MYLAN INC.
Form 10-Q
April 27, 2012
Table of Contents

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, 2012

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 1-9114

MYLAN INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**25-1211621**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1500 Corporate Drive, Canonsburg, Pennsylvania 15317

(Address of principal executive offices)

(724) 514-1800

(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.

Class of Common Stock	**Outstanding at April 19, 2012**
$0.50 par value	428,646,326

Table of Contents

MYLAN INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

For the Quarterly Period Ended

March 31, 2012

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited; in thousands, except per share amounts)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Revenues:		
Net revenues	$ 1,573,075	$ 1,436,510
Other revenues	19,333	12,448
Total revenues	1,592,408	1,448,958
Cost of sales	926,135	858,012
Gross profit	666,273	590,946
Operating expenses:		
Research and development	80,959	75,310
Selling, general and administrative	336,769	279,995
Litigation settlements, net	2,173	23,966
Total operating expenses	419,901	379,271
Earnings from operations	246,372	211,675
Interest expense	82,409	84,410
Other (expense) income, net	(5,692)	3,251
Earnings before income taxes and noncontrolling interest	158,271	130,516
Income tax provision	28,844	25,971
Net earnings	129,427	104,545
Net earnings attributable to the noncontrolling interest	(348)	(370)
Net earnings attributable to Mylan Inc. common shareholders	$ 129,079	$ 104,175
Earnings per common share attributable to Mylan Inc. common shareholders:		
Basic	$ 0.30	$ 0.24
Diluted	$ 0.30	$ 0.23
Weighted average common shares outstanding:		
Basic	427,251	437,148
Diluted	432,365	448,473

See Notes to Condensed Consolidated Financial Statements

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Earnings

(Unaudited; in thousands)

	Three Months Ended March 31,	
	2012	**2011**
Net earnings	$ 129,427	$ 104,545
Other comprehensive earnings, before tax:		
Foreign currency translation adjustment	101,438	163,805
Change in unrecognized (loss) gain and prior service cost related to post-retirement plans	(10)	9
Net unrecognized gain on derivatives	22,646	4,650
Net unrealized loss on marketable securities	(168)	(368)
Other comprehensive earnings, before tax	123,906	168,096
Income tax related to items of other comprehensive earnings	7,190	1,559
Other comprehensive earnings, net of tax	116,716	166,537
Comprehensive earnings	246,143	271,082
Comprehensive earnings attributable to the noncontrolling interest	(348)	(370)
Comprehensive earnings attributable to Mylan Inc. common shareholders	$ 245,795	$ 270,712

See Notes to Condensed Consolidated Financial Statements

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

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

	March 31, 2012	December 31, 2011
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	$ 258,038	$ 375,056
Restricted cash	8,722	9,274
Marketable securities	31,041	30,686
Accounts receivable, net	1,537,698	1,426,438
Inventories	1,488,281	1,396,742
Deferred income tax benefit	191,503	202,899
Prepaid expenses and other current assets	223,855	127,749
Total current assets	3,739,138	3,568,844
Property, plant and equipment, net	1,315,728	1,298,034
Intangible assets, net	2,629,496	2,630,747
Goodwill	3,558,653	3,517,935
Deferred income tax benefit	94,438	39,376
Other assets	596,742	543,207
Total assets	$ 11,934,195	$ 11,598,143
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$ 679,841	$ 703,235
Short-term borrowings	443,567	128,054
Income taxes payable	40,715	42,880
Current portion of long-term debt and other long-term obligations	98,768	691,614
Deferred income tax liability	1,329	1,215
Other current liabilities	847,060	996,158
Total current liabilities	2,111,280	2,563,156
Long-term debt	4,906,371	4,479,080
Contingent consideration	383,751	376,110
Other long-term obligations	381,853	366,100
Deferred income tax liability	371,585	308,915
Total liabilities	8,154,840	8,093,361
Equity		
Mylan Inc. shareholders equity		
Common stock par value $0.50 per share		
Shares authorized: 1,500,000,000		
Shares issued: 531,553,003 and 530,315,453 as of March 31, 2012 and December 31, 2011	265,777	265,158
Additional paid-in capital	3,813,575	3,795,373
Retained earnings	1,549,599	1,420,520
Accumulated other comprehensive earnings (loss)	28,877	(87,839)

