Mylan

Q2 2019 Non-GAAP Reconciliations

July 29, 2019

Mylan

Better Health for a Better World®

Non-GAAP Financial Measures

This presentation includes the presentation and discussion of certain financial information that differs from what is reported under U.S. GAAP. These non-GAAP financial measures, including, but not limited to, adjusted EPS, adjusted gross profit, adjusted gross margins, adjusted net earnings, EBITDA, adjusted EBITDA, adjusted R&D and as a % of total revenues, adjusted SG&A and as a % of total revenues, adjusted earnings from operations, adjusted interest expense, adjusted other income, adjusted effective tax rate, notional debt to Credit Agreement Adjusted EBITDA leverage ratio, long-term average debt to Credit Agreement Adjusted EBITDA leverage ratio target, adjusted net cash provided by operating activities, adjusted free cash flow, constant currency total revenues, constant currency net sales, adjusted segment profitability for North America and adjusted segment profitability for Erurope are presented in order to supplement investors' and other readers' understanding and assessment of the financial performance of Mylan N.V. (“Mylan” or the “Company”). Management uses these measures internally for forecasting, budgeting, measuring its operating performance, and incentive-based awards. Primarily due to acquisitions and other significant events which may impact comparability of our periodic operating results, Mylan believes that an evaluation of its ongoing operations (and comparisons of its current operations with historical and future operations) would be difficult if the disclosure of its financial results was limited to financial measures prepared only in accordance with U.S. GAAP. We believe that non-GAAP financial measures are useful supplemental information for our investors and when considered together with our U.S. GAAP financial measures and the reconciliation to the most directly comparable U.S. GAAP financial measure, provide a more complete understanding of the factors and trends affecting our operations. The financial performance of the Company is measured by senior management, in part, using adjusted metrics included herein, along with other performance metrics. Management’s annual incentive compensation is derived, in part, based on the adjusted EPS metric and the adjusted free cash flow metric. In addition, the Company believes that including EBITDA and supplemental adjustments applied in presenting adjusted EBITDA and Credit Agreement Adjusted EBITDA (as defined in this appendix) pursuant to our Credit Agreements is appropriate to provide additional information to investors to demonstrate the Company's ability to comply with financial debt covenants and assess the Company's ability to incur additional indebtedness. We also report sales performance using the non-GAAP financial measures of "constant currency" total revenues and net sales. These measures provide information on the change in total revenues and net sales assuming that foreign currency exchange rates had not changed between the prior and current period. The comparisons presented at constant currency rates reflect comparative local currency sales at the prior year's foreign exchange rates. We routinely evaluate our net sales and total revenues performance at constant currency so that sales results can be viewed without the impact of foreign currency exchange rates, thereby facilitating a period-to-period comparison of our operational activities, and believe that this presentation also provides useful information to investors for the same reason. The "Summary of Total Revenues by Segment" table in this appendix compares net sales on an actual and constant currency basis for each reportable segment for the quarters ended June 30, 2019 and 2018 as well as for total revenues. Also, set forth in this presentation and this appendix, Mylan has provided reconciliations of such non-GAAP financial measures to the most directly comparable U.S. GAAP financial measures. Investors and other readers are encouraged to review the related U.S. GAAP financial measures and the reconciliations of the non-GAAP measures to their most directly comparable U.S. GAAP measures set forth in this presentation and this appendix, and investors and other readers should consider non-GAAP measures only as supplements to, not as substitutes for or as superior measures to, the measures of financial performance prepared in accordance with U.S. GAAP.

2019 Guidance

Mylan is not providing forward looking guidance for U.S. GAAP reported financial measures or a quantitative reconciliation of forward-looking non-GAAP financial measures to the most directly comparable U.S. GAAP measure because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items without unreasonable effort. These items include, but are not limited to, acquisition-related expenses, restructuring expenses, asset impairments, litigation settlements and other contingencies, including changes to contingent consideration and certain other gains or losses. These items are uncertain, depend on various factors, and could have a material impact on U.S. GAAP reported results for the guidance period.

