Mylan N.V.
Form 10-Q
August 09, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-Q

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

For the quarterly period ended June 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 of incorporation or organization)	(I.R.S. Employer 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 þ 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 þ 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 þ	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 þ

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

As of August 5, 2016, there were 534,911,497 of the issuer's €0.01 nominal value ordinary shares outstanding.

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For the Quarterly Period Ended
June 30, 2016

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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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Net sales	$2,539.9	$2,357.0	$4,716.0	$4,211.6
Other revenues	20.8	14.7	36.0	31.8
Total revenues	2,560.7	2,371.7	4,752.0	4,243.4
Cost of sales	1,389.0	1,363.6	2,673.3	2,405.2
Gross profit	1,171.7	1,008.1	2,078.7	1,838.2
Operating expenses:				
Research and development	179.5	168.2	433.1	338.1
Selling, general and administrative	581.4	564.2	1,130.7	1,047.4
Litigation settlements, net	(0.1)	(0.9)	(1.6)	16.8
Total operating expenses	760.8	731.5	1,562.2	1,402.3
Earnings from operations	410.9	276.6	516.5	435.9
Interest expense	90.3	93.9	160.6	173.4
Other expense, net	117.5	2.0	133.8	20.5
Earnings before income taxes and noncontrolling interest	203.1	180.7	222.1	242.0
Income tax provision	34.7	12.8	39.8	17.5
Net earnings	168.4	167.9	182.3	224.5
Net earnings attributable to the noncontrolling interest	—	(0.1)	—	(0.1)
Net earnings attributable to Mylan N.V. ordinary shareholders	$168.4	$167.8	$182.3	$224.4
Earnings per ordinary share attributable to Mylan N.V. ordinary shareholders:				
Basic	$0.33	$0.34	$0.37	$0.49
Diluted	$0.33	$0.32	$0.36	$0.46
Weighted average ordinary shares outstanding:				
Basic	504.4	490.1	497.1	454.0
Diluted	509.7	521.9	509.6	482.8

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net earnings	$168.4	$167.9	$182.3	$224.5
Other comprehensive (loss) earnings, before tax:				
Foreign currency translation adjustment	(147.1)	224.3	354.9	(378.3)
Change in unrecognized (loss) gain and prior service cost related to defined benefit plans	(0.1)	3.8	(0.4)	3.9
Net unrecognized gain (loss) on derivatives	3.4	51.3	(45.7)	16.8
Net unrealized gain (loss) on marketable securities	6.6	(0.3)	11.0	(0.2)
Other comprehensive (loss) earnings, before tax	(137.2)	279.1	319.8	(357.8)
Income tax provision (benefit)	3.6	19.8	(13.2)	6.8
Other comprehensive (loss) earnings, net of tax	(140.8)	259.3	333.0	(364.6)
Comprehensive earnings (loss)	27.6	427.2	515.3	(140.1)
Comprehensive earnings attributable to the noncontrolling interest	—	(0.1)	—	(0.1)
Comprehensive earnings (loss) attributable to Mylan N.V. ordinary shareholders	$27.6	$427.1	$515.3	$(140.2)

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MYLAN N.V. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited; in millions, except share and per share amounts)