	5,657,828	5,393,212
Noncontrolling interest	13,496	13,007
Less: treasury stock at cost		
Shares: 103,120,961 and 103,637,016 as of March 31, 2012 and December 31, 2011	1,891,969	1,901,437
Total equity	3,779,355	3,504,782
Total liabilities and equity	$ 11,934,195	$ 11,598,143

See Notes to Condensed Consolidated Financial Statements

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Cash flows from operating activities:		
Net earnings	$ 129,427	$ 104,545
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	125,821	119,551
Stock-based compensation expense	12,303	10,257
Change in estimated sales allowances	59,865	25,482
Deferred income tax (benefit) expense	(5,250)	7,114
Other non-cash items	54,563	34,582
Litigation settlements, net	2,173	23,966
Changes in operating assets and liabilities:		
Accounts receivable	(155,085)	(178,642)
Inventories	(70,095)	(69,727)
Trade accounts payable	(33,077)	28,047
Income taxes	(48,562)	(1,938)
Deferred revenue	(7,043)	
Other operating assets and liabilities, net	(174,169)	(148,817)
Net cash used in operating activities	(109,129)	(45,580)
Cash flows from investing activities:		
Capital expenditures	(35,745)	(41,339)
Purchase of marketable securities	(2,660)	(2,162)
Proceeds from sale of marketable securities	2,562	
Other items, net	(70,318)	126
Net cash used in investing activities	(106,161)	(43,375)
Cash flows from financing activities:		
Change in short-term borrowings, net	311,053	(5,561)
Proceeds from issuance of long-term debt	435,000	
Payment of long-term debt	(673,806)	(1,205)
Proceeds from exercise of stock options	17,182	23,143
Other items, net	2,498	1,602
Net cash provided by financing activities	91,927	17,979
Effect on cash of changes in exchange rates	6,345	17,011
Net decrease in cash and cash equivalents	(117,018)	(53,965)
Cash and cash equivalents beginning of period	375,056	662,052
Cash and cash equivalents end of period	$ 258,038	$ 608,087

See Notes to Condensed Consolidated Financial Statements

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. General

The accompanying unaudited Condensed Consolidated Financial Statements (interim financial statements) of Mylan Inc. and subsidiaries (Mylan or the Company) were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and the rules and regulations of the Securities and Exchange Commission (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, 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 the Company s Annual Report on Form 10-K for the year ended December 31, 2011. The December 31, 2011 Condensed Consolidated Balance Sheet was derived from audited financial statements.

The interim results of operations and the interim cash flows for the three months ended March 31, 2012 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. The estimated annual effective tax rate for 2012 includes an estimate of the full-year effect of foreign tax credits that the Company anticipates it will claim against its 2012 U.S. tax liabilities.

Effective April 16, 2012, the Company entered into a five-year collective bargaining agreement with the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union and its Local Union 8-957 AFL-CIO which agreement governs certain production and maintenance employees at the Company s largest manufacturing site in Morgantown, West Virginia. The agreement expires April 21, 2017.

2. Revenue Recognition and Accounts Receivable

Mylan recognizes net revenue for product 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 three months ended March 31, 2012. Such allowances were $820.3 million and $763.0 million at March 31, 2012 and December 31, 2011. Other current liabilities include $155.0 million and $147.9 million at March 31, 2012 and December 31, 2011, for certain sales allowances and other adjustments that are paid to indirect customers.

