X

LIQUIDITY RATIO AS OF JUNE 30, 2026

UPMC is subject to a Liquidity Ratio covenant, tested annually at fiscal year-end, of 0.6x in various bank agreements and 0.5x in the 2007 MTI.

Unrestricted Cash and Investments	$ 8,098,413
Master Trust Indenture Debt	6,630,764
Unrestricted Cash to MTI Debt	**1.22X**

[1] Non-Cash.
[2] Reflects ultimate realization of previously impaired cost-based investments.
[3] Includes only interest on long-term debt.

I hereby certify to the best of my knowledge that, as of June 30, 2026, UPMC is in compliance with the applicable covenants contained in the financing documents for the bonds listed on the cover hereof and all applicable bank lines of credit and no Event of Default (as defined in any related financing document) has occurred and is continuing.

UPMC
J.C. Stilley
Senior Vice President & Treasurer,
Chief Investment Officer, UPMC

Unaudited Interim Condensed Consolidated Financial Statements

FOR THE PERIOD ENDED JUNE 30, 2026

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Shape the future with confidence

Review Report of Independent Auditors

To the Board of Directors of UPMC

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated financial statements of UPMC (the Company), which comprise the condensed consolidated balance sheet as of June 30, 2026, and the related condensed consolidated statements of operations and changes in net assets for the three-month and six-month periods ended June 30, 2026 and 2025, and cash flows for the six-month periods ended June 30, 2026 and 2025, and the related notes (collectively referred to as the "interim financial information").

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Balance Sheet as of December 31, 2025

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 27, 2026. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2025, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Ernst & Young LLP

August 27, 2026

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	As of June 30, 2026	December 31, 2025
CURRENT ASSETS		
Cash and cash equivalents	$ 1,341,407	$ 1,223,530
Patient accounts receivable	2,242,565	1,999,651
Insurance and other receivables	2,176,030	2,039,415
Other current assets	713,970	802,605
Total current assets	6,473,972	6,065,201
Board-designated, restricted, trusteed and other investments	8,373,524	8,013,203
Beneficial interests in foundations and trusts	917,725	890,993
Net property, buildings and equipment	7,723,365	7,510,931
Operating lease right-of-use assets	730,214	764,637
Other assets	895,157	851,827
Total assets	$ 25,113,957	$ 24,096,792
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 941,300	$ 1,137,097
Accrued salaries and related benefits	1,187,610	1,179,302
Current portion of insurance reserves	1,541,298	1,348,329
Current portion of long-term obligations	700,115	782,633
Other current liabilities	753,070	956,439
Total current liabilities	5,123,393	5,403,800
Long-term obligations	6,540,785	5,866,601
Long-term insurance reserves	533,305	520,618
Operating lease noncurrent liabilities	668,794	710,449
Other noncurrent liabilities	644,754	476,553
Total liabilities	13,511,031	12,978,021
Net assets without donor restrictions	10,098,778	9,646,474
Net assets with donor restrictions	1,504,148	1,472,297
Total net assets	11,602,926	11,118,771
Total liabilities and net assets	$ 25,113,957	$ 24,096,792

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (UNAUDITED)

(DOLLARS IN THOUSANDS)

