

MYLAN INC.  
Form 10-Q  
August 01, 2013

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934  
For the quarterly period ended June 30, 2013  
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

(State or other jurisdiction  
of incorporation or organization)

25-1211621

(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  No

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

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

Large accelerated filer  Accelerated filer

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

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

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

|            |                |
|------------|----------------|
| Class of   | Outstanding at |
| Common     | July 29, 2013  |
| Stock      |                |
| \$0.50 par | 381,811,984    |
| value      |                |



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 For the Quarterly Period Ended  
 June 30, 2013

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## PART I — FINANCIAL INFORMATION

## MYLAN INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Operations

(Unaudited; in thousands, except per share amounts)

|   | Three Months Ended |             | Six Months Ended |             |
|---|--------------------|-------------|------------------|-------------|
|   | June 30,<br>2013   | 2012        | June 30,<br>2013 | 2012        |
| Revenues:   |                    |             |                  |             |
| Net revenues  | \$1,687,337        | \$1,677,985 | \$3,306,745      | \$3,251,060 |
| Other revenues  | 14,364             | 9,830       | 26,446           | 20,410      |
| Total revenues  | 1,701,701          | 1,687,815   | 3,333,191        | 3,271,470   |
| Cost of sales   | 959,317            | 985,178     | 1,897,317        | 1,898,604   |
| Gross profit  | 742,384            | 702,637     | 1,435,874        | 1,372,866   |
| Operating expenses:   |                    |             |                  |             |
| Research and development  | 111,433            | 94,361      | 237,919          | 175,320     |
| Selling, general and administrative                                       | 315,389            | 359,011     | 666,756          | 695,570     |
| Litigation settlements, net   | 6,943              | (12,206)    | 8,733            | (10,033)    |
| Total operating expenses  | 433,765            | 441,166     | 913,408          | 860,857     |
| Earnings from operations  | 308,619            | 261,471     | 522,466          | 512,009     |
| Interest expense  | 81,804             | 75,666      | 159,791          | 158,075     |
| Other (expense) income, net   | (7,192)            | 4,210       | (3,794)          | (5,605)     |
| Earnings before income taxes and noncontrolling interest                  | 219,623            | 190,015     | 358,881          | 348,329     |
| Income tax provision  | 41,007             | 50,843      | 72,721           | 79,687      |
| Net earnings  | 178,616            | 139,172     | 286,160          | 268,642     |
| Net earnings attributable to the noncontrolling interest                  | (927)              | (622)       | (1,589)          | (1,013)     |
| Net earnings attributable to Mylan Inc. common shareholders               | \$177,689          | \$138,550   | \$284,571        | \$267,629   |
| Earnings per common share attributable to Mylan Inc. common shareholders: |                    |             |                  |             |
| Basic   | \$0.47             | \$0.33      | \$0.73           | \$0.63      |
| Diluted   | \$0.46             | \$0.33      | \$0.72           | \$0.62      |
| Weighted average common shares outstanding:                               |                    |             |                  |             |
| Basic   | 381,194            | 420,281     | 387,179          | 423,766     |
| Diluted   | 387,056            | 424,394     | 393,034          | 428,380     |

See Notes to Condensed Consolidated Financial Statements

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## MYLAN INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Comprehensive Earnings (Loss)

(Unaudited; in thousands)

|   | Three Months Ended |              | Six Months Ended |            |
|---|--------------------|--------------|------------------|------------|
|   | June 30,<br>2013   | 2012         | June 30,<br>2013 | 2012       |
| Net earnings  | \$178,616          | \$139,172    | \$286,160        | \$268,642  |
| Other comprehensive loss, before tax:   |                    |              |                  |            |
| Foreign currency translation adjustment   | (221,567 )         | (218,222 )   | (362,002 )       | (116,784 ) |
| Change in unrecognized loss and prior service cost related to defined benefit plans | 4,180              | (9 )         | 4,457            | (19 )      |
| Net unrecognized gain (loss) on derivatives   | 122,693            | (34,806 )    | 148,491          | (12,160 )  |
| Net unrealized (loss) gain on marketable securities                                 | (684 )             | 88           | (976 )           | (80 )      |
| Other comprehensive loss, before tax  | (95,378 )          | (252,949 )   | (210,030 )       | (129,043 ) |
| Income tax related to items of other comprehensive loss                             | 50,936             | (11,198 )    | 58,188           | (4,008 )   |
| Other comprehensive loss, net of tax  | (146,314 )         | (241,751 )   | (268,218 )       | (125,035 ) |
| Comprehensive earnings (loss)   | 32,302             | (102,579 )   | 17,942           | 143,607    |
| Comprehensive earnings attributable to the noncontrolling interest                  | (927 )             | (622 )       | (1,589 )         | (1,013 )   |
| Comprehensive earnings (loss) attributable to Mylan Inc. common shareholders        | \$31,375           | \$(103,201 ) | \$16,353         | \$142,594  |

See Notes to Condensed Consolidated Financial Statements

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## MYLAN INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

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

|   | June 30, 2013 | December 31,<br>2012 |
|---|---------------|----------------------|
| <b>ASSETS</b>   |               |                      |
| Assets  |               |                      |
| Current assets:   |               |                      |
| Cash and cash equivalents   | \$277,379     | \$349,969            |
| Accounts receivable, net  | 1,651,389     | 1,554,342            |
| Inventories   | 1,637,373     | 1,525,242            |
| Deferred income tax benefit   | 205,838       | 229,348              |
| Prepaid expenses and other current assets   | 440,320       | 243,816              |
| Total current assets  | 4,212,299     | 3,902,717            |
| Property, plant and equipment, net  | 1,431,455     | 1,397,216            |
| Intangible assets, net  | 1,972,146     | 2,224,457            |
| Goodwill  | 3,359,543     | 3,515,655            |
| Deferred income tax benefit   | 98,147        | 87,655               |
| Other assets  | 1,138,121     | 804,197              |
| Total assets  | \$12,211,711  | \$11,931,897         |
| <b>LIABILITIES AND EQUITY</b>   |               |                      |
| Liabilities   |               |                      |
| Current liabilities:  |               |                      |
| Trade accounts payable  | \$838,035     | \$777,908            |
| Short-term borrowings   | 405,396       | 298,987              |
| Income taxes payable  | 89,878        | 33,731               |
| Current portion of long-term debt and other long-term obligations                       | 2,692         | 98,048               |
| Deferred income tax liability   | 651           | 1,283                |
| Other current liabilities   | 989,680       | 983,546              |
| Total current liabilities   | 2,326,332     | 2,193,503            |
| Long-term debt  | 5,812,170     | 5,337,196            |
| Other long-term obligations   | 850,099       | 771,111              |
| Deferred income tax liability   | 277,794       | 274,259              |
| Total liabilities   | 9,266,395     | 8,576,069            |
| Equity  |               |                      |
| Mylan Inc. shareholders' equity   |               |                      |
| Common stock — par value \$0.50 per share   |               |                      |
| Shares authorized: 1,500,000,000  |               |                      |
| Shares issued: 541,859,089 and 539,664,386 as of June 30, 2013 and December 31,<br>2012 | 270,930       | 269,832              |
| Additional paid-in capital  | 4,045,322     | 3,986,746            |
| Retained earnings   | 2,345,941     | 2,061,370            |
| Accumulated other comprehensive loss  | (354,716)     | (86,498)             |
| Noncontrolling interest   | 16,735        | 15,110               |
| Less: treasury stock — at cost  |               |                      |
| Shares: 160,157,124 and 144,459,210 as of June 30, 2013 and December 31, 2012           | 3,378,896     | 2,890,732            |
| Total equity  | 2,945,316     | 3,355,828            |



|                              |              |              |
|------------------------------|--------------|--------------|
| Total liabilities and equity | \$12,211,711 | \$11,931,897 |
|------------------------------|--------------|--------------|

See Notes to Condensed Consolidated Financial Statements

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## MYLAN INC. AND SUBSIDIARIES

