

Mylan N.V.
Form 10-Q
November 09, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 333-199861

MYLAN N.V.

(Exact name of registrant as specified in its charter)

The Netherlands 98-1189497

(State or other jurisdiction (I.R.S. Employer of incorporation or organization) Identification No.)

Building 4, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, England

(Address of principal executive offices)

+44 (0) 1707-853-000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 4, 2016, there were 535,105,253 of the issuer's €0.01 nominal value ordinary shares outstanding.

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PART I — FINANCIAL INFORMATION

MYLAN N.V. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited; in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenues:				
Net sales	\$3,029.5	\$2,676.2	\$7,745.5	\$6,887.8
Other revenues	27.6	19.0	63.6	50.8
Total revenues	3,057.1	2,695.2	7,809.1	6,938.6
Cost of sales	1,773.8	1,379.9	4,447.1	3,785.1
Gross profit	1,283.3	1,315.3	3,362.0	3,153.5
Operating expenses:				
Research and development	199.1	174.8	632.2	512.9
Selling, general and administrative	656.9	537.1	1,787.6	1,584.5
Litigation settlements and other contingencies, net	558.0	2.3	556.4	19.1
Total operating expenses	1,414.0	714.2	2,976.2	2,116.5
(Loss) earnings from operations	(130.7)	601.1	385.8	1,037.0
Interest expense	144.4	95.1	305.0	268.5
Other expense, net	50.2	50.9	184.0	71.4
(Loss) earnings before income taxes and noncontrolling interest	(325.3)	455.1	(103.2)	697.1
Income tax (benefit) provision	(205.5)	26.5	(165.7)	44.0
Net (loss) earnings	(119.8)	428.6	62.5	653.1
Net earnings attributable to the noncontrolling interest	—	—	—	(0.1)
Net (loss) earnings attributable to Mylan N.V. ordinary shareholders	\$(119.8)	\$428.6	\$62.5	\$653.0
(Loss) earnings per ordinary share attributable to Mylan N.V. ordinary shareholders:				
Basic	\$(0.23)	\$0.87	\$0.12	\$1.40
Diluted	\$(0.23)	\$0.83	\$0.12	\$1.32
Weighted average ordinary shares outstanding:				
Basic	523.6	490.5	505.9	466.2
Diluted	523.6	514.0	515.2	493.2

See Notes to Condensed Consolidated Financial Statements

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MYLAN N.V. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Earnings
(Unaudited; in millions)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Net (loss) earnings	\$(119.8)	\$428.6	\$62.5	\$653.1
Other comprehensive earnings (loss), before tax:				
Foreign currency translation adjustment	290.6	(148.4)	645.5	(526.7)
Change in unrecognized gain (loss) and prior service cost related to defined benefit plans	0.1	—	(0.3)	3.9
Net unrecognized gain (loss) on derivatives in cash flow hedging relationships	22.8	(84.2)	(22.9)	(67.4)
Net unrecognized loss on derivatives in net investment hedging relationships	(10.4)	—	(10.4)	—
Net unrealized gain (loss) on marketable securities	21.5	(0.2)	32.5	(0.4)
Other comprehensive earnings (loss), before tax	324.6	(232.8)	644.4	(590.6)
Income tax provision (benefit)	13.7	(30.8)	0.5	(24.0)
Other comprehensive earnings (loss), net of tax	310.9	(202.0)	643.9	(566.6)
Comprehensive earnings	191.1	226.6	706.4	86.5
Comprehensive earnings attributable to the noncontrolling interest	—	—	—	(0.1)
Comprehensive earnings attributable to Mylan N.V. ordinary shareholders	\$191.1	\$226.6	\$706.4	\$86.4

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MYLAN N.V. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited; in millions, except share and per share amounts)

	September 30, 2016	December 31, 2015
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,256.6	\$ 1,236.0
Accounts receivable, net	3,098.9	2,689.1
Inventories	2,687.5	1,951.0
Prepaid expenses and other current assets	922.1	596.6
Total current assets	7,965.1	6,472.7
Property, plant and equipment, net	2,284.2	1,983.9
Intangible assets, net	15,613.4	7,221.9
Goodwill	9,633.1	5,380.1
Deferred income tax benefit	441.8	457.6
Other assets	600.9	751.5
Total assets	\$ 36,538.5	\$ 22,267.7
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	\$ 1,254.9	\$ 1,109.6
Short-term borrowings	54.2	1.3
Income taxes payable	164.5	92.4
Current portion of long-term debt and other long-term obligations	4,434.6	1,077.0
Other current liabilities	3,645.8	1,841.9
Total current liabilities	9,554.0	4,122.2
Long-term debt	11,328.6	6,295.6
Deferred income tax liability	2,189.6	718.1
Other long-term obligations	1,637.5	1,366.0
Total liabilities	24,709.7	12,501.9
Equity		
Mylan N.V. shareholders' equity		
Ordinary shares — nominal value €0.01 per ordinary share		
Shares authorized: 1,200,000,000		
Shares issued: 536,384,447 and 491,928,095 as of September 30, 2016 and December 31, 2015	6.0	5.5
Additional paid-in capital	8,484.6	7,128.6
Retained earnings	4,524.6	4,462.1
Accumulated other comprehensive loss	(1,120.4) (1,764.3)
	11,894.8	9,831.9
Noncontrolling interest	1.5	1.4
Less: Treasury stock — at cost		
Shares: 1,311,193 as of September 30, 2016 and December 31, 2015	67.5	67.5
Total equity	11,828.8	9,765.8
Total liabilities and equity	\$ 36,538.5	\$ 22,267.7

See Notes to Condensed Consolidated Financial Statements

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MYLAN N.V. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(Unaudited; in millions)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net earnings	\$62.5	\$653.1
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,046.4	691.4
Share-based compensation expense	71.1	66.4
Deferred income tax benefit	(356.6)	(62.2)
Loss from equity method investments	85.5	77.5
Other non-cash items	226.1	206.2
Litigation settlements and other contingencies, net	558.6	19.1
Write off of financing fees	35.8	—
Losses on acquisition-related foreign currency derivatives	128.6	—
Changes in operating assets and liabilities:		
Accounts receivable	183.3	(54.3)
Inventories	(336.7)	(288.4)
Trade accounts payable	(45.0)	242.5
Income taxes	51.3	(178.5)
Other operating assets and liabilities, net	(13.2)	(16.3)
Net cash provided by operating activities	1,697.7	1,356.5
Cash flows from investing activities:		
Capital expenditures	(239.5)	(207.3)
Change in restricted cash	(50.5)	25.9
Purchase of marketable securities	(22.8)	(59.1)
Proceeds from sale of marketable securities	15.8	29.4
Cash paid for acquisitions, net	(6,151.7)	—
Cash paid for Meda's unconditional deferred payment	(308.0)	—
Settlement of acquisition-related foreign currency derivatives	(128.6)	—
Payments for product rights and other, net	(196.3)	(428.2)
Net cash used in investing activities	(7,081.6)	(639.3)
Cash flows from financing activities:		
Payments of financing fees	(95.3)	(114.7)
Change in short-term borrowings, net	48.6	(329.7)
Proceeds from convertible note hedge	—	1,970.8
Proceeds from issuance of long-term debt	6,519.8	2,390.0
Payments of long-term debt	(1,067.0)	(4,334.1)
Proceeds from exercise of stock options	11.1	92.8
Taxes paid related to net share settlement of equity awards	(12.9)	(31.7)
Contingent consideration payments	(15.5)	—
Acquisition of noncontrolling interest	(1.0)	(11.7)
Other items, net	1.6	49.6
Net cash provided by (used in) financing activities	5,389.4	(318.7)
Effect on cash of changes in exchange rates	15.1	(37.0)
Net increase in cash and cash equivalents	20.6	361.5
Cash and cash equivalents — beginning of period	1,236.0	225.5

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Cash and cash equivalents — end of period	\$1,256.6	\$587.0
Supplemental disclosures of cash flow information — Non-cash transactions:		
Ordinary shares issued for acquisition	\$1,281.7	\$6,305.8

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MYLAN N.V. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. General

The accompanying unaudited Condensed Consolidated Financial Statements (“interim financial statements”) of Mylan N.V. and subsidiaries (“Mylan” or the “Company”) were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for reporting on Form 10-Q; therefore, as permitted under these rules, certain footnotes and other financial information included in audited financial statements were condensed or omitted. The interim financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the interim results of operations, comprehensive earnings, financial position and cash flows for the periods presented. For periods prior to February 27, 2015, the Company’s interim financial statements present the accounts of Mylan Inc. and subsidiaries.