	June 30, 2016	December 31, 2015
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	$6,361.9	$ 1,236.0
Accounts receivable, net	2,917.4	2,689.1
Inventories	2,191.3	1,951.0
Prepaid expenses and other current assets	716.1	596.6
Total current assets	12,186.7	6,472.7
Property, plant and equipment, net	2,057.6	1,983.9
Intangible assets, net	7,716.5	7,221.9
Goodwill	5,830.2	5,380.1
Deferred income tax benefit	326.3	457.6
Other assets	719.0	751.5
Total assets	$28,836.3	$ 22,267.7
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$1,017.6	$ 1,109.6
Short-term borrowings	55.9	1.3
Income taxes payable	121.4	92.4
Current portion of long-term debt and other long-term obligations	654.7	1,077.0
Other current liabilities	1,925.0	1,841.9
Total current liabilities	3,774.6	4,122.2
Long-term debt	12,772.8	6,295.6
Deferred income tax liability	682.5	718.1
Other long-term obligations	1,275.1	1,366.0
Total liabilities	18,505.0	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: 509,731,928 and 491,928,095 as of June 30, 2016 and December 31, 2015	5.7	5.5
Additional paid-in capital	7,178.6	7,128.6
Retained earnings	4,644.4	4,462.1
Accumulated other comprehensive loss	(1,431.3)	(1,764.3)
	10,397.4	9,831.9
Noncontrolling interest	1.4	1.4
Less: Treasury stock — at cost		
Shares: 1,311,193 as of June 30, 2016 and December 31, 2015	67.5	67.5
Total equity	10,331.3	9,765.8
Total liabilities and equity	$28,836.3	$ 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)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net earnings	$182.3	$224.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	600.5	433.7
Share-based compensation expense	51.9	50.3
Deferred income tax benefit	(92.1)	(76.3)
Loss from equity method investments	55.8	49.7
Other non-cash items	85.5	142.9
Litigation settlements, net	2.4	16.8
Write off of financing fees	35.8	—
Unrealized losses on acquisition-related foreign currency derivatives	84.2	—
Changes in operating assets and liabilities:		
Accounts receivable	(100.6)	(134.1)
Inventories	(235.5)	(231.4)
Trade accounts payable	(137.6)	77.4
Income taxes	18.7	(151.0)
Other operating assets and liabilities, net	(54.2)	(20.8)
Net cash provided by operating activities	497.1	381.7
Cash flows from investing activities:		
Capital expenditures	(121.0)	(122.0)
Change in restricted cash	(50.6)	(11.2)
Purchase of marketable securities	(17.3)	(51.6)
Proceeds from sale of marketable securities	10.9	21.6
Cash paid for acquisitions, net	(943.3)	—
Payments for product rights and other, net	(180.0)	(104.6)
Net cash used in investing activities	(1,301.3)	(267.8)
Cash flows from financing activities:		
Payments of financing fees	(92.3)	(83.6)
Change in short-term borrowings, net	54.7	105.6
Proceeds from convertible note hedge	—	667.9
Proceeds from issuance of long-term debt	6,478.8	305.0
Payments of long-term debt	(500.0)	(973.6)
Proceeds from exercise of stock options	6.8	86.4
Taxes paid related to net share settlement of equity awards	(12.7)	(31.7)
Contingent consideration payments	(15.5)	—
Acquisition of noncontrolling interest	(0.2)	(10.6)
Other items, net	0.8	48.0
Net cash provided by financing activities	5,920.4	113.4
Effect on cash of changes in exchange rates	9.7	(13.1)
Net increase in cash and cash equivalents	5,125.9	214.2
Cash and cash equivalents — beginning of period	1,236.0	225.5
Cash and cash equivalents — end of period	$6,361.9	$439.7

Supplemental disclosures of cash flow information —

Non-cash transactions:		
Ordinary shares issued for acquisition	$—	$6,305.8

See Notes to Condensed Consolidated Financial Statements

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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 six months ended June 30, 2016 and cash flows for the six months ended June 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 revisions were made to the methodology used in determining these provisions during the six months ended June 30, 2016. Such allowances were $1.79 billion and $1.84 billion at June 30, 2016 and December 31, 2015, respectively. Other current liabilities include $726.5 million and $681.8 million at June 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 $895.4 million and $914.2 million of securitized accounts receivable at June 30, 2016 and December 31, 2015, respectively.

3. Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("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 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

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:

(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 of those preliminary estimates that are not yet finalized relate to the finalization of the valuation of intangible assets, 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 IPR&D 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 $2.7 million were incurred during the six months ended June 30, 2016 related to this transaction, which were recorded as a component of selling, general and administrative expense (“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 six month periods ended June 30, 2016 and 2015.