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

|   | Six Months Ended June 30, |             |
|---|---------------------------|-------------|
|   | 2013                      | 2012        |
| Cash flows from operating activities:   |                           |             |
| Net earnings  | \$286,160                 | \$268,642   |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                           |             |
| Depreciation and amortization   | 246,979                   | 246,648     |
| Stock-based compensation expense  | 23,330                    | 22,435      |
| Change in estimated sales allowances  | (26,069)                  | ) 180,391   |
| Deferred income tax benefit   | (16,659)                  | ) (57,076)  |
| Other non-cash items  | 54,996                    | 126,517     |
| Litigation settlements, net   | 8,733                     | (10,033)    |
| Changes in operating assets and liabilities:  |                           |             |
| Accounts receivable   | (107,598)                 | ) (288,011) |
| Inventories   | (169,201)                 | ) (109,639) |
| Trade accounts payable  | 81,262                    | (8,975)     |
| Income taxes  | (42,542)                  | ) (32,837)  |
| Deferred revenue  | (134)                     | ) (14,645)  |
| Other operating assets and liabilities, net   | (65,216)                  | ) (127,824) |
| Net cash provided by operating activities   | 274,041                   | 195,593     |
| Cash flows from investing activities:   |                           |             |
| Capital expenditures  | (125,657)                 | ) (98,918)  |
| Change in restricted cash   | (50,550)                  | ) 7,555     |
| Cash paid for acquisitions, net   | (37,100)                  | ) —         |
| Purchase of marketable securities   | (9,481)                   | ) (7,957)   |
| Proceeds from sale of marketable securities   | 5,275                     | 6,568       |
| Other items, net  | (13,641)                  | ) (73,131)  |
| Net cash used in investing activities   | (231,154)                 | ) (165,883) |
| Cash flows from financing activities:   |                           |             |
| Payment of financing fees   | (18,496)                  | ) (1,252)   |
| Purchase of common stock  | (500,000)                 | ) (499,953) |
| Change in short-term borrowings, net  | 113,933                   | 283,108     |
| Proceeds from issuance of long-term debt  | 1,758,267                 | 835,000     |
| Payment of long-term debt   | (1,517,266)               | ) (732,549) |
| Proceeds from exercise of stock options   | 38,659                    | 27,676      |
| Other items, net  | 17,174                    | 5,587       |
| Net cash used in financing activities   | (107,729)                 | ) (82,383)  |
| Effect on cash of changes in exchange rates   | (7,748)                   | ) (8,052)   |
| Net decrease in cash and cash equivalents   | (72,590)                  | ) (60,725)  |
| Cash and cash equivalents — beginning of period                                     | 349,969                   | 375,056     |
| Cash and cash equivalents — end of period   | \$277,379                 | \$314,331   |

See Notes to Condensed Consolidated Financial Statements



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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, 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 the Company’s Annual Report on Form 10-K for the year ended December 31, 2012, as updated by the Company’s Current Report on Form 8-K filed on May 28, 2013. The December 31, 2012 Condensed Consolidated Balance Sheet was derived from audited financial statements.

The interim results of operations, comprehensive earnings and cash flows for the six months ended June 30, 2013 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 2013 includes an estimate of the full-year effect of foreign tax credits that the Company anticipates it will claim against its 2013 U.S. tax liabilities.

Certain insignificant prior period amounts of other revenue, cost of sales and operating expenses have been reclassified to other (expense) income, net to conform to the presentation for the current period. The reclassifications had no impact on the previously reported net earnings attributable to Mylan Inc. common shareholders. In addition, certain insignificant prior period amounts have been reclassified from net cash provided by operating activities to net cash used in investing activities.

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 six months ended June 30, 2013. Such allowances were \$939.6 million and \$977.0 million at June 30, 2013 and December 31, 2012, respectively. Other current liabilities include \$205.6 million and \$202.9 million at June 30, 2013 and December 31, 2012, respectively, for certain sales allowances and other adjustments that are paid to indirect customers.

Through its wholly owned subsidiary Mylan Pharmaceuticals Inc. (“MPI”), the Company has access to a \$400 million accounts receivable securitization facility (the “Receivables Facility”). The receivables underlying any borrowings are included in accounts receivable, net, in the Condensed Consolidated Balance Sheets. There were \$555.6 million of securitized accounts receivable at June 30, 2013.

3. Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (“FASB”) issued revised accounting guidance on the presentation of comprehensive income in the financial statements. The amended guidance requires an entity to report, in one place, the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income. Reclassifications must be disclosed if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. The guidance is effective prospectively for reporting periods beginning after December 15, 2012. The Company adopted the guidance during 2013 by presenting additional disclosure in the notes to financial statements (see Note 11). The adoption of the guidance did not have a material effect on the Company’s results of operations, financial position or cash flows.



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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

In December 2011 and January 2013, the FASB issued revised accounting guidance for an entity with particular financial instruments and derivative instruments that offset in accordance with the FASB's guidance regarding other presentation matters for derivatives and hedging. Under the amendments in this update, an entity with financial instruments that are offset in the financial statements or subject to enforceable master netting arrangements or similar agreements must disclose the gross amount recognized for the asset/liability, the offsetting amounts, the net amounts presented on the balance sheet and any amounts subject to enforceable master netting arrangements. The amended guidance is effective for fiscal years, including interim periods, beginning on or after January 1, 2013. Retroactive application is required. The Company adopted the guidance during 2013, 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 and Collaborative Agreements

Pfizer Japan

On August 22, 2012, the Company and Pfizer Japan Inc. ("Pfizer Japan") announced a definitive agreement to establish an exclusive long-term strategic collaboration to develop, manufacture, distribute and market generic drugs in Japan. Under the agreement, the Company and Pfizer Japan will continue to operate separate legal entities in Japan, but will collaborate on current and future generic products, sharing the costs and profits resulting from the collaboration. The Company's responsibilities primarily consist of managing operations, including research and development and manufacturing. Pfizer Japan's responsibilities under the agreement primarily consist of the commercialization of the combined generics portfolio and managing a combined marketing and sales effort. The collaboration became operational on January 1, 2013.

Biocon Insulin Products

On February 12, 2013, the Company entered into a definitive agreement with Biocon Limited ("Biocon") for an exclusive strategic collaboration on the development and commercialization of generic versions of three insulin analog products. Under the terms of this collaboration, the Company will have the rights to develop and market a version of Glargine (the generic version of Sanofi's Lantus®), Lispro (the generic version of Eli Lilly and Company's Humalog®) and Aspart (the generic version of Novo Nordisk's NovoLog®). The Company and Biocon will share development, capital and certain other costs to bring the products to market. Mylan will have exclusive commercialization rights in the U.S., Canada, Australia, New Zealand, the European Union and the European Free Trade Association countries through a profit-share arrangement with Biocon. The Company will also have co-exclusive commercialization rights with Biocon in certain other markets around the world. As part of the agreement, the Company made a licensing payment of \$20 million to Biocon, which is included as a component of research and development expense for the six months ended June 30, 2013.

SMS Pharmaceuticals Ltd.

On February 14, 2013, the Company completed the acquisition of a manufacturing operation located in India from SMS Pharmaceuticals Ltd. ("SMS") for approximately \$32 million in cash. As part of the purchase price allocation, goodwill of approximately \$10 million was recognized within the Generics segment. The impact on the Company's results of operations since the acquisition date was not material.

Agila Specialties

On February 27, 2013, the Company announced that it had signed definitive agreements ("the Agreements") to acquire the Agila Specialties business ("Agila Specialties"), a developer, manufacturer and marketer of high-quality generic injectable products, from Strides Arcolab Limited for approximately \$1.6 billion in cash plus contingent payments of up to \$250 million subject to certain conditions. The Company has obtained \$1 billion in committed financing, which together with internal sources, including available cash and existing lines of credit, is expected to be sufficient to finance the transaction. Upon completion of the acquisition, the Company will significantly expand and strengthen its injectable product portfolio and gain entry into new geographic markets, such as Brazil. The transaction is expected to close in the fourth quarter of 2013 and is subject to certain closing conditions and regulatory approvals.