These interim financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto in Mylan N.V.’s Annual Report on Form 10-K for the year ended December 31, 2015, as amended. The December 31, 2015 Condensed Consolidated Balance Sheet was derived from audited financial statements.

The interim results of operations and comprehensive earnings for the three and nine months ended September 30, 2016 and cash flows for the nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the full fiscal year or any other future period.

2. Revenue Recognition and Accounts Receivable

The Company recognizes net sales when title and risk of loss pass to its customers and when provisions for estimates, including discounts, sales allowances, price adjustments, returns, chargebacks and other promotional programs are reasonably determinable. Accounts receivable are presented net of allowances relating to these provisions. No significant revisions were made to the methodology used in determining these provisions during the nine months ended September 30, 2016. Such allowances were \$1.83 billion and \$1.84 billion at September 30, 2016 and December 31, 2015, respectively. Other current liabilities include \$824.1 million and \$681.8 million at September 30, 2016 and December 31, 2015, respectively, for certain sales allowances and other adjustments that are paid to customers.

Through its wholly owned subsidiary Mylan Pharmaceuticals Inc. (“MPI”), the Company has access to a \$400 million accounts receivable securitization facility (the “Receivables Facility”). The receivables underlying any borrowings are included in accounts receivable, net, in the Condensed Consolidated Balance Sheets. There were \$759.3 million and \$914.2 million of securitized accounts receivable at September 30, 2016 and December 31, 2015, respectively.

3. Recent Accounting Pronouncements

In October 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-16, Income Taxes (Topic 740) (“ASU 2016-16”), which reduces the complexity in the accounting standards by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer, other than inventory, when the transfer occurs. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted using a modified retrospective transition approach. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230) (“ASU 2016-15”), which clarifies how certain cash receipts and cash payments should be presented in the Statement of Cash Flows. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted using a retrospective transition approach. The Company is currently assessing the impact of the adoption of this guidance on its Statement of Cash Flows.

In March 2016, the FASB issued Accounting Standards Update 2016-09, Compensation - Stock Compensation (Topic 718) (“ASU 2016-09”), which simplifies the accounting for share-based compensation payments. The new standard requires all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) to be recognized as income tax expense or benefit on the income statement. The tax effects of exercised or

vested awards should be treated as discrete items in the reporting period in which they occur. This guidance is effective for fiscal years, and interim periods within

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

those years, beginning after December 15, 2016, with early adoption permitted. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (Topic 840) (“ASU 2016-02”), which provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. This guidance is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

In January 2016, the FASB issued Accounting Standards Update 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income (other than those accounted for under equity method of accounting). The amendments in this update also require an entity to present separately in other comprehensive earnings the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (“ASU 2014-09” updated with “ASU 2015-14”, “ASU 2016-08”, “ASU 2016-10” and “ASU 2016-12”), which revises accounting guidance on revenue recognition that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of this guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. This guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This guidance is effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years, and can be applied using a full retrospective or modified retrospective approach. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

4. Acquisitions and Other Transactions

Meda AB

On February 10, 2016, the Company issued an offer announcement under the Nasdaq Stockholm’s Takeover Rules and the Swedish Takeover Act (collectively, the “Swedish Takeover Rules”) setting forth a public offer to the shareholders of Meda AB (publ.) (“Meda”) to acquire all of the outstanding shares of Meda (the “Offer”), with an enterprise value, including the net debt of Meda, of approximately Swedish kronor (“SEK” or “kr”) 83.6 billion (based on a SEK/USD exchange rate of 8.4158) or \$9.9 billion at announcement. On August 2, 2016, the Company announced that the Offer was accepted by Meda shareholders holding an aggregate of approximately 343 million shares, representing approximately 94% of the total number of outstanding Meda shares, as of July 29, 2016, and the Company declared the Offer unconditional. On August 5, 2016, settlement occurred with respect to the Meda shares duly tendered by July 29, 2016 and, as a result, Meda is now a controlled subsidiary of the Company. Pursuant to the terms of the Offer, each Meda shareholder that duly tendered Meda shares into the Offer received at settlement (1) in respect of 80% of

the number of Meda shares tendered by such shareholder, 165kr in cash per Meda share, and (2) in respect of the remaining 20% of the number of Meda shares tendered by such shareholder, 0.386 of the Company's ordinary shares per Meda share (subject to treatment of fractional shares as described in the offer document published on June 16, 2016). The non-tendered shares will be acquired for cash through a compulsory acquisition proceeding, in accordance with the Swedish Companies Act (Sw. aktiebolagslagen (2005:551)), with advance title to such non-tendered shares expected to be acquired within six to twelve months of the acquisition date. The compulsory acquisition proceeding price will accrue interest as required by the Swedish Companies Act. Meda's shares were delisted from the Nasdaq Stockholm

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

exchange on August 23, 2016. On November 1, 2016, the Company made an offer to the remaining Meda shareholders to tender all their Meda shares for cash consideration of 161.31kr per Meda share (the “November Offer”) to provide such remaining shareholders with an opportunity to sell their shares in Meda to the Company in advance of the automatic acquisition of their shares for cash in connection with the compulsory acquisition proceeding. The acceptance period for the November Offer expires on November 23, 2016 and settlement is expected to occur on or around November 30, 2016. Meda shareholders who tender their shares in the November Offer will not have the right to withdraw their acceptances, and there are no conditions to the completion of the November Offer. Any Meda shareholders that do not accept the November Offer will automatically receive all-cash consideration plus statutory interest for their Meda shares as determined in the compulsory acquisition proceeding. The November Offer is not being made, nor will any tender of shares be accepted from or on behalf of holders in, any jurisdiction in which the making of the November Offer or the acceptance of any tender of shares would contravene applicable laws or regulations or require any offer documents, filings or other measures. In connection with either the November Offer or the compulsory acquisition proceeding, it has been assumed that the fair value of the non-tendered shares would be approximately 161kr per share at settlement.