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

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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 Company has initiated compulsory acquisition proceedings for the remaining shares in Meda in accordance with the Swedish Companies Act and has acted to have the Meda shares delisted from Nasdaq Stockholm. Total consideration for the Meda shares acquired on August 5, 2016 was approximately $6.6 billion, which includes cash consideration of approximately $5.3 billion and the issuance of approximately 26.4 million Mylan N.V. ordinary shares. In accordance with U.S. GAAP, the Company will use 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 will be recorded at their respective estimated fair values at the acquisition date. Acquisition related costs of approximately $146.8 million were incurred during the six months ended June 30, 2016, respectively, related to this transaction which were recorded as components of SG&A, interest expense and other expense, net in the Condensed Consolidated Statements of Operations. These costs include approximately $84.2 million of unrealized mark-to-market 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) and approximately $45.2 million of financing fees related to the terminated 2016 Bridge Credit Agreement (explained further in Note 12 Debt).

Due to the limited time since the acquisition date and limitations on access to Meda's financial information prior to the acquisition date, the initial accounting for the business combination was incomplete at August 9, 2016. As a result, the Company was unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired and resulting from the acquisition, including information related to contingencies and goodwill. Also, because the initial accounting for the acquisition is incomplete, the Company was unable to provide the supplemental pro forma revenue and earnings of the combined entity. The Company will include such information in the Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.

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"), which was a specialty women's healthcare company with global leadership in generic oral contraceptive products, through its wholly owned subsidiary Mylan Laboratories Limited for 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 six months ended June 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 June 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 June 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.

(b) The measurement period adjustments were recorded in the first quarter of 2016 and are related to the recognition of 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. None of the goodwill recognized is currently expected to be deductible for income tax purposes. 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 of those preliminary estimates that are not yet finalized relate to the finalization of the working capital adjustment and income taxes. On a pro forma basis, the acquisition did not have a material impact on the Company's results of operations for the three and six months ended June 30, 2015.

EPD Business

On February 27, 2015 (the "EPD Transaction Closing Date"), the Company completed the acquisition 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 Global Select Stock Market (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 revenues of the acquired EPD Business for the period from the acquisition date to June 30, 2015 were $549.5 million and the net loss, net of tax, was $81.6 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 as if the acquisition of the EPD Business 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 EPD Transaction Closing Date. Accordingly, the unaudited pro forma results are not necessarily indicative of the results that actually would have occurred had the acquisition been completed on January 1, 2014, nor are they indicative of the future operating results of Mylan N.V.

(Unaudited, in millions, except per share amounts)	Three Months Ended	Six Months Ended
	June 30, 2015	
Total revenues	$2,371.6	$4,490.3
Net earnings attributable to Mylan N.V. ordinary shareholders	$216.2	$293.1
Earnings per ordinary share attributable to Mylan N.V. ordinary shareholders:		
Basic	$0.44	$0.60
Diluted	$0.41	$0.56
Weighted average ordinary shares outstanding:		
Basic	490.1	490.7
Diluted	521.9	519.5

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 will amortize 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.

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 research and development (“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 six months ended June 30, 2016 the Company incurred approximately $9.4 million and $13.3 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.

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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	710,409	46.29
Exercised	(295,018)	23.32
Forfeited	(99,059)	50.91
Outstanding at June 30, 2016	8,048,831	$ 33.21
Vested and expected to vest at June 30, 2016	7,720,804	$ 32.58
Exercisable at June 30, 2016	5,770,143	$ 27.19

As of June 30, 2016, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had average remaining contractual terms of 6.2 years, 6.1 years and 5.2 years, respectively. Also, at June 30, 2016, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had aggregate intrinsic values of $103.9 million, $103.5 million and $101.5 million, respectively.