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## MYLAN INC. AND SUBSIDIARIES

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

## 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, 55,300,000 shares of common stock are reserved for issuance to key employees, 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. 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<br>Shares<br>Under Option | Weighted<br>Average<br>Exercise Price<br>per Share |
|--|-------------------------------------|--|
| Outstanding at December 31, 2012             | 16,616,617                          | \$ 19.54   |
| Options granted                              | 1,527,535                           | 30.58  |
| Options exercised                            | (2,233,680 )                        | 17.79  |
| Options forfeited                            | (533,097 )                          | 22.34  |
| Outstanding at June 30, 2013                 | 15,377,375                          | \$ 20.81   |
| Vested and expected to vest at June 30, 2013 | 14,507,129                          | \$ 20.66   |
| Options exercisable at June 30, 2013         | 9,430,523                           | \$ 18.67   |

As of June 30, 2013, options outstanding, options vested and expected to vest, and options exercisable had average remaining contractual terms of 6.68 years, 6.58 years and 5.52 years, respectively. Also at June 30, 2013, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of \$157.2 million, \$150.6 million and \$116.6 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 June 30, 2013 and the changes during the six months ended June 30, 2013 are presented below:

|                                | Number of<br>Restricted<br>Stock Awards | Weighted<br>Average<br>Grant-Date<br>Fair Value per<br>Share |
|--------------------------------|---|--|
| Nonvested at December 31, 2012 | 2,498,316                               | \$ 22.47   |
| Granted                        | 1,844,479                               | 30.89  |
| Released                       | (819,167 )                              | 21.82  |
| Forfeited                      | (123,303 )                              | 25.54  |
| Nonvested at June 30, 2013     | 3,400,325                               | \$ 27.09   |

As of June 30, 2013, the Company had \$84.0 million of total unrecognized compensation expense, net of estimated forfeitures, related to all of its stock-based awards, which will be recognized over the remaining weighted average vesting period of 1.80 years. The total intrinsic value of stock-based awards exercised and restricted stock units converted during the six months ended June 30, 2013 and 2012 was \$51.6 million and \$34.9 million, respectively.





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## 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)   | June 30,<br>2013 | December 31,<br>2012 |
|--|------------------|----------------------|
| Inventories:   |                  |                      |
| Raw materials  | \$526,050        | \$ 455,958           |
| Work in process  | 264,409          | 268,191              |
| Finished goods   | 846,914          | 801,093              |
|  | \$1,637,373      | \$ 1,525,242         |
| Property, plant and equipment:                                 |                  |                      |
| Land and improvements  | \$76,210         | \$73,857             |
| Buildings and improvements                                     | 668,726          | 665,058              |
| Machinery and equipment  | 1,524,122        | 1,436,904            |
| Construction in progress                                       | 283,333          | 308,192              |
|  | 2,552,391        | 2,484,011            |
| Less accumulated depreciation                                  | 1,120,936        | 1,086,795            |
|  | \$1,431,455      | \$ 1,397,216         |
| Other current liabilities:                                     |                  |                      |
| Legal and professional accruals, including litigation accruals | \$130,698        | \$122,083            |
| Payroll and employee benefit plan accruals                     | 216,539          | 266,650              |
| Accrued sales allowances                                       | 205,571          | 202,891              |
| Accrued interest   | 83,166           | 72,590               |
| Fair value of financial instruments                            | 59,816           | 29,051               |
| Other  | 293,890          | 290,281              |
|  | \$989,680        | \$983,546            |

The value of contingent consideration included in other long-term obligations in the Condensed Consolidated Balance Sheets is \$383.0 million and \$379.2 million at June 30, 2013 and December 31, 2012, respectively. Included in prepaid expenses and other current assets is \$52.0 million and \$1.5 million of restricted cash at June 30, 2013 and December 31, 2012, respectively.

## 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 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 certain anti-dilution provisions. In 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. Both the Old and New Warrants meet the definition of



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## MYLAN INC. AND SUBSIDIARIES

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

derivatives under the FASB's guidance regarding accounting for derivative instruments and hedging activities; however, because these instruments have been determined to be indexed to the Company's own stock and meet the criteria for equity classification under the FASB's guidance regarding contracts in an entity's own equity, the warrants have been recorded in shareholders' equity in the Condensed Consolidated Balance Sheets. The dilutive impact of the Old and New Warrants are included in the calculation of diluted earnings per share based upon the average market value of the Company's common stock during the period as compared to the exercise price. For the three and six months ended June 30, 2013 and 2012, 0.7 million warrants and 0.2 million warrants, respectively, were included in the calculation of diluted earnings per share.

On February 27, 2013, the Board of Directors of the Company approved the repurchase of up to \$500 million of the Company's common stock in the open market and through privately-negotiated transactions. The repurchase program was completed during the first quarter of 2013 with approximately 16.3 million shares of common stock repurchased. Basic and diluted earnings per common share attributable to Mylan Inc. are calculated as follows:

| (In thousands, except per share amounts)   | Three Months Ended |           | Six Months Ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | June 30,<br>2013   | 2012      | June 30,<br>2013 | 2012      |
| Basic earnings attributable to Mylan Inc. common shareholders (numerator):       |                    |           |                  |           |
| Net earnings attributable to Mylan Inc. common shareholders                      | \$177,689          | \$138,550 | \$284,571        | \$267,629 |
| Shares (denominator):  |                    |           |                  |           |
| Weighted average common shares outstanding                                       | 381,194            | 420,281   | 387,179          | 423,766   |
| Basic earnings per common share attributable to Mylan Inc. common shareholders   | \$0.47             | \$0.33    | \$0.73           | \$0.63    |
| Diluted earnings attributable to Mylan Inc. common shareholders (numerator):     |                    |           |                  |           |
| Net earnings attributable to Mylan Inc. common shareholders                      | \$177,689          | \$138,550 | \$284,571        | \$267,629 |
| Shares (denominator):  |                    |           |                  |           |
| Weighted average common shares outstanding                                       | 381,194            | 420,281   | 387,179          | 423,766   |
| Stock-based awards and warrants  | 5,862              | 4,113     | 5,855            | 4,614     |
| Total dilutive shares outstanding  | 387,056            | 424,394   | 393,034          | 428,380   |
| Diluted earnings per common share attributable to Mylan Inc. common shareholders | \$0.46             | \$0.33    | \$0.72           | \$0.62    |

Additional stock options and restricted stock awards were outstanding during the periods ended June 30, 2013 and 2012 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 2.9 million and 2.0 million shares for the three and six months ended June 30, 2013, respectively, and 8.2 million and 7.4 million shares for the three and six months ended June 30, 2012, respectively.

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## 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 six months ended June 30, 2013 are as follows:

| (In thousands)                   | Generics<br>Segment | Specialty<br>Segment | Total       |
|----------------------------------|---------------------|----------------------|-------------|
| Balance at December 31, 2012:    |                     |                      |             |
| Goodwill                         | \$3,194,148         | \$706,507            | \$3,900,655 |
| Accumulated impairment losses    | —                   | (385,000 )           | (385,000 )  |
|                                  | 3,194,148           | 321,507              | 3,515,655   |
| Goodwill acquired <sup>(1)</sup> | 10,781              | —                    | 10,781      |
| Transfers <sup>(2)</sup>         | (27,602 )           | 27,602               | —           |
| Foreign currency translation     | (166,893 )          | —                    | (166,893 )  |
|                                  | \$3,010,434         | \$349,109            | \$3,359,543 |
| Balance at June 30, 2013:        |                     |                      |             |
| Goodwill                         | \$3,010,434         | \$734,109            | \$3,744,543 |
| Accumulated impairment losses    | —                   | (385,000 )           | (385,000 )  |
|                                  | \$3,010,434         | \$349,109            | \$3,359,543 |

<sup>(1)</sup> See Note 4.

As a result of the January 1, 2013 reorganization of certain components between the Generics and Specialty <sup>(2)</sup> segments, the Company was required to reassign a portion of the carrying amount of goodwill to the Specialty segment.

Intangible assets consist of the following components at June 30, 2013 and December 31, 2012:

| (In thousands)                      | Weighted<br>Average Life<br>(Years) | Original<br>Cost | Accumulated<br>Amortization | Net Book<br>Value |
|-------------------------------------|-------------------------------------|------------------|-----------------------------|-------------------|
| June 30, 2013                       |                                     |                  |                             |                   |
| Amortized intangible assets:        |                                     |                  |                             |                   |
| Patents and technologies            | 20                                  | \$116,631        | \$89,656                    | \$26,975          |
| Product rights and licenses         | 10                                  | 3,317,541        | 1,833,904                   | 1,483,637         |
| Other <sup>(1)</sup>                | 8                                   | 108,077          | 60,176                      | 47,901            |
|                                     |                                     | 3,542,249        | 1,983,736                   | 1,558,513         |
| In-process research and development |                                     | 413,633          | —                           | 413,633           |
|                                     |                                     | \$3,955,882      | \$1,983,736                 | \$1,972,146       |
| December 31, 2012                   |                                     |                  |                             |                   |
| Amortized intangible assets:        |                                     |                  |                             |                   |
| Patents and technologies            | 20                                  | \$116,631        | \$88,288                    | \$28,343          |
| Product rights and licenses         | 10                                  | 3,459,980        | 1,749,424                   | 1,710,556         |
| Other <sup>(1)</sup>                | 8                                   | 111,033          | 51,384                      | 59,649            |
|                                     |                                     | 3,687,644        | 1,889,096                   | 1,798,548         |
| In-process research and development |                                     | 425,909          | —                           | 425,909           |
|                                     |                                     | \$4,113,553      | \$1,889,096                 | \$2,224,457       |

<sup>(1)</sup> Other intangible assets consist principally of customer lists and contracts.