The total purchase price was approximately \$6.92 billion, net of cash acquired, which includes cash consideration paid of approximately \$5.3 billion, the issuance of approximately 26.4 million Mylan N.V. ordinary shares at a fair value of approximately \$1.3 billion based on the closing price of the Company’s ordinary shares on August 5, 2016, as reported by the NASDAQ Global Select Stock Market (the “NASDAQ”) and an assumed liability of approximately \$431.0 million related to the November Offer and the compulsory acquisition proceeding of the non-tendered Meda shares, which is classified as a current liability on the Condensed Consolidated Balance Sheet. In accordance with U.S. GAAP, the Company used the acquisition method of accounting to account for this transaction. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction have been recorded at their respective estimated fair values at the acquisition date. Acquisition related costs of approximately \$65.8 million and \$212.5 million were incurred during the three and nine months ended September 30, 2016, respectively, which were recorded as components of research and development expense (“R&D”), selling, general and administrative expense (“SG&A”), interest expense and other expense, net in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2016, these costs include approximately \$44.4 million and \$128.6 million, respectively, of losses on non-designated foreign currency forward and option contracts entered into in order to economically hedge the SEK purchase price of the Offer (explained further in Note 11 Financial Instruments and Risk Management). For the nine months ended September 30, 2016 acquisition related costs include approximately \$45.2 million of financing fees related to the terminated 2016 Bridge Credit Agreement (explained further in Note 12 Debt).

The preliminary allocation of the \$6.92 billion purchase price to the assets acquired and liabilities assumed for Meda is as follows:

(In millions)

Current assets (excluding inventories and net of cash acquired)	\$470.2
Inventories	465.7
Property, plant and equipment	177.5
Identified intangible assets	8,060.7
Goodwill	3,677.6
Other assets	9.3
Total assets acquired	12,861.0
Current liabilities	(1,088.4)
Long-term debt, including current portion	(2,864.6)
Deferred tax liabilities	(1,628.1)
Pension and other postretirement benefits	(322.3)

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Other noncurrent liabilities	(36.5)
Net assets acquired	\$6,921.1

The preliminary fair value estimates for the assets acquired and liabilities assumed were based upon preliminary calculations, valuations and assumptions that are subject to change as the Company obtains additional information during the

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MYLAN N.V. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

measurement period (up to one year from the acquisition date). The primary areas subject to change relate to the finalization of the working capital components, the valuation of intangible assets and income taxes.

The acquisition of Meda creates a more diversified and expansive portfolio of branded and generic medicines along with a strong and growing portfolio of over-the-counter (“OTC”) products. The combined company has a balanced global footprint with significant scale in key geographic markets, particularly the U.S. and Europe. The acquisition of Meda also provides Mylan with entry into a number of new and attractive emerging markets, including China, Southeast Asia, Russia, the Middle East and Mexico, complemented by Mylan’s presence in India, Brazil and Africa. The Company recorded a step-up in the fair value of inventory of approximately \$107 million. During the three and nine months ended September 30, 2016, the Company recorded amortization of the inventory step-up of approximately \$42.8 million, which is included in cost of sales in the Condensed Consolidated Statements of Operations.

The identified intangible assets of \$8.06 billion are comprised of product rights and licenses that have a weighted average useful life of 20 years. Significant assumptions utilized in the valuation of identified intangible assets were based on company specific information and projections which are not observable in the market and are thus considered Level 3 measurements as defined by U.S. GAAP. The goodwill of \$3.68 billion arising from the acquisition consisted largely of the value of the employee workforce and the expected value of products to be developed in the future. The newly acquired operations have been included in the Generics segment for the three and nine months ended September 30, 2016. In addition, all of the goodwill was assigned to the Generics segment. None of the goodwill recognized in this transaction is currently expected to be deductible for income tax purposes.

The settlement of the Offer constituted an Acceleration Event (as defined in the Rottapharm Agreement referred to below) under the Sale and Purchase Agreement, dated as of July 30, 2014 (the “Rottapharm Agreement”), among Fidim S.r.l., Meda Pharma S.p.A and Meda, the occurrence of which accelerated an unconditional deferred purchase price payment of approximately \$308 million (€275 million) relating to Meda’s acquisition of Rottapharm S.p.A. which otherwise would have been payable in January 2017. The amount was paid as of September 30, 2016.

The operating results of Meda have been included in the Company’s Condensed Consolidated Statements of Operations since the acquisition date. The total revenues of Meda for the period from the acquisition date to September 30, 2016, were \$331.1 million and net loss, net of tax, was \$260.6 million. The net loss, net of tax, includes the effects of the purchase accounting adjustments and acquisition related costs.

Renaissance Topicals Business

On June 15, 2016, the Company completed the acquisition of the non-sterile, topicals-focused business (the “Topicals Business”) of Renaissance Acquisition Holdings, LLC (“Renaissance”) for approximately \$1.0 billion in cash at closing, including amounts deposited into escrow for potential contingent payments, subject to customary adjustments. The Topicals Business provides the Company with a complementary portfolio of approximately 25 products, an active pipeline of approximately 25 products, and an established U.S. sales and marketing infrastructure targeting dermatologists. The Topicals Business also provides an integrated manufacturing and development platform. In accordance with U.S. GAAP, the Company used the acquisition method of accounting to account for this transaction. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction were recorded at their respective estimated fair values at the acquisition date. The U.S. GAAP purchase price was \$972.7 million, which includes estimated contingent consideration of approximately \$16 million related to the potential \$50 million payment contingent on the achievement of certain 2016 financial targets. The \$50 million contingent payment has been paid into escrow. The preliminary allocation of the \$972.7 million purchase price to the assets acquired and liabilities assumed for the Topicals Business is as follows:

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MYLAN N.V. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

(In millions)

Current assets (excluding inventories)	\$68.8
Inventories	74.2
Property, plant and equipment	54.8
Identified intangible assets	467.0
In-process research and development	275.0
Goodwill	307.3
Other assets	0.9
Total assets acquired	1,248.0
Current liabilities	(65.0)
Deferred tax liabilities	(203.6)
Other noncurrent liabilities	(6.7)
Net assets acquired	\$972.7

The preliminary fair value estimates for the assets acquired and liabilities assumed were based upon preliminary calculations, valuations and assumptions that are subject to change as the Company obtains additional information during the measurement period (up to one year from the acquisition date). The primary areas subject to change relate to the finalization of the working capital adjustment and income taxes.

The acquisition of the Topicals Business broadened the Company's dermatological portfolio. The amount allocated to in-process research and development ("IPR&D") represents an estimate of the fair value of purchased in-process technology for research projects that, as of the closing date of the acquisition, had not reached technological feasibility and had no alternative future use. The fair value of IPR&D of \$275.0 million was based on the excess earnings method, which utilizes forecasts of expected cash inflows (including estimates for ongoing costs) and other contributory charges. A discount rate of 12.5% was utilized to discount net cash inflows to present values. IPR&D is accounted for as an indefinite-lived intangible asset and will be subject to impairment testing until completion or abandonment of the projects. Upon successful completion and launch of each product, the Company will make a determination of the estimated useful life of the individual asset. The acquired IPR&D projects are in various stages of completion and the estimated costs to complete these projects total approximately \$65 million, which is expected to be incurred through 2018. There are risks and uncertainties associated with the timely and successful completion of the projects included in IPR&D, and no assurances can be given that the underlying assumptions used to estimate the fair value of IPR&D will not change or the timely completion of each project to commercial success will occur.

The identified intangible assets of \$467.0 million are comprised of \$454.0 million of product rights and licenses that have a weighted average useful life 14 years and \$13.0 million of contract manufacturing agreements that have a weighted average useful life of five years. Significant assumptions utilized in the valuation of identified intangible assets were based on company specific information and projections which are not observable in the market and are thus considered Level 3 measurements as defined by U.S. GAAP.

