Mylan

Q4 2018 Non-GAAP Reconciliations

February 26, 2019

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 gross margins, adjusted R&D as % of total revenues, adjusted SG&A as % of total revenues, adjusted EBITDA, adjusted net earnings, adjusted EPS, adjusted net cash provided by operating activities, adjusted free cash flow, capital expenditures, net of proceeds from sale of certain property, plant and equipment, adjusted effective tax rate and adjusted segment profitability for North America and constant currency figures 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"). In the 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 below, 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 December 31, 2018		Three Months Ended December 31, 2017		Year Ended December 31, 2018		Year Ended December 31, 2017	
U.S. GAAP net earnings and U.S. GAAP diluted earnings per share	$ 51.2	$ 0.10	$ 244.3	$ 0.46	$ 352.5	$ 0.68	$ 696.0	$ 1.30
Purchase accounting related amortization (primarily included in cost of sales) [(a)]	551.5		454.8		1,833.9		1,529.7	
Litigation settlements and other contingencies, net	1.1		12.7		(49.5)		(13.1)	
Interest expense (primarily clean energy investment financing and accretion of contingent consideration)	8.7		10.1		39.7		47.3	
Clean energy investments pre-tax loss	20.1		(19.2)		78.7		47.1	
Acquisition related costs (primarily included in SG&A and cost of sales) [(b)]	4.0		12.6		21.4		72.8	
Restructuring related costs [(c)]	37.9		75.2		240.2		188.0	
Other special items included in:								
Cost of sales [(d)]	85.7		24.3		225.1		63.5	
Research and development expense [(e)]	17.9		27.8		118.2		117.7	
Selling, general and administrative expense [(f)]	10.5		(1.0)		43.7		11.7	
Other expense, net [(g)]	(0.1)		8.9		25.4		13.8	
Tax effect of the above items and other income tax related items	(118.8)		(85.2)		(564.5)		(329.7)	
Adjusted net earnings and adjusted EPS	$ 669.7	$ 1.30	$ 765.3	$ 1.43	$ 2,364.8	$ 4.58	$ 2,444.8	$ 4.56
Weighted average diluted ordinary shares outstanding	516.5		535.7		516.5		536.7	

(a) The increase in purchase accounting related amortization is primarily due to the increase in amortization expense as a result of the full impact of certain product rights acquisitions which occurred in 2017, and the current year impact of the 2018 product rights acquisitions. The year ended December 31, 2018 includes impairment charges of $224.0 million.

(b) Acquisition related costs incurred in 2017 and 2018 consist primarily of integration activities.

(c) For the year ended December 31, 2018, approximately $118.4 million is included in cost of sales, approximately $17.6 million is included in R&D and approximately $104.5 million is included in SG&A. Refer to Note 17 Restructuring included in Item 8 in the Annual Report on Form 10-K for the year ended December 31, 2018 for additional information.

(d) The three months and year ended December 31, 2018 include expenses for certain incremental manufacturing variances and site remediation activities as a result of the activities at the Company's Morgantown plant of $50.8 million and 155.8 million, respectively. The three months and year ended December 31, 2018 also include $22.6 million for costs related to the recall of Valsartan products.

(e) Adjustment primarily relates to non-refundable payments related to development collaboration agreements.

(f) The increase for the year ended December 31, 2018 is primarily related to bad debt expense of approximately $26.5 million primarily related to a special business interruption event for one customer.

(g) The increase for the year ended December 31, 2018 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)

Net Earnings to Adjusted EBITDA

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
U.S. GAAP net earnings	$ 51.2	$ 244.3	$ 352.5	$ 696.0
Add / (deduct) adjustments:				
Net contribution attributable to equity method investments	20.1	(19.2)	78.7	58.0
Income tax provision (benefit)	25.8	82.8	(54.1)	207.0
Interest expense	135.2	128.3	542.3	534.6
Depreciation and amortization	608.9	526.0	2,109.9	1,805.8
EBITDA	$ 841.2	$ 962.2	$ 3,029.3	$ 3,301.4
Add / (deduct) adjustments:				
Share-based compensation (income) expense	5.3	10.5	(3.3)	74.7
Litigation settlements and other contingencies, net	1.1	12.7	(49.5)	(13.1)
Restructuring & other special items	158.9	138.2	646.4	428.0
Adjusted EBITDA	$ 1,006.5	$ 1,123.6	$ 3,622.9	$ 3,791.0