In February 2012, Mylan Pharmaceuticals, Inc. (MPI) entered into a receivable securitization facility (the Receivables Facility) of up to $300.0 million. Pursuant to the terms of the Receivables Facility, MPI transfers certain of its domestic receivables, on an ongoing basis, to Mylan Securitization LLC (Mylan Securitization), a wholly-owned bankruptcy remote subsidiary. In turn, from time to time, Mylan Securitization sells its interests in such receivables, related assets and collections to certain conduit purchasers, committed purchasers and letter of credit issuers in exchange for cash or letters of credit. Mylan Securitization maintains a subordinated interest, in the form of over collateralization, in a portion of the receivables sold. Any amounts outstanding under the facility are recorded as a secured loan and included in short-term borrowings in the Condensed Consolidated Balance Sheets, and the receivables underlying any borrowings are included in accounts receivable, net.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

The Company s accounts receivable and securitized accounts receivable include the following:

(In thousands)	March 31, 2012	December 31, 2011
Accounts receivable:		
Retained trade accounts receivable	$ 923,732	$ 1,445,363
Securitized accounts receivable	635,534	
Total accounts receivable	1,559,266	1,445,363
Less allowance for doubtful accounts	21,568	18,925
Accounts receivable, net	$ 1,537,698	$ 1,426,438

At March 31, 2012, there were $285.0 million of short-term borrowings outstanding under the Receivables Facility.

The Company utilizes proceeds from the sale of its accounts receivable as an alternative to other forms of debt, effectively reducing its overall borrowing costs. MPI has agreed to continue servicing the sold receivables for the financial institution at market rates.

3. Recent Accounting Pronouncements

In June and December 2011, the Financial Accounting Standards Board (FASB) issued revised accounting guidance on the presentation of comprehensive income. Under this guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance eliminates the option to present the components of other comprehensive income as a part of the statement of changes in stockholders equity. The guidance is effective for fiscal years beginning after December 15, 2011, and it must be applied retrospectively. The Company adopted the guidance for the three months ended March 31, 2012, with retrospective application to the three months ended March 31, 2011 by presenting the Condensed Consolidated Statements of Comprehensive Earnings. The adoption of the guidance did not have a material effect on the Company s results of operations, financial position or cash flows.

In September 2011, the FASB issued a revised standard changing the guidance for the testing of goodwill for impairment. The revised standard provides the option to first assess qualitative factors to determine whether performing the two-step goodwill impairment test is necessary. If it is believed, as a result of the qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the two-step quantitative impairment test will be required. Otherwise, no further testing will be required. Entities can choose to perform the qualitative assessment on none, some, or all of its reporting units. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted the guidance during the three months ended March 31, 2012, and the adoption of the guidance did not have a material effect on the Company s results of operations, financial position or cash flows.

In May 2011, the FASB issued guidance that was subsequently revised to result in consistent fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards (IFRS). Included in the revised guidance are amendments that clarify the intent of the FASB related to existing requirements. Also included in the revised guidance are certain amendments that change existing principles or requirements. The FASB s intent about the application of the highest and best use and valuation premise

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

concepts is clarified to specify that those concepts are only relevant when measuring the fair value of nonfinancial assets. Amendments were also made to clarify requirements relating to measuring the fair value of an instrument classified in shareholders equity, as well as to clarify requirements for reporting quantitative information about the unobservable inputs used for Level 3 fair value measurements. Changes effected by the revised guidance are related to the topics of measuring the fair value of financial instruments that are managed within a portfolio and to the application of premiums and discounts in fair value measurement. The amended guidance also expands disclosure requirements related to several fair value measurement topics. The guidance is effective for interim and annual periods beginning on or after December 15, 2011. The Company adopted the guidance during the three months ended March 31, 2012, and the adoption of the guidance did not have a material effect on the Company s results of operations, financial position or cash flows.

4. Acquisitions

The Respiratory Delivery Platform

On December 23, 2011, Mylan completed its 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 (Pfizer) proprietary dry powder inhaler delivery platform (the Respiratory Delivery Platform). As part of the agreement, Mylan will fund the remaining development and capital requirements to bring the products to market. In accordance with GAAP guidance regarding business combinations, the Company accounted for this transaction as a purchase of a business and utilized the purchase method of accounting. Under the purchase method of accounting, the assets acquired and liabilities assumed in the transaction were recorded at the date of acquisition at the estimate of their respective fair values.

