Mylan N.V.
Form 10-Q
May 10, 2018

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 March 31, 2018
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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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 ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to us the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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 May 4, 2018, there were 515,445,063 of the issuer’s €0.01 nominal value ordinary shares outstanding.

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For the Quarterly Period Ended
March 31, 2018

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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 March 31,	
	2018	2017
Revenues:		
Net sales	$2,650.4	$2,687.4
Other revenues	34.1	32.1
Total revenues	2,684.5	2,719.5
Cost of sales	1,700.2	1,634.5
Gross profit	984.3	1,085.0
Operating expenses:		
Research and development	204.9	217.5
Selling, general and administrative	607.5	630.8
Litigation settlements and other contingencies, net	16.2	9.0
Total operating expenses	828.6	857.3
Earnings from operations	155.7	227.7
Interest expense	131.7	138.2
Other expense, net	13.5	17.9
Earnings before income taxes	10.5	71.6
Income tax (benefit) provision	(76.6)	5.2
Net earnings	$87.1	$66.4
Earnings per ordinary share:		
Basic	$0.17	$0.12
Diluted	$0.17	$0.12
Weighted average ordinary shares outstanding:		
Basic	514.4	534.5
Diluted	516.8	536.9

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 March 31,	
	2018	2017
Net earnings	$87.1	$66.4
Other comprehensive earnings (loss), before tax:		
Foreign currency translation adjustment	261.9	434.2
Change in unrecognized gain (loss) and prior service cost related to defined benefit plans	(4.3)	—
Net unrecognized (loss) gain on derivatives in cash flow hedging relationships	(32.0)	32.4
Net unrecognized loss on derivatives in net investment hedging relationships	(59.2)	(9.9)
Net unrealized (loss) gain on marketable securities	(0.4)	7.7
Other comprehensive earnings, before tax	166.0	464.4
Income tax (benefit) provision	(11.2)	13.7
Other comprehensive earnings, net of tax	177.2	450.7
Comprehensive earnings	$264.3	$517.1

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)

	March 31, 2018	December 31, 2017
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	$367.4	$ 292.1
Accounts receivable, net	3,024.8	3,612.4
Inventories	2,641.1	2,542.7
Prepaid expenses and other current assets	728.0	766.1
Total current assets	6,761.3	7,213.3
Property, plant and equipment, net	2,275.2	2,339.1
Intangible assets, net	15,047.6	15,245.8
Goodwill	10,318.3	10,205.7
Deferred income tax benefit	497.6	496.8
Other assets	284.5	305.6
Total assets	$35,184.5	$ 35,806.3
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$1,386.6	$ 1,452.5
Short-term borrowings	355.5	46.5
Income taxes payable	31.6	112.9
Current portion of long-term debt and other long-term obligations	2,325.8	1,808.9
Other current liabilities	2,287.3	2,964.5
Total current liabilities	6,386.8	6,385.3
Long-term debt	12,451.4	12,865.3
Deferred income tax liability	2,042.4	2,012.4
Other long-term obligations	1,127.2	1,235.7
Total liabilities	22,007.8	22,498.7
Equity		
Mylan N.V. shareholders' equity		
Ordinary shares — nominal value €0.01 per ordinary share		
Shares authorized: 1,200,000,000		
Shares issued: 538,861,761 and 537,902,426 as of March 31, 2018 and December 31, 2017	6.0	6.0
Additional paid-in capital	8,610.3	8,586.0
Retained earnings	5,751.6	5,644.5
Accumulated other comprehensive loss	(191.5)	(361.2)
	14,176.4	13,875.3
Less: Treasury stock — at cost		
Ordinary shares: 23,490,867 and 13,695,251 as of March 31, 2018 and December 31, 2017	999.7	567.7
Total equity	13,176.7	13,307.6
Total liabilities and equity	$35,184.5	$ 35,806.3

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MYLAN N.V. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited; in millions)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash flows from operating activities:		
Net earnings	$87.1	$66.4
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	498.5	415.5
Share-based compensation expense	21.4	23.1
Deferred income tax expense	16.0	35.6
Loss from equity method investments	23.1	33.2
Other non-cash items	38.0	98.8
Litigation settlements and other contingencies, net	16.4	8.9
Changes in operating assets and liabilities:		
Accounts receivable	370.2	286.7
Inventories	(157.6)	(105.6)
Trade accounts payable	(92.8)	(242.7)
Income taxes	(155.7)	(175.0)
Other operating assets and liabilities, net	(42.8)	8.0
Net cash provided by operating activities	621.8	452.9
Cash flows from investing activities:		
Cash paid for acquisitions, net	(63.3)	(71.6)
Capital expenditures	(30.7)	(58.4)
Proceeds from the sale of assets	—	31.1
Purchase of marketable securities	(7.5)	(2.3)
Proceeds from the sale of marketable securities	15.0	2.3
Payments for product rights and other, net	(342.4)	(77.9)
Net cash used in investing activities	(428.9)	(176.8)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	498.4	—
Payments of long-term debt	(498.0)	(550.0)
Purchase of ordinary shares	(432.0)	—
Change in short-term borrowings, net	309.1	(17.6)
Taxes paid related to net share settlement of equity awards	(8.9)	(6.1)
Contingent consideration payments	(0.2)	(3.8)
Payments of financing fees	(0.4)	(3.7)
Proceeds from exercise of stock options	10.8	5.0
Other items, net	(0.2)	0.5
Net cash used in financing activities	(121.4)	(575.7)
Effect on cash of changes in exchange rates	3.7	12.2
Net increase (decrease) in cash, cash equivalents and restricted cash	75.2	(287.4)
Cash, cash equivalents and restricted cash — beginning of period	369.9	1,147.0
Cash, cash equivalents and restricted cash — end of period	$445.1	$859.6

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
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.
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, 2017, as amended. The December 31, 2017 Condensed Consolidated Balance Sheet was derived from audited financial statements.
The interim results of operations, comprehensive earnings and cash flows for the three months ended March 31, 2018 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
On January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") Topic 606 Revenue from Contracts with Customers ("ASC 606") using the modified retrospective method applied to those contracts which were not completed as of the date of adoption. Results for reporting periods beginning on January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with ASC Topic 605 Revenue Recognition ("ASC 605"). Under ASC 605, the Company recognized net sales when title and risk of loss pass to its customers and when provisions for estimates, as described below, were reasonably determinable.
Under ASC 606, the Company recognizes net revenue for product sales when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Revenues are recorded net of provisions for variable consideration, including discounts, rebates, governmental rebate programs, price adjustments, returns, chargebacks, promotional programs and other sales allowances. Accruals for these provisions are presented in the interim financial statements as reductions in determining net sales and as a contra asset in accounts receivable, net (if settled via credit) and other current liabilities (if paid in cash). The following briefly describes the nature of our provisions for variable consideration and how such provisions are estimated:

- Chargebacks: the Company has agreements with certain indirect customers, such as independent pharmacies, managed care organizations, hospitals, nursing homes, governmental agencies and pharmacy benefit managers, which establish contract prices for certain products. The indirect customers then independently select a wholesaler from which to purchase the products at these contracted prices. Alternatively, certain wholesalers may enter into agreements with indirect customers that establish contract pricing for certain products, which the wholesalers provide. Under either arrangement, Mylan will provide credit to the wholesaler for any difference between the contracted price with the indirect party and the wholesaler's invoice price. Such credits are called chargebacks. The provision for chargebacks is based on expected sell-through levels by our wholesaler customers to indirect customers, as well as estimated wholesaler inventory levels.
- Rebates, promotional programs and other sales allowances: this category includes rebate and other programs to assist in product sales. These programs generally provide that the customer receives credit directly related to the amount of purchases or credits upon the attainment of pre-established volumes. Also included in this category are prompt pay discounts, administrative fees and price adjustments to reflect decreases in the selling prices of products.
- Returns: consistent with industry practice, Mylan maintains a return policy that allows customers to return a product, which varies country by country in accordance with local practices, generally within a specified period prior (six months) and subsequent to the expiration date (twelve months). The Company's estimate of the provision for returns is generally based upon historical experience with actual returns.

