Mylan N.V.
Form 10-Q
October 30, 2015
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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 September 30, 2015

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 October 28, 2015, there were 491,747,016 of the issuer's €0.01 nominal value ordinary shares outstanding.

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September 30, 2015

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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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Net sales	$2,676.2	$2,069.4	$6,887.8	$5,588.8
Other revenues	19.0	14.6	50.8	48.1
Total revenues	2,695.2	2,084.0	6,938.6	5,636.9
Cost of sales	1,379.9	1,071.6	3,785.1	3,077.9
Gross profit	1,315.3	1,012.4	3,153.5	2,559.0
Operating expenses:				
Research and development	174.8	158.2	512.9	431.6
Selling, general and administrative	537.1	418.3	1,584.5	1,200.1
Litigation settlements, net	2.3	20.9	19.1	47.2
Other operating income, net	—	(80.0)	—	(80.0)
Total operating expenses	714.2	517.4	2,116.5	1,598.9
Earnings from operations	601.1	495.0	1,037.0	960.1
Interest expense	95.1	83.9	268.5	251.2
Other expense (income), net	50.9	(1.5)	71.4	6.8
Earnings before income taxes and noncontrolling interest	455.1	412.6	697.1	702.1
Income tax provision (benefit)	26.5	(86.8)	44.0	(40.5)
Net earnings	428.6	499.4	653.1	742.6
Net earnings attributable to the noncontrolling interest	—	(0.3)	(0.1)	(2.4)
Net earnings attributable to Mylan N.V. ordinary shareholders	$428.6	$499.1	$653.0	$740.2
Earnings per ordinary share attributable to Mylan N.V. ordinary shareholders:				
Basic	$0.87	$1.33	$1.40	$1.98
Diluted	$0.83	$1.26	$1.32	$1.86
Weighted average ordinary shares outstanding:				
Basic	490.5	374.1	466.2	373.4
Diluted	514.0	397.3	493.2	397.1

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,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net earnings	$428.6	$499.4	$653.1	$742.6
Other comprehensive loss, before tax:				
Foreign currency translation adjustment	(148.4)	(453.8)	(526.7)	(317.2)
Change in unrecognized gain (loss) and prior service cost related to defined benefit plans	—	1.4	3.9	(3.7)
Net unrecognized loss on derivatives	(84.2)	(23.1)	(67.4)	(98.3)
Net unrealized loss on marketable securities	(0.2)	(0.1)	(0.4)	—
Other comprehensive loss, before tax	(232.8)	(475.6)	(590.6)	(419.2)
Income tax benefit	(30.8)	(8.0)	(24.0)	(39.0)
Other comprehensive loss, net of tax	(202.0)	(467.6)	(566.6)	(380.2)
Comprehensive earnings	226.6	31.8	86.5	362.4
Comprehensive earnings attributable to the noncontrolling interest	—	(0.3)	(0.1)	(2.4)
Comprehensive earnings attributable to Mylan N.V. ordinary shareholders	$226.6	$31.5	$86.4	$360.0

See Notes to Condensed Consolidated Financial Statements

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

	September 30, 2015	December 31, 2014
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	$ 587.0	$ 225.5
Accounts receivable, net	2,917.1	2,268.5
Inventories	1,944.1	1,651.4
Deferred income tax benefit	444.0	345.7
Prepaid expenses and other current assets	593.7	2,295.8
Total current assets	6,485.9	6,786.9
Property, plant and equipment, net	1,884.7	1,785.7
Intangible assets, net	6,888.2	2,347.1
Goodwill	5,125.3	4,049.3
Deferred income tax benefit	78.0	83.4
Other assets	854.4	834.2
Total assets	$ 21,316.5	$ 15,886.6
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$ 1,236.2	$ 905.6
Short-term borrowings	0.8	330.7
Income taxes payable	100.2	160.7
Current portion of long-term debt and other long-term obligations	567.5	2,474.4
Deferred income tax liability	2.3	0.2
Other current liabilities	1,777.1	1,434.1
Total current liabilities	3,684.1	5,305.7
Long-term debt	5,845.8	5,732.8
Deferred income tax liability	613.1	235.4
Other long-term obligations	1,358.5	1,336.7
Total liabilities	11,501.5	12,610.6
Equity		
Mylan N.V. shareholders' equity		
Ordinary shares [(1)] — nominal value €0.01 per ordinary share as of September 30, 2015 and par value $0.50 per share as of December 31, 2014 Shares authorized: 1,200,000,000 and 1,500,000,000 as of September 30, 2015 and December 31, 2014 Shares issued: 491,736,385 and 546,658,507 as of September 30, 2015 and December 31, 2014	5.5	273.3
Additional paid-in capital	7,094.2	4,212.8
Retained earnings	4,267.5	3,614.5
Accumulated other comprehensive loss	(1,553.6)	(987.0)
	9,813.6	7,113.6
Noncontrolling interest	1.4	20.1
Less: Treasury stock — at cost		