The total purchase consideration was $348 million. This amount consisted of an initial cash payment of $22 million, approximately $4 million in assumed liabilities, and $322 million of contingent consideration. Pfizer is eligible to receive milestone payments, which are contingent upon future product development achievements including regulatory approvals, market launches, sales targets and profitability. The total $322 million of contingent consideration represents the net present value of expected milestone and profit sharing payments. The purchase price allocation, including the valuation of the contingent payment elements of the purchase price, resulted in in-process research and development (IPR&D) of $338 million, fixed assets of $8 million and goodwill of $2 million. The impact on our results of operations since the acquisition date was not material.

The amount allocated to acquired IPR&D represents an estimate of the fair value of purchased in-process technology that, as of the closing date of the acquisition, had not reached technological feasibility and had no alternative future use. The fair value of IPR&D was based on the excess earnings method, which utilizes forecasts of expected net cash inflows (including estimates for ongoing costs) and other contributory charges. A discount rate of 12.5% was utilized to discount net cash inflows to present values.

The project is in the early stages of development, and the expected costs to complete are estimated to be significant. The project is not expected to begin generating a material benefit to the Company until after 2016. There can be no certainty that these assets ultimately will yield a successful product. Failure to successfully complete this project would have a material impact on the IPR&D assets related to it. Additionally, no assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change in future periods.

5. Stock-Based Incentive Plan

Mylan s shareholders have approved the *2003 Long-Term Incentive Plan* (as amended, the 2003 Plan). Under the 2003 Plan, 37,500,000 shares of common stock are reserved for issuance to key employees,

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

consultants, independent contractors and non-employee directors of Mylan through a variety of incentive awards, including: stock options, stock appreciation rights, restricted shares and units, performance awards, other stock-based awards and short-term cash awards. Stock option awards are granted at the fair 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. In the 2003 Plan, no more than 8,000,000 shares may be issued as restricted shares, restricted units, performance shares and other stock-based awards.

Upon approval of the 2003 Plan, no further grants of stock options have been made under any other plan. However, there are stock options outstanding from frozen or expired plans and other plans assumed through acquisitions.

The following table summarizes stock option activity:

	Number of Shares Under Option	Weighted Average Exercise Price per Share
Outstanding at December 31, 2011	23,599,256	$ 17.42
Options granted	1,971,921	23.28
Options exercised	(1,237,551)	13.88
Options forfeited	(194,352)	19.81
Outstanding at March 31, 2012	24,139,274	$ 18.06
Vested and expected to vest at March 31, 2012	23,065,876	$ 17.93
Options exercisable at March 31, 2012	16,507,855	$ 16.64

As of March 31, 2012, options outstanding, options vested and expected to vest, and options exercisable had average remaining contractual terms of 6.12 years, 6.00 years and 4.85 years, respectively. Also at March 31, 2012, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of $130.4 million, $127.4 million and $112.4 million, respectively.

A summary of the status of the Company s nonvested restricted stock and restricted stock unit awards, including performance based restricted stock, as of March 31, 2012 and the changes during the three months ended March 31, 2012 are presented below:

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value per Share
Nonvested at December 31, 2011	2,520,487	$ 20.16
Granted	864,640	23.44
Released	(731,356)	15.71
Forfeited	(39,641)	22.43
Nonvested at March 31, 2012	2,614,130	$ 22.46

As of March 31, 2012, the Company had $70.7 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 period of 1.90 years. The total intrinsic value of stock-based awards exercised and restricted stock units converted during the three months ended March 31, 2012 and March 31, 2011 was $28.1 million and $30.9 million.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

6. Balance Sheet Components

Selected balance sheet components consist of the following:

(In thousands)	March 31, 2012	December 31, 2011
Inventories:		
Raw materials	$ 402,216	$ 370,423
Work in process	226,763	253,492
Finished goods	859,302	772,827
	$ 1,488,281	$ 1,396,742
Property, plant and equipment:		
Land and improvements	$ 72,845	$ 72,945
Buildings and improvements	674,917	676,028
Machinery and equipment	1,387,867	1,358,163
Construction in progress	257,659	263,948
	2,393,288	2,371,084
Less accumulated depreciation	1,077,560	1,073,050
	$ 1,315,728	$ 1,298,034
Other current liabilities:		
Legal and professional accruals, including litigation reserves	$ 154,846	$ 232,670
Payroll and employee benefit plan accruals	166,156	221,458
Accrued sales allowances	155,016	147,938
Accrued interest	50,349	74,754
Fair value of financial instruments	40,759	69,493
Other	279,934	249,845
	$ 847,060	$ 996,158