- Governmental rebate programs: government reimbursement programs include Medicare, Medicaid, and State Pharmacy Assistance Programs established according to statute, regulations and policy. Manufacturers of pharmaceutical products that are covered by the Medicaid program are required to pay rebates to each state based on a statutory formula set forth in the Social Security Act. Medicare beneficiaries are eligible to obtain discounted

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prescription drug coverage from private sector providers. In addition, certain states have also implemented supplemental rebate programs that obligate manufacturers to pay rebates in excess of those required under federal law. Our estimate of these rebates is based on the historical trends of rebates paid as well as on changes in wholesaler inventory levels and increases or decreases in the level of sales. Also, includes price reductions that are mandated by law outside of the U.S.

Wholesaler and distributor inventory levels of our products can fluctuate throughout the year due to the seasonality of certain products, the timing of product demand and other factors. Such fluctuations may impact the comparability of our net sales between periods.

Consideration received for royalty or profit share from licenses of intellectual property, which are based on sales of licensed products and technology, is recorded when the customer's subsequent sales or usages occur. Royalty revenue is included in other revenue in the Consolidated Statements of Operations.

The Company elected to apply the following practical expedients and elections in connection with the adoption of ASC 606: i) taxes collected from customers and remitted to government authorities and that are related to the sales of the Company's products, primarily in Europe, are excluded from revenues, and ii) shipping and handling activities are accounted for as fulfillment costs and are recorded in selling, general and administrative expense ("SG&A"). Payment terms related to product sales vary by jurisdiction and customer, but revenue for product sales has not been adjusted for the effects of a financing component as we expect that the period between when we transfer control of the product and when we receive payment to be one year or less.

Revenue Disaggregation

The following table presents the Company's net sales by therapeutic franchise for each of our reportable segments for the three months ended March 31, 2018:

(In millions)	North America	Europe	Rest of World	Total
Three Months Ended March 31, 2018				
Central Nervous System & Anesthesia	$ 199.6	$225.4	$82.9	$507.9
Infectious Disease	46.4	64.5	169.0	279.9
Respiratory & Allergy	113.9	127.6	46.6	288.1
Cardiovascular	90.4	146.8	39.5	276.7
Gastroenterology	44.1	153.2	66.1	263.4
Diabetes & Metabolism	109.6	73.8	24.8	208.2
Dermatology	94.5	80.3	24.9	199.7
Women's Healthcare	93.1	70.0	19.2	182.3
Oncology	109.3	18.8	30.9	159.0
Immunology	14.0	2.5	8.4	24.9
Other [1]	70.4	75.5	114.4	260.3
Total	$ 985.3	$1,038.4	$626.7	$2,650.4

(1) Other consists of numerous therapeutic franchises, none of which individually exceeds 5% of consolidated net sales.

Variable Consideration and Accounts Receivable

The following table presents a reconciliation of gross sales to net sales by each significant category of variable consideration during the three months ended March 31, 2018:

(In millions)	
Gross sales	$4,732.3
Gross to net adjustments:	
Chargebacks	(872.1)
Rebates, promotional programs and other sales allowances	(1,030.6)
Returns	(77.3)
Governmental rebate programs	(101.9)
Total gross to net adjustments	$(2,081.9)
Net sales	$2,650.4

Accounts receivable are presented net of allowances relating to certain variable consideration adjustments that are settled via credit. No significant revisions were made to the methodology used in determining these provisions or the nature of the provisions during the three months ended March 31, 2018. Such allowances were $1.82 billion and $1.98 billion at March 31, 2018 and December 31, 2017, respectively. Other current liabilities include $626.1 million and $818.0 million at March 31, 2018 and December 31, 2017, respectively, for certain variable consideration adjustments that are settled in cash.

Accounts receivable, net was comprised of the following at March 31, 2018 and December 31, 2017, respectively:

(In millions)	March 31, 2018	December 31, 2017
Trade receivables, net	$2,555.3	$ 3,173.1
Other receivables	469.5	439.3
Accounts receivable, net	$3,024.8	$ 3,612.4

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 $493.7 million and $1.04 billion of securitized accounts receivable at March 31, 2018 and December 31, 2017, respectively.

3. Recent Accounting Pronouncements

Accounting Standards Issued Not Yet Adopted

In February 2018, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update 2018-02, Income Statement - Reporting Comprehensive Income, (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate under the comprehensive tax legislation enacted by the U.S. government on December 22, 2017 commonly referred to as the Tax Cuts and Jobs Act. The amount of the reclassification would be the difference between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate. The new standard is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2018 with early adoption in any interim period 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 842) which supersedes FASB Topic 840, Leases (Topic 840) (“ASU 2016-02”) and 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

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a straight-line basis over the term of the lease, respectively. 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. In January 2018, the FASB issued Accounting Standards Update 2018-01, Leases (Topic 842) Land Easement Practical Expedient for Transition to Topic 842, which amends ASU 2016-02 to provide entities an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 842. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. The standard will be effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

Adoption of New Accounting Standards

In August 2017, the FASB issued Accounting Standards Update 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (“ASU 2017-12”). The objective of this update is to improve the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. The amendments in this update also make certain targeted improvements to simplify the application of the hedge accounting guidance in current U.S. GAAP based on feedback received from preparers, auditors, users, and other stakeholders. This guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted, including adoption in any interim period. The Company has elected to early adopt this guidance as of January 1, 2018 and will apply it on a prospective basis. Upon adoption, the Company recorded a cumulative effect adjustment.

In May 2017, the FASB issued Accounting Standards Update 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09”), which amends the scope of modification accounting for share-based payment arrangements. ASU 2017-09 provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under Topic 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions and classification of the awards are the same immediately before and after the modification. As required, the Company applied the provisions of ASU 2017-09 on a prospective basis as of January 1, 2018 and the adoption did not have a material impact on its condensed consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (“ASU 2017-07”), which requires companies to disaggregate the service cost component from the other components of net benefit cost and disclose the amount of net benefit cost that is included in the income statement or capitalized in assets, by line item. This guidance requires companies to report the service cost component in the same line item(s) as other compensation costs and to report other pension-related costs (which include interest costs, amortization of pension-related costs from prior periods and gains or losses on plan assets) separately and exclude them from the subtotal of operating income. This guidance also allows only the service cost component to be eligible for capitalization when applicable. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. This guidance should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The update allows a practical expedient that permits a company to use the amounts disclosed in its pension and other postretirement plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. As required, the Company applied the provisions of ASU 2017-07 as of January 1, 2018 and the adoption did not have a material impact on its condensed consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash ("ASU 2016-18"), which requires that the reconciliation of the beginning of period and end of period amounts shown in the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash is presented separately from cash and cash equivalents on the balance sheet, companies will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. As required, the Company applied the provisions of ASU 2016-18 as of January 1, 2018. As a result, the change in restricted cash has been excluded from investing activities and included in the change in cash, cash equivalents and restricted cash and the prior year period has been recast to reflect the new presentation.