Shares: zero and 171,435,200 as of September 30, 2015 and December 31, 2014	—	3,857.7
Total equity	9,815.0	3,276.0
Total liabilities and equity	$ 21,316.5	$ 15,886.6

(1) Common stock prior to February 27, 2015.

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,	
	2015	2014
Cash flows from operating activities:		
Net earnings	$653.1	$742.6
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	691.4	398.1
Share-based compensation expense	66.4	48.0
Change in estimated sales allowances	399.8	462.0
Deferred income tax provision	(62.2)	(250.5)
Loss from equity method investments	77.5	65.5
Other non-cash items	206.2	120.3
Litigation settlements, net	19.1	47.2
Changes in operating assets and liabilities:		
Accounts receivable	(454.1)	(339.2)
Inventories	(288.4)	(163.4)
Trade accounts payable	242.5	(126.8)
Income taxes	(178.5)	30.4
Other operating assets and liabilities, net	(16.3)	(146.0)
Net cash provided by operating activities	1,356.5	888.2
Cash flows from investing activities:		
Capital expenditures	(207.3)	(220.3)
Cash paid for acquisitions, net	—	(50.0)
Proceeds from sale of property, plant and equipment	2.3	8.8
Purchase of marketable securities	(59.1)	(17.6)
Proceeds from sale of marketable securities	29.4	16.4
Payments for product rights and other, net	(404.6)	(454.2)
Net cash used in investing activities	(639.3)	(716.9)
Cash flows from financing activities:		
Payment of financing fees	(114.7)	(2.4)
Change in short-term borrowings, net	(329.7)	(75.1)
Proceeds from convertible note hedge	1,970.8	—
Proceeds from issuance of long-term debt	2,390.0	635.0
Payment of long-term debt	(4,334.1)	(695.0)
Proceeds from exercise of stock options	92.8	34.2
Taxes paid related to net share settlement of equity awards	(31.7)	(22.8)
Payments for contingent consideration	—	(150.0)
Acquisition of noncontrolling interest	(11.7)	—
Other items, net	49.6	22.4
Net cash used in financing activities	(318.7)	(253.7)
Effect on cash of changes in exchange rates	(37.0)	(9.3)
Net increase (decrease) in cash and cash equivalents	361.5	(91.7)
Cash and cash equivalents — beginning of period	225.5	291.3
Cash and cash equivalents — end of period	$587.0	$199.6
Supplemental disclosures of cash flow information —		
Non-cash transaction:		