7. Earnings per Common Share attributable to Mylan Inc.

Basic earnings per common share is computed by dividing net earnings attributable to Mylan Inc. common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per common share is computed by dividing net earnings attributable to Mylan Inc. common shareholders by the weighted average number of 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 $575.0 million aggregate principal amount of Cash Convertible Notes due 2015 (the Cash Convertible Notes), Mylan entered into a convertible note hedge and warrant transaction with certain counterparties. Pursuant to the warrant transactions, the Company sold to the counterparties warrants to purchase in the aggregate up to approximately 43.2 million shares of Mylan common stock, subject to anti-dilution adjustments substantially similar to the anti-dilution adjustments for the Cash Convertible Notes, which under most circumstances represents the maximum number of shares that underlie the conversion reference rate for the Cash Convertible Notes. The sold warrants had an exercise price of $20.00 and will be net share settled, meaning that Mylan will issue a number of shares per warrant corresponding to the difference between its share price at each warrant expiration date and the exercise price. The warrants meet the definition of derivatives under the guidance in FASB Accounting Standards Codification (ASC) 815 *Derivatives and Hedging* (ASC 815); however, because these instruments have been determined to be indexed

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

to the Company s own stock and meet the criteria for equity classification under ASC 815-40 *Contracts in Entity s Own Equity,* the warrants have been recorded in shareholders equity in the Condensed Consolidated Balance Sheets.

In September 2011, the Company entered into amendments with the counterparties to exchange the original warrants with an exercise price of $20.00 (the Old Warrants) with new warrants with an exercise price of $30.00 (the New Warrants). Approximately 41.0 million of the Old Warrants were exchanged in the transaction. All other terms and settlement provisions of the Old Warrants remain unchanged in the New Warrants. The New Warrants meet the definition of derivatives under the guidance in ASC 815; however, because these instruments have been determined to be indexed to the Company s own stock and meet the criteria for equity classification under ASC 815-40*,* the New Warrants have also been recorded in shareholders equity in the Condensed Consolidated Balance Sheets.

The average market value of the Company s shares did not exceed the exercise price of the New Warrants during the three months ended March 31, 2012. For the three months ended March 31, 2012 and March 31, 2011, the average market value of the Company s shares exceeded the exercise price of the Old Warrants, and as a result, the Company has included 0.2 million and 5.2 million shares, respectively, in the calculation of diluted earnings per share.

Basic and diluted earnings per common share attributable to Mylan Inc. are calculated as follows:

(In thousands, except per share amounts)	**Three Months Ended March 31, 2012**	**2011**
Basic earnings attributable to Mylan Inc. common shareholders (numerator):		
Net earnings attributable to Mylan Inc. common shareholders	$ 129,079	$ 104,175
Shares (denominator):		
Weighted average common shares outstanding	427,251	437,148
Basic earnings per common share attributable to Mylan Inc. common shareholders	$ 0.30	$ 0.24
Diluted earnings attributable to Mylan Inc. common shareholders (numerator):		
Net earnings attributable to Mylan Inc. common shareholders	$ 129,079	$ 104,175
Shares (denominator):		
Weighted average common shares outstanding	427,251	437,148
Stock-based awards and warrants	5,114	11,325
Total dilutive shares outstanding	432,365	448,473
Diluted earnings per common share attributable to Mylan Inc. common shareholders	$ 0.30	$ 0.23

Additional stock options or restricted stock awards were outstanding during the three months ended March 31, 2012 and March 31, 2011 but were not included in the computation of diluted earnings per share for each respective period, because the effect would be anti-dilutive. Such anti-dilutive stock options or restricted stock awards represented 6.4 million shares for the three months ended March 31, 2012 and 3.2 million shares for the three months ended March 31, 2011.