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 June 30, 2016 and the changes during the six months ended June 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	2,619,678	45.12
Released	(1,067,077)	42.52
Forfeited	(230,715)	41.37
Nonvested at June 30, 2016	5,796,322	$ 42.47

As of June 30, 2016, the Company had $179.6 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 2.6 years. The total intrinsic value of stock awards exercised and restricted stock units released during the six months ended June 30, 2016 and 2015 was $44.4 million and $241.9 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. As a result of the EPD Transaction during 2015 and the acquisition of Meda, the Company acquired several additional funded and unfunded defined benefit pension plans both in and outside the U.S.

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.

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Net Periodic Benefit Cost

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

	Pension and Other Postretirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
Service cost	$3.9	$2.8	$7.8	$5.6
Interest cost	1.5	1.2	3.0	2.4
Expected return on plan assets	(2.0)	(1.4)	(4.0)	(2.8)
Plan curtailment, settlement and termination	—	0.3	—	0.6
Amortization of prior service costs	0.1	0.1	0.2	0.2
Recognized net actuarial losses	0.2	0.3	0.4	0.6
Net periodic benefit cost	$3.7	$3.3	$7.4	$6.6

The Company is not required to make any mandatory contributions to its U.S. defined benefit pension plan in 2016. However, the Company expects to make total benefit payments of approximately $11.7 million and contributions to pension and other postretirement benefit plans of approximately $14.2 million in 2016.

7. Balance Sheet Components

Selected balance sheet components consist of the following:

(In millions)	June 30, 2016	December 31, 2015
Inventories:		
Raw materials	$688.7	$ 592.4
Work in process	435.2	387.0
Finished goods	1,067.4	971.6
	$2,191.3	$ 1,951.0
Property, plant and equipment:		
Land and improvements	$134.8	$124.5
Buildings and improvements	997.2	950.6
Machinery and equipment	2,077.7	1,928.4
Construction in progress	274.8	290.5
	3,484.5	3,294.0
Less accumulated depreciation	1,426.9	1,310.1
	$2,057.6	$1,983.9
Other current liabilities:		
Legal and professional accruals, including litigation accruals	$119.3	$122.6
Payroll and employee benefit plan accruals	317.4	367.9
Accrued sales allowances	726.5	681.8
Accrued interest	38.1	25.1
Fair value of financial instruments	97.4	19.8
Other	626.3	624.7
	$1,925.0	$1,841.9

Contingent consideration included in other current liabilities totaled $37.5 million and $35.0 million at June 30, 2016 and December 31, 2015, respectively. During the six months ended June 30, 2016, the Company recorded 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. Contingent consideration included in other long-term obligations was $513.2 million and $491.4 million at June 30, 2016 and December 31, 2015, respectively. Included in prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets was $156.1 million and $106.6 million of restricted cash at June 30, 2016 and December 31, 2015, respectively. During the second quarter of 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 June 30, 2016 and 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 Arcolab").

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. The carrying value of the clean energy investments totaled $352.7 million and $379.3 million at June 30, 2016 and December 31, 2015, respectively, and are included in other assets in the Condensed Consolidated Balance Sheets. Liabilities related to these clean energy investments totaled $391.2 million and $419.3 million at June 30, 2016 and December 31, 2015, respectively. Of these liabilities, $327.7 million and $357.0 million are included in other long-term obligations in the Condensed Consolidated Balance Sheets at June 30, 2016 and December 31, 2015, respectively. The remaining $63.5 million and $62.3 million are included in other current liabilities in the Condensed Consolidated Balance Sheets at June 30, 2016 and December 31, 2015, respectively.

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 value of the investment in Sagent Agila included in other assets totaled $86.0 million and $96.2 million at June 30, 2016 and December 31, 2015, respectively, in the Condensed Consolidated Balance Sheets.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2016	2015	2016	2015
Total revenues	$104.2	$132.8	$248.2	$286.5
Gross (loss) profit	(0.5)	(0.7)	(0.8)	(0.5)
Operating and non-operating expense	4.3	5.7	10.0	11.8
Net loss	$(4.8)	$(6.4)	$(10.8)	$(12.3)

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 June 30, 2016 and 2015, the Company's share of the net loss of the equity method investments was $24.9 million and $25.0 million, respectively. For the six months ended June 30, 2016 and 2015, the Company's share of the net loss of the equity method investments was $55.8 million and $49.7 million, respectively, which was recognized as a component of other expense, net. 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.