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Adjusted Net Earnings and Adjusted EPS

(in millions, except per share amounts)	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018		Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
U.S. GAAP net (loss) earnings and U.S. GAAP EPS	$ (168.5)	$ (0.33)	$ 37.5	$ 0.07	$ (193.5)	$ (0.38)	$ 124.6	$ 0.24
Purchase accounting related amortization (primarily included in cost of sales) [(a)]	440.0		430.3		875.4		853.7	
Litigation settlements and other contingencies, net	20.9		(46.4)		21.6		(30.2)	
Interest expense (primarily clean energy investment financing and accretion of contingent consideration)	6.9		9.2		14.2		18.9	
Clean energy investments pre-tax loss	16.2		23.0		33.2		46.0	
Acquisition related costs (primarily included in SG&A) [(b)]	5.5		10.2		13.6		12.5	
Restructuring related costs [(c)]	57.6		76.1		77.5		121.5	
Share-based compensation expense [(d)]	16.8		—		34.8		—	
Other special items included in:								
Cost of sales [(e)]	112.1		64.0		197.2		74.0	
Research and development expense [(f)]	27.1		50.5		60.2		97.1	
Selling, general and administrative expense	10.8		32.1		24.7		33.9	
Other expense, net [(g)]	—		6.8		—		24.2	
Tax effect of the above items and other income tax related items [(h)]	(12.6)		(141.8)		(204.2)		(329.1)	
Adjusted net earnings and adjusted EPS	$ 532.8	$ 1.03	$ 551.5	$ 1.07	$ 954.7	$ 1.85	$ 1,047.1	$ 2.03
Weighted average diluted ordinary shares outstanding	516.3		516.3		516.5		516.6	

(a) The increase in purchase accounting related amortization is primarily due to amortization expense related to certain product rights acquisitions which occurred in 2018 and 2019.

(b) Acquisition related costs consist primarily of transaction costs including legal and consulting fees and integration activities

(c) For the three months ended June 30, 2019, approximately $46.3 million is included in cost of sales and $11.3 million is included in SG&A. For the six months ended June 30, 2019, approximately $60.8 million is included in cost of sales, approximately $0.1 million is included in R&D, and approximately $16.6 million is included in SG&A. Refer to Note 17 Restructuring included in Part I, Item 1 of the Form 10-Q for additional information.

(d) Beginning in 2019, share-based compensation expense is excluded from adjusted net earnings and adjusted EPS. The full year impact for the year ended December 31, 2018 was insignificant. As such, the three and six months ended June 30, 2018 amounts were not added back to U.S. GAAP net earnings.

(e) The three months ended June 30, 2019 increased $48.1 million primarily related to the impact of the valsartan product recall, the termination of a contract and certain other inventory write-offs. The six months ended June 30, 2019 increased $123.2 million for certain incremental manufacturing variances and site remediation activities as a result of the activities at the Company's Morgantown plant and the items also impacting the change for the three-month period.

(f) R&D expense for the three months ended June 30, 2019 consists primarily of payments for product development arrangements of approximately $23.4 million, which includes $18.4 million related to the expansion of the YUPELRI® agreement with Theravance, and the remaining expense relates to on-going collaboration agreements. R&D expense for the six months ended June 30, 2019 consists primarily of payments for product development arrangements of approximately $46.7 million, including $18.4 million for the expansion of the YUPELRI® agreement and $23.3 million related to non-refundable upfront licensing amounts for a product in development. The remaining expense relates to on-going development collaborations. Refer to Note 4 Acquisitions and Other Transactions included in Part I, Item 1 of the Form 10-Q for additional information. R&D expense for the three months ended June 30, 2018 includes two non-refundable upfront payments totaling approximately $30.5 million for development agreements entered into during the quarter, and the remaining expense relates to on-going collaboration agreements, including Momenta Pharmaceuticals, Inc. For the six months ended June 30, 2018, R&D expense includes $73.5 million related to four non-refundable upfront payments for development agreements entered into during the prior year period.

(g) The 2018 amount primarily related to mark-to-market losses of investments in equity securities historically accounted for as available-for-sale securities and the cumulative realized gains on such investments.

(h) The impact of changes related to uncertain tax positions is excluded from adjusted earnings.