Ordinary shares issued for acquisition	$6,305.8	$—

See Notes to Condensed Consolidated Financial Statements

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MYLAN N.V. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. General
As discussed in Note 4 of the Notes to the Condensed Consolidated Financial Statements, on February 27, 2015 (the "EPD Transaction Closing Date"), Mylan N.V. completed the transaction (the "EPD Transaction") by which it acquired Mylan Inc. and Abbott Laboratories' ("Abbott") non-U.S. developed markets specialty and branded generics business (the "EPD Business"). Pursuant to the terms of the Amended and Restated Business Transfer Agreement and Plan of Merger, dated as of November 4, 2014, by and among Mylan Inc., New Moon B.V. (which converted into a public limited company (naamloze vennootschap) and was renamed Mylan N.V. on the EPD Transaction Closing Date), Moon of PA Inc., and Abbott (the "EPD Transaction Agreement") on the EPD Transaction Closing Date, Mylan N.V. acquired the EPD Business in consideration for Mylan N.V. ordinary shares, Moon of PA Inc. merged with and into Mylan Inc., with Mylan Inc. surviving as an indirect wholly owned subsidiary of Mylan N.V. and each share of Mylan Inc. common stock issued and outstanding immediately prior to the EPD Transaction Closing Date was canceled and automatically converted into, and became the right to receive, one Mylan N.V. ordinary share. In connection with the EPD Transaction, Mylan Inc. and the EPD Business were reorganized under Mylan N.V., a new public company organized in the Netherlands. On February 18, 2015, the Office of Chief Counsel of the Division of Corporation Finance of the Securities and Exchange Commission (the "SEC") issued a no-action letter to Mylan Inc. and Mylan N.V. that included its views that the EPD Transaction constituted a "succession" for purposes of Rule 12g-3(a) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and that Mylan N.V., as successor to Mylan Inc., is deemed a large accelerated filer for purposes of Exchange Act Rule 12b-2. As of March 2, 2015, Mylan N.V., and not Mylan Inc., traded on the NASDAQ Global Select Stock Market under the symbol "MYL."
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 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 the EPD Transaction, the Company's consolidated financial statements present the accounts of Mylan Inc.
These interim financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto in Mylan Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014, as amended on April 30, 2015 and as updated by the Company's Current Report on Form 8-K filed on June 11, 2015. The December 31, 2014 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, 2015 and cash flows for the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full fiscal year or any other future period. The Company computed its provision for income taxes using an estimated effective tax rate for the full year with consideration of certain discrete tax items which occurred within the interim 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 nine months ended September 30, 2015. Such allowances were $1.82 billion and $1.63 billion at September 30, 2015 and December 31, 2014, respectively. Other current liabilities include $774.4 million and $581.3 million at September 30, 2015 and December 31, 2014, respectively, for certain sales allowances and other adjustments that are paid to indirect 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 $962.3 million and $1.07 billion of securitized accounts receivable at September 30, 2015 and December 31, 2014, respectively.

3. Recent Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2015-16, Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"), which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in ASU 2015-16 require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. An entity is required to present separately on the face of the income statement or disclose in the notes thereto the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015 and should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier adoption permitted for financial statements that have not been issued. The Company is currently assessing the impact of the adoption of this guidance on its financial condition, results of operations and cash flows.

In August 2015, the FASB issued Accounting Standards Update 2015-15, Interest - Imputation of Interest, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements ("ASU 2015-15"), which states that given the absence of authoritative guidance for debt issuance costs related to line-of-credit arrangements within ASU 2015-03, defined below, the SEC staff would not object to an entity deferring and presenting such costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of credit arrangement. The Company is currently assessing the impact of the adoption of this guidance on its financial presentation.

In April 2015, the FASB issued Accounting Standards Update 2015-03, Interest – Imputation of Interest ("ASU 2015-03"), which simplifies the presentation of debt issuance costs by requiring that debt issue costs for term debt be presented on the balance sheet as a direct reduction of the term debt liability as opposed to a deferred charge within other non-current assets. The change is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. Retrospective application is required and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance on its financial presentation.

In February 2015, the FASB issued Accounting Standards Update 2015-02, Amendments to Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 revises the guidance with respect to the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The revised guidance modifies the evaluation of whether certain limited partnerships and similar entities are variable interest entities ("VIE") or voting interest entities, impacts the consolidation analysis of VIEs, clarifies when fees paid to a decision maker should be factors to include in the consolidation of VIEs, amends the guidance for assessing how related party relationships affect VIE consolidation analysis and provides an exemption for certain registered money market funds. This guidance is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015 and can be applied using a modified retrospective approach. The Company is currently assessing the impact of the adoption of this guidance on its financial condition, results of operations and cash flows.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), 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 financial condition, results of operations and cash flows.