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. For the three and six months ended June 30, 2016, 14.0 million and 7.0 million ordinary shares, respectively, issued to settle the warrants were 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 three and six months ended June 30, 2016, 2.8 million and 9.8 million warrants, respectively, were included in the calculation of diluted earnings per ordinary share. For the three and six months ended June 30, 2015, 25.1 million and 23.0 million warrants, respectively, were included in the calculation of diluted earnings per ordinary share.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share amounts)	2016	2015	2016	2015
Basic earnings attributable to Mylan N.V. ordinary shareholders (numerator):				
Net earnings attributable to Mylan N.V. ordinary shareholders	$168.4	$167.8	$182.3	$224.4
Shares (denominator):				
Weighted average ordinary shares outstanding	504.4	490.1	497.1	454.0
Basic earnings per ordinary share attributable to Mylan N.V. ordinary shareholders	$0.33	$0.34	$0.37	$0.49
Diluted earnings attributable to Mylan N.V. ordinary shareholders (numerator):				
Net earnings attributable to Mylan N.V. ordinary shareholders	$168.4	$167.8	$182.3	$224.4
Shares (denominator):				
Weighted average ordinary shares outstanding	504.4	490.1	497.1	454.0
Share-based awards and warrants	5.3	31.8	12.5	28.8
Total dilutive shares outstanding	509.7	521.9	509.6	482.8
Diluted earnings per ordinary share attributable to Mylan N.V. ordinary shareholders	$0.33	$0.32	$0.36	$0.46

Additional stock awards and restricted stock awards were outstanding during the periods ended June 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 June 30, 2016 include certain share-based compensation awards and restricted ordinary shares whose performance conditions had not been fully met. Such excluded and anti-dilutive awards represented 7.1 million shares and 6.8 million shares for the three and six months ended June 30, 2016, respectively, and 3.2 million shares and 3.1 million shares for the three and six months ended June 30, 2015, respectively.

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10. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 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	307.3	—	307.3
Measurement period adjustments	8.1	—	8.1
Foreign currency translation	134.7	—	134.7
	$5,481.1	$349.1	$5,830.2
Balance at June 30, 2016:			
Goodwill	$5,481.1	$734.1	$6,215.2
Accumulated impairment losses	—	(385.0)	(385.0)
	$5,481.1	$349.1	$5,830.2

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

(In millions)	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
June 30, 2016				
Amortized intangible assets:				
Product rights and licenses	11	$9,629.0	$ 3,124.9	$6,504.1
Patents and technologies	20	116.6	106.1	10.5
Other [(1)]	6	487.3	270.3	217.0
		10,232.9	3,501.3	6,731.6
In-process research and development		984.9	—	984.9
		$11,217.8	$ 3,501.3	$7,716.5
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

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

Amortization expense, which is classified primarily within cost of sales in the Condensed Consolidated Statements of Operations, for the three and six months ended June 30, 2016 was $246.3 million and $488.6 million, respectively, and $215.0 million and $345.5 million for the three and six months ended June 30, 2015, respectively. Amortization expense is expected to be approximately $512 million for the remainder of 2016 and $872 million, $820 million, $734 million and $631 million for the years ended December 31, 2017 through 2020, respectively, which includes the impact from the acquisition of the Topicals Business and excludes the impact of the Meda Transaction.

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During the six months ended June 30, 2016, approximately $20.7 million was reclassified from acquired IPR&D to product rights and licenses.

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 the second quarter of 2016, 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 43.9kr billion. During the second quarter of 2016, the Company recognized unrealized mark-to-market losses of $84.2 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.

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