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

8. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2012 are as follows:

(In thousands)	Generics Segment	Specialty Segment	Total
Balance at December 31, 2011:			
Goodwill	$ 3,196,428	$ 706,507	$ 3,902,935
Accumulated impairment losses		(385,000)	(385,000)
	3,196,428	321,507	3,517,935
Foreign currency translation	40,718		40,718
	3,237,146	321,507	3,558,653
Balance at March 31, 2012:			
Goodwill	3,237,146	706,507	3,943,653
Accumulated impairment losses		(385,000)	(385,000)
	$ 3,237,146	$ 321,507	$ 3,558,653

Intangible assets consist of the following components:

(In thousands)	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
March 31, 2012				
Amortized intangible assets:				
Patents and technologies	20	$ 116,631	$ 84,183	$ 32,448
Product rights and licenses	10	3,501,257	1,509,757	1,991,500
Other [(1)]	8	193,323	49,911	143,412
		3,811,211	1,643,851	2,167,360
IPR&D		462,136		462,136
		$ 4,273,347	$ 1,643,851	$ 2,629,496

(In thousands)	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
December 31, 2011				
Amortized intangible assets:				
Patents and technologies	20	$ 116,631	$ 82,815	$ 33,816
Product rights and licenses	10	3,364,263	1,418,492	1,945,771
Other [(1)]	8	200,663	45,604	155,059

	3,681,557	1,546,911	2,134,646
IPR&D	496,101		496,101
	$ 4,177,658	$ 1,546,911	$ 2,630,747

(1) Other intangible assets consist principally of customer lists and contracts.

Amortization expense, which is classified primarily within cost of sales on Mylan s Condensed Consolidated Statements of Operations, for the three months ended March 31, 2012 and March 31, 2011 was

13

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

$87.8 million and $85.0 million, respectively, and is expected to be approximately $262 million for the remainder of 2012 and $343 million, $336 million, $313 million and $246 million for the years ended December 31, 2013 through 2016, respectively.

Indefinite-lived intangibles, such as the Company s IPR&D assets, are tested at least annually for impairment, but may be tested whenever certain impairment indicators are present. Impairment is determined to exist when the fair value is less than the carrying value of the assets being tested.

During the three months ended March 31, 2012, approximately $33.0 million was reclassified from acquired IPR&D to product rights and licenses. Also during the three months ended March 31, 2012, the Company paid approximately $70.0 million to acquire products rights and licenses, the majority of which relates to two dermatological products acquired from Valeant Pharmaceuticals.

9. Financial Instruments and Risk Management
Financial Risks

Mylan 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, interest rate risk and equity risk.

In order to manage foreign currency risk, Mylan 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 Sheets. Any changes in fair value are included in earnings or deferred through accumulated other comprehensive earnings (AOCE), depending on the nature and effectiveness of the offset.

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

In December 2011, the Company executed $500.0 million of notional interest rate swaps in order to fix the interest rate on a portion of its variable rate U.S. Term Loans under its senior credit agreement (the Senior Credit Agreement). In January 2012, the Company executed a further $350.0 million of notional interest rate swaps in order to fix the interest rate on an additional portion of its variable rate U.S. Term Loans under the Senior Credit Agreement. These interest rate swaps are designated as cash flow hedges of the variability of interest expense related to the Company s variable rate debt. Any changes in fair value are included in earnings or deferred through AOCE, depending on the nature and effectiveness of the offset. The total notional amount of the Company s interest rate swaps on floating-rate debt was $850.0 million and $500.0 million as of March 31, 2012 and December 31, 2011, respectively.

In January 2011, the Company entered into interest rate swaps which convert $500.0 million of the Company s fixed-rate 6.0% Senior Notes due 2018 (the 2018 Senior Notes) to a variable rate. These interest

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

rate swaps are designated as fair value hedges, are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. The change in the fair value of these derivative instruments, as well as the offsetting change in fair value of the portion of the fixed-rate debt being hedged, is included in interest expense. As of March 31, 2012, the total notional amount of the Company s interest rate swaps on fixed-rate debt was $500.0 million.