In January 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which supersedes the current guidance to classify equity securities with readily determinable fair values into different categories and requires equity securities to be measured at fair value with changes in the fair value recognized through net income (loss). In February 2018, the FASB issued Accounting Standards Update 2018-03 ("ASU 2018-03"), Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which clarifies the guidance in ASU 2016-01. The standards are effective for annual and interim periods beginning after December 15, 2017. As required, the Company applied the provisions of ASU 2016-01 as of January 1, 2018. Upon adoption, the Company recorded a cumulative effect adjustment.

In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers (updated with Accounting Standards Update 2015-14, 2016-08, 2016-10, 2016-12 and 2016-20), which revises accounting guidance on revenue recognition that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle 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 adopted this standard and its updates as of January 1, 2018 and elected to apply the modified retrospective transition approach. As a result, the Company is recognizing revenue on certain arrangements upon the transfer of control of product shipments rather than upon sell-through by the customer, and is recording certain costs historically in cost of sales as contra revenue.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of ASU 2014-09, ASU 2016-01 and ASU 2017-12 were as follows:

(In millions)	Balance as of December 31, 2017	Adjustments Due to ASU 2014-09	Adjustments Due to ASU 2016-01	Adjustments Due to ASU 2017-12	Balance as of January 1, 2018
Condensed Consolidated Balance Sheet					
Assets					
Prepaid expenses and other current assets	$ 766.1	$ 18.5	$ —	$ —	$ 784.6
Liabilities					
Deferred income tax liability	2,012.4	5.7	—	—	2,018.1
Equity					
Retained earnings	5,644.5	12.8	10.0	(2.5)	5,664.8
Accumulated other comprehensive loss	(361.2)	—	(10.0)	2.5	(368.7)

In accordance with ASU 2014-09, the disclosure of the impact of adoption on our condensed consolidated statement of operations and balance sheet was as follows:

	For the Three Months Ended March 31, 2018		
(In millions)	As Reported	Balances Without Adoption of ASC 606	Effect of Change Increase (Decrease)
Condensed Consolidated Statement of Operations			
Revenues	$2,684.5	$2,706.4	$ (21.9)
Cost of sales	1,700.2	1,725.8	(25.6)
Income tax benefit	(76.6)	(77.8)	1.2
Net earnings	87.1	84.6	2.5

	March 31, 2018		
(In millions)	As Reported	Balances Without Adoption of ASC 606	Effect of Change Increase (Decrease)
Condensed Consolidated Balance Sheet			
Prepaid expenses and other current assets	$728.0	$724.3	$ 3.7
Income taxes payable	31.6	30.4	1.2
Retained earnings	5,751.6	5,749.1	2.5

4. Acquisitions and Other Transactions

Apicore Inc.

On October 3, 2017, the Company completed the acquisition of Apicore, Inc. ("Apicore"), a U.S. based developer and manufacturer of active pharmaceutical ingredient ("API") for approximately $174.9 million, net of cash acquired, which included estimated contingent consideration of approximately $4.0 million related to the potential $15.0 million payment contingent on the achievement of certain 2017 financial results of the acquired business. As of December 31, 2017, the contingent consideration liability was zero as Apicore did not achieve the financial results that would have triggered the contingent consideration payment.

The preliminary allocation of the $174.9 million purchase price to the assets acquired and liabilities assumed for this business is as follows:

(In millions)	
Current assets (net of cash acquired)	$6.5
Identified intangible assets	121.0
Goodwill	92.2
Other assets	1.9
Total assets acquired	221.6
Current liabilities	(4.1)
Deferred tax liabilities	(40.9)
Other non-current liabilities	(1.7)
Net assets acquired	$174.9

There were no measurement period adjustments recorded during the three months ended March 31, 2018. The preliminary fair value estimates for the assets acquired and liabilities assumed were based upon preliminary calculations, valuations and assumptions that are subject to change as the Company obtains additional information during the measurement period (up to one year from the acquisition date). The primary areas subject to change relate to the finalization of the working capital components, the valuation of intangible assets and income taxes.

The acquisition of Apicore added a diversified portfolio of API products to the Company's existing portfolio. The identified intangible assets of $121.0 million are comprised of product rights and licenses with a weighted average useful life of seven years and includes in-process research and development ("IPR&D") with a fair value of $9.0 million at date of the acquisition. 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 $92.2 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. The final allocation of goodwill to Mylan's reportable segments has not been completed; however, the goodwill is expected to be allocated to the North America segment. None of the goodwill recognized in this transaction is currently expected to be deductible for income tax purposes. 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 months ended March 31, 2018 and 2017.

Other Transactions

On December 25, 2017, the Company entered into an agreement to reacquire certain intellectual property rights and marketing authorizations related to a product commercialized in Japan for $90.0 million payable in the second quarter of 2018. The Company has recognized a liability in its Condensed Consolidated Balance Sheet as of March 31, 2018 for the reacquisition of these rights. The Company accounted for this transaction as an asset acquisition and the capitalized asset is being amortized over a useful life of five years.

On February 28, 2018, the Company and Revance Therapeutics, Inc. ("Revance") entered into a collaboration agreement (the "Revance Collaboration Agreement") pursuant to which the Company and Revance will collaborate exclusively, on a world-wide basis (excluding Japan), to develop, manufacture and commercialize a biosimilar to the branded biologic product (onabotulinumtoxinA) marketed as BOTOX®.

Under the Revance Collaboration Agreement, the Company will be primarily responsible for (a) clinical development activities outside of North America (excluding Japan) (the "ex-U.S. Mylan territories"), (b) regulatory activities, and (c) commercialization for any approved product. Revance will be primarily responsible for (a) non-clinical development activities, (b) clinical development activities in North America, and (c) manufacturing and supply of clinical drug substance and drug product; Revance will be solely responsible for an initial portion of non-clinical development costs. The remaining portion of any non-clinical development costs and clinical development costs for obtaining approval in the U.S. and Europe will be shared equally between the parties, and the Company will be responsible for all other clinical development costs and commercialization expenses. Upon closing, Revance received a non-refundable upfront payment of $25.0 million. In addition, under the Revance Collaboration Agreement, Revance can receive potential development milestone payments of up to $100.0 million, in the aggregate, upon the achievement of specified clinical and regulatory milestones and potential tiered sales milestones of up to $225.0 million. In addition, Mylan will pay Revance royalties on sales of the biosimilar in the ex-U.S. Mylan territories. The Company accounted for this transaction as an asset acquisition of IPR&D and the total upfront payment was expensed as a component of research and development ("R&D") expense in the three months ended March 31, 2018.

The Company also entered into four agreements, three of which were subsequent to March 31, 2018, to acquire certain intellectual property rights and marketing authorizations, including agreements with Fujifilm Kyowa Kirin Biologics Co., Ltd. and Mapi Pharma Ltd. The Company is accounting for these transactions as asset acquisitions. The Company recorded expense of $17.7 million as a component of R&D expense related to a non-refundable upfront payment for one of the agreements. The non-contingent payments for these agreements total approximately $265.0 million and are principally due within the next twelve months. Certain of the agreements include additional development and commercial milestones and two agreements are subject to regulatory approvals in countries outside the U.S. The Company expects to complete these transactions in the second quarter of 2018.