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

Amortization expense, which is classified primarily within cost of sales in the Condensed Consolidated Statements of Operations, for the six months ended June 30, 2013 and 2012, was \$176.3 million and \$175.0 million, respectively. Amortization expense is expected to be approximately \$166 million for the remainder of 2013 and \$325 million, \$302 million, \$230 million and \$186 million for the years ended December 31, 2014 through 2017, respectively, excluding the planned Agila Specialties acquisition.

Indefinite-lived intangible assets, such as the Company's in-process research and development ("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 six months ended June 30, 2013, the Company recognized IPR&D impairment charges of \$5.1 million, which were recorded as a component of amortization expense.

During the six months ended June 30, 2013 and 2012, approximately \$6.5 million and \$33.0 million, respectively, were reclassified from acquired IPR&D to product rights and licenses.

#### 9. Financial Instruments and Risk Management

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 and interest rate risk.

##### Foreign Currency Risk Management

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.

##### Interest Rate Risk Management

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 in the Condensed Consolidated Balance Sheets.

The Company's interest rate swaps designated as cash flow hedges fix the interest rate on a portion of the Company's variable-rate debt or hedge part of the Company's interest rate exposure associated with variability in future cash flows attributable to changes in interest rates. Any changes in fair value are included in earnings or deferred through AOCE, depending on the nature and effectiveness of the offset. Any ineffectiveness in a cash flow hedging relationship is recognized immediately in earnings in the Condensed Consolidated Statements of Operations. In conjunction with the senior notes offering during the current quarter and the related repayment of the Company's variable-rate U.S. Term Loans (see Note 10), the Company terminated all existing interest rate swaps that had previously fixed the interest rate on a portion of the Company's variable-rate U.S. Term Loans. As a result, during the quarter ended June 30, 2013, approximately \$0.8 million that had previously been classified in AOCE was recognized into other (expense) income, net, as the forecasted transaction was no longer probable of occurring. The total notional amount of the Company's interest rate swaps on floating-rate debt was \$850 million as of December 31, 2012. There were no interest rate swaps on floating-rate debt as of June 30, 2013. In addition, \$750 million of floating-rate debt interest rate swaps that were extended through forward-starting swaps were terminated during the current quarter in the transaction described above.

In anticipation of issuing fixed-rate debt, the Company may use treasury rate locks or forward starting interest rate swaps that are designated as cash flow hedges. During the first quarter of 2013, the Company entered into a series of

forward

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

starting swaps to hedge against changes in interest rates that could impact the Company's expected future financing of the acquisition of Agila Specialties. These swaps are designated as cash flow hedges of expected future issuances of long-term bonds. The Company executed \$1.07 billion of notional value swaps with an effective date in September 2013. The swaps have maturities ranging from five years to 30 years.

In April 2013, the Company entered into a series of forward starting swaps to hedge against changes in interest rates that could impact future debt issuances. These swaps are designated as cash flow hedges of expected future issuances of long-term bonds. The Company executed \$1.80 billion of notional value swaps with effective dates ranging from December 2014 to August 2015. These swaps have maturities of ten years.

The Company's interest rate swaps designated as fair value hedges convert the fixed rate on a portion of the Company's fixed-rate senior notes to a variable rate. These interest rate swaps designated as fair value hedges are measured at fair value and reported as assets or current liabilities in the Condensed Consolidated Balance Sheets. Any changes in the fair value of these derivative instruments, as well as the offsetting change in fair value of the portion of the fixed-rate debt being hedged, is included in interest expense. During the quarter ended June 30, 2013, the Company entered into \$500 million notional interest rate swaps that were designated as hedges of the Company's 1.80% Senior Notes due 2016. The total notional amount of the Company's interest rate swaps on fixed-rate debt was \$1.00 billion and \$500 million as of June 30, 2013 and December 31, 2012, respectively.

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 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 June 30, 2013, the convertible note hedge had a total fair value of \$779.7 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 with both commercial and investment banking operations. 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.

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.

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 asset and liability balances presented in the tables below reflect the gross amounts of derivatives recorded in the Company's Condensed Consolidated Financial Statements.





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## MYLAN INC. AND SUBSIDIARIES

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

## Fair Values of Derivative Instruments

## Derivatives Designated as Hedging Instruments

| (In thousands)      | Asset Derivatives<br>June 30, 2013              |            | December 31, 2012                               |            |
|---------------------|---|------------|---|------------|
|                     | Balance Sheet<br>Location                       | Fair Value | Balance Sheet<br>Location                       | Fair Value |
| Interest rate swaps | Prepaid expenses<br>and other current<br>assets | \$82,688   | Prepaid expenses<br>and other current<br>assets | \$36,647   |
| Interest rate swaps | Other assets                                    | 116,417    | Other assets                                    | —          |
| Total               |   | \$199,105  |   | \$36,647   |

| (In thousands)                     | Liability Derivatives<br>June 30, 2013 |            | December 31, 2012            |            |
|------------------------------------|--|------------|------------------------------|------------|
|                                    | Balance Sheet<br>Location              | Fair Value | Balance Sheet<br>Location    | Fair Value |
| Interest rate swaps                | Other current<br>liabilities           | \$2,580    | Other current<br>liabilities | \$9,823    |
| Foreign currency forward contracts | Other current<br>liabilities           | 51,666     | Other current<br>liabilities | 15,863     |
| Total                              |  | \$54,246   |                              | \$25,686   |

## Fair Values of Derivative Instruments

## Derivatives Not Designated as Hedging Instruments

| (In thousands)                        | Asset Derivatives<br>June 30, 2013              |            | December 31, 2012                               |            |
|---------------------------------------|---|------------|---|------------|
|                                       | Balance Sheet<br>Location                       | Fair Value | Balance Sheet<br>Location                       | Fair Value |
| Foreign currency forward contracts    | Prepaid expenses<br>and other current<br>assets | \$5,515    | Prepaid expenses<br>and other current<br>assets | \$5,818    |
| Purchased cash convertible note hedge | Other assets                                    | 779,700    | Other assets                                    | 636,300    |
| Total                                 |   | \$785,215  |   | \$642,118  |

| (In thousands)                                       | Liability Derivatives<br>June 30, 2013 |            | December 31, 2012            |            |
|--|--|------------|------------------------------|------------|
|  | Balance Sheet<br>Location              | Fair Value | Balance Sheet<br>Location    | Fair Value |
| Foreign currency forward contracts                   | Other current<br>liabilities           | \$5,571    | Other current<br>liabilities | \$3,365    |
| Cash conversion feature of Cash Convertible<br>Notes | Long-term debt                         | 779,700    | Long-term debt               | 636,300    |
| Total  |  | \$785,271  |                              | \$639,665  |



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## 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)<br>Recognized in Earnings<br>on Derivatives | Amount of Gain or (Loss)<br>Recognized in Earnings on<br>Derivatives |         |                  |          |
|---------------------|--|--|---------|------------------|----------|
|                     |  | Three Months Ended   |         | Six Months Ended |          |
|                     |  | June 30,<br>2013   | 2012    | June 30,<br>2013 | 2012     |
| Interest rate swaps | Interest expense   | \$(8,046 )   | \$1,564 | \$(9,846 )       | \$13,459 |
| Total               |  | \$(8,046 )   | \$1,564 | \$(9,846 )       | \$13,459 |

| (In thousands)                      | Location of Gain or (Loss)<br>Recognized in Earnings<br>on Hedged Items | Amount of Gain or (Loss)<br>Recognized in Earnings on<br>Hedged Items |         |                  |            |
|-------------------------------------|---|---|---------|------------------|------------|
|                                     |   | Three Months Ended  |         | Six Months Ended |            |
|                                     |   | June 30,<br>2013  | 2012    | June 30,<br>2013 | 2012       |
| 2016 Senior Notes                   | Interest expense  | \$2,580   | \$—     | \$2,580          | \$—        |
| 2018 Senior Notes (6.00%<br>coupon) | Interest expense  | 8,811   | 1,751   | 14,120           | (7,074 )   |
| Total                               |   | \$11,391  | \$1,751 | \$16,700         | \$(7,074 ) |