	Six Months Ended June 30		Three Months Ended June 30	
	2026	2025	**2026**	2025
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net patient service revenue	**$ 6,585,285**	$ 6,415,267	**$ 3,225,925**	$ 3,217,389
Insurance enrollment revenue	**9,407,997**	8,736,671	**4,782,744**	4,395,250
Other revenue	**966,672**	1,395,916	**504,166**	705,622
Total operating revenues	**16,959,954**	16,547,854	**8,512,835**	8,318,261
Salaries, professional fees and employee benefits	**5,402,445**	5,113,338	**2,721,209**	2,563,222
Insurance claims expense	**6,235,372**	6,310,698	**3,230,338**	3,194,804
Supplies, purchased services and general	**4,719,242**	4,424,746	**2,399,769**	2,273,717
Depreciation and amortization	**360,384**	350,437	**179,782**	175,330
Total operating expenses	**16,717,443**	16,199,219	**8,531,098**	8,207,073
Operating income (loss)	**242,511**	348,635	**(18,263)**	111,188
Academic and research support provided	**(135,500)**	(130,000)	**(67,750)**	(65,000)
Income tax and other non-operating activities	**6,998**	105	**1,553**	(1,284)
After-tax income (loss)	**$ 114,009**	$ 218,740	**$ (84,460)**	$ 44,904
Investing and financing activities:				
Investment gain	**421,791**	397,506	**471,062**	365,900
Interest expense	**(112,210)**	(112,038)	**(59,561)**	(57,583)
Gain on extinguishment of debt	**6,115**	11,886	**6,115**	11,886
UPMC Enterprises activity:				
Portfolio company revenue and net gains from sales	**76,255**	91,123	**58,267**	60,203
Portfolio company and research and development expense	**(62,301)**	(130,997)	**(31,190)**	(59,253)
Gain from investing and financing activities	**329,650**	257,480	**444,693**	321,153
Excess of revenues over expenses	**443,659**	476,220	**360,233**	366,057
Net activity attributable to noncontrolling interest	**(1,735)**	779	**(1,301)**	(2,121)
Excess of revenues over expenses attributable to controlling interest	**441,924**	476,999	**358,932**	363,936
Net change in pension liability and other	**10,380**	22,168	**34,876**	26,581
Change in net assets without donor restrictions	**452,304**	499,167	**393,808**	390,517
NET ASSETS WITH DONOR RESTRICTIONS				
Change in beneficial interests in foundations and trusts	**26,732**	10,150	**33,159**	18,131
Other changes in net assets with donor restrictions	**5,119**	15,447	**9,072**	18,410
Change in net assets with donor restrictions	**31,851**	25,597	**42,231**	36,541
Change in total net assets	**484,155**	524,764	**436,039**	427,058
Net assets, beginning of period	**11,118,771**	10,163,905	**11,166,887**	10,261,611
Net assets, end of period	**$ 11,602,926**	$ 10,688,669	**$ 11,602,926**	$ 10,688,669

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30	
	2026	2025
OPERATING ACTIVITIES		
Increase in total net assets	**$ 484,155**	$ 524,764
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	**360,384**	350,437
Change in beneficial interest in foundations and trusts	**(26,732)**	(10,150)
Restricted contributions and investment gains	**(17,666)**	(17,525)
Unrealized gains on investments	**(53,403)**	(250,617)
Realized gains on investments	**(278,164)**	(51,439)
Net gain on dispositions	**-**	(97,355)
Net changes in non-alternative investments	**(28,686)**	126,740
Changes in operating assets and liabilities:		
Accounts receivable	**(379,529)**	(585,850)
Other current assets	**105,478**	17,271
Accounts payable and accrued liabilities	**(187,489)**	(81,638)
Insurance reserves	**205,656**	(4,510)
Other current liabilities	**79,788**	(649)
Other noncurrent liabilities	**126,546**	31,566
Other operating changes	**1,169**	(52,017)
Net cash provided by (used in) operating activities	**391,507**	(100,972)
INVESTING ACTIVITIES		
Purchase of property, buildings and equipment, net of disposals	**(584,412)**	(529,693)
UPMC Enterprises payments from (investments in) non-consolidated entities	**57,707**	(35,744)
Net change in investments designated as nontrading	**(191,103)**	(18,620)
Cash proceeds from dispositions	**-**	167,595
Net change in alternative investments	**133,434**	93,534
Other investing changes	**(8,316)**	76,406
Net cash used in investing activities	**(592,690)**	(246,522)
FINANCING ACTIVITIES		
Repayments of long-term obligations	**(629,065)**	(651,260)
Borrowings of long-term obligations	**1,230,459**	760,801
Repayments of short-term line of credit	**(994,000)**	-
Borrowings of short-term line of credit	**694,000**	-
Other financing changes	**17,666**	17,525
Net cash provided by financing activities	**319,060**	127,066
Net change in cash and cash equivalents	**117,877**	(220,428)
Cash and cash equivalents, beginning of period	**1,223,530**	974,097
Cash and cash equivalents, end of period	**$ 1,341,407**	$ 753,669
SUPPLEMENTAL INFORMATION		
Finance lease obligations incurred to acquire assets	**$ 2,943**	$ 23,337

See accompanying notes

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION

UPMC is a Pennsylvania nonprofit corporation and is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) of the Code. Headquartered in Pittsburgh, Pennsylvania, UPMC is one of the world's leading integrated delivery and financing systems. UPMC comprises nonprofit and for-profit entities offering medical and health care-related services, including health insurance products. Closely affiliated with the University of Pittsburgh (the "University") and with shared academic and research objectives, UPMC partners with the University's Schools of the Health Sciences to deliver outstanding patient care, train tomorrow's health care specialists and biomedical scientists, and conduct groundbreaking research on the causes and course of disease.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. The accompanying unaudited interim condensed consolidated financial statements include the accounts of UPMC and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation. For further information, refer to the audited consolidated financial statements and notes thereto as of and for the twelve-month period ended December 31, 2025.

