

Mylan

Q4 & FY 2019 Non-GAAP Reconciliations

February 27, 2020



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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 expense (income), net, 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, adjusted capital expenditures, constant currency total revenues, constant currency net sales and adjusted segment profitability for North America 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"). 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.

2020 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, including integration, 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

<i>(in millions, except per share amounts)</i>	Three Months Ended December 31,				Year Ended December 31,			
	2019		2018		2019		2018	
U.S. GAAP net earnings and U.S. GAAP diluted earnings per share	\$ 20.5	\$0.04	\$ 51.2	\$0.10	\$ 16.8	\$0.03	\$ 352.5	\$0.68
Purchase accounting related amortization (primarily included in cost of sales)	483.1		551.5		1,767.0		1,833.9	
Litigation settlements and other contingencies, net	8.9		1.1		(21.4)		(49.5)	
Interest expense (primarily clean energy investment financing and accretion of contingent consideration)	6.4		8.7		27.2		39.7	
Clean energy investments pre-tax loss	18.5		20.1		62.1		78.7	
Acquisition related costs (primarily included in SG&A) ^(a)	33.1		4.0		89.5		21.4	
Restructuring related costs ^(b)	26.3		37.9		104.6		240.2	
Share-based compensation expense ^(c)	5.9		—		56.8		—	
Other special items included in:								
Cost of sales ^(d)	97.9		85.7		366.0		225.1	
Research and development expense ^(e)	20.6		17.9		121.1		118.2	
Selling, general and administrative expense	26.9		10.5		60.2		43.7	
Other expense, net	10.7		(0.1)		10.7		25.4	
Tax effect of the above items and other income tax related items	(37.4)		(118.8)		(380.1)		(564.5)	
Adjusted net earnings and adjusted EPS	<u>\$ 721.4</u>	<u>\$ 1.40</u>	<u>\$ 669.7</u>	<u>\$ 1.30</u>	<u>\$ 2,280.5</u>	<u>\$ 4.42</u>	<u>\$ 2,364.8</u>	<u>\$ 4.58</u>
Weighted average diluted ordinary shares outstanding	<u>516.6</u>		<u>516.5</u>		<u>516.5</u>		<u>516.5</u>	

- (a) Acquisition related costs consist primarily of transaction costs including legal and consulting fees and integration activities. The increase for the year ended December 31, 2019 relates to transaction costs for the pending Upjohn transaction.
- (b) For the year ended December 31, 2019, approximately \$100.9 million is included in cost of sales and approximately \$3.8 million is included in SG&A. Refer to Note 18 Restructuring included in Item 8 in the Annual Report on Form 10-K for additional information.
- (c) 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 2018 amount was not added back to U.S. GAAP net earnings.
- (d) The year ended December 31, 2019 increased \$140.9 million primarily due to \$210.6 million for certain incremental manufacturing variances and site remediation activities as a result of the activities at the Company's Morgantown plant, approximately \$40.9 million for product recall costs, including inventory write-offs, and charges related to the cancellation of a contract, each of which were higher during the year ended December 31, 2019 compared to the prior year.
- (e) Adjustments primarily relate to non-refundable payments related to development collaboration agreements.

Mylan N.V. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
(Unaudited; in millions)
Net Earnings to Adjusted EBITDA

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
U.S. GAAP net earnings	\$ 20.5	\$ 51.2	\$ 16.8	\$ 352.5
Add / (deduct) adjustments:				
Net contribution attributable to equity method investments	18.5	20.1	62.1	78.7
Income tax provision (benefit)	114.7	25.8	137.6	(54.1)
Interest expense	126.0	135.2	517.3	542.3
Depreciation and amortization	547.7	608.9	2,019.3	2,109.9
EBITDA	\$ 827.4	\$ 841.2	\$2,753.1	\$3,029.3
Add / (deduct) adjustments:				
Share-based compensation expense	5.9	5.3	56.8	(3.3)
Litigation settlements and other contingencies, net	8.9	1.1	(21.4)	(49.5)
Restructuring & other special items	217.1	158.9	751.2	646.4
Adjusted EBITDA	<u>\$1,059.3</u>	<u>\$1,006.5</u>	<u>\$3,539.7</u>	<u>\$3,622.9</u>

Mylan N.V. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
(Unaudited; in millions)
Summary of Total Revenues by Segment