4. Acquisitions and Other Transactions
EPD Business
On July 13, 2014, Mylan N.V., Mylan Inc., and Moon of PA Inc. entered into a definitive agreement with Abbott to acquire the EPD Business in an all-stock transaction. On November 4, 2014, Mylan N.V., Mylan Inc., Moon of PA Inc. and Abbott entered into the EPD Transaction Agreement. The EPD Transaction closed on February 27, 2015, after receiving approval from Mylan Inc.'s shareholders on January 29, 2015. At closing, Abbott transferred the EPD Business to Mylan N.V. in exchange for 110 million ordinary shares of Mylan N.V. Immediately after the transfer of the EPD Business, Mylan Inc. merged with Moon of PA Inc., an indirect wholly owned subsidiary of Mylan N.V., with Mylan Inc. becoming an indirect wholly owned subsidiary of Mylan N.V. In addition, Mylan Inc.'s outstanding common stock was exchanged on a one to one basis for Mylan N.V. ordinary shares. As a result of the EPD Transaction, Mylan N.V.'s corporate seat is located in Amsterdam, the Netherlands, its principal executive offices are located in Hatfield, Hertfordshire, England and its global headquarters are located in Canonsburg, Pennsylvania.

The EPD Business includes more than 100 specialty and branded generic pharmaceutical products in five major therapeutic areas and includes several patent protected, novel and/or hard-to-manufacture products. As a result of the acquisition, Mylan N.V. has significantly expanded and strengthened its product portfolio in Europe, Japan, Canada, Australia and New Zealand.

The purchase price for Mylan N.V. of 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. At the closing of the EPD Transaction, former shareholders of Mylan Inc. owned approximately 78% of Mylan N.V.'s ordinary shares and certain affiliates of Abbott (the "Abbott Shareholders") owned approximately 22% of Mylan N.V.'s ordinary shares. On the EPD Transaction Closing Date, Mylan N.V., Abbott and Abbott Shareholders entered into a shareholder agreement (the "Shareholder Agreement"). Following an underwritten public offering of Abbott Shareholders of a portion of Mylan N.V.'s ordinary shares held by them, which offering closed on April 6, 2015, the Abbott Shareholders collectively owned approximately 14.2% of Mylan N.V.'s outstanding ordinary shares.

In accordance with U.S. GAAP, Mylan N.V. used the purchase method of accounting to account for the EPD Transaction, with Mylan Inc. being treated as the accounting acquirer. Under the purchase method of accounting, the assets acquired and liabilities assumed in the EPD Transaction were recorded at their respective estimated fair values at the EPD Transaction Closing Date. The preliminary fair value estimates for 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 area of those preliminary estimates that is not yet finalized relates to deferred income taxes. During the second and third quarter of 2015, adjustments were made to the preliminary purchase price recorded at February 27, 2015. These adjustments related to working capital amounts and liabilities for post-employment benefits. These adjustments are reflected in the values presented below. The preliminary allocation of the $6.31 billion purchase price (as valued on the EPD Transaction Closing Date) to the assets acquired and liabilities assumed for the EPD Business is as follows:

(In millions)	Preliminary Purchase Price Allocation as of February 27, 2015 [a]	Measurement Period Adjustments [b]	Preliminary Purchase Price Allocation as of September 30, 2015 (as adjusted)
Accounts receivable	$462.5	$ (18.7)	$443.8
Inventories	196.3	2.2	198.5
Other current assets	70.1	—	70.1
Property, plant and equipment	140.8	—	140.8
Identified intangible assets	4,843.0	—	4,843.0
Goodwill	1,285.7	18.3	1,304.0
Other assets	15.5	—	15.5
Total assets acquired	7,013.9	1.8	7,015.7
Current liabilities	(269.0)	—	(269.0)
Deferred tax liabilities	(382.1)	—	(382.1)
Other non-current liabilities	(57.0)	(1.8)	(58.8)
Net assets acquired	$6,305.8	$ —	$6,305.8

(a) As originally reported in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2015.