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 ordinary shares, restricted stock units, performance awards ("PSU"), other stock-based awards and short-term cash awards. Stock option awards are granted with an exercise price equal to the fair market value of the ordinary shares underlying the stock options at the date of the grant, generally become exercisable over periods ranging from three to four years, and generally expire in ten years. Since approval of the 2003 Plan, no further grants of stock options have been made under any other previous plan.

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

	Number of Shares Under Stock Awards	Weighted Average Exercise Price per Share
Outstanding at December 31, 2017	7,198,684	$ 35.17
Granted	772,981	41.10
Exercised	(485,923)	22.45
Forfeited	(177,480)	49.42
Outstanding at March 31, 2018	7,308,262	$ 36.30
Vested and expected to vest at March 31, 2018	7,069,168	$ 36.03
Exercisable at March 31, 2018	5,472,652	$ 33.91

As of March 31, 2018, stock awards outstanding, stock awards vested and expected to vest, and stock awards exercisable had average remaining contractual terms of 5.8 years, 5.7 years and 4.8 years, respectively. Also, at March 31, 2018, stock awards outstanding, stock awards vested and expected to vest, and stock awards exercisable each had an aggregate intrinsic value of $60.4 million, $60.3 million and $59.3 million, respectively.

A summary of the status of the Company's nonvested restricted ordinary shares and restricted stock unit awards, including PSUs (collectively, "restricted stock awards"), as of March 31, 2018 and the changes during the three months ended March 31, 2018 are presented below:

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value per Share
Nonvested at December 31, 2017	5,964,207	$ 41.92
Granted	1,523,498	41.03
Released	(674,115)	49.84
Forfeited	(206,346)	45.40
Nonvested at March 31, 2018	6,607,244	$ 40.80

As of March 31, 2018, the Company had $157.7 million of total unrecognized compensation expense, net of estimated forfeitures, related to all of its stock-based awards, which we expect to recognize over the remaining weighted average vesting period of 1.9 years. The total intrinsic value of stock awards exercised and restricted stock units released during the three months ended March 31, 2018 and 2017 was $38.1 million and $26.1 million, respectively.

In February 2014, Mylan's Compensation Committee and the independent members of the Board of Directors adopted the One-Time Special Performance-Based Five-Year Realizable Value Incentive Program (the "2014 Program") under the 2003 Plan. Under the 2014 Program, certain key employees received a one-time, performance-based incentive award (the “Awards”) either in the form of a grant of SARs or PSUs. The initial Awards were granted in February 2014 and contain a five-year cliff-vesting feature based on the achievement of various performance targets, external market conditions and the employee’s continued services. Additional Awards were granted in 2016 and 2017 and are subject to the same performance conditions as

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the Awards granted in February 2014 and with a service vesting condition of between two and six years. The market condition was met on June 10, 2015 and is therefore no longer applicable to any of the Awards. As of March 31, 2018, there are approximately 2.6 million Awards outstanding under the 2014 Program. Each Award is equal to one ordinary share with the maximum value of each Award upon vesting subject to varying limitations.

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 two fully frozen defined benefit pension plans in the U.S., and employees in the U.S. and Puerto Rico are generally provided retirement benefits through defined contribution plans.

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

Net Periodic Benefit Cost

Components of net periodic benefit cost for the three months ended March 31, 2018 and 2017 were as follows:

	Pension and Other Postretirement Benefits Three Months Ended March 31,	
(In millions)	2018	2017
Service cost	$ 5.0	$ 5.0
Interest cost	3.6	3.7
Expected return on plan assets	(3.6)	(3.5)
Amortization of prior service costs	0.1	0.1
Recognized net actuarial losses	—	0.2
Net periodic benefit cost	$ 5.1	$ 5.5

The Company is making the minimum mandatory contributions to its U.S. defined benefit pension plans in the 2018 plan year. The Company expects to make total benefit payments of approximately $31.1 million from pension and postretirement benefit plans in 2018. The Company anticipates making contributions to pension and other postretirement benefit plans of approximately $29.9 million in 2018.

7. Balance Sheet Components

Selected balance sheet components consist of the following:

Cash and restricted cash

(In millions)	March 31, 2018	December 31, 2017	March 31, 2017
Cash and cash equivalents	$ 367.4	$ 292.1	$ 723.8
Restricted cash, included in prepaid expenses and other current assets	77.7	77.8	135.8
Cash, cash equivalents and restricted cash	$ 445.1	$ 369.9	$ 859.6

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Inventories

(In millions)	March 31, 2018	December 31, 2017
Raw materials	$ 861.4	$ 895.5
Work in process	432.4	384.7
Finished goods	1,347.3	1,262.5
Inventories	$ 2,641.1	$ 2,542.7

Prepaid and other current assets

(In millions)	March 31, 2018	December 31, 2017
Prepaid expenses	$ 156.9	$ 119.8
Restricted cash	77.7	77.8
Available-for-sale fixed income securities	23.5	31.5
Fair value of financial instruments	69.6	88.9
Equity securities	34.6	79.1
Other current assets	365.7	369.0
Prepaid expenses and other current assets	$ 728.0	$ 766.1

Prepaid expenses consist primarily of prepaid rent, insurance and other individually insignificant items.

Property, plant and equipment, net

(In millions)	March 31, 2018	December 31, 2017
Machinery and equipment	$ 2,423.5	$ 2,414.5
Buildings and improvements	1,186.4	1,191.7
Construction in progress	229.0	252.9
Land and improvements	144.1	143.1
Gross property, plant and equipment	3,983.0	4,002.2
Accumulated depreciation	1,707.8	1,663.1
Property, plant and equipment, net	$ 2,275.2	$ 2,339.1

Other assets

(In millions)	March 31, 2018	December 31, 2017
Equity method investments, clean energy investments	$ 209.0	$ 226.0
Other long-term assets	75.5	79.6
Other assets	$ 284.5	$ 305.6

Trade accounts payable

(In millions)	March 31, 2018	December 31, 2017
Accounts payable	$ 921.8	$ 976.0
Other payables	464.8	476.5
Trade accounts payable	$ 1,386.6	$ 1,452.5

Other current liabilities

(In millions)	March 31, 2018	December 31, 2017
Accrued sales allowances	$ 626.1	$ 818.0
Legal and professional accruals, including litigation accruals	267.0	241.1
Payroll and employee benefit plan accruals	323.1	404.6
Contingent consideration	199.5	167.8
Accrued interest	135.2	42.3
Restructuring	81.3	91.5
Equity method investments, clean energy investments	57.4	56.7
Fair value of financial instruments	8.1	31.1
Other	589.6	1,111.4
Other current liabilities	$ 2,287.3	$ 2,964.5

On March 31, 2017, the Company announced that Meridian Medical Technologies (“Meridian”), a Pfizer company that manufactures the EpiPen® Auto-Injector, expanded a voluntary recall of select lots of EpiPen® Auto-Injector and EpiPen Jr® Auto-Injector to include additional lots distributed in the U.S. and other markets in consultation with the U.S. Food and Drug Administration (“FDA”) (the “EpiPen® Auto-Injector Recall”). This recall was conducted as a result of the receipt of two previously disclosed reports outside of the U.S. of the failure to activate the device due to a potential defect in a supplier component. Both reports were related to the single lot that was previously recalled. The expanded voluntary recall was initiated in the U.S. and also extends to additional markets in Europe, Asia, North and South America. The Company is replacing recalled devices at no cost to the consumer. Estimated costs to Mylan related to product recalls are based on a formal campaign soliciting return of the product and are accrued when they are deemed to be probable and can be reasonably estimated. As of March 31, 2018, the Company recorded an accrual for certain costs of the recall but there can be no assurance that future costs related to the recall will not exceed amounts recorded. In addition, Meridian is contractually obligated to reimburse Mylan for costs related to the EpiPen® Auto-Injector Recall, and the Company has recorded an asset for the recovery of such costs.