The goodwill of \$307.3 million arising from the acquisition consisted largely of the value of the employee workforce and the expected value of products to be developed in the future. All of the goodwill was assigned to the Generics segment. None of the goodwill recognized in this transaction is currently expected to be deductible for income tax purposes. Acquisition related costs of approximately \$3.6 million were incurred during the nine months ended September 30, 2016 related to this transaction, which were recorded as a component of SG&A in the Condensed Consolidated Statements of Operations. The acquisition did not have a material impact on the Company's results of operations since the acquisition date or on a pro forma basis for the three and nine month periods ended September 30, 2016 and 2015.

Jai Pharma Limited

On November 20, 2015, the Company completed the acquisition of certain female healthcare businesses from Famy Care Limited (such businesses "Jai Pharma Limited"). Jai Pharma Limited is a specialty women's healthcare company

with global leadership in generic oral contraceptive products, through its wholly owned subsidiary Mylan Laboratories Limited for

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

a cash payment of \$750 million plus additional contingent payments of up to \$50 million for the filing for approval with, and receipt of approval from, the U.S. Food and Drug Administration of a product under development by Jai Pharma Limited.

In accordance with U.S. GAAP, the Company used the acquisition method of accounting to account for this transaction. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction were recorded at their respective estimated fair values at the acquisition date. The U.S. GAAP purchase price was \$711.1 million, which excludes the \$50 million paid into escrow at closing that is contingent upon at least one of two former principal shareholders of Jai Pharma Limited continuing to provide consulting services to Jai Pharma Limited for the two year post-closing period, which amount is being treated as compensation expense over the service period. The U.S. GAAP purchase price also excludes \$7 million of working capital and other adjustments and includes estimated contingent consideration of approximately \$18 million related to the \$50 million contingent payment. During the nine months ended September 30, 2016, adjustments were made to the preliminary purchase price allocation recorded at November 20, 2015. The adjustments recorded in respect of goodwill, current liabilities and deferred tax liabilities are reflected in the “measurement period adjustments” column of the table below. As of September 30, 2016, the preliminary allocation of the \$711.1 million purchase price to the assets acquired and liabilities assumed for Jai Pharma Limited is as follows:

(In millions)	Preliminary Purchase Price Allocation as of November 20, 2015 ^(a)	Measurement Period Adjustments ^(b)	Preliminary Purchase Price Allocation as of September 30, 2016 (as adjusted)
Current assets (excluding inventories)	\$ 25.7	\$ —	\$ 25.7
Inventories	4.9	—	4.9
Property, plant and equipment	17.2	—	17.2
Identified intangible assets	437.0	—	437.0
In-process research and development	98.0	—	98.0
Goodwill	317.2	8.1	325.3
Other assets	0.7	—	0.7
Total assets acquired	900.7	8.1	908.8
Current liabilities	(9.1)	(1.9)	(11.0)
Deferred tax liabilities	(180.5)	(6.2)	(186.7)
Net assets acquired	\$ 711.1	\$ —	\$ 711.1

^(a) As previously reported in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, as amended.

The measurement period adjustments were recorded in the first quarter of 2016 and are related to the recognition of

^(b) certain goodwill, current liabilities and adjustments to deferred tax liabilities to reflect facts and circumstances that existed as of the acquisition date.

The goodwill of \$325.3 million arising from the acquisition consisted largely of the value of the employee workforce and the expected value of products to be developed in the future. All of the goodwill was assigned to the Generics segment. The preliminary fair value estimates for the assets acquired and liabilities assumed were based upon preliminary calculations, valuations and assumptions that are subject to change as the Company obtains additional

information during the measurement period (up to one year from the acquisition date). The primary areas subject to change relate to the finalization of the working capital adjustment and income taxes, which will be finalized in the fourth quarter of 2016. During the three months ended September 30, 2016, the Company received approvals from the relevant Indian regulatory authorities to legally merge its wholly owned subsidiary, Jai Pharma Limited, into Mylan Laboratories Limited. The merger resulted in the recognition of a deferred tax asset of \$150 million for the tax deductible goodwill in excess of the book goodwill with a corresponding benefit to income tax provision for the three and nine months ended September 30, 2016. On a pro forma basis, the acquisition did not have a material impact on the Company's results of operations for the three and nine months ended September 30, 2015.

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EPD Business

On February 27, 2015 (the “EPD Transaction Closing Date”), the Company completed the acquisition (the “EPD Transaction”) of Mylan Inc. and Abbott Laboratories’ non-U.S. developed markets specialty and branded generics business (the “EPD Business”) in an all-stock transaction. Mylan N.V.’s purchase price for the EPD Business, which was on a debt-free basis, was \$6.31 billion based on the closing price of Mylan Inc.’s stock as of the EPD Transaction Closing Date, as reported by the NASDAQ.

The operating results of the EPD Business have been included in the Company’s Condensed Consolidated Statements of Operations since February 27, 2015. The total revenues of the acquired EPD Business for the period from the acquisition date to September 30, 2015 were \$1.01 billion and the net loss, net of tax, was \$68.6 million. The net loss, net of tax, includes the effects of the purchase accounting adjustments and acquisition related costs.

Unaudited Pro Forma Financial Results

The following table presents supplemental unaudited pro forma information for the acquisitions of Meda, as if it had occurred on January 1, 2015, and the EPD Business, as if it had occurred on January 1, 2014. The unaudited pro forma results reflect certain adjustments related to past operating performance and acquisition accounting adjustments, such as increased amortization expense based on the fair value of assets acquired, the impact of transaction costs and the related income tax effects. The unaudited pro forma results do not include any anticipated synergies which may be achievable, or have been achieved, subsequent to the closing of the Meda transaction and EPD Transaction.

Accordingly, the unaudited pro forma results are not necessarily indicative of the results that actually would have occurred had the acquisitions been completed on the stated dates above, nor are they indicative of the future operating results of Mylan N.V. and its subsidiaries.

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
(Unaudited, in millions, except per share amounts)	2016	2015	2016	2015
Total revenues	\$3,168.6	\$3,506.4	\$9,008.2	\$8,895.0
Net (loss) earnings attributable to Mylan N.V. ordinary shareholders	\$(111.4)	\$381.2	\$132.0	\$405.8
(Loss) earnings per ordinary share attributable to Mylan N.V. ordinary shareholders:				
Basic	\$(0.21)	\$0.74	\$0.25	\$0.78
Diluted	\$(0.21)	\$0.71	\$0.25	\$0.75
Weighted average ordinary shares outstanding:				
Basic	533.9	516.9	526.9	517.0
Diluted	533.9	540.4	536.2	544.0

Other Transactions

During the second quarter of 2016, the Company entered into an agreement to acquire a marketed pharmaceutical product for an upfront payment of approximately \$57.9 million, which is included in investing activities in the Condensed Consolidated Statements of Cash Flows. The Company accounted for this transaction as an asset acquisition and is amortizing the product right over a weighted useful life of five years.

On January 8, 2016, the Company entered into an agreement with Momenta Pharmaceuticals, Inc. (“Momenta”) to develop, manufacture and commercialize up to six of Momenta’s current biosimilar candidates, including Momenta’s biosimilar candidate, ORENCIA® (abatacept). As part of the agreement, Mylan made an up-front cash payment of \$45 million to Momenta. Under the terms of the agreement, Momenta is eligible to receive additional contingent milestone payments of up to \$200 million. The Company and Momenta will jointly be responsible for product development and will equally share in the costs and profits related to the products. Under the agreement, Mylan will lead the worldwide commercialization efforts.

On November 2, 2016, the Company and Momenta announced that dosing had begun in a Phase 1 study to compare the pharmacokinetics, safety and immunogenicity of M834, a proposed bisoimilar or ORENCIA® (abatacept), to U.S. and

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

European Union sourced ORENCIA® in normal healthy volunteers. Under the agreement, Momenta has achieved the milestone necessary to earn a \$25 million payment from the Company which will be paid in the fourth quarter of 2016.