2. NEW ACCOUNTING PRONOUNCEMENTS

No new accounting pronouncements were released or adopted that will have a material effect on UPMC's condensed consolidated financial statements.

3. REVENUE

Net Patient Service Revenue

UPMC's net patient service revenue is recorded based upon the estimated amounts UPMC expects to be entitled to receive from patients, third-party payers (including health insurers and government programs) and others and includes an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, UPMC bills the patients and third-party payers several days after the services are performed and/or the patient is discharged from the facility. Estimates of the explicit price concessions under managed care, commercial and governmental insurance plans are based upon the payment terms specified in the related contractual agreements or as mandated under government payer programs. UPMC continually reviews the explicit price concession estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care and commercial contractual terms resulting from contract negotiations and renewals. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by UPMC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. UPMC believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to inpatient services. UPMC measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and UPMC does not believe it is required to provide additional goods or services to the patient.

(DOLLARS IN THOUSANDS)

The majority of UPMC's services are rendered to patients with third-party coverage. Payment under these programs for all payers is based on a combination of prospectively determined rates, discounted charges and historical costs. Amounts received under Medicare and Medical Assistance programs are subject to review and final determination by program intermediaries or their agents and the contracts UPMC has with commercial payers also provide for retroactive audit and review of claims. Agreements with third-party payers typically provide for payments at amounts less than established charges. Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. UPMC also provides services to uninsured patients. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts).

UPMC also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record these revenues at the estimated amounts UPMC expects to collect. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods if final settlements differ from estimates. Adjustments arising from a change to previously estimated transaction prices were not significant in the three and six months ended June 30, 2026 or 2025.

Consistent with UPMC's mission, care is provided to patients regardless of their ability to pay. UPMC has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, deductibles and copayments). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts UPMC expects to collect based on its collection history with those patients. Price concessions are deducted from net patient service revenue.

The collection of outstanding receivables from Medicare, Medicaid, managed care payers, other third-party payers and patients is one of UPMC's primary sources of cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the age of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon UPMC's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators.

The composition of UPMC's net patient service revenue for the three and six months ended June 30, 2026 and 2025 is as follows:

	Six Months Ended		Three Months Ended	
Periods Ended June 30	**2026**	2025	**2026**	2025
Commercial	**34%**	36%	**31%**	35%
Medicare	**44%**	43%	**46%**	43%
Medical Assistance	**14%**	15%	**14%**	16%
Self-pay/other	**8%**	6%	**9%**	6%
	100%	100%	**100%**	100%

Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. Compliance with such laws and regulations is subject to government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from Medicare and Medical Assistance programs. As a result, there is at least a reasonable possibility that the recorded estimates may change.

Insurance Enrollment Revenue

UPMC's insurance subsidiaries (collectively, the "Health Plans") pay for health care services on a prepaid basis under various contracts. Insurance enrollment revenues are recognized as income in the period in which enrollees are entitled to receive health care services, which represents the performance obligation. Health care premium payments received from UPMC's members in advance of the service period are recorded as unearned revenues.

Insurance enrollment revenues include premiums that are collected from companies, individuals, and government entities. Laws and regulations governing the Medicare and Medical Assistance programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the programs. As a result, there is at least a reasonable possibility that recorded estimates may change.

Other Revenue

UPMC's other revenue consists of various contracts related to its Health Services and Insurance Services Divisions. These contracts vary in duration and in performance obligations. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collectability is probable.

4. FAIR VALUE MEASUREMENTS

As of June 30, 2026 and December 31, 2025, UPMC held certain assets that are required to be measured at fair value on a recurring basis. These include certain board-designated, restricted, trusteed, and other investments and derivative instruments. Certain alternative investments are measured using the equity method of accounting and are, therefore, excluded from the fair value hierarchy tables presented herein. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are generally unsupported by market activity. The three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, includes:

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

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.

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.

The following tables represent UPMC's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2026 and December 31, 2025. When quoted market prices are unobservable for fixed income securities, quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable, are used for valuation purposes. These investments are included in Level 2 and include corporate fixed income, government bonds, and mortgage and asset-backed securities.