Other long-term obligations

(In millions)	March 31, 2018	December 31, 2017
Employee benefit liabilities	$ 428.9	$ 408.2
Contingent consideration	261.9	285.9
Equity method investments, clean energy investments	264.8	171.8
Tax contingencies	159.2	237.7
Other	12.4	132.1
Other long-term obligations	$ 1,127.2	$ 1,235.7

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 U.S. Internal Revenue Code of 1986, as amended (the “Code”).

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Summarized financial information, in the aggregate, for the Company's significant equity method investments on a 100% basis for the three months ended March 31, 2018 and 2017 are as follows:

	Three Months Ended March 31,	
(In millions)	2018	2017
Total revenues	$129.0	$122.9
Gross loss	(7.7)	(2.7)
Operating and non-operating expense	5.6	5.8
Net loss	$(13.3)	$(8.5)

The Company's net losses from its equity method investments include amortization expense related to the excess of the cost basis of the Company's investment over the underlying assets of each individual investee. For the three months ended March 31, 2018 and 2017, the Company recognized net losses from equity method investments of $23.1 million and $33.2 million, respectively, which were recognized as a component of other expense, net in the Condensed Consolidated Statements of Operations. The Company recognizes the income tax credits and benefits from the clean energy investments as part of its provision for income taxes.

9. Earnings per Ordinary Share

Basic earnings per ordinary share is computed by dividing net earnings by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per ordinary share is computed by dividing net earnings 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.

Basic and diluted earnings per ordinary share are calculated as follows:

	Three Months Ended March 31,	
(In millions, except per share amounts)	2018	2017
Basic earnings (numerator):		
Net earnings	$87.1	$66.4
Shares (denominator):		
Weighted average ordinary shares outstanding	514.4	534.5
Basic earnings per ordinary share	$0.17	$0.12
Diluted earnings (numerator):		
Net earnings	$87.1	$66.4
Shares (denominator):		
Weighted average ordinary shares outstanding	514.4	534.5
Share-based awards	2.4	2.4
Total dilutive shares outstanding	516.8	536.9
Diluted earnings per ordinary share	$0.17	$0.12

Additional stock awards and restricted stock awards were outstanding during the three months ended March 31, 2018 and 2017, 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 March 31, 2018 include certain share-based compensation awards and restricted ordinary shares whose performance conditions had not been fully met. Such excluded shares and anti-dilutive awards represented 3.9 million shares and 4.4 million shares for the three months ended March 31, 2018 and 2017, respectively.

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10. Goodwill and Intangible Assets
The changes in the carrying amount of goodwill for the three months ended March 31, 2018 are as follows:

(In millions)	North America Segment	Europe Segment	Rest of World Segment	Total
Balance at December 31, 2017:				
Goodwill	$3,934.6	$4,967.1	$1,689.0	$10,590.7
Accumulated impairment losses	(385.0)	—	—	(385.0)
	3,549.6	4,967.1	1,689.0	10,205.7
Foreign currency translation	(5.9)	112.6	5.9	112.6
	$3,543.7	$5,079.7	$1,694.9	$10,318.3
Balance at March 31, 2018:				
Goodwill	$3,928.7	$5,079.7	$1,694.9	$10,703.3
Accumulated impairment losses	(385.0)	—	—	(385.0)
	$3,543.7	$5,079.7	$1,694.9	$10,318.3

Intangible assets consist of the following components at March 31, 2018 and December 31, 2017:

(In millions)	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
March 31, 2018				
Amortized intangible assets:				
Product rights and licenses	15	$20,069.3	$ 5,814.6	$14,254.7
Patents and technologies	20	116.6	114.3	2.3
Other [(1)]	5	472.7	449.2	23.5
		20,658.6	6,378.1	14,280.5
In-process research and development		767.1	—	767.1
		$21,425.7	$ 6,378.1	$15,047.6
December 31, 2017				
Amortized intangible assets:				
Product rights and licenses	15	$19,762.9	$ 5,373.7	$14,389.2
Patents and technologies	20	116.6	113.1	3.5
Other [(1)]	6	459.2	419.3	39.9
		20,338.7	5,906.1	14,432.6
In-process research and development		813.2	—	813.2
		$21,151.9	$ 5,906.1	$15,245.8

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

In December 2011, the Company completed the acquisition of the exclusive worldwide rights to develop, manufacture and commercialize a generic equivalent to GlaxoSmithKline's Advair® Diskus and Seretide® Diskus incorporating Pfizer Inc.'s proprietary dry powder inhaler delivery platform (the "respiratory delivery platform"). The Company accounted for this transaction as a purchase of a business and utilized the acquisition method of accounting. As of March 31, 2018, the Company has an IPR&D asset of $347.2 million and a related contingent consideration liability of $368.4 million. The Company performed an analysis and valuation of the IPR&D asset and the fair value of the related contingent consideration liability using a discounted cash flow model. The model contained certain key assumptions including: the expected product launch date, the number of competitors, the timing of competition and a discount factor based on an industry specific weighted average cost of capital. Based on the analysis performed, the Company determined that the fair value of the IPR&D asset was substantially in

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excess of its carrying value, and the asset was not impaired at March 31, 2018. Additionally, a fair value adjustment of $2.7 million was required for the contingent consideration during the three months ended March 31, 2018. The fair value of the contingent consideration liability was determined based upon detailed valuations employing the income approach which utilized Level 3 inputs, as defined in Note 11 - Financial Instruments and Risk Management. Resolution of the matters with the FDA, market conditions and other factors may result in significant future changes in the projections and assumptions utilized in the discounted cash flow model, which could lead to material adjustments to the amounts recorded for IPR&D and contingent consideration.

During the three months ended March 31, 2018, the Company recorded an impairment charge of $30.0 million, which has been recorded as a component of amortization expense, for certain IPR&D assets that were acquired as part of the acquisition of the non-sterile, topicals-focused business of Renaissance Acquisition Holdings, LLC. The impairment charge resulted from the Company’s updated estimate of the fair value of these assets, which was based upon updated forecasts and future development plans, compared with the assigned fair values as of the acquisition date, June 15, 2016. The fair value was determined based upon detailed valuations employing the income approach which utilized Level 3 inputs, as defined in Note 11 - Financial Instruments and Risk Management. These valuations reflect, among other things, the impact of changes to the development programs, the projected development and regulatory time frames and the current competitive environment. Changes in any of the Company’s assumptions may result in a further reduction to the estimated fair values of these IPR&D assets and could result in additional future impairment charges.

Amortization expense, which is classified primarily within cost of sales in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2018 and 2017 totaled:

	Three Months Ended March 31,	
(In millions)	2018	2017
Intangible asset amortization expense	$392.3	$342.4
Intangible asset impairment charges	30.0	—
Total Intangible asset amortization expense (including impairment charges)	$422.3	$342.4

Intangible asset amortization expense over the remainder of 2018 and for the years ended December 31, 2018 through 2022 is estimated to be as follows:

(In millions)	
2018	$1,117
2019	1,405
2020	1,243
2021	1,159
2022	1,088

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 certain foreign currency risks, 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.