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Net Earnings to Adjusted EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
U.S. GAAP net (loss) earnings	$ (168.5)	$ 37.5	$ (193.5)	$ 124.6
Add / (deduct) adjustments:				
Net contribution attributable to equity method investments	16.2	22.9	33.2	46.0
Income tax provision (benefit)	116.4	(18.8)	26.9	(95.4)
Interest expense	131.2	139.2	262.4	270.9
Depreciation and amortization	501.4	501.9	1,001.9	1,000.4
EBITDA	$ 596.7	$ 682.7	$ 1,130.9	$ 1,346.5
Add / (deduct) adjustments:				
Share-based compensation expense (income)	16.8	(0.8)	34.8	20.6
Litigation settlements and other contingencies, net	20.9	(46.4)	21.6	(30.2)
Restructuring & other special items	213.0	231.1	370.3	343.6
Adjusted EBITDA	$ 847.4	$ 866.6	$ 1,557.6	$ 1,680.5

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Summary of Total Revenues by Segment

Three Months Ended June 30,

(In millions)	2019	2018	% Change	2019 Currency Impact (1)	2019 Constant Currency Revenues	Constant Currency % Change (2)
Net sales						
North America	$ 1,023.4	$ 1,000.8	2 %	$ 2.2	$ 1,025.6	2 %
Europe	989.6	990.6	-%	59.5	1,049.1	6 %
Rest of World	805.2	764.1	5 %	31.9	837.1	10 %
Total net sales	2,818.2	2,755.5	2 %	93.6	2,911.8	6 %
Other revenues (3)	33.3	52.8	(37)%	0.7	34.0	(36)%
Consolidated total	$ 2,851.5	$ 2,808.3	2 %	$ 94.3	$ 2,945.8	5 %

Six Months Ended June 30,

(In millions)	2019	2018	% Change	2019 Currency Impact (1)	2019 Constant Currency Revenues	Constant Currency % Change (2)
Net sales						
North America	$ 1,946.3	$ 1,986.1	(2)%	$ 4.9	$ 1,951.2	(2)%
Europe	1,884.9	2,029.0	(7)%	137.0	2,021.9	-%
Rest of World	1,447.6	1,390.8	4 %	83.7	1,531.3	10 %
Total net sales	5,278.8	5,405.9	(2)%	225.6	5,504.4	2 %
Other revenues (3)	68.2	86.9	(22)%	1.6	69.8	(20)%
Consolidated total	$ 5,347.0	$ 5,492.8	(3)%	$ 227.2	$ 5,574.2	1 %

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

(2) The constant currency percentage change is derived by translating net sales or revenues for the current period at prior year comparative period exchange rates, and in doing so shows the percentage change from 2019 constant currency net sales or revenues to the corresponding amount in the prior year.

(3) For the three months ended June 30, 2019, other revenues in North America, Europe, and Rest of World were approximately $19.1 million, $3.8 million, and $10.4 million, respectively. For the six months ended June 30, 2019, other revenues in North America, Europe, and Rest of World were approximately $41.2 million, $8.5 million, and $18.5 million, respectively

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

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Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Cost of Sales

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
U.S. GAAP cost of sales	$1,918.9	$1,845.8	$3,609.2	$ 3,546.0
Deduct:				
Purchase accounting amortization and other related items	(440.0)	(427.4)	(875.4)	(848.3)
Acquisition related items	(1.6)	(0.8)	(2.1)	(1.0)
Restructuring and related costs	(46.3)	(41.0)	(60.8)	(45.4)
Share-based compensation expense	(0.5)	—	(0.5)	—
Other special items	(112.1)	(64.0)	(197.2)	(74.0)
Adjusted cost of sales	$1,318.4	$1,312.6	$2,473.2	$2,577.3
Adjusted gross profit (a)	$1,533.1	$1,495.7	$2,873.8	$2,915.5
Adjusted gross margin (a)	54 %	53 %	54 %	53 %

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

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

R&D

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
U.S. GAAP R&D	$ 147.6	$ 206.7	$ 320.2	$ 411.6
Deduct:				
Acquisition related costs	—	(0.4)	(0.3)	(0.5)
Restructuring and related costs	—	(11.8)	(0.1)	(16.7)
Purchase accounting amortization and other related items	—	(0.1)	—	(0.1)
Share-based compensation expense	(0.9)	—	(1.0)	—
Other special items	(27.1)	(50.5)	(60.2)	(97.1)
Adjusted R&D	$ 119.6	$ 143.9	$ 258.6	$ 297.2
Adjusted R&D as % of total revenues	4 %	5 %	5 %	5 %