	Three Months Ended December 31,					
	2019	2018	% Change	2019 Currency Impact ⁽¹⁾	Constant Currency Revenues	Constant Currency % Change ⁽²⁾
Net sales						
North America	\$ 1,129.1	\$ 1,097.1	3 %	\$ —	\$ 1,129.1	3 %
Europe	1,106.3	1,087.0	2 %	33.4	1,139.7	5 %
Rest of World	927.9	851.4	9 %	1.5	929.4	9 %
Total net sales	3,163.3	3,035.5	4 %	34.9	3,198.2	5 %
Other revenues ⁽³⁾	28.5	43.2	(34)%	0.1	28.6	(34)%
Consolidated total revenues ⁽⁴⁾	<u>\$ 3,191.8</u>	<u>\$ 3,078.7</u>	4 %	<u>\$ 35.0</u>	<u>\$ 3,226.8</u>	5 %
	Year Ended December 31,					
	2019	2018	% Change	2019 Currency Impact ⁽¹⁾	Constant Currency Revenues	Constant Currency % Change ⁽²⁾
Net sales						
North America	\$ 4,164.1	\$ 4,095.6	2 %	\$ 5.4	\$ 4,169.5	2 %
Europe	4,037.1	4,157.3	(3)%	223.7	4,260.8	2 %
Rest of World	3,169.1	3,015.8	5 %	93.3	3,262.4	8 %
Total net sales	11,370.3	11,268.7	1 %	322.4	11,692.7	4 %
Other revenues ⁽³⁾	130.2	165.2	(21)%	2.1	132.3	(20)%
Consolidated total revenues ⁽⁴⁾	<u>\$ 11,500.5</u>	<u>\$ 11,433.9</u>	1 %	<u>\$ 324.5</u>	<u>\$ 11,825.0</u>	3 %

(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 December 31, 2019, other revenues in North America, Europe, and Rest of World were approximately \$15.4 million, \$3.7 million, and \$9.4 million, respectively. For the year ended December 31, 2019, other revenues in North America, Europe, and Rest of World were approximately \$74.2 million, \$16.0 million, and \$40.0 million, respectively.

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

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
U.S. GAAP cost of sales	\$2,104.4	\$2,063.1	\$7,602.9	\$7,432.3
Deduct:				
Purchase accounting amortization and other related items	(483.1)	(551.5)	(1,767.1)	(1,833.3)
Acquisition related items	(3.9)	(0.5)	(6.8)	(2.9)
Restructuring and related costs	(28.7)	(21.2)	(100.9)	(118.4)
Shared-based compensation expense	(0.3)	—	(1.1)	—
Other special items	(97.9)	(92.3)	(366.0)	(225.1)
Adjusted cost of sales	<u>\$1,490.5</u>	<u>\$1,397.6</u>	<u>\$5,361.0</u>	<u>\$5,252.6</u>
Adjusted gross profit ^(a)	<u>\$1,701.3</u>	<u>\$1,681.1</u>	<u>\$6,139.5</u>	<u>\$6,181.3</u>
Adjusted gross margin ^(a)	<u>53 %</u>	<u>55 %</u>	<u>53 %</u>	<u>54 %</u>

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

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
U.S. GAAP R&D	\$ 151.8	\$ 148.8	\$ 639.9	\$ 704.5
Add / (deduct):				
Acquisition related costs	(0.3)	(0.3)	(0.9)	(1.1)
Restructuring and related costs	0.1	(0.6)	0.1	(17.6)
Share-based compensation expense	(0.6)	—	(2.2)	—
Other special items	(20.6)	(17.7)	(121.1)	(118.2)
Adjusted R&D	\$ 130.4	\$ 130.2	\$ 515.8	\$ 567.6
 Adjusted R&D as % of total revenues	 4 %	 4 %	 4 %	 5 %

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
U.S. GAAP SG&A	\$ 654.4	\$ 632.9	\$ 2,563.6	\$ 2,441.0
Add / (deduct):				
Acquisition related costs	(33.1)	(3.2)	(86.2)	(17.5)
Restructuring and related costs	2.3	(16.0)	(3.8)	(104.5)
Purchase accounting amortization and other related items	—	—	0.1	—
Share-based compensation expense	(5.1)	—	(53.6)	—
Other special items and reclassifications	(26.9)	(4.2)	(60.2)	(44.3)
Adjusted SG&A	\$ 591.6	\$ 609.5	\$ 2,359.9	\$ 2,274.7
 Adjusted SG&A as % of total revenues	 <u>19 %</u>	 <u>20 %</u>	 <u>21 %</u>	 <u>20 %</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
U.S. GAAP total operating expenses	\$ 815.1	\$ 782.8	\$ 3,182.1	\$ 3,096.0
Add / (deduct):				
Litigation settlements and other contingencies, net	(8.9)	(1.1)	21.4	49.5
R&D adjustments	(21.4)	(18.6)	(124.1)	(136.9)
SG&A adjustments	(62.8)	(23.4)	(203.7)	(166.3)
Adjusted total operating expenses	<u>\$ 722.0</u>	<u>\$ 739.7</u>	<u>\$ 2,875.7</u>	<u>\$ 2,842.3</u>
Adjusted earnings from operations ^(a)	<u>\$ 979.3</u>	<u>\$ 941.4</u>	<u>\$ 3,263.8</u>	<u>\$ 3,339.0</u>