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

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Sheets. Any changes in the fair value of designated cash flow hedges are deferred in accumulated other comprehensive earnings ("AOCE"), and are reclassified into earnings when the hedged item impacts earnings.

Net Investment Hedges

We hedge the foreign currency risk associated with certain net investment positions in foreign subsidiaries. To accomplish this, we either borrow directly in foreign currencies and designate all or a portion of the foreign currency debt as a hedge of the applicable net investment position or we enter into foreign currency swaps that are designated as hedges of net investments.

In 2017, the Company designated certain Euro borrowings as a hedge of its investment in certain Euro-functional currency subsidiaries in order to manage foreign currency translation risk. The notional amount of the net investment hedges was €1.9 billion and consisted of €1.0 billion aggregate principal amount of the 2.250% Euro Senior Notes due 2024 (the "2024 Euro Notes"), €750 million aggregate principal amount of 3.125% Euro Senior Notes due 2028 (the "2028 Euro Notes") and €104 million of the €750 million aggregate principal amount of the 1.250% Euro Senior Notes due 2020 (the "2020 Euro Notes").

Borrowings designated as net investment hedges are marked-to-market using the current spot exchange rate as of the end of the period, with gains and losses included in the foreign currency translation component of AOCE until the sale or substantial liquidation of the underlying net investments. In addition, the Company manages the related foreign exchange risk of the €500 million aggregate principal amount of floating rate Senior Notes due 2018 (the "2018 Floating Rate Euro Notes"), €500 million aggregate principal amount of the floating rate Senior Notes due 2020 (the "2020 Floating Rate Euro Notes") and the remaining portion of the 2020 Euro Notes through certain Euro denominated financial assets and forward currency swaps.

Interest Rate Risk Management

The Company enters into interest rate swaps in order to manage interest rate risk associated with the Company's fixed-rate and floating-rate debt. Interest rate swaps that meet specific accounting criteria are accounted for as fair value or cash flow hedges. All derivative instruments used to manage interest rate risk are measured at fair value and reported as current assets or current liabilities in the Condensed Consolidated Balance Sheets. For fair value hedges, the changes in the fair value of both the hedging instrument and the underlying debt obligations are included in interest expense. For cash flow hedges, the change in fair value of the hedging instrument is deferred through AOCE, and are reclassified into earnings when the hedged item impacts earnings.

Credit Risk Management

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

The Effect of Derivative Instruments on the Condensed Consolidated Balance Sheets

Fair Values of Derivative Instruments

Derivatives Designated as Hedging Instruments

	Asset Derivatives			
	March 31, 2018		December 31, 2017	
(In millions)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	$ 0.2	Prepaid expenses and other current assets	$ 16.2

Foreign currency forward contracts	Prepaid expenses and other current assets	38.8	Prepaid expenses and other current assets	63.4
Total		$ 39.0		$ 79.6

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The Effect of Derivative Instruments on the Condensed Consolidated Balance Sheets
Fair Values of Derivative Instruments
Derivatives Not Designated as Hedging Instruments

	Asset Derivatives			
	March 31, 2018		December 31, 2017	
(In millions)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 30.6	Prepaid expenses and other current assets	$ 9.3
Total		$ 30.6		$ 9.3

	Liability Derivatives			
	March 31, 2018		December 31, 2017	
(In millions)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Other current liabilities	$ 8.1	Other current liabilities	$ 31.1
Total		$ 8.1		$ 31.1

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations
Derivatives in Fair Value Hedging Relationships

(In millions)	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives Three Months Ended March 31,	
		2018	2017
Interest rate swaps	Interest expense	$ (16.0)	$ (2.4)
Total		$ (16.0)	$ (2.4)

(In millions)	Location of Gain (Loss) Recognized in Earnings on Hedged Items	Amount of Gain (Loss) Recognized in Earnings on Hedged Items Three Months Ended March 31,	
		2018	2017
2023 Senior Notes (3.125% coupon)	Interest expense	$ 16.0	$ 2.4
Total		$ 16.0	$ 2.4

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

Amount of
Gain (Loss)

	Recognized in AOCE (Net of Tax) on Derivative Three Months Ended March 31,	
(In millions)	2018	2017
Foreign currency forward contracts	$(15.1)	$14.1
Interest rate swaps	—	0.7
Total	$(15.1)	$14.8

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

	Amount of Gain (Loss) Recognized in AOCE (Net of Tax) on Derivative Three Months Ended March 31,	
(In millions)	2018	2017
Foreign currency borrowings and forward contracts	$(59.2)	$(9.9)
Total	$(59.2)	$(9.9)

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

	Location of Gain (Loss) Reclassified from AOCE into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCE into Earnings Three Months Ended March 31,	
(In millions)		2018	2017
Foreign currency forward contracts	Net sales	$4.8	$(5.2)
Interest rate swaps	Interest expense	(1.9)	(1.8)
Total		$2.9	$(7.0)

	Location of Gain (Loss) Excluded from the Assessment of Hedge Effectiveness	Amount of Gain (Loss) Excluded from the Assessment of Hedge Effectiveness Three Months Ended March 31,	
(In millions)		2018	2017
Foreign currency forward contracts	Other expense, net	$ —	$(0.8)
Total		$ —	$(0.8)

At March 31, 2018, the Company expects that approximately $9 million of pre-tax net losses on cash flow hedges will be reclassified from AOCE into earnings during the next twelve months.

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

Derivatives Not Designated as Hedging Instruments

(In millions)	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives Three Months Ended March 31, 2018	2017
Foreign currency option and forward contracts	Other expense, net	$44.0	$(0.3)
Total		$44.0	$(0.3)

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Fair Value Measurement

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

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

The Company recognized unrealized losses of $0.2 million during the three months ended March 31, 2018 and unrealized gains of $8.8 million during the three months ended March 31, 2017 attributable to the changes in fair value of equity securities.

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

	March 31, 2018			
(In millions)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial Assets				
Cash equivalents:				
Money market funds	$7.9	$—	$—	$7.9
Total cash equivalents	7.9	—	—	7.9
Equity securities:				
Exchange traded funds	33.6	—	—	33.6
Marketable securities	1.0	—	—	1.0
Total equity securities	34.6	—	—	34.6
Available-for-sale fixed income investments:				
Corporate bonds	—	14.6	—	14.6
U.S. Treasuries	—	7.3	—	7.3
Other	—	1.6	—	1.6
Total available-for-sale fixed income investments	—	23.5	—	23.5
Foreign exchange derivative assets	—	69.4	—	69.4
Interest rate swap derivative assets	—	0.2	—	0.2
Total assets at recurring fair value measurement	$42.5	$93.1	$—	$135.6
Financial Liabilities				
Foreign exchange derivative liabilities	$—	$8.1	$—	$8.1
Contingent consideration	—	—	461.4	461.4
Total liabilities at recurring fair value measurement	$—	$8.1	$461.4	$469.5