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)<br>Recognized in AOCE<br>(Net of Tax) on Derivative<br>(Effective Portion) |             |                  |             |
|------------------------------------|--|---|-------------|------------------|-------------|
|                                    |  | Three Months Ended  |             | Six Months Ended |             |
|                                    |  | June 30,<br>2013  | 2012        | June 30,<br>2013 | 2012        |
| Foreign currency forward contracts |  | \$(52,192 )   | \$(35,453 ) | \$(47,455 )      | \$(23,992 ) |
| Interest rate swaps                |  | 110,278   | (1,027 )    | 114,986          | (2,351 )    |
| Total                              |  | \$58,086  | \$(36,480 ) | \$67,531         | \$(26,343 ) |

| (In thousands)                        | Location of Loss Reclassified<br>from AOCE into Earnings<br>(Effective Portion) | Amount of Loss<br>Reclassified from AOCE<br>into Earnings (Effective Portion) |             |                  |             |
|---------------------------------------|---|---|-------------|------------------|-------------|
|                                       |   | Three Months Ended  |             | Six Months Ended |             |
|                                       |   | June 30,<br>2013  | 2012        | June 30,<br>2013 | 2012        |
| Foreign currency forward<br>contracts | Net revenues  | \$(12,740 )   | \$(13,041 ) | \$(21,844 )      | \$(18,295 ) |
| Interest rate swaps                   | Interest expense  | (696 )  | (645 )      | (1,408 )         | (1,019 )    |
| Interest rate swaps                   | Other (expense) income, net   | (818 )  | —           | (818 )           | —           |
| Total                                 |   | \$(14,254 )   | \$(13,686 ) | \$(24,070 )      | \$(19,314 ) |

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|                                       | Location of Gain<br>Excluded from the<br>Assessment of<br>Hedge Effectiveness | Amount of Gain Excluded from the Assessment of<br>Hedge Effectiveness |           |                  |           |
|---------------------------------------|---|---|-----------|------------------|-----------|
|                                       |   | Three Months Ended  |           | Six Months Ended |           |
| (In thousands)                        |   | June 30,<br>2013  | 2012      | June 30,<br>2013 | 2012      |
| Foreign currency forward<br>contracts | Other (expense) income, net   | \$ 19,108   | \$ 15,360 | \$ 27,216        | \$ 21,071 |
| Total                                 |   | \$ 19,108   | \$ 15,360 | \$ 27,216        | \$ 21,071 |

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## MYLAN INC. AND SUBSIDIARIES

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

At June 30, 2013, the Company expects that approximately \$49.4 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 Not Designated as Hedging Instruments

|  | Location of Gain<br>or (Loss) Recognized<br>in Earnings on Derivatives | Amount of Gain or (Loss)<br>Recognized in<br>Earnings on Derivatives |             |                                      |            |
|--|--|--|-------------|--------------------------------------|------------|
|  |  | Three Months Ended<br>June 30,<br>2013                               | 2012        | Six Months Ended<br>June 30,<br>2013 | 2012       |
| (In thousands)                                       |  |  |             |                                      |            |
| Foreign currency forward<br>contracts                | Other (expense) income, net  | \$7,445  | \$(13,912 ) | \$(3,786 )                           | \$(8,657 ) |
| Cash conversion feature of Cash<br>Convertible Notes | Other (expense) income, net  | (88,100 )  | 85,500      | (143,400 )                           | 33,900     |
| Purchased cash convertible note<br>hedge             | Other (expense) income, net  | 88,100   | (85,500 )   | 143,400                              | (33,900 )  |
| Total  |  | \$7,445  | \$(13,912 ) | \$(3,786 )                           | \$(8,657 ) |

## Fair Value Measurement

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

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

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

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

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

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## MYLAN INC. AND SUBSIDIARIES

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

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

| (In thousands)  | June 30, 2013 |             |           | Total       |
|---|---------------|-------------|-----------|-------------|
|   | Level 1       | Level 2     | Level 3   |             |
| Recurring fair value measurements                     |               |             |           |             |
| Financial Assets                                      |               |             |           |             |
| Cash equivalents:                                     |               |             |           |             |
| Money market funds                                    | \$23,618      | \$—         | \$—       | \$23,618    |
| Total cash equivalents                                | 23,618        | —           | —         | 23,618      |
| Trading securities:                                   |               |             |           |             |
| Equity securities — exchange traded funds             | 14,618        | —           | —         | 14,618      |
| Total trading securities                              | 14,618        | —           | —         | 14,618      |
| Available-for-sale fixed income investments:          |               |             |           |             |
| U.S. Treasuries                                       | —             | 11,299      | —         | 11,299      |
| Corporate bonds                                       | —             | 9,237       | —         | 9,237       |
| Agency mortgage-backed securities                     | —             | 824         | —         | 824         |
| Other   | —             | 2,742       | —         | 2,742       |
| Total available-for-sale fixed income investments     | —             | 24,102      | —         | 24,102      |
| Available-for-sale equity securities:                 |               |             |           |             |
| Biosciences industry                                  | 71            | —           | —         | 71          |
| Total available-for-sale equity securities            | 71            | —           | —         | 71          |
| Foreign exchange derivative assets                    | —             | 5,515       | —         | 5,515       |
| Interest rate swap derivative assets                  | —             | 199,105     | —         | 199,105     |
| Purchased cash convertible note hedge                 | —             | 779,700     | —         | 779,700     |
| Total assets at recurring fair value measurement      | \$38,307      | \$1,008,422 | \$—       | \$1,046,729 |
| Financial Liabilities                                 |               |             |           |             |
| Foreign exchange derivative liabilities               | \$—           | \$57,237    | \$—       | \$57,237    |
| Interest rate swap derivative liabilities             | —             | 2,580       | —         | 2,580       |
| Cash conversion feature of Cash Convertible Notes     | —             | 779,700     | —         | 779,700     |
| Contingent consideration                              | —             | —           | 382,981   | 382,981     |
| Total liabilities at recurring fair value measurement | \$—           | \$839,517   | \$382,981 | \$1,222,498 |

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## MYLAN INC. AND SUBSIDIARIES

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

| (In thousands)  | December 31, 2012 |            |            | Total        |
|---|-------------------|------------|------------|--------------|
|   | Level 1           | Level 2    | Level 3    |              |
| Recurring fair value measurements                     |                   |            |            |              |
| Financial Assets                                      |                   |            |            |              |
| Cash equivalents:                                     |                   |            |            |              |
| Money market funds                                    | \$ 135,209        | \$—        | \$—        | \$ 135,209   |
| Total cash equivalents                                | 135,209           | —          | —          | 135,209      |
| Trading securities:                                   |                   |            |            |              |
| Equity securities — exchange traded funds             | 10,913            | —          | —          | 10,913       |
| Total trading securities                              | 10,913            | —          | —          | 10,913       |
| Available-for-sale fixed income investments:          |                   |            |            |              |
| U.S. Treasuries                                       | —                 | 11,085     | —          | 11,085       |
| Corporate bonds                                       | —                 | 8,189      | —          | 8,189        |
| Agency mortgage-backed securities                     | —                 | 1,050      | —          | 1,050        |
| Other   | —                 | 2,502      | —          | 2,502        |
| Total available-for-sale fixed income investments     | —                 | 22,826     | —          | 22,826       |
| Available-for-sale equity securities:                 |                   |            |            |              |
| Biosciences industry                                  | 102               | —          | —          | 102          |
| Total available-for-sale equity securities            | 102               | —          | —          | 102          |
| Foreign exchange derivative assets                    | —                 | 5,818      | —          | 5,818        |
| Interest rate swap derivative assets                  | —                 | 36,647     | —          | 36,647       |
| Purchased cash convertible note hedge                 | —                 | 636,300    | —          | 636,300      |
| Total assets at recurring fair value measurement      | \$ 146,224        | \$ 701,591 | \$—        | \$ 847,815   |
| Financial Liabilities                                 |                   |            |            |              |
| Foreign exchange derivative liabilities               | \$—               | \$ 19,228  | \$—        | \$ 19,228    |
| Interest rate swap derivative liabilities             | —                 | 9,823      | —          | 9,823        |
| Cash conversion feature of Cash Convertible Notes     | —                 | 636,300    | —          | 636,300      |
| Contingent consideration                              | —                 | —          | 379,197    | 379,197      |
| Total liabilities at recurring fair value measurement | \$—               | \$ 665,351 | \$ 379,197 | \$ 1,044,548 |

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.