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 aggregate fair value of all such contracts, which are in a net asset position at March 31, 2012, is $35.8 million. The Company is not subject to any obligations to post collateral under derivative instrument contracts.

The Company maintains significant credit exposure arising from the convertible note hedge on its Cash Convertible Notes. Holders may convert their Cash Convertible Notes subject to certain conversion provisions determined by a) the market price of the Company s common stock, b) specified distributions to common shareholders, c) a fundamental change, as defined in the purchase agreement, or d) certain time periods specified in the purchase agreement. The conversion feature can only be settled in cash and, therefore, it is bifurcated from the Cash Convertible Notes and treated as a separate derivative instrument. In order to offset the cash flow risk associated with the cash conversion feature, the Company entered into a convertible note hedge with certain counterparties. Both the cash conversion feature and the purchased convertible note hedge are measured at fair value with gains and losses recorded in the Company s Condensed Consolidated Statements of Operations. Also, in conjunction with the issuance of the Cash Convertible Notes, the Company entered into several warrant transactions with certain counterparties. The warrants meet the definition of derivatives; however, because these instruments have been determined to be indexed to the Company s own stock, and have been recorded in shareholders equity in the Company s Condensed Consolidated Balance Sheets, the instruments are exempt from the scope of the FASB s guidance regarding accounting for derivative instruments and hedging activities and are not subject to the fair value provisions set forth therein.

At March 31, 2012, the convertible note hedge had a total fair value of $511.6 million, which reflects the maximum loss that would be incurred should the parties fail to perform according to the terms of the contract. The counterparties are highly rated diversified financial institutions. The counterparties are required to post collateral against this obligation should they be downgraded below thresholds specified in the contract. Eligible collateral is comprised of a wide range of financial securities with a valuation discount percentage reflecting the associated risk.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

The Company regularly reviews the creditworthiness of its financial counterparties and does not expect to incur a significant loss from failure of any counterparties to perform under any agreements.

Fair Values of Derivative Instruments

Derivatives Designated as Hedging Instruments

	Asset Derivatives			
	March 31, 2012		December 31, 2011	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	$ 38,598	Prepaid expenses and other current assets	$ 29,773
Total		$ 38,598		$ 29,773

	Liability Derivatives			
	March 31, 2012		December 31, 2011	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Other current liabilities	$ 2,756	Other current liabilities	$ 658
Foreign currency forward contracts	Other current liabilities	31,572	Other current liabilities	57,075
Total		$ 34,328		$ 57,733

Fair Values of Derivative Instruments

Derivatives Not Designated as Hedging Instruments

	Asset Derivatives			
	March 31, 2012		December 31, 2011	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 7,129	Prepaid expenses and other current assets	$ 3,802
Purchased cash convertible note hedge	Other assets	511,600	Other assets	460,000
Total		$ 518,729		$ 463,802

	Liability Derivatives			
	March 31, 2012		December 31, 2011	

(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Other current liabilities	$ 6,431	Other current liabilities	$ 11,760
Cash conversion feature of Cash Convertible Notes	Long-term debt	511,600	Long-term debt	460,000
Total		$ 518,031		$ 471,760

16

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

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

Derivatives in Fair Value Hedging Relationships

(In thousands)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives Three Months Ended March 31, 2012	2011
Interest Rate Swaps	Interest Expense	$ 11,896	$ (6,328)
Total		$ 11,896	$ (6,328)

(In thousands)	Location of Gain or (Loss) Recognized in Earnings on Hedged Items	Amount of Gain or (Loss) Recognized in Earnings on Hedging Items Three Months Ended March 31, 2012	2011
2018 Senior Notes	Interest Expense	$ (8,825)	$ 6,328
Total		$ (8,825)	$ 6,328

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

Derivatives in Cash Flow Hedging Relationships

(In thousands)	Amount of Gain or (Loss) Recognized in AOCE (Net of Tax) on Derivative (Effective Portion) Three Months Ended March 31, 2012	2011
Foreign currency forward contracts	$ 11,461	$ 1,388
Interest rate swaps	(1,324)	2,321
Total	$ 10,137	$ 3,709