	December 31, 2017			
(In millions)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial Assets				
Cash equivalents:				
Money market funds	$8.4	$—	$—	$8.4
Total cash equivalents	8.4	—	—	8.4
Equity securities:				
Exchange traded funds	33.9	—	—	33.9
Marketable securities	45.2	—	—	45.2
Total equity securities	79.1	—	—	79.1
Available-for-sale fixed income investments:				
Corporate bonds	—	16.5	—	16.5
U.S. Treasuries	—	7.4	—	7.4
Agency mortgage-backed securities	—	4.1	—	4.1
Asset backed securities	—	2.1	—	2.1
Other	—	1.4	—	1.4
Total available-for-sale fixed income investments	—	31.5	—	31.5
Foreign exchange derivative assets	—	72.7	—	72.7
Interest rate swap derivative assets	—	16.2	—	16.2
Total assets at recurring fair value measurement	$87.5	$120.4	$—	$207.9
Financial Liabilities				
Foreign exchange derivative liabilities	$—	$31.1	$—	$31.1
Contingent consideration	—	—	453.7	453.7
Total liabilities at recurring fair value measurement	$—	$31.1	$453.7	$484.8

For financial assets and liabilities that utilize Level 2 inputs, the Company utilizes both direct and indirect observable price quotes, including the LIBOR yield curve, foreign exchange forward prices and bank price quotes. Below is a summary of valuation techniques for Level 1 and Level 2 financial assets and liabilities:

- Cash equivalents — valued at observable net asset value prices.
- Equity securities, exchange traded funds — valued at the active quoted market prices from broker or dealer quotations or transparent pricing sources at the reporting date. Unrealized gains and losses attributable to changes in fair value are included in other expense, net, in the Condensed Consolidated Statements of Operations.
- Equity securities, marketable securities — valued using quoted stock prices from public exchanges at the reporting date. Unrealized gains and losses attributable to changes in fair value are included in other expense, net, in the Condensed Consolidated Statements of Operations.
- Available-for-sale fixed income investments — valued at the quoted market prices from broker or dealer quotations or transparent pricing sources at the reporting date. Unrealized gains and losses attributable to changes in fair value, net of income taxes, are included in accumulated other comprehensive loss as a component of shareholders' equity.
- Foreign exchange derivative assets and liabilities — valued using quoted forward foreign exchange prices and spot rates at the reporting date. Counterparties to these contracts are highly rated financial institutions.
- Interest rate swap derivative assets and liabilities — valued using the LIBOR/EURIBOR yield curves at the reporting date. Counterparties to these contracts are highly rated financial institutions.

Contingent Consideration

The fair value measurement of contingent consideration is determined using Level 3 inputs. The Company's contingent consideration represents a component of the total purchase consideration for the respiratory delivery platform, the acquisition of Agila Specialties Private Limited ("Agila"), the acquisition of certain female healthcare businesses from Famy Care Limited (such businesses "Jai Pharma Limited") and certain other acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assumptions. For the respiratory delivery platform, Jai Pharma Limited and certain other acquisitions, significant unobservable inputs in the valuation include the probability and timing of future development and commercial milestones and future profit sharing payments. When valuing the contingent consideration related to the respiratory delivery platform and Jai Pharma Limited, the value of the obligations is derived from a probability assessment based on expectations of when certain milestones or profit share payments occur which are discounted using a market rate of return. At March 31, 2018 and December 31, 2017, discount rates ranging from 2.1% to 10.0% were utilized in the valuations. Significant changes in unobservable inputs could result in material changes to the contingent consideration liability.

A rollforward of the activity in the Company's fair value of contingent consideration from December 31, 2017 to March 31, 2018 is as follows:

(In millions)	Current Portion [1]	Long-Term Portion [2]	Total Contingent Consideration
Balance at December 31, 2017	$ 167.8	$ 285.9	$ 453.7
Payments	(0.3)	—	(0.3)
Reclassifications	32.0	(32.0)	—
Accretion	—	5.1	5.1
Fair value adjustments [3]	—	2.9	2.9
Balance at March 31, 2018	$ 199.5	$ 261.9	$ 461.4

(1) Included in other current liabilities on the Condensed Consolidated Balance Sheets.
(2) Included in other long-term obligations on the Condensed Consolidated Balance Sheets.
(3) Included in litigation settlements and other contingencies, net in the Condensed Consolidated Statements of Operations.

2018 Significant Changes to Contingent Consideration: During the three months ended March 31, 2018, the Company recorded a fair value loss of $2.7 million related to the respiratory delivery platform contingent consideration.

Although the Company has not elected the fair value option for other financial assets and liabilities, any future transacted financial asset or liability will be evaluated for the fair value election.

12. Debt

Short-Term Borrowings

(In millions)	March 31, 2018	December 31, 2017
Receivables Facility	$ 355.0	$ 45.0
Other	0.5	1.5
Short-term borrowings	$ 355.5	$ 46.5

In January 2018, the maturity of the Receivables Facility was extended to January 2019.

The Company uses net proceeds from its commercial paper program and the Receivables Facility as a source of liquidity for general corporate purposes, including for business development transactions, working capital and share repurchases. Commercial paper borrowings and the Receivables Facility may vary during a particular period, as a result of fluctuations in working capital requirements and timing of cash receipts.

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Long-Term Debt
A summary of long-term debt is as follows:

(In millions)	Interest Rate as of March 31, 2018	March 31, 2018	December 31, 2017
Current portion of long-term debt:			
2018 Senior Notes *	2.600 %	$ 649.9	$ 649.9
2018 Floating Rate Euro Notes (a) **		616.2	600.2
2018 Senior Notes **	3.000 %	499.8	499.8
2019 Senior Notes *	2.550 %	499.8	—
Other		2.7	2.4
Deferred financing fees		(3.2)	(3.1)
Current portion of long-term debt		$ 2,265.2	$ 1,749.2
Non-current portion of long-term debt:			
2016 Term Facility (b) **	3.252 %	100.0	100.0
2019 Senior Notes **	2.500 %	999.5	999.5
2019 Senior Notes *	2.550 %	—	499.7
2020 Floating Rate Euro Notes (c) **		616.2	600.2
2020 Euro Senior Notes **	1.250 %	921.7	897.6
2020 Senior Notes **	3.750 %	499.9	499.9
2021 Senior Notes **	3.150 %	2,248.3	2,248.2
2023 Senior Notes *	3.125 %	749.4	765.4
2023 Senior Notes *	4.200 %	498.8	498.8
2024 Euro Senior Notes **	2.250 %	1,229.7	1,197.7
2026 Senior Notes **	3.950 %	2,235.3	2,235.0
2028 Euro Senior Notes **	3.125 %	915.9	892.0
2043 Senior Notes *	5.400 %	497.1	497.1
2046 Senior Notes **	5.250 %	999.8	999.8
Other		6.9	6.3
Deferred financing fees		(67.1)	(71.9)
Long-term debt		$ 12,451.4	$ 12,865.3

(a) Instrument bears interest at a rate of three-month EURIBOR plus 0.870% per annum, reset quarterly.
(b) The 2016 Term Facility bears interest at LIBOR plus a base rate, which margins can fluctuate based on the Company's credit ratings. At March 31, 2018, the weighted average interest rate of the 2016 Term Facility was approximately 3.25%.
(c) Instrument bears interest at a rate of three-month EURIBOR plus 0.50% per annum, reset quarterly.
* Instrument was issued by Mylan Inc.
** Instrument was issued by Mylan N.V.

For additional information, see Note 8 Debt in Mylan N.V.'s Annual Report filed on Form 10-K for the year ended December 31, 2017, as amended.

2016 Revolving Facility and 2016 Term Facility

The 2016 Term Facility and 2016 Revolving Facility contain a maximum consolidated leverage ratio financial covenant requiring maintenance of a maximum ratio of 3.75 to 1.00 for consolidated total indebtedness as of the end of any quarter to consolidated EBITDA for the trailing four quarters as defined in the related credit agreements ("leverage ratio").