• Trading securities — valued at the active quoted market price from broker or dealer quotations or transparent pricing sources at the reporting date.

• Available-for-sale fixed income investments — valued at the quoted market price from broker or dealer quotations or transparent pricing sources at the reporting date.

• Available-for-sale equity securities — valued using quoted stock prices from the London Exchange at the reporting date and translated to U.S. Dollars at prevailing spot exchange rates.

• 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, none of which experienced any significant downgrades during the six months ended June 30, 2013 that would reduce the receivable amount owed, if any, to the Company.





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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

Foreign exchange derivative assets and liabilities — valued using quoted forward foreign exchange prices at the reporting date. Counterparties to these contracts are highly rated financial institutions, none of which experienced any significant downgrades during the six months ended June 30, 2013 that would reduce the receivable amount owed, if any, to the Company.

Cash conversion feature of cash convertible notes and purchased convertible note hedge — valued using quoted prices for the Company's cash convertible notes, its implied volatility and the quoted yield on the Company's other long-term debt at the reporting date. Counterparties to the purchased convertible note hedge are highly rated financial institutions, none of which experienced any significant downgrades during the six months ended June 30, 2013 that would reduce the receivable amount owed, if any, to the Company.

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 and certain other acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assumptions. Significant unobservable inputs in the valuation include the probability and timing of future development and commercial milestones and future profit sharing payments. A discounted cash flow method was used to value contingent consideration at June 30, 2013 and December 31, 2012, which was calculated as the present value of the estimated future net cash flows using a market rate of return. Discount rates ranging from 2.2% to 10.6% were utilized in the valuation. Significant changes in unobservable inputs could result in material changes to the contingent consideration liability. During the three and six months ended June 30, 2013, accretion of \$8.0 million and \$15.7 million, respectively, was recorded in interest expense and a fair value adjustment to decrease the liability of approximately \$10.0 million and \$11.9 million, respectively, was recorded as a reduction to selling, general and administrative expense.

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

10. Debt

Senior Bridge Term Loan Commitment

In connection with the Company's execution of an agreement to acquire Agila Specialties ("the Transaction"), in February 2013 the Company obtained a commitment letter from Morgan Stanley Senior Funding, Inc. for a new \$1 billion senior unsecured bridge term loan in connection with the Transaction, which together with internal sources, including available cash and existing lines of credit, is expected to be sufficient to finance the Transaction. The bridge term loan is subject to the negotiation of mutually acceptable definitive documentation, which will include customary representations and warranties, affirmative and negative covenants and events of default. Additionally, the lenders' obligation to provide the bridge term loan is subject to the satisfaction of specified conditions, including consummation of the Transaction in accordance with the terms of the Agreements, the accuracy of specified representations, the absence of specified defaults, the delivery of a certificate on behalf of the Company with respect to the solvency (on a consolidated basis) of the Company and its subsidiaries, taken as a whole, immediately after the consummation of the transactions contemplated by the Agreements, and other customary conditions.

Receivables Facility

The Company has a \$400 million accounts receivable securitization facility ("Receivables Facility"), which will expire in February 2015. Interest rates are based on prevailing market rates for short-term commercial paper or LIBOR plus a program fee of 75 basis points. A commitment fee of 35 basis points, on an annual basis, is paid to maintain the availability under the Receivables Facility.

The Receivables Facility contains requirements relating to the performance of the accounts receivable and covenants relating to the Company. If the Company does not comply with these covenants, the Company's ability to use the Receivables Facility may be suspended and repayment of any outstanding balances under the Receivables Facility may be required. At June 30, 2013 and December 31, 2012, the Company was in compliance with all covenants. As of June 30, 2013 and December 31, 2012, respectively, the Condensed Consolidated Balance Sheets include \$555.6

million and \$556.5 million of accounts receivable balances sold to Mylan Securitization LLC, a wholly owned bankruptcy remote subsidiary. Also included in the Condensed Consolidated Balance Sheets at June 30, 2013 and December 31, 2012, respectively, are \$235 million and

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## MYLAN INC. AND SUBSIDIARIES

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

\$180 million of short-term borrowings, which are recorded as a secured loan. The interest rate on borrowings under the Receivables Facility was approximately 0.96% at June 30, 2013.

## Long-Term Debt

A summary of long-term debt is as follows:

| (In thousands)                   | June 30,<br>2013 | December 31,<br>2012 |
|----------------------------------|------------------|----------------------|
| U.S. Term Loans                  | \$—              | \$1,156,250          |
| Revolving Facility               | 250,000          | —                    |
| 2016 Senior Notes                | 497,047          | —                    |
| 2017 Senior Notes                | 550,000          | 550,000              |
| 2018 Senior Notes (2.60% coupon) | 648,646          | —                    |
| 2018 Senior Notes (6.00% coupon) | 813,546          | 826,974              |
| 2020 Senior Notes                | 1,012,700        | 1,013,372            |
| 2023 Senior Notes                | 748,518          | 748,452              |
| Cash Convertible Notes           | 1,291,595        | 1,136,768            |
| Other                            | 132              | 132                  |
|                                  | 5,812,184        | 5,431,948            |
| Less: Current portion            | 14               | 94,752               |
| Total long-term debt             | \$5,812,170      | \$5,337,196          |

## Senior Credit Facilities

In June 2013, the Company entered into a credit agreement (the “Senior Credit Agreement”) with a syndicate of banks which contains a \$1.50 billion revolving facility (the “Revolving Facility”) under which the Company may obtain extensions of credit, subject to the satisfaction of specified conditions, in U.S. dollars or alternative currencies, including Euros, Sterling, Yen, and such other currencies that are acceptable to each lender under the Revolving Facility and the Administrative Agent. The Revolving Facility includes a \$150 million subfacility for the issuance of letters of credit and a \$125 million subfacility for swingline borrowings. At June 30, 2013, the Company had \$250 million outstanding under the Revolving Facility. The interest rate on the Revolving Facility at June 30, 2013 was 1.49%. Amounts drawn on the Revolving Facility become due and payable on June 27, 2018.

The Senior Credit Agreement contains customary affirmative covenants for facilities of this type, including among others, covenants pertaining to the delivery of financial statements, notices of default and certain material events, maintenance of business existence and insurance, and compliance with laws, as well as customary negative covenants for facilities of this type, including limitations on the incurrence of subsidiary indebtedness and limitations on liens, mergers and certain other fundamental changes, investments and loans, transactions with affiliates, payments of dividends and other restricted payments, and changes in our lines of business. The Senior Credit Agreement contains a maximum consolidated leverage ratio financial covenant.

In June 2013, in connection with its entry into the Senior Credit Agreement, the Company terminated the credit agreement entered into in November 2011 (the “Prior Credit Agreement”). An amortization payment due in the first quarter of 2013 on the U.S. Term Loans was paid in March 2013, in the amount of \$23.4 million. The remaining balance on the U.S. Term Loans of \$1.13 billion was paid in June 2013, utilizing the proceeds from the June 2013 senior note offerings as described below.

## Senior Notes

In June 2013, the Company issued \$500 million aggregate principal amount of 1.80% Senior Notes due 2016 (“2016 Senior Notes”). These notes are Mylan’s senior unsecured obligations and were issued to qualified institutional buyers in accordance with Rule 144A and to persons outside of the United States pursuant to Regulation S under the Securities Act in a private offering exempt from the registration requirements of the Securities Act. Interest on the 2016 Senior Notes accrues from



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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

June 25, 2013 and is payable semiannually in arrears on December 24 and June 24 of each year, beginning on December 24, 2013. The 2016 Senior Notes will mature on June 24, 2016, subject to earlier repurchase or redemption in accordance with the terms of the indenture. The Company has entered into interest rate swaps that convert \$500 million of 2016 Senior Notes principal debt to a variable rate, which was 1.45% at June 30, 2013. At June 30, 2013, the \$497.0 million of 2016 Senior Notes debt is net of a \$0.4 million discount and includes a fair value adjustment of \$2.6 million associated with the interest rate swaps.