In accordance with ASC 730, Research and Development, the Company is accounting for the contingent milestone payments as non-refundable advance payments for services to be used in future R&D activities, which are required to be capitalized until the related services have been performed. More specifically, as costs are incurred within the scope of the collaboration, the Company will record its share of the costs as R&D expense. In addition to the upfront cash payment, during the three and nine months ended September 30, 2016 the Company incurred approximately \$9.0 million and \$22.3 million, respectively, of R&D expense related to this collaboration. To the extent the contingent milestone payments made by the Company exceed the liability incurred, a prepaid asset will be reflected on the Company's Condensed Consolidated Balance Sheet. To the extent the contingent milestone payments made by the Company are less than the expense incurred, the difference between the payment and the expense will be recorded as a liability on the Company's Condensed Consolidated Balance Sheet.

5. Share-Based Incentive Plan

The Company's shareholders have approved the 2003 Long-Term Incentive Plan (as amended, the "2003 Plan"). Under the 2003 Plan, 55,300,000 ordinary shares are reserved for issuance to key employees, consultants, independent contractors and non-employee directors of the Company through a variety of incentive awards, including: stock options, stock appreciation rights ("SAR"), restricted shares and units, performance awards, other stock-based awards and short-term cash awards. Stock option awards are granted at the fair market value of the shares underlying the options at the date of the grant, generally become exercisable over periods ranging from three to four years, and generally expire in ten years. Upon approval of the 2003 Plan, no further grants of stock options have been made under any other previous plans.

The following table summarizes stock option and SAR ("stock awards") activity:

	Number of Shares Under Stock Awards	Weighted Average Exercise Price per Share
Outstanding at December 31, 2015	7,732,499	\$ 31.85
Granted	780,254	46.15
Exercised	(496,440)	23.52
Forfeited	(166,571)	51.26
Outstanding at September 30, 2016	7,849,742	\$ 33.39
Vested and expected to vest at September 30, 2016	7,537,727	\$ 32.78
Exercisable at September 30, 2016	5,704,835	\$ 27.71

As of September 30, 2016, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had average remaining contractual terms of 6.0 years, 5.9 years and 5.0 years, respectively. Also, at September 30, 2016, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had aggregate intrinsic values of \$75.9 million, \$75.7 million and \$75.0 million, respectively.

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

A summary of the status of the Company's nonvested restricted stock and restricted stock unit awards, including performance restricted stock units and restricted ordinary shares (collectively, "restricted stock awards"), as of September 30, 2016 and the changes during the nine months ended September 30, 2016 are presented below:

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value per Share
Nonvested at December 31, 2015	4,474,436	\$ 40.70
Granted	2,619,679	45.15
Released	(1,072,156)	41.95
Forfeited	(326,916)	41.65
Nonvested at September 30, 2016	5,695,043	\$ 42.49

As of September 30, 2016, the Company had \$165.0 million of total unrecognized compensation expense, net of estimated forfeitures, related to all of its stock-based awards, which will be recognized over the remaining weighted average vesting period of 2.4 years. The total intrinsic value of stock awards exercised and restricted stock units released during the nine months ended September 30, 2016 and 2015 was \$49.1 million and \$254.9 million, respectively.

6. Pensions and Other Postretirement Benefits

Defined Benefit Plans

The Company sponsors various defined benefit pension plans in several countries. Benefits provided generally depend on length of service, pay grade and remuneration levels. The Company maintains an historic small fully frozen defined benefit pension plan in the U.S., and employees in the U.S. and Puerto Rico are provided retirement benefits through defined contribution plans. The Company acquired net unfunded pension and other postretirement liabilities of approximately \$322.3 million as a result of the Meda transaction.

The Company also sponsors other postretirement benefit plans. There are plans that provide for postretirement supplemental medical coverage. Benefits from these plans are paid to employees and their spouses and dependents who meet various minimum age and service requirements. In addition, there are plans that provide for life insurance benefits and postretirement medical coverage for certain officers and management employees.

Net Periodic Benefit Cost

Components of net periodic benefit cost for the three and nine months ended September 30, 2016 and 2015 were as follows:

	Pension and Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Service cost	\$4.8	\$2.8	\$12.6	\$8.5
Interest cost	2.8	1.2	5.7	3.6
Expected return on plan assets	(3.0)	(1.4)	(7.0)	(4.1)
Plan curtailment, settlement and termination	—	0.3	—	0.8
Amortization of prior service costs	0.1	0.1	0.2	0.2
Recognized net actuarial losses	0.2	0.3	0.7	0.9

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Net periodic benefit cost \$4.9 \$3.3 \$12.2 \$9.9

The Company is making the minimum mandatory contributions to its U.S. defined benefit pension plans in the 2016 plan year. The Company expects to make total benefit payments of approximately \$20.2 million and contributions to pension and other postretirement benefit plans of approximately \$17.7 million in 2016.

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

7. Balance Sheet Components

Selected balance sheet components consist of the following:

(In millions)	September 30, 2016	December 31, 2015
Inventories:		
Raw materials	\$ 825.1	\$ 592.4
Work in process	469.8	387.0
Finished goods	1,392.6	971.6
	\$ 2,687.5	\$ 1,951.0
Property, plant and equipment:		
Land and improvements	\$ 145.0	\$ 124.5
Buildings and improvements	1,074.9	950.6
Machinery and equipment	2,215.6	1,928.4
Construction in progress	344.8	290.5
Gross property, plant and equipment	3,780.3	3,294.0
Accumulated depreciation	1,496.1	1,310.1
Property, plant and equipment, net	\$ 2,284.2	\$ 1,983.9
Other current liabilities:		
Legal and professional accruals, including litigation accruals	\$ 610.8	\$ 122.6
Payroll and employee benefit plan accruals	429.7	367.9
Accrued sales allowances	824.1	681.8
Accrued interest	114.3	25.1
Fair value of financial instruments	25.2	19.8
Compulsory acquisition proceeding	431.0	—
Other	1,210.7	624.7
	\$ 3,645.8	\$ 1,841.9

Included in prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets was \$156.8 million and \$106.6 million of restricted cash at September 30, 2016 and December 31, 2015, respectively. During the nine months ended September 30, 2016, the Company recorded restricted cash of approximately \$50 million related to amounts deposited in escrow, for potential contingent consideration payments related to the acquisition of the Topicals Business. An additional \$100 million of restricted cash was classified in other long-term assets at December 31, 2015, principally related to amounts deposited in escrow, or restricted amounts, for potential contingent consideration payments related to the acquisition of Agila Specialties Private Limited (“Agila”), which the Company acquired in 2013 from Strides Arcolab Limited (“Strides”). At September 30, 2016, this amount was reclassified to current restricted cash in conjunction with the Strides Settlement, as defined in Note 18 Contingencies.

Included in legal and professional accruals, including litigation accruals at September 30, 2016 is \$465 million for a settlement with the U.S. Department of Justice and other government agencies related to the classification of the EpiPen® Auto-Injector and EpiPen Jr® Auto-Injector (collectively, “EpiPen® Auto-Injector”) for purposes of the Medicaid Drug Rebate Program (the “Medicaid Drug Rebate Program Settlement”), as discussed further in Note 18 Contingencies.

At the close of the Meda transaction and at September 30, 2016, the Company recorded a current liability of \$431 million related to the purchase of the non-tendered shares of Meda pursuant to the compulsory acquisition proceeding. Included in other current liabilities at September 30, 2016 is approximately \$350 million of accrued expenses assumed from Meda.