(b) The measurement period adjustments are for 1) certain working capital adjustments to reflect facts and circumstances that existed as of the acquisition date, 2) an increase in the liability recorded for post-employment benefit programs to reflect updated opening balance sheet actuarial valuations and 3) the tax implications of these adjustments. These adjustments did not have a significant impact on the Company's previously reported condensed consolidated financial statements and accordingly, the Company has not retrospectively adjusted those financial statements.

The identified intangible assets of $4.84 billion are comprised of $4.52 billion of product rights and licenses that have a weighted average useful life of 13 years and $320 million of contractual rights that have weighted average useful lives ranging from two to 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 $1.30 billion arising from the acquisition primarily relates to the expected synergies of the combined company and the value of the employee workforce. All of the goodwill was assigned to the Generics segment. Goodwill of $849 million is currently expected to be deductible for income tax purposes. Acquisition related costs of approximately $85.1 million were incurred during the nine months ended September 30, 2015, which were recorded as a component of selling, general and administrative ("SG&A") expense in the Condensed Consolidated Statements of Operations. During the year ended December 31, 2014, the Company incurred approximately $50.2 million of acquisition related costs, which were recorded as a component of SG&A in the Consolidated Statements of Operations.

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 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 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 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 September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Total revenues	$2,695.2	$2,603.0	$7,185.5	$7,097.9
Net earnings attributable to Mylan N.V. ordinary shareholders	$428.6	$504.6	$721.7	$432.7
Earnings per ordinary share attributable to Mylan N.V. ordinary shareholders:				
Basic	$0.87	$1.05	$1.47	$0.90
Diluted	$0.83	$0.99	$1.39	$0.85
Weighted average ordinary shares outstanding:				
Basic	490.5	484.1	490.6	483.4
Diluted	514.0	507.3	517.6	507.1

Other Transactions

On April 24, 2015, Mylan N.V. issued a Rule 2.5 announcement under the Irish Takeover Panel Act, 1997, Takeover Rules, 2013 (the "Irish Takeover Rules") setting forth its legally-binding commitment to commence an offer for the entire issued and to be issued share capital of Perrigo Company plc ("Perrigo") (the "Perrigo Proposal"). Under the terms of the offer, as described in the Rule 2.5 announcement (as amended on April 29, 2015 and on August 13, 2015) and as further described in the Offer to Exchange/Prospectus dated September 14, 2015 (the "Offer to Exchange/Prospectus") (being the offer document for the purposes of the Irish Takeover Rules), Perrigo shareholders would receive $75 in cash and 2.3 Mylan N.V. ordinary shares for each Perrigo ordinary share. The offer is subject to certain conditions and other terms set forth in the formal Rule 2.5 announcement and the Offer to Exchange/Prospectus, including approval by Mylan N.V. shareholders. On August 28, 2015, Mylan N.V. shareholders approved the Perrigo Proposal at an extraordinary general meeting of shareholders of Mylan N.V. On September 14, 2015, Mylan officially commenced its formal offer to acquire all outstanding ordinary shares of Perrigo. The offer and withdrawal rights are scheduled to expire at 1:00 PM (Irish time)/8:00 AM (New York City time) on November 13, 2015, unless the offer is extended with the consent of the Irish Takeover Panel. The offer is fully financed, cash confirmed and not conditional on due diligence. The offer is subject to customary conditions for an offer governed by the Irish Takeover Rules.

During 2015, the Company entered into agreements with multiple counterparties to acquire certain marketed pharmaceutical products for upfront payments totaling approximately $360.8 million, which was paid during the nine months ended September 30, 2015 and is included in investing activities in the Condensed Consolidated Statements of Cash Flows. The Company is subject to potential future sales and other contingent milestone payments under the terms of one of the agreements.

On February 2, 2015, the Company signed a definitive agreement to acquire certain female health care businesses from Famy Care Limited (such businesses "Jai Pharma Limited"), a specialty women's health care company with global leadership in generic oral contraceptive products. The purchase price is $750 million in cash at closing plus additional contingent payments of up to $50 million. The transaction is expected to close in the fourth quarter of 2015.