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

	Three Months Ended December 31,					
	2018	2017	% Change	2018 Currency Impact (1)	2018 Constant Currency Revenues	Constant Currency % Change (2)
Net sales						
North America	$ 1,097.1	$ 1,302.9	(16)%	$ 2.5	$ 1,099.6	(16)%
Europe	1,087.0	1,071.2	1 %	39.5	1,126.5	5 %
Rest of World	851.4	815.7	4 %	55.2	906.6	11 %
Total net sales	3,035.5	3,189.8	(5)%	97.2	3,132.7	(2)%
Other revenues (3)	43.2	49.1	(12)%	0.6	43.8	(11)%
Consolidated total revenues (4)	$ 3,078.7	$ 3,238.9	(5)%	$ 97.8	$ 3,176.5	(2)%

	Year Ended December 31,					
	2018	2017	% Change	2018 Currency Impact (1)	2018 Constant Currency Revenues	Constant Currency % Change (2)
Net sales						
North America	$ 4,095.6	$ 4,969.6	(18)%	$ (0.8)	$ 4,094.8	(18)%
Europe	4,157.3	3,958.3	5 %	(144.5)	4,012.8	1 %
Rest of World	3,015.8	2,832.1	7 %	88.6	3,104.4	10 %
Total net sales	11,268.7	11,760.0	(4)%	(56.7)	11,212.0	(5)%
Other revenues (3)	165.2	147.7	12 %	(2.0)	163.2	10 %
Consolidated total revenues (4)	$ 11,433.9	$ 11,907.7	(4)%	$ (58.7)	$ 11,375.2	(4)%

(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 2018 constant currency net sales or revenues to the corresponding amount in the prior year.

(3) For the three months ended December 31, 2018, other revenues in North America, Europe, and Rest of World were approximately $27.9 million, $7.3 million, and $8.0 million, respectively. For the year ended December 31, 2018, other revenues in North America, Europe, and Rest of World were approximately $112.4 million, $27.1 million, and $25.7 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 December 31,		Year Ended December 31,	
	2018	**2017**	**2018**	**2017**
U.S. GAAP cost of sales	$ 2,063.1	$ 1,944.3	$ 7,432.3	$ 7,124.6
Deduct:				
Purchase accounting amortization and other related items	(551.5)	(468.9)	(1,833.3)	(1,523.8)
Acquisition related items	(0.5)	(0.9)	(2.9)	(2.8)
Restructuring and related costs	(21.2)	(8.8)	(118.4)	(46.0)
Other special items	(92.3)	(24.3)	(225.1)	(63.5)
Adjusted cost of sales	$ 1,397.6	$ 1,441.4	$ 5,252.6	$ 5,488.5
Adjusted gross profit [(a)]	$ 1,681.1	$ 1,797.5	$ 6,181.3	$ 6,419.2
Adjusted gross margin [(a)]	55 %	55 %	54 %	54 %

(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 December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
U.S. GAAP R&D	$ 148.8	$ 202.4	$ 704.5	$ 783.3
Deduct:				
Acquisition related costs	(0.3)	(0.2)	(1.1)	(1.6)
Restructuring and related costs	(0.6)	(5.9)	(17.6)	(8.4)
Other special items	(17.7)	(27.9)	(118.2)	(118.0)
Adjusted R&D	$ 130.2	$ 168.4	$ 567.6	$ 655.3
Adjusted R&D as % of total revenues	4 %	5 %	5 %	6 %

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

SG&A

	Three Months Ended December 31,		Year Ended December 31,	
	2018	**2017**	**2018**	**2017**
U.S. GAAP SG&A	$ 632.9	$ 659.0	$ 2,441.0	$2,575.7
Add / (deduct):				
Acquisition related costs	(3.2)	(11.5)	(17.5)	(67.5)
Restructuring and related costs	(16.0)	(60.6)	(104.5)	(133.6)
Other special items and reclassifications	(4.2)	15.2	(44.3)	(11.7)
Adjusted SG&A	$ 609.5	$ 602.1	$2,274.7	$2,362.9
Adjusted SG&A as % of total revenues	20 %	19 %	20 %	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 December 31,		Year Ended December 31,	
	2018	2017	2018	2017
U.S. GAAP total operating expenses	$ 782.8	$ 874.1	$ 3,096.0	$3,345.9
Add / (deduct):				
Litigation settlements and other contingencies, net	(1.1)	(12.7)	49.5	13.1
R&D adjustments	(18.6)	(34.0)	(136.9)	(128.0)
SG&A adjustments	(23.4)	(56.9)	(166.3)	(212.8)
Adjusted total operating expenses	$ 739.7	$ 770.5	$2,842.3	$3,018.2
Adjusted earnings from operations (a)	$ 941.4	$ 1,027.0	$ 3,339.0	$ 3,401.0