Following the acquisition of Meda AB (publ.) ("Meda") (a qualifying acquisition), the leverage ratio changed to 4.25 to 1.00 through June 30, 2017. On November 3, 2017, the Company entered into amendments to the agreements for the 2016 Term Facility and 2016 Revolving Facility to extend the leverage ratio covenant of 4.25 to 1.00 through the December 31, 2018 reporting period. The Company is in compliance at March 31, 2018 and expects to remain in compliance for the next twelve months.

April 2018 Senior Notes Offering

The following table provides the amounts of senior unsecured debt issued by Mylan Inc., and guaranteed by Mylan N.V., on April 9, 2018 (the "April 2018 Senior Notes"). The April 2018 Senior Notes were issued pursuant to an indenture dated April 9, 2018. The April 2018 Senior Notes were issued in a private offering exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to persons outside of the U.S. pursuant to Regulation S under the Securities Act. The Company has entered into a registration rights agreement, dated as of April 9, 2018 pursuant to which Mylan Inc. and Mylan N.V. are required to use commercially reasonable efforts to file a registration statement with respect to an offer to exchange each series of the April 2018 Senior Notes for new notes with the same aggregate principal amount and terms substantially identical in all material respects.

(In millions)	Interest Rate	Principal Amount
2028 Senior Notes [1]	4.550%	$750.0
2048 Senior Notes [1]	5.200%	750.0
Total Senior Notes		$1,500.0

(1) Redeemable, in whole or in part, at our option at any time prior to three months (in the case of the 2028 Senior Notes) or six months (in the case of the 2048 Senior Notes) of the maturity date at the greater of 100% of the principal amount or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus an incremental spread of 0.30% (in the case of the 2028 Senior Notes) or 0.35% (in the case of the 2048 Senior Notes), plus, in each case, accrued and unpaid interest.

On April 28, 2018, the Company redeemed all of the outstanding $650 million principal amount of Mylan Inc.'s 2.600% senior notes due 2018, all of the outstanding $500 million principal amount of Mylan N.V.'s 3.000% senior notes due 2018 and $350 million of the outstanding $500 million principal amount of Mylan Inc.'s 2.550% senior notes due 2019. The redemption of these notes was funded with the net proceeds from the April 2018 Senior Notes offering.

Fair Value

At March 31, 2018 and December 31, 2017, the fair value of the Company's 2.600% Senior Notes due 2018, 3.000% Senior Notes due 2018, 2.500% Senior Notes due 2019, 2.550% Senior Notes due 2019, 3.750% Senior Notes due 2020, 3.150% Senior Notes due 2021, 3.125% Senior Notes due 2023, 4.200% Senior Notes due 2023, 3.950% Senior Notes due 2026, 5.400% Senior Notes due 2043 and 5.250% Senior Notes due 2046 (collectively, the "Senior Notes"), 1.250% Euro Senior Notes due 2020, 2.250% Euro Senior Notes due in 2024, 3.125% Euro Senior Notes due in 2028, 2018 Floating Rate Euro Notes and 2020 Floating Rate Euro Notes (collectively, the "Euro Notes") was approximately $14.7 billion and $14.9 billion, respectively. The fair values of the Senior Notes and Euro Notes were valued at quoted market prices from broker or dealer quotations and were classified as Level 2 in the fair value hierarchy. Based on quoted market rates of interest and maturity schedules of similar debt issues, the fair value of the Company’s 2016 Term Facility determined based on Level 2 inputs, approximates its carrying value at March 31, 2018 and December 31, 2017.

Mandatory minimum repayments remaining on the notional amount of outstanding long-term debt at March 31, 2018 were as follows for each of the periods ending December 31:

(In millions)	Total
2018	$1,766
2019	1,600
2020	2,041
2021	2,250
2022	—
Thereafter	7,157
Total	$14,814

13. Comprehensive Earnings

Accumulated other comprehensive loss, as reflected on the Condensed Consolidated Balance Sheets, is comprised of the following:

(In millions)	March 31, 2018	December 31, 2017
Accumulated other comprehensive loss:		
Net unrealized (loss) gain on marketable securities, net of tax	$(0.2)	$ 10.1
Net unrecognized gains and prior service cost related to defined benefit plans, net of tax	2.2	6.0
Net unrecognized losses on derivatives in cash flow hedging relationships, net of tax	(22.6)	(3.7)
Net unrecognized losses on derivatives in net investment hedging relationships, net of tax	(299.0)	(239.8)
Foreign currency translation adjustment	128.1	(133.8)
	$(191.5)	$ (361.2)

Components of accumulated other comprehensive loss, before tax, consist of the following, for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018							
	Gains and Losses on Derivatives in Cash Flow Hedging Relationships			Gains and Losses on Net Investment Hedges	Gains and Losses on Marketable Securities	Defined Pension Plan Items	Foreign Currency Translation Adjustment	Totals
(In millions)	Foreign Currency Forward Contracts	Interest Rate Swaps	Total					
Balance at December 31, 2017, net of tax			$(3.7)	$(239.8)	$ 10.1	$ 6.0	$(133.8)	$(361.2)
Other comprehensive (loss) earnings before reclassifications, before tax			(29.1)	(59.2)	(0.4)	(4.4)	261.9	168.8
Amounts reclassified from accumulated other comprehensive loss, before tax:								
Gain on foreign exchange forward contracts classified as cash flow hedges, included in net sales	(4.8)		(4.8)					(4.8)
Loss on interest rate swaps classified as cash flow hedges, included in interest expense		1.9	1.9					1.9
Amortization of prior service costs included in SG&A						0.1		0.1
Amortization of actuarial loss included in SG&A						—		—
Net other comprehensive (loss) earnings, before tax			(32.0)	(59.2)	(0.4)	(4.3)	261.9	166.0
Income tax benefit			(10.6)	—	(0.1)	(0.5)	—	(11.2)
Cumulative effect of the adoption of new accounting standards			2.5	—	(10.0)	—	—	(7.5)
Balance at March 31, 2018, net of tax			$(22.6)	$(299.0)	$ (0.2)	$ 2.2	$ 128.1	$(191.5)

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

	Three Months Ended March 31, 2017							
	Gains and Losses on Derivatives in Cash Flow Hedging Relationships			Gains and Losses on Net Investment Hedges	Gains and Losses on Marketable Securities	Defined Pension Plan Items	Foreign Currency Translation Adjustment	Totals
(In millions)	Foreign Currency Forward Contracts	Interest Rate Swaps	Total					
Balance at December 31, 2016, net of tax			$(38.6)	$ (1.4)	$ 14.5	$ (0.5)	$ (2,237.7)	$ (2,263.7)
Other comprehensive earnings (loss) before reclassifications, before tax			25.4	(9.9)	7.7	(0.3)	434.2	457.1
Amounts reclassified from accumulated other comprehensive (loss) earnings, before tax:								
Loss on foreign exchange forward contracts classified as cash flow hedges, included in net sales	5.2		5.2					5.2
Loss on interest rate swaps classified as cash flow hedges, included in interest expense		1.8	1.8					1.8
Amortization of prior service costs included in SG&A						0.1		0.1
Amortization of actuarial gain included in SG&A						0.2		0.2
Net other comprehensive earnings (loss), before tax			32.4	(9.9)	7.7	—	434.2	464.4
Income tax provision (benefit)			11.1	—	2.8	(0.2)	—	13.7
Balance at March 31, 2017, net of tax			$(17.3)	$ (11.3)	$ 19.4			