On January 30, 2015, the Company entered into a development and commercialization collaboration with Theravance Biopharma, Inc. ("Theravance Biopharma") for the development and, subject to U.S. Food and Drug Administration ("FDA") approval, commercialization of TD-4208, a novel once-daily nebulized long-acting muscarinic antagonist for chronic obstructive pulmonary disease ("COPD") and other respiratory diseases. Under the terms of the agreement, Mylan and Theravance Biopharma will co-develop nebulized TD-4208 for COPD and other respiratory diseases.

Theravance Biopharma will lead the U.S. registrational development program and Mylan will be responsible for reimbursement of Theravance Biopharma's development costs for that program up until the approval of the first new drug application, after which costs will be shared. In addition, Mylan will be responsible for commercial manufacturing. In the U.S., Mylan will lead commercialization and Theravance Biopharma will retain the right to co-promote the product under a profit-sharing arrangement. On September 14, 2015, Mylan announced the initiation of the Phase 3 program that will support the registrational development program of TD-4208 in the U.S. In addition to funding the U.S. registrational development program, the Company made a $30 million investment in Theravance Biopharma’s common stock during the first quarter of 2015, which is being accounted for as an available-for-sale security. The Company incurred $15 million in upfront development costs during the nine months ended September 30, 2015. Under the terms of the agreement, Theravance Biopharma is eligible to receive potential development and sales milestone payments totaling $220 million in the aggregate.

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, 2014	16,207,777	$33.21
Granted	555,558	59.20
Exercised	(4,892,485)	22.28
Forfeited	(163,692)	45.50
Converted	(4,100,000)	53.33
Outstanding at September 30, 2015	7,607,158	$31.01
Vested and expected to vest at September 30, 2015	7,260,973	$30.24
Exercisable at September 30, 2015	5,208,129	$23.11

As of September 30, 2015, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had average remaining contractual terms of 6.4 years, 6.3 years and 5.3 years, respectively. Also, at September 30, 2015, stock awards outstanding, stock awards vested and expected to vest and stock awards exercisable had aggregate intrinsic values of $97.1 million, $96.5 million and $93.2 million, respectively.

On June 10, 2015, 4.1 million shares of the Company's performance-based SARs were converted into 1.1 million restricted ordinary shares (the "Restricted Ordinary Shares") pursuant to the terms of Mylan's One-Time Special Performance-Based Five-Year Realizable Value Incentive Program implemented in 2014 (the "2014 Program"). In addition, the maximum number of the Company's performance restricted stock units ("PRSU") granted under the 2014 Program that could vest was fixed at 1.4 million units. The fair value of the performance-based SARs and PRSUs were determined using a Monte Carlo simulation as both the SARs and PRSUs contain the same performance and market conditions. In determining the fair value of the performance-based SARs and PRSUs, the Company considered the achievement of the market condition in determining the estimated fair value. The Restricted Ordinary Shares and PRSUs remain subject to the achievement of the performance condition and the employee's continued service. During the nine months ended September 30, 2015, the Company recorded additional share-based compensation expense of approximately $15.2 million related to the accelerated vesting of equity awards as a result of the EPD Transaction.

A summary of the status of the Company's nonvested restricted stock and restricted stock unit awards, including PRSUs and Restricted Ordinary Shares (collectively, "restricted stock awards"), as of September 30, 2015 and the changes during the nine months ended September 30, 2015 are presented below:

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value per Share
Nonvested at December 31, 2014	3,670,238	$34.98
Granted	939,295	55.35
Released	(1,464,571)	33.84
Forfeited	(90,043)	43.47
Converted	1,107,207	34.92
Nonvested at September 30, 2015	4,162,126	$39.96

As of September 30, 2015, the Company had $124.8 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 2.5 years. The total intrinsic value of stock awards exercised and restricted stock units released during the nine months ended September 30, 2015 and 2014 was $254.9 million and $118.1 million, respectively.