(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 December 31,		Year Ended December 31,	
	2018	2017	2018	2017
U.S. GAAP interest expense	$ 135.2	$ 128.3	$ 542.3	$ 534.6
Deduct:				
Interest expense related to clean energy investments	(1.7)	(2.9)	(8.2)	(12.2)
Accretion of contingent consideration liability	(5.0)	(5.4)	(21.3)	(27.6)
Other special items	(2.0)	(1.8)	(10.2)	(7.5)
Adjusted interest expense	$ 126.5	$ 118.2	$ 502.6	$ 487.3

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

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
U.S. GAAP other expense (income), net	$ 20.6	$ (34.9)	$ 64.9	$ (0.4)
(Add) / deduct:				
Clean energy investments pre-tax income (loss) [a]	(20.1)	19.2	(78.7)	(47.1)
Acquisition related costs	—	—	—	(0.8)
Other items [b]	0.1	(8.9)	(25.2)	(19.5)
Adjusted other expense (income), net	$ 0.6	$ (24.6)	$ (39.0)	$ (67.8)

(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) 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 December 31,		Year Ended December 31,	
	2018	**2017**	**2018**	**2017**
U.S. GAAP earnings before income taxes	$ 77.0	$ 327.1	$ 298.4	$ 903.0
Total pre tax non-GAAP adjustments	737.3	606.2	2,576.8	2,078.5
Adjusted earnings before income taxes	$ 814.3	$ 933.3	$ 2,875.2	$ 2,981.5
U.S. GAAP income tax provision (benefit)	$ 25.8	$ 82.8	$ (54.1)	$ 207.0
Adjusted tax expense	118.8	85.2	564.5	329.7
Adjusted income tax provision	$ 144.6	$ 168.0	$ 510.4	$ 536.7
Adjusted effective tax rate	17.8 %	18.0 %	17.8 %	18.0 %

Mylan N.V. and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Unaudited; in millions)

Adjusted Net Cash Provided by Operating Activities

	Year Ended December 31, 2018	Year Ended December 31, 2017
U.S. GAAP net cash provided by operating activities	$2,341.7	$2,064.8
Add:		
Restructuring and related costs [a]	277.0	152.4
Corporate contingencies	194.2	582.2
Acquisition related costs	4.8	29.5
R&D expense	147.5	54.6
Adjusted net cash provided by operating activities	$2,965.2	$2,883.5
Add / (deduct):		
Capital expenditures	(252.1)	(275.9)
Proceeds from sale of certain property, plant and equipment	—	19.3
Adjusted free cash flow	$2,713.1	$2,626.9

(a) For the year ended December 31, 2018 includes approximately $155.8 million 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, 2018 Notional Debt to Year Ended December 31, 2018 Mylan N.V. Adjusted EBITDA as calculated under our Credit Agreements ("Credit Agreement Adjusted EBITDA") Leverage Ratio

The stated non-GAAP financial measure December 31, 2018 notional debt to year ended December 31, 2018 Credit Agreement Adjusted EBITDA leverage ratio is based on the sum of (i) Mylan's adjusted EBITDA for the year ended December 31, 2018 and (ii) certain adjustments permitted to be included in Credit Agreement Adjusted EBITDA as of December 31, 2018 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 December 31, 2018 total debt and other current obligations at notional amounts.

		Year Ended December 31, 2018
Mylan N.V. Adjusted EBITDA	$	3,622.9
Add: other adjustments including estimated synergies		89.8
Credit Agreement Adjusted EBITDA	$	3,712.7
Reported debt balances:		
Long-term debt, including current portion	$	13,816.4
Short-term borrowings and other current obligations		264.9
Total	$	14,081.3
Add / (deduct):		
Net discount on various debt issuances		36.6
Deferred financing fees		74.6
Fair value adjustment for hedged debt		(2.9)
Total debt at notional amounts	$	14,189.6
Notional debt to Credit Agreement Adjusted EBITDA Leverage Ratio		3.8

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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