Contingent consideration included in other current liabilities totaled \$128.6 million and \$35.0 million at September 30, 2016 and December 31, 2015, respectively. During the nine months ended September 30, 2016, the Company recorded

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

contingent consideration of \$16 million in other current liabilities related to the acquisition of the Topicals Business and made \$15.5 million of contingent consideration payments. During the third quarter of 2016, the Company recorded approximately \$90 million of additional contingent consideration in other current liabilities as a result of the Strides Settlement, as defined in Note 18 Contingencies. Contingent consideration included in other long-term obligations was \$522.9 million and \$491.4 million at September 30, 2016 and December 31, 2015, respectively.

8. Equity Method Investments

The Company has five equity method investments in limited liability companies that own refined coal production plants (the “clean energy investments”), whose activities qualify for income tax credits under Section 45 of the Internal Revenue Code, as amended. In addition, the Company holds a 50% interest in Sagent Agila LLC (“Sagent Agila”), which is accounted for using the equity method of accounting. Sagent Agila was established to allow for the development, manufacturing and distribution of certain generic injectable products in the U.S. market.

The carrying values and respective balance sheet accounts of the Company’s clean energy investments and interest in Sagent Agila is as follows at September 30, 2016 and December 31, 2015, respectively:

(In millions)	September 30, December 31,	
	2016	2015
Clean Energy Investments:		
Other assets	\$ 337.6	\$ 379.3
Total liabilities	382.0	419.3
Other current liabilities	64.1	62.3
Other long-term obligations	317.9	357.0
Sagent Agila:		
Other assets	\$ 80.0	\$ 96.2

Summarized financial information, in the aggregate, for the Company’s significant equity method investments on a 100% basis for the three and nine months ended September 30, 2016 and 2015 are as follows:

(In millions)	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Total revenues	\$170.0	\$205.7	\$418.2	\$492.2
Gross (loss) profit	(3.0)	(3.5)	(3.8)	(4.0)
Operating and non-operating expense	6.3	6.9	16.3	18.7
Net loss	\$(9.3)	\$(10.4)	\$(20.1)	\$(22.7)

The Company’s net losses from the six equity method investments includes amortization expense related to the excess of the cost basis of the Company’s investment to the underlying assets of each individual investee. For the three months ended September 30, 2016 and 2015, the Company recognized net losses from equity method investments of \$29.7 million and \$27.8 million, respectively. For the nine months ended September 30, 2016 and 2015, the Company recognized net losses from equity method investments of \$85.5 million and \$77.5 million, respectively, which was recognized as a component of other expense, net in the Condensed Consolidated Statements of Operations. The Company recognizes the income tax credits and benefits from the clean energy investments as part of its provision for income taxes.

9. Earnings per Ordinary Share Attributable to Mylan N.V.

Basic earnings per ordinary share is computed by dividing net earnings attributable to Mylan N.V. ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per ordinary share is computed by dividing net earnings attributable to Mylan N.V. ordinary shareholders by the weighted average number of ordinary shares outstanding during the period increased by the number of additional shares that would have been outstanding related to potentially dilutive securities or instruments, if the impact is dilutive.

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On August 5, 2016, in conjunction with the Offer, the Company issued approximately 26.4 million Mylan N.V. ordinary shares to Meda shareholders. The impact of the issuance of these ordinary shares is included in the calculation of basic earnings per share. The weighted average impact for the three and nine months ended September 30, 2016, was 16.1 million and 5.4 million ordinary shares, respectively.

On September 15, 2008, concurrent with the sale of \$575 million aggregate principal amount of Cash Convertible Notes due 2015 (the "Cash Convertible Notes"), Mylan Inc. entered into convertible note hedge and warrant transactions with certain counterparties. In connection with the consummation of the EPD Transaction, the terms of the convertible note hedge were adjusted so that the cash settlement value would be based on Mylan N.V. ordinary shares. The terms of the warrant transactions were also adjusted so that, from and after the consummation of the EPD Transaction, the Company could settle the obligations under the warrant transactions by delivering Mylan N.V. ordinary shares. Pursuant to the warrant transactions, and a subsequent amendment in 2011, there were approximately 43.2 million warrants outstanding, with approximately 41.0 million of the warrants that had an exercise price of \$30.00. The remaining warrants had an exercise price of \$20.00. The warrants met the definition of derivatives under the FASB's guidance regarding accounting for derivative instruments and hedging activities; however, because these instruments were determined to be indexed to the Company's own ordinary shares and met the criteria for equity classification under the FASB's guidance regarding contracts in an entity's own equity, the warrants were recorded in shareholders' equity in the Condensed Consolidated Balance Sheets. On April 15, 2016, in connection with the expiration and settlement of the warrants, the Company issued approximately 17.0 million Mylan N.V. ordinary shares. The impact of the issuance of these ordinary shares is included in the calculation of basic earnings per share from the date of issuance. For the nine months ended September 30, 2016, 10.4 million ordinary shares is the weighted average impact included in the calculation of basic earnings per ordinary share. The dilutive impact of the warrants, prior to settlement, is included in the calculation of diluted earnings per ordinary share based upon the average market value of the Company's ordinary shares during the period as compared to the exercise price. For the nine months ended September 30, 2016, 6.6 million warrants were included in the calculation of diluted earnings per ordinary share. For the three and nine months ended September 30, 2015, 20.3 million and 22.1 million warrants, respectively, were included in the calculation of diluted earnings per ordinary share.

Basic and diluted (loss) earnings per ordinary share attributable to Mylan N.V. are calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2016	2015	2016	2015
Basic (loss) earnings attributable to Mylan N.V. ordinary shareholders (numerator):				
Net (loss) earnings attributable to Mylan N.V. ordinary shareholders	\$(119.8)	\$428.6	\$62.5	\$653.0
Shares (denominator):				
Weighted average ordinary shares outstanding	523.6	490.5	505.9	466.2
Basic (loss) earnings per ordinary share attributable to Mylan N.V. ordinary shareholders	\$(0.23)	\$0.87	\$0.12	\$1.40
Diluted (loss) earnings attributable to Mylan N.V. ordinary shareholders (numerator):				
Net (loss) earnings attributable to Mylan N.V. ordinary shareholders	\$(119.8)	\$428.6	\$62.5	\$653.0
Shares (denominator):				
Weighted average ordinary shares outstanding	523.6	490.5	505.9	466.2
Share-based awards and warrants	—	23.5	9.3	27.0
Total dilutive shares outstanding	523.6	514.0	515.2	493.2
Diluted (loss) earnings per ordinary share attributable to Mylan N.V. ordinary shareholders	\$(0.23)	\$0.83	\$0.12	\$1.32

Additional stock awards and restricted stock awards were outstanding during the three and nine months ended September 30, 2016 and 2015, but were not included in the computation of diluted earnings per ordinary share for each respective period because the effect would be anti-dilutive. Excluded shares at September 30, 2016 include certain share-based compensation awards and restricted ordinary shares whose performance conditions had not been fully met. Such excluded

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shares and anti-dilutive awards represented 13.9 million shares and 7.3 million shares for the three and nine months ended September 30, 2016, respectively, and 3.9 million shares for the three and nine months ended September 30, 2015.

10. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended September 30, 2016 are as follows:

(In millions)	Generics Segment	Specialty Segment	Total
Balance at December 31, 2015:			
Goodwill	\$5,031.0	\$ 734.1	\$5,765.1
Accumulated impairment losses	—	(385.0)	(385.0)
	5,031.0	349.1	5,380.1
Acquisitions ⁽¹⁾	3,984.9	—	3,984.9
Measurement period adjustments	8.1	—	8.1
Foreign currency translation	260.0	—	260.0
	\$9,284.0	\$ 349.1	\$9,633.1
Balance at September 30, 2016:			
Goodwill	\$9,284.0	\$ 734.1	\$10,018.1
Accumulated impairment losses	—	(385.0)	(385.0)
	\$9,284.0	\$ 349.1	\$9,633.1

⁽¹⁾ Includes goodwill related to the acquisition of Meda and the Topicals Business totaling \$3.68 billion and \$307.3 million, respectively.

Intangible assets consist of the following components at September 30, 2016 and December 31, 2015:

(In millions)	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
September 30, 2016				
Amortized intangible assets:				
Product rights and licenses	15	\$17,867.4	\$ 3,434.0	\$14,433.4
Patents and technologies	20	116.6	107.3	9.3
Other ⁽¹⁾	6	492.5	311.4	181.1
		18,476.5	3,852.7	14,623.8
In-process research and development		989.6	—	989.6
		\$19,466.1	\$ 3,852.7	\$15,613.4
December 31, 2015				
Amortized intangible assets:				
Product rights and licenses	11	\$8,848.6	\$ 2,652.7	\$6,195.9
Patents and technologies	20	116.6	103.8	12.8
Other ⁽¹⁾	6	465.3	189.8	275.5
		9,430.5	2,946.3	6,484.2
In-process research and development		737.7	—	737.7
		\$10,168.2	\$ 2,946.3	\$7,221.9

⁽¹⁾ Other intangible assets consist principally of customer lists, contractual rights and other contracts.

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During the nine months ended September 30, 2016, the Company acquired product rights and licenses from Meda and the Topicals Business totaling approximately \$8.06 billion and \$454.0 million, respectively. Also, in the period the Company acquired IPR&D totaling approximately \$275.0 million from the acquisition of the Topicals Business, and reclassified approximately \$20.7 million of previously acquired IPR&D to product rights and licenses.

Amortization expense, which is classified primarily within cost of sales in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015 totaled:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Amortization expense	\$364.3	\$214.3	\$852.9	\$559.8

Inclusive of the impact from the acquisitions of Meda and the Topicals Business, amortization expense over the remainder of 2016 and for years ended December 31, 2017 through 2020 is estimated to be as follows:

(In millions)

2016	\$ 362
2017	1,307
2018	1,254
2019	1,161
2020	1,041

11. Financial Instruments and Risk Management

The Company is exposed to certain financial risks relating to its ongoing business operations. The primary financial risks that are managed by using derivative instruments are foreign currency risk and interest rate risk.

Foreign Currency Risk Management

In order to manage foreign currency risk, the Company enters into foreign exchange forward contracts to mitigate risk associated with changes in spot exchange rates of mainly non-functional currency denominated assets or liabilities.

The foreign exchange forward contracts are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. Any gains or losses on the foreign exchange forward contracts are recognized in earnings in the period incurred in the Condensed Consolidated Statements of Operations.

In order to economically hedge the foreign currency exposure associated with the expected payment of the Swedish krona-denominated cash portion of the purchase price of the Offer, the Company entered into a series of non-designated foreign exchange forward and option contracts with a total notional amount of 45.2kr billion. During the three and nine months ended September 30, 2016, the Company recognized losses of \$44.4 million and \$128.6 million for the changes in fair value related to these contracts which is included in other expense, net in the Condensed Consolidated Statements of Operations. These contracts settled during the three months ended September 30, 2016. The Company has also entered into forward contracts to hedge forecasted foreign currency denominated sales from certain international subsidiaries. These contracts are designated as cash flow hedges to manage foreign currency transaction risk and are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. Any changes in fair value are included in earnings or deferred through accumulated other comprehensive earnings (“AOCE”), depending on the nature and effectiveness of the offset. Any ineffectiveness in a cash flow hedging relationship is recognized immediately in earnings in the Condensed Consolidated Statements of Operations.

Following the acquisition of Meda, the Company designated certain Euro borrowings as a hedge of its investment in certain Euro-functional currency subsidiaries in order to manage foreign currency translation risk. The notional amount of the net investment hedges was €288 million and consists primarily of Euro denominated debt which has a maturity date in August 2017. Borrowings designated as net investment hedges are marked to market using the current spot exchange rate as of the end

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MYLAN N.V. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

of the period, with gains and losses included in the foreign currency translation component of AOCE until the sale or substantial liquidation of the underlying net investments. The Company recorded no ineffectiveness from its net investment hedges for the three or nine months ended September 30, 2016.

Interest Rate Risk Management

The Company enters into interest rate swaps in order to manage interest rate risk associated with the Company's fixed-rate and floating-rate debt. These derivative instruments are measured at fair value and reported as current assets or current liabilities in the Condensed Consolidated Balance Sheets.

Cash Flow Hedging Relationships

The Company's interest rate swaps designated as cash flow hedges fix the interest rate on a portion of the Company's variable-rate debt or hedge part of the Company's interest rate exposure associated with variability in future cash flows attributable to changes in interest rates. Any changes in fair value are included in earnings or deferred through AOCE, depending on the nature and effectiveness of the offset. Any ineffectiveness in a cash flow hedging relationship is recognized immediately in earnings in the Condensed Consolidated Statements of Operations.

Following the acquisition of Meda, the Company designated certain interest rate swaps with a notional amount of €750 million as cash flow hedges. The maturity date of these swaps is June 2017.

In September 2015, the Company entered into a series of forward starting swaps to hedge against changes in interest rates related to future debt issuances. These swaps were designated as cash flow hedges of expected future issuances of long-term bonds. The Company executed \$500 million of notional value swaps with an effective date of June 2016 and an additional \$500 million of notional value swaps with an effective date of November 2016. Both sets of swaps had a maturity of 10 years. As discussed further in Note 12 Debt, during the second quarter of 2016, the Company issued \$2.25 billion in an aggregate principal amount of 3.950% Senior Notes due 2026 and the Company terminated these swaps. As a result of this termination, the Company recorded losses of \$64.9 million in AOCE, which are being amortized over the life of the 3.950% Senior Notes due 2026. In addition, during the second quarter of 2016, approximately \$2.1 million of hedge ineffectiveness related to these forward starting swaps was recorded in interest expense on the Condensed Consolidated Statements of Operations.

Fair Value Hedging Relationships

The Company's interest rate swaps designated as fair value hedges convert the fixed rate on a portion of the Company's fixed-rate senior notes to a variable rate. Any changes in the fair value of these derivative instruments, as well as the offsetting change in fair value of the portion of the fixed-rate debt being hedged, is included in interest expense.

The Company regularly reviews the creditworthiness of its financial counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements. The Company is not subject to any obligations to post collateral under derivative instrument contracts. Certain derivative instrument contracts entered into by the Company are governed by master agreements, which contain credit-risk-related contingent features that would allow the counterparties to terminate the contracts early and request immediate payment should the Company trigger an event of default on other specified borrowings. The Company records all derivative instruments on a gross basis in the Condensed Consolidated Balance Sheets. Accordingly, there are no offsetting amounts that net assets against liabilities.