Other investments measured at fair value represent funds included on the condensed consolidated balance sheets that are reported using net asset value ("NAV"). These amounts are not required to be categorized in the fair value hierarchy. The fair value of these investments is based on the net asset value information provided by the general partner. Fair value is based on the proportionate share of the NAV based on the most recent partners' capital statements received from the general partners, which is generally one quarter prior to the balance sheet date. Certain of UPMC's alternative investments are utilizing NAV to calculate fair value and are included in other investments in the following tables.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

FAIR VALUE MEASUREMENTS AS OF JUNE 30, 2026

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Equity securities:					
Domestic equity	$1,779,268	$ -	$ -	$ -	$ 1,779,268
International equity	649,864	-	-	-	649,864
U.S. REITS	93,545	-	-	-	93,545
Fixed income:					
Government securities	-	741,499	-	-	741,499
Corporate debt	-	730,893	-	-	730,893
Asset and mortgage-backed securities	-	771,141	-	-	771,141
Bond funds	475,089	-	-	-	475,089
Active equity	181,034	8,249	-	-	189,283
Absolute equity	-	42,191	-	-	42,191
Securities on loan	123,685	-	-	-	123,685
Securities lending collateral	40,443	-	-	-	40,443
Alternative and other investments at NAV	-	-	-	1,318,130	1,318,130
Total assets measured at fair value on a recurring basis	$3,342,928	$ 2,293,973	$ -	$ 1,318,130	$ 6,955,031
LIABILITIES					
Payable under securities lending agreement	$ (40,443)	$ -	$ -	$ -	$ (40,443)
Total liabilities measured at fair value on a recurring basis	$ (40,443)	$ -	$ -	$ -	$ (40,443)

FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2025

	Level 1	Level 2	Level 3	NAV	Total Carrying Amount
ASSETS					
Equity securities:					
Domestic equity	$1,702,032	$ -	$ -	$ -	$ 1,702,032
International equity	589,612	-	-	-	589,612
U.S. REITS	86,322	-	-	-	86,322
Fixed income:					
Government securities	-	676,250	-	-	676,250
Corporate debt	-	691,450	-	-	691,450
Asset and mortgage-backed securities	-	679,178	-	-	679,178
Bond funds	355,966	-	-	-	355,966
Active equity	223,886	6,450	-	-	230,336
Absolute equity	-	41,123	-	-	41,123
Securities on loan	47,927	-	-	-	47,927
Securities lending collateral	23,599	-	-	-	23,599
Alternative and other investments at NAV	-	-	-	1,477,846	1,477,846
Total assets measured at fair value on a recurring basis	$3,029,344	$ 2,094,451	$ -	$ 1,477,846	$ 6,601,641
LIABILITIES					
Payable under securities lending agreement	$ (23,599)	$ -	$ -	$ -	$ (23,599)
Derivative instruments	-	(65)	-	-	(65)
Total liabilities measured at fair value on a recurring basis	$ (23,599)	$ (65)	$ -	$ -	$ (23,664)

5. FINANCIAL INSTRUMENTS

Substantially all of UPMC's investments in debt and equity securities are classified as trading. This classification requires UPMC to recognize unrealized gains and losses on its investments in debt and equity securities as investment gain (loss) in the condensed consolidated statements of operations and changes in net assets. Unrealized gains and losses on donor-restricted assets are recorded as changes in net assets with donor restrictions in the condensed consolidated statements of operations and changes in net assets. Gains and losses on the sales of securities are determined by the average cost method. Realized gains and losses are included in investment gain in the condensed consolidated statements of operations and changes in net assets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices or model-driven valuations. Cash and cash equivalents and investments recorded at fair value aggregate to $8,255,952 and $7,801,572 at June 30, 2026 and December 31, 2025, respectively. As of June 30, 2026 and December 31, 2025, respectively, UPMC had $3,154,946 and $2,702,315 of total cash and investments that are held by UPMC's regulated entities.

Investments in limited partnerships that invest in nonmarketable securities are primarily recorded at fair value using the NAV practical expedient if the ownership percentage is less than 5% and are reported using the equity method of accounting if the ownership percentage is greater than 5%. UPMC had $1,458,979 and $1,435,161 of alternative investments accounted for under the equity method, which approximate fair value, at June 30, 2026 and December 31, 2025, respectively.

UPMC participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the condensed consolidated balance sheet (reported in other current assets and other current liabilities, respectively). Total collateral is required to have a market value between 102% and 105% of the market value of securities loaned. As of June 30, 2026 and December 31, 2025, respectively, securities loaned, of which UPMC maintains ownership, total $123,685 and $47,927, and total collateral (cash and noncash) received related to the securities loaned was $132,072 and $50,137.