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

SG&A

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
U.S. GAAP SG&A	$ 668.6	$ 623.3	$ 1,276.5	$ 1,230.8
Deduct:				
Acquisition related costs	(3.9)	(9.1)	(11.2)	(11.1)
Restructuring and related costs	(11.3)	(23.6)	(16.6)	(59.7)
Purchase accounting amortization and other related items	—	(2.9)	—	(5.3)
Share-based compensation expense	(15.4)	—	(33.3)	—
Other special items	(10.8)	(32.1)	(24.7)	(33.9)
Adjusted SG&A	$ 627.2	$ 555.6	$ 1,190.7	$ 1,120.8
Adjusted SG&A as % of total revenues	22 %	20 %	22 %	20 %

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Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Total Operating Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
U.S. GAAP total operating expenses	$ 837.1	$ 783.6	$ 1,618.3	$ 1,612.2
Add / (Deduct):				
Litigation settlements and other contingencies, net	(20.9)	46.4	(21.6)	30.2
R&D adjustments	(28.0)	(62.8)	(61.6)	(114.4)
SG&A adjustments	(41.4)	(67.7)	(85.8)	(110.0)
Adjusted total operating expenses	$ 746.8	$ 699.5	$ 1,449.3	$ 1,418.0
Adjusted earnings from operations [(a)]	$ 786.3	$ 796.2	$ 1,424.5	$ 1,497.5

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

Mylan N.V. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
(Unaudited; in millions)
Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
U.S. GAAP interest expense	$ 131.2	$ 139.2	$ 262.4	$ 270.9
Deduct:				
Interest expense related to clean energy investments	(1.5)	(2.1)	(3.2)	(4.4)
Accretion of contingent consideration liability	(3.9)	(5.5)	(8.2)	(11.0)
Other special items	(1.5)	(1.6)	(2.8)	(3.5)
Adjusted interest expense	$ 124.3	$ 130.0	$ 248.2	$ 252.0

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Other Expense

	Three Months June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
U.S. GAAP other expense, net	$ 16.4	$ 21.0	$ 23.7	$ 34.5
Add / (Deduct):				
Clean energy investments pre-tax loss [a]	(16.2)	(23.0)	(33.2)	(46.0)
Restructuring and related costs	—	0.3	—	0.3
Other items [b]	—	(6.8)	—	(24.2)
Adjusted other income	$ 0.2	$ (8.5)	$ (9.5)	$ (35.4)

(a) Adjustment represents exclusion of activity related to Mylan's clean energy investments, the activities of which qualify for income tax credits under section 45 of the U.S. Internal Revenue Code of 1986, as amended.

(b) 2018 adjustments primarily related to mark-to-market losses of investments in equity securities historically accounted for as available-for-sale securities and the cumulative realized gains on such investments.

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Earnings Before Income Taxes and Income Tax Provision

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
U.S. GAAP (loss) earnings before income taxes	$ (52.1)	$ 18.7	$ (166.6)	$ 29.2
Total pre-tax non-GAAP adjustments	714.1	655.9	1,352.6	1,251.7
Adjusted earnings before income taxes	$ 662.0	$ 674.6	$ 1,186.0	$ 1,280.9
U.S. GAAP income provision (benefit)	$ 116.4	$ (18.8)	$ 26.9	$ (95.4)
Adjusted tax expense	12.7	142.0	204.4	329.2
Adjusted income tax provision	$ 129.1	$ 123.2	$ 231.3	$ 233.8
Adjusted effective tax rate	19.5 %	18.3 %	19.5 %	18.3 %

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Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Adjusted Net Cash Provided by Operating Activities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
U.S. GAAP net cash provided by operating activities	$ 668.9	$ 430.2	$ 629.2	$ 1,052.0
Add / (Deduct):				
Restructuring and related costs [(a)]	56.5	95.9	140.2	127.4
Financing related expense	—	2.6	—	2.6
Corporate contingencies	(6.6)	110.2	(6.6)	110.2
Acquisition related costs	—	2.2	—	3.7
R&D expense	29.8	60.5	66.0	100.0
Other	19.2	5.0	19.2	5.0
Adjusted net cash provided by operating activities	$ 767.8	$ 706.6	$ 848.0	$ 1,400.9
Deduct:				
Capital expenditures	(44.1)	(45.2)	(97.2)	(75.9)
Adjusted free cash flow	$ 723.7	$ 661.4	$ 750.8	$ 1,325.0

(a) For the three and six months ended June 30, 2019 includes approximately $44.9 million and $100.8 million, respectively, of certain incremental manufacturing variances and site remediation expenses as a result of the activities at the Company's Morgantown plant.