The Effect of Derivative Instruments on the Condensed Consolidated Balance Sheets**Fair Values of Derivative Instruments****Derivatives Designated as Hedging Instruments**

(In millions)	Asset Derivatives		December 31, 2015	
	September 30, 2016	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	\$ 66.4	Prepaid expenses and other current assets	\$ 36.3

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Foreign currency forward contracts	Prepaid expenses and other current assets	27.2	Prepaid expenses and other current assets	8.4
Total		\$ 93.6		\$ 44.7

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MYLAN N.V. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

(In millions)	Liability Derivatives September 30, 2016		December 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Other current liabilities	\$ 1.7	Other current liabilities	\$ 10.5
Total		\$ 1.7		\$ 10.5

The Effect of Derivative Instruments on the Condensed Consolidated Balance Sheets

Fair Values of Derivative Instruments

Derivatives Not Designated as Hedging Instruments

(In millions)	Asset Derivatives September 30, 2016		December 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	\$ 7.2	Prepaid expenses and other current assets	\$ 20.0
Total		\$ 7.2		\$ 20.0

(In millions)	Liability Derivatives September 30, 2016		December 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Other current liabilities	\$ 23.5	Other current liabilities	\$ 9.3
Total		\$ 23.5		\$ 9.3

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations

Derivatives in Fair Value Hedging Relationships

(In millions)	Location of (Loss) Gain Recognized in Earnings on Derivatives	Amount of (Loss) Gain Recognized in Earnings on Derivatives			
		Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Interest rate swaps	Interest expense	\$(9.7)	\$29.5	\$30.2	\$34.1
Total		\$(9.7)	\$29.5	\$30.2	\$34.1

(In millions)	Location of Gain (Loss) Recognized in Earnings on Hedged Items	Amount of Gain (Loss) Recognized in Earnings on Hedged Items	
		Three Months Ended	Nine Months Ended

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	September 30, 2016	2015	September 30, 2016	2015
2023 Senior Notes (3.125% coupon) Interest expense	\$9.7	\$(25.0)	\$(30.2)	\$(20.4)
Total	\$9.7	\$(25.0)	\$(30.2)	\$(20.4)

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MYLAN N.V. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Comprehensive Earnings
Derivatives in Cash Flow Hedging Relationships

	Amount of Gain (Loss) Recognized in AOCE (Net of Tax) on Derivative (Effective Portion)			
	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
(In millions)	2016	2015	2016	2015
Foreign currency forward contracts	\$2.9	\$(21.3)	\$(16.3)	\$(36.5)
Interest rate swaps	(0.9)	(40.3)	(38.0)	(37.0)
Total	\$2.0	\$(61.6)	\$(54.3)	\$(73.5)

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Comprehensive Earnings
Derivatives in Net Investment Hedging Relationships

	Amount of Loss Recognized in AOCE (Net of Tax) on Derivative (Effective Portion)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	(In millions)	2016	2015	2016
Foreign currency borrowings and forward contracts	\$(8.1)	\$ —	—	\$ —
Total	\$(8.1)	\$ —	—	\$ —

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations
Derivatives in Cash Flow Hedging Relationships

	Location of Loss Reclassified from AOCE into Earnings (Effective Portion)	Amount of Loss Reclassified from AOCE into Earnings (Effective Portion)			
		Three Months		Nine Months	
		Ended		Ended	
		September 30,		September 30,	
(In millions)		2016	2015	2016	2015
Foreign currency forward contracts	Net sales	\$(10.7)	\$(8.1)	\$(34.2)	\$(30.4)
Interest rate swaps	Interest expense	(2.3)	(0.2)	(6.6)	(0.5)
Total		\$(13.0)	\$(8.3)	\$(40.8)	\$(30.9)

	Amount of Gain Excluded from the Assessment of Hedge Effectiveness				
	Three Months		Nine Months		
	Ended		Ended		
	September 30,		September 30,		
(In millions)	2016	2015	2016	2015	
Foreign currency forward contracts	Net sales	\$(10.7)	\$(8.1)	\$(34.2)	\$(30.4)
Interest rate swaps	Interest expense	(2.3)	(0.2)	(6.6)	(0.5)
Total		\$(13.0)	\$(8.3)	\$(40.8)	\$(30.9)

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		Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
(In millions)					
Foreign currency forward contracts	Other expense, net	\$8.9	\$11.7	\$26.0	\$35.1
Total		\$8.9	\$11.7	\$26.0	\$35.1

At September 30, 2016, the Company expects that approximately \$27.8 million of pre-tax net losses on cash flow hedges will be reclassified from AOCE into earnings during the next twelve months.

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MYLAN N.V. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations
Derivatives Not Designated as Hedging Instruments

	Location of (Loss) Gain Recognized in Earnings on Derivatives	Amount of (Loss) Gain Recognized in Earnings on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)		2016	2015	2016	2015
Foreign currency option and forward contracts	Other expense, net	\$(36.8)	\$ 22.2	\$(98.3)	\$ 29.8
Cash conversion feature of Cash Convertible Notes	Other expense, net	—	1,689.3	—	1,853.5
Purchased cash convertible note hedge	Other expense, net	—	(1,689.3)	—	(1,853.5)
Total		\$(36.8)	\$ 22.2	\$(98.3)	\$ 29.8

Fair Value Measurement

Fair value is based on the price that would be received from the sale of an identical asset or paid to transfer an identical liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy has been established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

• Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

• Level 2: Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.

• Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

Financial assets and liabilities carried at fair value are classified in the tables below in one of the three categories described above:

(In millions)	September 30, 2016			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Financial Assets				
Cash equivalents:				
Money market funds	\$859.9	\$—	\$—	\$859.9
Total cash equivalents	859.9	—	—	859.9
Trading securities:				
Equity securities — exchange traded funds	28.7	—	—	28.7
Total trading securities	28.7	—	—	28.7
Available-for-sale fixed income investments:				
U.S. Treasuries	—	6.5	—	6.5
Corporate bonds	—	17.6	—	17.6
Agency mortgage-backed securities	—	4.5	—	4.5
Asset backed securities	—	1.5	—	1.5
Other	—	3.9	—	3.9
Total available-for-sale fixed income investments	—	34.0	—	34.0
Available-for-sale equity securities:				
Marketable securities	57.6	—	—	57.6
Total available-for-sale equity securities	57.6	—	—	57.6
Foreign exchange derivative assets	—	34.4	—	34.4
Interest rate swap derivative assets	—	66.4	—	66.4
Total assets at recurring fair value measurement	\$946.2	\$134.8	\$—	\$1,081.0
Financial Liabilities				
Foreign exchange derivative liabilities	\$—	\$23.5	\$—	\$23.5
Interest rate swap derivative liabilities	—	1.7	—	1.7
Contingent consideration	—	—	651.5	651.5
Total liabilities at recurring fair value measurement	\$—	\$25.2	\$651.5	\$676.7

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MYLAN N.V. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

(In millions)	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Financial Assets				
Cash equivalents:				
Money market funds	\$923.3	\$ —	\$ —	—\$923.3
Total cash equivalents	923.3	—	—	923.3
Trading securities:				
Equity securities — exchange traded funds	22.8	—	—	22.8
Total trading securities	22.8	—	—	22.8
Available-for-sale fixed income investments:				
U.S. Treasuries	—	4.7	—	4.7
Corporate bonds	—	15.7	—	15.7
Agency mortgage-backed securities	—	3.9	—	3.9
Asset backed securities	—	2.3	—	2.3
Other	—	1.4	—	1.4
Total available-for-sale fixed income investments	—	28.0	—	28.0
Available-for-sale equity securities:				
Marketable securities	26.0	—	—	26.0
Total available-for-sale equity securities	26.0	—	—	26.0
Foreign exchange derivative assets	—	28.4	—	28.4
Interest rate swap derivative assets	—	36.3	—	