In June 2013, the Company issued \$650 million aggregate principal amount of 2.60% Senior Notes due 2018 (“2018 - 2.6% Senior Notes”). These notes are Mylan’s senior unsecured obligations and were issued to qualified institutional buyers in accordance with Rule 144A and to persons outside of the United States pursuant to Regulation S under the Securities Act in a private offering exempt from the registration requirements of the Securities Act. Interest on the 2018 - 2.6% Senior Notes accrues from June 25, 2013 and is payable semiannually in arrears on December 24 and June 24 of each year, beginning on December 24, 2013. The 2018 - 2.6% Senior Notes will mature on June 24, 2018, subject to earlier repurchase or redemption in accordance with the terms of the indenture. At June 30, 2013, the \$648.6 million of debt associated with the 2018 - 2.6% Senior Notes includes a \$1.4 million discount.

In June 2013 and in connection with the offering of the 2016 Senior Notes and the 2018 - 2.6% Senior Notes (collectively the “Notes”), the Company entered into a registration rights agreement with the initial purchasers of the Notes. Pursuant to the registration rights agreement, the Company will use commercially reasonable efforts (1) to file a registration statement with respect to an offer to exchange the 2016 Senior Notes and the 2018 - 2.6% Senior Notes (each, an “exchange offer”) for new notes with the same aggregate principal amount and terms substantially identical in all material respects and (2) to cause the exchange offer registration statement to be declared effective by the SEC under the Securities Act.

The Company may redeem some or all of the 2016 Senior Notes and 2018 - 2.6% Senior Notes at any time prior to maturity at a price equal to the greater of 100% of the principal amount of notes being redeemed or the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed discounted to the redemption date on a semi-annual basis at the treasury rate plus 20 basis points in the case of the 2016 Senior Notes or 30 basis points in the case of the 2018 - 2.6% Senior Notes, plus in each case accrued and unpaid interest on the notes being redeemed accrued to the redemption date.

In June 2013, the Company announced its intention to redeem all of its outstanding 7.625% Senior Notes due 2017 (“2017 Senior Notes”) pursuant to their terms. On July 18, 2013, the Company redeemed the 2017 Senior Notes for a total of \$608.8 million, including a \$58.8 million redemption premium. The Company will record a pre-tax charge of approximately \$64 million during the third quarter of 2013 related to the redemption of the 2017 Senior Notes, comprised of the redemption premium and the write-off of deferred financing fees. The redemption of the 2017 Senior Notes was funded through borrowings under the Revolving Facility and, as such, the amount outstanding at June 30, 2013 is classified as non-current in the Condensed Consolidated Balance Sheets.

The Company has entered into interest rate swaps that convert \$500 million of 6.0% Senior Notes due 2018 (“2018 - 6.0% Senior Notes”) principal debt to a variable rate. The variable rate was 3.23% at June 30, 2013. At June 30, 2013, the \$813.5 million of 2018 - 6.0% Senior Notes debt is net of a \$9.0 million discount and includes a fair value adjustment of \$22.5 million associated with the interest rate swaps. At December 31, 2012, the \$827.0 million of 2018 - 6.0% Senior Notes debt is net of a \$9.7 million discount and includes a fair value adjustment of \$36.6 million.

At June 30, 2013 and December 31, 2012, the \$1.01 billion of 2020 Senior Notes debt includes a premium of \$12.7 million and \$13.4 million, respectively.

At June 30, 2013 and December 31, 2012, the \$748.5 million of 2023 Senior Notes includes a \$1.5 million discount.

Cash Convertible Notes

At June 30, 2013, the \$1.29 billion outstanding consists of \$511.9 million of Cash Convertible Notes debt (\$574 million face amount, net of a \$62.1 million discount) and the bifurcated conversion feature with a fair value of \$779.7 million recorded as a liability within long-term debt in the Condensed Consolidated Balance Sheets at June 30, 2013. The Cash Convertible Notes will mature on September 15, 2015, subject to earlier repurchase or conversion. Holders may convert their notes subject to certain conversion provisions determined by the market price of the Company's common stock, specified distributions to common shareholders, a fundamental change, and certain time periods specified in the purchase agreement.

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## MYLAN INC. AND SUBSIDIARIES

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

Additionally, the Company has purchased call options, which are recorded as assets at their fair value of \$779.7 million within other assets in the Condensed Consolidated Balance Sheets at June 30, 2013. At December 31, 2012, the \$1.14 billion outstanding consists of \$500.5 million of debt (\$575 million face amount, net of a \$74.5 million discount) and the bifurcated conversion feature with a fair value of \$636.3 million recorded as a liability within other long-term obligations in the Condensed Consolidated Balance Sheets. The purchased call options are assets recorded at their fair value of \$636.3 million within other assets in the Condensed Consolidated Balance Sheets at December 31, 2012.

As of June 30, 2013, because the closing price of Mylan's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day in the June 30, 2013 period, was more than 130% of the applicable conversion reference price of \$13.32 at June 30, 2013, the \$574 million of Cash Convertible Notes was currently convertible. Although de minimis conversions have been requested, the Company's experience is that convertible debentures are not normally converted by investors until close to their maturity date. Upon an investor's election to convert, the Company is required to pay the full conversion value in cash. Should holders elect to convert, the Company intends to draw on its revolving credit facility to fund any principal payments. The amount payable per \$1,000 notional bond would be calculated as the product of (1) the conversion reference rate (currently 75.0751) and (2) the average Daily Volume Weighted Average Price per share of common stock for a specified period following the conversion date. Any payment above the principal amount is matched by a convertible note hedge.

**Fair Value**

At June 30, 2013 and December 31, 2012, the fair value of the Senior Notes was approximately \$4.47 billion and \$3.43 billion, respectively. At June 30, 2013 and December 31, 2012, the fair value of the Cash Convertible Notes was approximately \$1.36 billion and \$1.22 billion, respectively. The fair values of the Senior Notes and Cash Convertible 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 for similar debt issues, the fair values of the U.S. Term Loans and Revolving Facility, determined based on Level 2 inputs, approximate their carrying values at June 30, 2013 and December 31, 2012.

Mandatory minimum repayments remaining on the outstanding borrowings under the Revolving Facility and notes at notional amounts at June 30, 2013 are as follows for each of the periods ending December 31:

| (In thousands) | Cash Convertible Notes | 2016 Senior Notes | 2017 Senior Notes <sup>(1)</sup> | 2018 - 6.0% Senior Notes | 2018 - 2.6% Senior Notes | 2020 Senior Notes  | 2023 Senior Notes | Revolving Facility | Total              |
|----------------|------------------------|-------------------|----------------------------------|--------------------------|--------------------------|--------------------|-------------------|--------------------|--------------------|
| 2013           | \$ 14                  | \$—               | \$550,000                        | \$—                      | \$—                      | \$—                | \$—               | \$—                | \$550,014          |
| 2014           | —                      | —                 | —                                | —                        | —                        | —                  | —                 | —                  | —                  |
| 2015           | 573,970                | —                 | —                                | —                        | —                        | —                  | —                 | —                  | 573,970            |
| 2016           | —                      | 500,000           | —                                | —                        | —                        | —                  | —                 | —                  | 500,000            |
| 2017           | —                      | —                 | —                                | —                        | —                        | —                  | —                 | —                  | —                  |
| Thereafter     | —                      | —                 | —                                | 800,000                  | 650,000                  | 1,000,000          | 750,000           | 250,000            | 3,450,000          |
| <b>Total</b>   | <b>\$ 573,984</b>      | <b>\$500,000</b>  | <b>\$550,000</b>                 | <b>\$800,000</b>         | <b>\$650,000</b>         | <b>\$1,000,000</b> | <b>\$750,000</b>  | <b>\$250,000</b>   | <b>\$5,073,984</b> |

The redemption of the 2017 Senior Notes on July 18, 2013 was funded through borrowings under the Revolving Facility and, as such, the amount outstanding at June 30, 2013 is classified as non-current in the Condensed Consolidated Balance Sheets.