(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		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
U.S. GAAP interest expense	\$ 126.0	\$ 135.2	\$ 517.3	\$ 542.3
Deduct:				
Interest expense related to clean energy investments	(1.3)	(1.7)	(5.9)	(8.2)
Accretion of contingent consideration liability	(3.7)	(5.0)	(15.7)	(21.3)
Other special items	(1.4)	(2.0)	(5.6)	(10.2)
Adjusted interest expense	\$ 119.6	\$ 126.5	\$ 490.1	\$ 502.6

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
U.S. GAAP other expense (income), net	\$ 11.1	\$ 20.6	\$ 43.8	\$ 64.9
(Add) / deduct:				
Clean energy investments pre-tax income (loss) ^(a)	(18.5)	(20.1)	(62.1)	(78.7)
Acquisition related costs	4.4	—	4.4	—
Other items ^(b)	(10.7)	0.1	(10.7)	(25.2)
Adjusted other expense (income), net	\$ (13.7)	\$ 0.6	\$ (24.6)	\$ (39.0)

(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) For the year ended December 31, 2019 the adjustment is 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		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
U.S. GAAP earnings before income taxes	\$ 135.2	\$ 77.0	\$ 154.4	\$ 298.4
Total pre tax non-GAAP adjustments	738.1	737.3	2,643.7	2,576.8
Adjusted earnings before income taxes	<u>\$ 873.3</u>	<u>\$ 814.3</u>	<u>\$2,798.1</u>	<u>\$ 2,875.2</u>
U.S. GAAP income tax provision (benefit)	\$ 114.7	\$ 25.8	\$ 137.6	\$ (54.1)
Adjusted tax expense	37.3	118.8	380.1	564.5
Adjusted income tax provision	<u>\$ 152.0</u>	<u>\$ 144.6</u>	<u>\$ 517.7</u>	<u>\$ 510.4</u>
Adjusted effective tax rate	<u>17.4 %</u>	<u>17.8 %</u>	<u>18.5 %</u>	<u>17.8 %</u>

Mylan N.V. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
(Unaudited; in millions)
Adjusted Net Cash Provided by Operating Activities

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2019	2018	2019	2018
U.S. GAAP net cash provided by operating activities	\$ 686.7	\$ 636.1	\$ 1,803.7	\$ 2,341.7
Add / (deduct):				
Restructuring and related costs ^(a)	79.7	73.8	278.3	277.0
Financing related expense	7.1	(2.6)	7.1	—
Corporate contingencies	34.1	78.5	(16.0)	194.2
Acquisition related costs	27.8	1.1	50.0	4.8
R&D expense	21.5	22.5	147.0	147.5
Other	(0.8)	(5.0)	18.4	—
Adjusted net cash provided by operating activities	<u>\$ 856.1</u>	<u>\$ 804.4</u>	<u>\$ 2,288.5</u>	<u>\$ 2,965.2</u>
Add / (deduct):				
Capital expenditures	(73.6)	(114.7)	(213.2)	(252.1)
Proceeds from sale of certain property, plant and equipment	28.0	—	28.0	—
Adjusted free cash flow	<u>\$ 810.5</u>	<u>\$ 689.7</u>	<u>\$ 2,103.3</u>	<u>\$ 2,713.1</u>

(a) For the three months and year ended December 31, 2019 includes approximately \$47.8 million and \$195.0 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)

December 31, 2019 Notional Debt to Year Ended December 31, 2019 Mylan N.V. Adjusted EBITDA as calculated under our Credit Agreement ("Credit Agreement Adjusted EBITDA") Leverage Ratio

The stated non-GAAP financial measure December 31, 2019 notional debt to year ended December 31, 2019 Credit Agreement Adjusted EBITDA leverage ratio is based on the sum of (i) Mylan's adjusted EBITDA for the year ended December 31, 2019 and (ii) certain adjustments permitted to be included in Credit Agreement Adjusted EBITDA as of December 31, 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 (the "Credit Agreement") as compared to Mylan's December 31, 2019 total debt and other current obligations at notional amounts.

	Year Ended December 31, 2019
Mylan N.V. Adjusted EBITDA	\$ 3,539.7
Add: other adjustments including estimated synergies	5.9
Credit Agreement Adjusted EBITDA	\$ 3,545.6
Reported debt balances:	
Long-term debt, including current portion	\$ 12,671.9
Short-term borrowings and other current obligations	158.3
Total	\$ 12,830.2
Add / (deduct):	
Net discount on various debt issuances	31.3
Deferred financing fees	60.5
Fair value adjustment for hedged debt	(21.8)
Total debt at notional amounts	\$ 12,900.2
Notional debt to Credit Agreement Adjusted EBITDA Leverage Ratio	3.6

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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