6. Balance Sheet Components

Selected balance sheet components consist of the following:

(In millions)	September 30, 2015	December 31, 2014
Inventories:		
Raw materials	$ 594.2	$ 549.5
Work in process	416.7	298.4
Finished goods	933.2	803.5
	$ 1,944.1	$ 1,651.4
Property, plant and equipment:		
Land and improvements	$125.2	$88.3
Buildings and improvements	887.9	826.4
Machinery and equipment	1,841.9	1,739.3
Construction in progress	291.2	301.8
	3,146.2	2,955.8
Less accumulated depreciation	1,261.5	1,170.1
	$1,884.7	$1,785.7

(In millions)	September 30, 2015	December 31, 2014
Other current liabilities:		
Legal and professional accruals, including litigation accruals	$ 129.4	$ 81.8
Payroll and employee benefit plan accruals	326.5	282.6
Accrued sales allowances	774.4	581.3
Accrued interest	41.8	63.8
Fair value of financial instruments	23.1	52.2
Other	481.9	372.4
	$ 1,777.1	$ 1,434.1

Contingent consideration included in other current liabilities totaled $35.0 million and $20.0 million at September 30, 2015 and December 31, 2014, respectively. Contingent consideration included in other long-term obligations was $463.5 million and $450.0 million at September 30, 2015 and December 31, 2014, respectively. During the third quarter, the Company reclassified $15.0 million of contingent consideration from other long-term obligations to other current liabilities representing milestone payments that are expected to be made in the fourth quarter of 2015 and first quarter of 2016. Included in prepaid expenses and other current assets was $106.5 million and $134.1 million of restricted cash at September 30, 2015 and December 31, 2014, respectively. An additional $100 million of restricted cash was classified in other long-term assets at September 30, 2015 and December 31, 2014, principally related to amounts deposited in escrow, or restricted amounts, for potential contingent consideration payments related to the Agila acquisition.

The Company's equity method investments in clean energy investments, whose activities qualify for income tax credits under Section 45 of the U.S. Internal Revenue Code, as amended, totaled $398.1 million and $437.5 million at September 30, 2015 and December 31, 2014, respectively, and are included in other assets in the Condensed Consolidated Balance Sheets. Liabilities related to these investments totaled $436.1 million and $472.7 million at September 30, 2015 and December 31, 2014, respectively. Of these liabilities, $373.8 million and $412.9 million are included in other long-term obligations in the Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014, respectively. The remaining $62.3 million and $59.8 million are included in other current liabilities in the Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014, respectively.

The Company holds a 50% ownership 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 equity method investment included in other assets in the Condensed Consolidated Balance Sheets totaled $98.8 million and $109.9 million at September 30, 2015 and December 31, 2014, respectively.

7. 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 will 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 may settle the obligations under the warrant transaction by delivering Mylan N.V. ordinary shares.

Settlement of the warrants will occur beginning in the fourth quarter of 2015 and ending in the second quarter of 2016. Pursuant to the warrant transactions, and a subsequent amendment in 2011, there are approximately 43.2 million warrants outstanding, with approximately 41.0 million of the warrants having an exercise price of $30.00. The remaining warrants have an exercise price of $20.00. The warrants meet the definition of derivatives under the FASB’s guidance regarding accounting for derivative instruments and hedging activities; however, because these instruments have been determined to be indexed to the Company’s own ordinary shares and meet the

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

criteria for equity classification under the FASB's guidance regarding contracts in an entity's own equity, the warrants have been recorded in shareholders' equity in the Condensed Consolidated Balance Sheets. The dilutive impact of the warrants 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 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. For the three and nine months ended September 30, 2014, 17.0 million and 17.1 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 September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2015	2014	2015	2014
Basic earnings attributable to Mylan N.V. ordinary shareholders (numerator):				
Net earnings attributable to Mylan N.V. ordinary shareholders	$428.6	$499.1	$653.0	$740.2
Shares (denominator):				
Weighted average ordinary shares outstanding	490.5	374.1	466.2	373.4
Basic earnings per ordinary share attributable to Mylan N.V. ordinary shareholders	$0.87	$1.33	$1.40	$1.98
Diluted earnings attributable to Mylan N.V. ordinary shareholders (numerator):				
Net earnings attributable to Mylan N.V. ordinary shareholders	$428.6			