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## MYLAN INC. AND SUBSIDIARIES

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

## 11. Comprehensive Earnings

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

| (In thousands)  | June 30,<br>2013 | December 31,<br>2012 |
|---|------------------|----------------------|
| Accumulated other comprehensive loss:   |                  |                      |
| Net unrealized gains on marketable securities, net of tax                                   | \$398            | \$1,033              |
| Net unrecognized losses and prior service cost related to defined benefit plans, net of tax | (11,071          | ) (13,890 )          |
| Net unrecognized gains (losses) on derivatives, net of tax                                  | 60,780           | (30,820 )            |
| Foreign currency translation adjustment   | (404,823         | ) (42,821 )          |
|   | \$(354,716       | ) \$(86,498 )        |

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## MYLAN INC. AND SUBSIDIARIES

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

Components of accumulated other comprehensive loss consist of the following, for the three and six months ended June 30, 2013:

| (In thousands)   | Three Months Ended June 30, 2013                                   |                     |   |                            |   | Totals      |
|--|--|---------------------|---|----------------------------|---|-------------|
|  | Gains and Losses on Derivatives in Cash Flow Hedging Relationships |                     | Gains and Losses on Marketable Securities | Defined Benefit Plan Items | Foreign Currency Translation Adjustment |             |
|  | Foreign currency forward contracts                                 | Interest rate swaps |   |                            |   |             |
| Balance at March 31, 2013, net of tax  |  |                     | \$ 843                                    | \$(13,717)                 | \$(183,256)                             | \$(208,402) |
| Other comprehensive earnings (loss) before reclassifications, before tax                                   |  | 108,439             | (675)                                     | 3,699                      | (221,567)                               | (110,104)   |
| Amounts reclassified from accumulated other comprehensive loss, before tax:                                |  |                     |   |                            |   |             |
| Gain (loss) on foreign exchange forward contracts classified as cash flow hedges, included in net revenues | (12,740)   |                     |   |                            |   | (12,740)    |
| Gain (loss) on interest rate swaps classified as cash flow hedges, included in interest expense            |  | (696)               |   |                            |   | (696)       |
| Gain (loss) on interest rate swaps classified as cash flow hedges, included in other (expense) income, net |  | (818)               |   |                            |   | (818)       |
| Realized gain (loss) on sale of marketable securities, included in other (expense) income, net             |  |                     | 9   |                            |   | 9           |
| Amortization of prior service costs included in selling, general and administrative expenses               |  |                     |   | (168)                      |   | (168)       |
| Amortization of actuarial gain (loss) included in selling, general and administrative expenses             |  |                     |   | (313)                      |   | (313)       |
| Amounts reclassified from accumulated other comprehensive loss, before tax                                 |  | (14,254)            | 9   | (481)                      | —                                       | (14,726)    |
| Net other comprehensive earnings (loss), before tax  |  | 122,693             | (684)                                     | 4,180                      | (221,567)                               | (95,378)    |
| Income tax related to items of other comprehensive loss  |  | (49,641)            | 239                                       | (1,534)                    | —                                       | (50,936)    |

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|                                      |          |        |             |              |              |
|--------------------------------------|----------|--------|-------------|--------------|--------------|
| Balance at June 30, 2013, net of tax | \$60,780 | \$ 398 | \$(11,071 ) | \$(404,823 ) | \$(354,716 ) |
|--------------------------------------|----------|--------|-------------|--------------|--------------|

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## MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

| (In thousands)  | Six Months Ended June 30, 2013   |                                    |  |                                  |  | Totals        |
|---|--|------------------------------------|--|----------------------------------|--|---------------|
|   | Gains and Losses on<br>Derivatives in Cash Flow<br>Hedging Relationships |                                    | Gains and<br>Losses on<br>Marketable<br>Securities | Defined<br>Benefit<br>Plan Items | Foreign<br>Currency<br>Translation<br>Adjustment |               |
|   | Foreign<br>currency<br>forward<br>contracts                              | Interest<br>rate<br>swaps<br>Total |  |                                  |  |               |
| Balance at December 31, 2012, net<br>of tax   |  | \$ (30,820 )                       | \$ 1,033   | \$ (13,890 )                     | \$ (42,821 )                                     | \$ (86,498 )  |
| Other comprehensive earnings<br>(loss) before reclassifications,<br>before tax                                      |  | 124,421                            | (942 )   | 3,699                            | (362,002 )                                       | (234,824 )    |
| Amounts reclassified from<br>accumulated other comprehensive<br>loss, before tax:                                   |  |                                    |  |                                  |  |               |
| Gain (loss) on foreign exchange<br>forward contracts classified as cash<br>flow hedges, included in net<br>revenues | (21,844 )  | (21,844 )                          |  |                                  |  | (21,844 )     |
| Gain (loss) on interest rate swaps<br>classified as cash flow hedges,<br>included in interest expense               |  | (1,408 )                           | (1,408 )   |                                  |  | (1,408 )      |
| Gain (loss) on interest rate swaps<br>classified as cash flow hedges,<br>included in other (expense) income,<br>net |  | (818 )                             | (818 )   |                                  |  | (818 )        |
| Realized gain (loss) on sale of<br>marketable securities, included in<br>other (expense) income, net                |  |                                    | 34   |                                  |  | 34            |
| Amortization of prior service costs<br>included in selling, general and<br>administrative expenses                  |  |                                    |  | (168 )                           |  | (168 )        |
| Amortization of actuarial gain<br>(loss) included in selling, general<br>and administrative expenses                |  |                                    |  | (590 )                           |  | (590 )        |
| Amounts reclassified from<br>accumulated other comprehensive<br>loss, before tax                                    |  | (24,070 )                          | 34   | (758 )                           | —  | (24,794 )     |
| Net other comprehensive earnings<br>(loss), before tax  |  | 148,491                            | (976 )   | 4,457                            | (362,002 )                                       | (210,030 )    |
| Income tax related to items of other<br>comprehensive loss  |  | (56,891 )                          | 341  | (1,638 )                         | —  | (58,188 )     |
| Balance at June 30, 2013, net of tax  |  | \$ 60,780                          | \$ 398   | \$ (11,071 )                     | \$ (404,823 )                                    | \$ (354,716 ) |



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## MYLAN INC. AND SUBSIDIARIES

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

Components of other comprehensive loss, before tax, consist of the following, for the three and six months ended June 30, 2012:

| (In thousands)  | Three<br>Months<br>Ended<br>June 30,<br>2012 | Six Months<br>Ended<br>June 30, 2012 |
|---|--|--------------------------------------|
| Defined benefit plans:  |  |                                      |
| Unrecognized gain (loss) and prior service cost arising during the period                 | \$—  | \$—                                  |
| Less: Amortization of actuarial gain included in net earnings                             | 9  | 19                                   |
| Net change in unrecognized losses and prior service cost related to defined benefit plans | \$(9   | ) \$(19 )                            |
| Derivatives in cash flow hedging relationships:   |  |                                      |
| Amount of loss recognized in AOCE on derivatives (effective portion)                      | \$(48,492                                    | ) \$(31,474 )                        |
| Less: Reclassification of loss from AOCE into earnings (effective portion)                | (13,686                                      | ) (19,314 )                          |
| Net unrecognized loss on derivatives  | \$(34,806                                    | ) \$(12,160 )                        |
| Net unrealized gain (loss) on marketable securities:                                      |  |                                      |
| Unrealized gain (loss) on marketable securities   | \$92   | \$(51 )                              |
| Less: Reclassification for gain included in net earnings                                  | 4  | 29                                   |
| Net unrealized gain (loss) on marketable securities                                       | \$88   | \$(80 )                              |

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## MYLAN INC. AND SUBSIDIARIES

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

## 12. Shareholders' Equity

A summary of the changes in shareholders' equity for the six months ended June 30, 2013 and 2012 is as follows:

| (In thousands)                       | Total Mylan Inc.<br>Shareholders'<br>Equity | Noncontrolling<br>Interest | Total       |
|--------------------------------------|---|----------------------------|-------------|
| December 31, 2012                    | \$3,340,718                                 | \$15,110                   | \$3,355,828 |
| Net earnings                         | 284,571                                     | 1,589                      | 286,160     |
| Other comprehensive loss, net of tax | (268,218                                    | ) —                        | (268,218 )  |
| Common stock share repurchase        | (500,000                                    | ) —                        | (500,000 )  |