During the six months ended June 30, 2026, UPMC's Insurance Services Division closed on a $350,000 credit facility which replaces a facility of an equal commitment which expired in May 2026. Subject to certain conditions, the full $350,000 commitment is available from May 15th through August 14th, with a reduction to $35,000 for the balance of the calendar year. This new facility expires in May 2031. Also supporting UPMC's Insurance Services Division is a $250,000 credit facility wherein the full $250,000 commitment is available from May 1st through August 31st, with a reduction to $25,000 for the balance of the calendar year. This facility expires in May 2027. As of June 30, 2026, these credit facilities were undrawn.

During the six months ended June 30, 2026, UPMC issued the tax-exempt Series 2026A, Series 2026B, and Series 2026C Bonds with par values of $787,125, $278,290, and $34,765, respectively. These bonds refunded certain indebtedness and will fund capital projects.

(DOLLARS IN THOUSANDS)

During the six months ended June 30, 2026, UPMC converted the tax-exempt Series 2016B and Series 2023D Bonds from bearing interest in an index rate mode held by certain financial institutions to publicly remarketed variable-rate demand bonds supported by irrevocable direct pay letters of credit with certain financial institutions. These variable-rate demand bonds ("VRDB's"), while subject to long-term amortization periods, may be tendered to the liquidity provider at the option of the bondholders in connection with associated remarketing agreements. UPMC may be required to, under the terms of the reimbursement agreements, repay the liquidity provider prior to the bonds scheduled maturity. Such acceleration may be necessitated by an expiration of the liquidity facility, provisions regarding repayment under the liquidity facility or the inclusion of subjective clauses. Although certain triggering events could result in accelerated repayment, the stated repayment periods under the reimbursement agreements extend beyond one year from the balance sheet date. As a result, the VRDB's are presented as long-term obligations.

UPMC maintains interest rate swap programs on certain of its debt in order to manage its interest rate risk. As of June 30, 2026, and December 31, 2025, UPMC is party to a basis swap where UPMC receives 67% of the Secured Overnight Financing Rate ("SOFR") plus .3217% and pays Securities Industry and Financial Markets Association ("SIFMA") on a notional amount of $18,535 and $22,680, respectively.

6. PENSION PLANS

UPMC and its subsidiaries maintain defined benefit pension plans (the "Plans"), defined contribution plans and nonqualified pension plans that cover substantially all of UPMC's employees. Benefits under the Plans vary and are generally based upon the employee's earnings and years of participation.

The components of net periodic pension cost, of which only service cost is included in operating income and all other components are in other non-operating activities on the condensed consolidated statements of operations and changes in net assets, for the Plans are as follows:

	Six Months Ended June 30		Three Months Ended June 30	
	2026	2025	**2026**	2025
Service cost	**$ 90,144**	$ 91,682	**$ 45,072**	$ 45,841
Interest cost	**92,336**	89,640	**46,168**	44,820
Expected return on plan assets	**(106,908)**	(96,008)	**(53,454)**	(48,004)
Recognized net actuarial loss (gain)	**(4)**	1,110	**(2)**	555
Amortization of prior service credit	**(2,628)**	(2,628)	**(1,314)**	(1,314)
Net periodic pension cost	**$ 72,940**	$ 83,796	**$ 36,470**	$ 41,898

(DOLLARS IN THOUSANDS)

7. HEALTH INSURANCE COSTS

Costs covered by the Health Plans include estimates of payments to be made on claims reported but not yet processed as of the balance sheet date and estimates of health care services incurred but not reported to the Health Plans. Such estimates include the cost of services that will continue to be incurred after the balance sheet date when the Health Plans are obligated to remit payment for such services in accordance with contract provisions or regulatory requirements. UPMC determines the amount of the reserve for incurred but not paid claims by following a detailed actuarial process that uses both historical claim payment patterns as well as emerging medical cost trends to project UPMC's best estimate of the reserve for physical health care costs. This process involves formatting of historical paid claims data into claim triangles, which compare claim incurred dates to the dates of claim payments. This information is analyzed to create completion factors that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Completion factors are applied to claims paid through the period-end date to estimate the ultimate claim expense incurred for the period. Actuarial estimates of incurred but not paid claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims.