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Net Earnings to Adjusted EBITDA

	Three Months Ended			
(in millions)	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
U.S. GAAP net earnings (loss)	$ 176.7	$ 51.2	$ (25.0)	$ (168.5)
Add / (deduct) adjustments:				
Net contribution attributable to equity method investments	12.6	20.1	17.0	16.2
Income tax provision (benefit)	15.5	25.8	(89.5)	116.4
Interest expense	136.2	135.2	131.2	131.2
Depreciation and amortization	500.6	608.9	500.5	501.4
EBITDA	$ 841.6	$ 841.2	$ 534.2	$ 596.7
Add / (deduct) adjustments:				
Share-based compensation (income) expense	(29.2)	5.3	18.0	16.8
Litigation settlements and other contingencies, net	(20.4)	1.1	0.7	20.9
Restructuring & other special items	143.9	158.9	157.3	213.0
Adjusted EBITDA	$ 935.9	$ 1,006.5	$ 710.2	$ 847.4

Mylan N.V. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
(Unaudited; in millions)

June 30, 2019 Notional Debt to Twelve Months Ended June 30, 2019 Mylan N.V. Adjusted EBITDA as calculated under our Credit Agreements ("Credit Agreement Adjusted EBITDA") Leverage Ratio

The stated non-GAAP financial measure June 30, 2019 notional debt to twelve months ended June 30, 2019 Credit Agreement Adjusted EBITDA leverage ratio is based on the sum of (i) Mylan's adjusted EBITDA for the quarters ended September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019 and (ii) certain adjustments permitted to be included in Credit Agreement Adjusted EBITDA as of June 30, 2019 pursuant to the revolving credit facility dated as of July 27, 2018 (as amended, supplemented or otherwise modified from time to time), among Mylan Inc., as borrower, the Company, as guarantor, certain affiliates and subsidiaries of the Company from time to time party thereto as guarantors, each lender from time to time party thereto and Bank of America, N.A., as administrative agent and the Company's term loan credit facility dated as of November 22, 2016 (as amended, supplemented or otherwise modified from time to time), among the Company, certain affiliates and subsidiaries of the Company from time to time party thereto as guarantors, each lender from time to time party thereto and Goldman Sachs Bank USA, as administrative agent (together, the "Credit Agreements") as compared to Mylan's June 30, 2019 total debt and other current obligations at notional amounts.

	Three Months Ended				Twelve Months Ended
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	June 30, 2019
Mylan N.V. Adjusted EBITDA	$ 935.9	$ 1,006.5	$ 710.2	$ 847.4	$ 3,500.0
Add: other adjustments including estimated synergies					41.6
Credit Agreement Adjusted EBITDA					$ 3,541.6
Reported debt balances:					
Long-term debt, including current portion					$ 13,264.1
Short-term borrowings and other current obligations					328.0
Total					$ 13,592.1
Add / (deduct):					
Net discount on various debt issuances					34.0
Deferred financing fees					67.6
Fair value adjustment for hedged debt					(24.0)
Total debt at notional amounts					$ 13,669.7
Notional debt to Credit Agreement Adjusted EBITDA Leverage Ratio					3.9

Long-term average debt to Credit Agreement Adjusted EBITDA leverage ratio target of ~3.0x

The stated forward-looking non-GAAP financial measure, targeted long term average leverage of ~3.0x debt-to-Credit Agreement Adjusted EBITDA, is based on the ratio of (i) targeted long-term average debt, and (ii) targeted long-term Credit Agreement Adjusted EBITDA. However, the Company has not quantified future amounts to develop the target but has stated its goal to manage long-term average debt and adjusted earnings and EBITDA over time in order to generally maintain the target. This target does not reflect Company guidance.

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