	Location of Gain or (Loss) Reclassified from AOCE	Amount of Gain or (Loss) Reclassified from AOCE into Earnings (Effective Portion)

(In thousands)	into Earnings (Effective Portion)	Three Months Ended March 31, 2012	2011
Foreign currency forward contracts	Net revenues	$ (5,255)	$ 745
Interest rate swaps	Interest expense	(374)	(1,782)
Total		$ (5,629)	$ (1,037)

(In thousands)	Location of Gain Excluded from the Assessment of Hedge Effectiveness	Amount of Gain Excluded from the Assessment of Hedge Effectiveness Three Months Ended March 31, 2012	2011
Foreign currency forward contracts	Other (expense) income, net	$ 5,711	$ 34
Total		$ 5,711	$ 34

17

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

At March 31, 2012, the Company expects that approximately $27.0 million of pre-tax net losses on cash flow hedges will be reclassified from AOCE into earnings during the next 12 months.

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

Derivatives in Net Investment Hedging Relationships

	Amount of Gain or (Loss) Recognized in AOCE (Net of Tax) on Derivative (Effective Portion) Three Months Ended March 31,	
(In thousands)	**2012**	**2011**
Foreign currency borrowings	$	$ (33,718)
Total	$	$ (33,718)

There was no gain or loss recognized into earnings on derivatives with net investment hedging relationships during the three months ended March 31, 2011. The Euro-denominated borrowings that had been designated as a hedge of the net investments in certain Euro functional currency subsidiaries were repaid in November 2011.

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

Derivatives Not Designated as Hedging Instruments

		Amount of Gain or (Loss) Recognized in Earnings on Derivatives Three Months Ended March 31,	
(In thousands)	**Location of Gain or (Loss) Recognized in Earnings on Derivatives**	**2012**	**2011**
Foreign currency forward contracts	Other (expense) income, net	$ 5,255	$ 11,462
Cash conversion feature of Cash Convertible Notes	Other (expense) income, net	(51,600)	(49,300)
Purchased cash convertible note hedge	Other (expense) income, net	51,600	49,300
Total		$ 5,255	$ 11,462

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.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

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.

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

	March 31, 2012			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:				
Cash equivalents:				
Money market funds	$ 60,676	$	$	$ 60,676
Total cash equivalents	60,676			60,676
Trading securities:				
Equity securities exchange traded funds	7,218			7,218
Total trading securities	7,218			7,218
Available-for-sale fixed income investments:				
U.S. Treasuries		12,193		12,193
Corporate bonds		7,630		7,630
Agency mortgage-backed securities		1,395		1,395
Other		2,543		2,543
Total available-for-sale fixed income investments		23,761		23,761
Available-for-sale equity securities:				
Biosciences industry	62			62
Total available-for-sale equity securities	62			62
Foreign exchange derivative assets		7,129		7,129
Interest rate swap derivative assets		38,598		38,598
Purchased cash convertible note hedge		511,600		511,600
Total assets at fair value (1)	$ 67,956	$ 581,088	$	$ 649,044
Financial Liabilities:				
Foreign exchange derivative liabilities	$	$ 38,003	$	$ 38,003
Interest rate swap derivative liabilities		2,756		2,756
Cash conversion feature of Cash Convertible Notes		511,600		511,600
Contingent consideration			383,751	383,751
Total liabilities at fair value (1)	$	$ 552,359	$ 383,751	$ 936,110

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

	December 31, 2011			
(In thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 152,331	$	$	$ 152,331
Total cash equivalents	152,331			152,331
Trading securities:				
Equity securities exchange traded funds	6,760			6,760
Total trading securities	6,760			6,760
Available-for-sale fixed income investments:				
U.S. Treasuries		1,519		1,519
Corporate bonds		7,192		7,192
Agency mortgage-backed securities		12,346		12,346
Other		2,697		2,697
Total available-for-sale fixed income investments		23,754		23,754
Available-for-sale equity securities:				
Biosciences industry	172			172
Total available-for-sale equity securities	172			172
Foreign exchange derivative assets		3,802		3,802
Interest rate swap derivative assets		29,773		29,773
Purchased cash convertible note hedge				