For the most recent incurred months, the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factors methodology less reliable for such months. Therefore, incurred claims for most recent months are not projected from historical completion and payment patterns; rather, they are projected by estimating the claims expense for those months based on recent claims expense levels and health care trend levels, or trend factors.

While there are many factors that are used as part of the estimation of UPMC's reserve for physical health care costs, the two key assumptions having the most significant impact on UPMC's incurred but not paid claims liability as of June 30, 2026 and 2025, were the completion and trend factors.

		2026		2025
Reserve for physical health care costs (beginning balance, December 31)	$	**953,864**	$	824,633
Add: Provisions for medical costs occurring in:				
Current year		**7,427,358**		7,431,464
Prior year		**(49,863)**		7,694
Net incurred medical costs		**7,377,495**		7,439,158
Deduct: Payments for claims occurring in:				
Current year		**6,465,711**		6,555,569
Prior year		**796,912**		785,074
Net paid medical costs		**7,262,623**		7,340,643
Reserve for physical health care costs (ending balance, June 30)	$	**1,068,736**	$	923,148

The foregoing rollforward, inclusive of all physical health care costs for the Insurance Services Division, shows favorable development of $49,863 and unfavorable development of $7,694 for the six months ended June 30, 2026 and 2025, respectively. UPMC regularly reviews and sets assumptions regarding cost trends and utilization when initially establishing a reserve for physical health care costs. UPMC continually monitors and adjusts the reserve and claims expense based on subsequent paid claims activity. If it is determined that UPMC's assumptions regarding cost trends and utilization are materially different from actual results, UPMC's consolidated statements of operations and changes in net assets and consolidated balance sheets could be impacted in future periods within insurance claims expense and current and long-term insurance reserves, respectively. Adjustments of prior year's estimates may result in additional claims expense or a reduction of claims expense in the period an adjustment is made.

(DOLLARS IN THOUSANDS)

8. LEASES

UPMC has operating and finance leases for corporate offices, physician offices and various equipment types, among others. These lease arrangements have remaining lease terms of one year to 25 years, some of which include options to extend the leases for several periods, and some of which include options to terminate the leases within one year. Balance sheet information related to leases are as follows:

	Jun 30, 2026	Dec 31, 2025
OPERATING LEASES		
Operating lease right-of-use assets	$ 730,214	$ 764,637
Other current liabilities	146,015	147,023
Operating lease noncurrent liabilities	668,794	710,449
Total operating lease liabilities	$ 814,809	$ 857,472
FINANCE LEASES		
Property, plant and equipment, net	$ 67,384	$ 76,905
Current portion of long-term obligations	21,808	24,327
Long-term obligations	53,136	62,776
Total finance lease liabilities	$ 74,944	$ 87,103

Undiscounted maturities of lease liabilities are as follows:

For the Six Months Ended June 30	Operating Leases	Finance Leases
2026 (rest of year)	$ 89,448	$ 11,528
2027	159,168	22,027
2028	141,194	16,869
2029	123,513	9,215
2030	85,516	3,892
Thereafter	356,637	12,051

9. CONTINGENCIES

UPMC is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators. These matters include medical malpractice, employment, intellectual property, antitrust, privacy and contract claims, claims related to health care benefits coverage and other business practices. UPMC records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving UPMC are inherently difficult to predict, particularly where the matters involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, UPMC is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility, or it is probable a loss may be incurred.

Concurrently, UPMC has been involved or is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, state attorneys general, the Office of the Inspector General, the Office of Personnel Management, the Office of Civil Rights, the Government Accountability Office, the Federal Trade Commission, U.S. Congressional committees, the U.S. Department of Justice (DOJ), the IRS, the U.S. Drug Enforcement Administration, the U.S. Department of Labor, the FDIC, Consumer Financial Protection Bureau and other governmental authorities. UPMC records liabilities for estimates of probable cost resulting from these matters where appropriate. Estimates of cost resulting from governmental investigations, audits and reviews are inherently difficult to predict and as a result UPMC cannot reasonably estimate the outcome which may result from these matters given their procedural status.

In the opinion of management, based in part on the advice of legal counsel, adequate provision has been made as of June 30, 2026 for such matters. Although there is considerable variability inherent in such estimates, management further believes that the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position.

10. SUBSEQUENT EVENTS

Management evaluated events occurring subsequent to June 30, 2026 through August 27, 2026, the date the consolidated financial statements of UPMC were issued. During this period, there were no subsequent events requiring recognition or disclosure in the consolidated financial statements.