

MYLAN INC.
Form 10-Q
April 30, 2010

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**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 March 31, 2010**
- 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
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

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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 Common Stock	Outstanding at April 28, 2010
\$0.50 par value	308,845,049

* The registrant has not yet been phased into the interactive data requirements.

MYLAN INC. AND SUBSIDIARIES

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For the Quarterly Period Ended
March 31, 2010**

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	Three Months Ended March 31,	
	2010	2009
	(Unaudited; in thousands, except per share amounts)	
Revenues:		
Net revenues	\$ 1,278,105	\$ 1,168,362
Other revenues	14,269	41,555
Total revenues	1,292,374	1,209,917
Cost of sales	776,076	684,184
Gross profit	516,298	525,733
Operating expenses:		
Research and development	61,296	58,836
Selling, general and administrative	255,761	241,673
Litigation settlements, net	734	(2,117)
Total operating expenses	317,791	298,392
Earnings from operations	198,507	227,341
Interest expense	74,047	85,002
Other income, net	1,069	4,189
Earnings before income taxes and noncontrolling interest	125,529	146,528
Income tax provision	31,259	37,454
Net earnings	94,270	109,074
Net loss (earnings) attributable to the noncontrolling interest	1,587	(3,016)
Net earnings attributable to Mylan Inc. before preferred dividends	95,857	106,058
Preferred dividends	34,759	34,759
Net earnings attributable to Mylan Inc. common shareholders	\$ 61,098	\$ 71,299
Earnings per common share attributable to Mylan Inc. common shareholders:		
Basic	\$ 0.20	\$ 0.23
Diluted	\$ 0.20	\$ 0.23
Weighted average common shares outstanding:		

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Basic	306,996	304,578
Diluted	311,948	458,049

See Notes to Condensed Consolidated Financial Statements

Table of Contents**MYLAN INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

	March 31, 2010	December 31, 2009
	(Unaudited; in thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 522,443	\$ 380,516
Restricted cash	47,847	47,965
Marketable securities	28,987	27,559
Accounts receivable, net	1,197,485	1,234,634
Inventories	1,158,412	1,114,219
Deferred income tax benefit	247,688	248,917
Prepaid expenses and other current assets	151,748	231,576
Total current assets	3,354,610	3,285,386
Property, plant and equipment, net	1,111,046	1,122,648
Intangible assets, net	2,286,615	2,384,848
Goodwill	3,288,993	3,331,247
Deferred income tax benefit	37,629	36,610
Other assets	743,615	640,995
Total assets	\$ 10,822,508	\$ 10,801,734
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	\$ 549,016	\$ 518,252
Short-term borrowings	144,787	184,352
Income taxes payable	101,319	69,122
Current portion of long-term debt and other long-term obligations	9,145	9,522
Deferred income tax liability	1,346	1,986
Other current liabilities	834,287	934,913
Total current liabilities	1,639,900	1,718,147
Long-term debt	5,058,200	4,984,987
Other long-term obligations	480,749	485,905
Deferred income tax liability	465,181	467,497
Total liabilities	7,644,030	7,656,536
Equity		
Mylan Inc. shareholders' equity		

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Preferred stock par value \$0.50 per share		
Shares authorized: 5,000,000		
Shares issued: 2,139,000	1,070	1,070
Common stock par value \$0.50 per share		
Shares authorized: 1,500,000,000		
Shares issued: 398,438,024 and 396,683,892 as of March 31, 2010 and December 31, 2009	199,219	198,342
Additional paid-in capital	3,858,896	3,834,674
Retained earnings	721,229	660,130
Accumulated other comprehensive (loss) earnings	(43,195)	11,807
	4,737,219	4,706,023
Noncontrolling interest	11,732	14,052
Less: treasury stock at cost		
Shares: 89,952,788 and 90,199,152 as of March 31, 2010 and December 31, 2009	1,570,473	1,574,877
Total equity	3,178,478	3,145,198
Total liabilities and equity	\$ 10,822,508	\$ 10,801,734

See Notes to Condensed Consolidated Financial Statements

Table of Contents**MYLAN INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows**

	Three Months Ended March 31,	
	2010	2009
	(Unaudited; in thousands)	
Cash flows from operating activities:		
Net earnings	\$ 94,270	\$ 109,074
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	102,466	94,637
Stock-based compensation expense	7,250	8,405
Net earnings from equity method investees		(771)
Change in estimated sales allowances	11	11,507
Deferred income tax benefit	(78,363)	(23,469)
Other non-cash items	22,986	29,146
Litigation settlements, net	734	(2,117)
Changes in operating assets and liabilities:		
Accounts receivable	3,729	42,188
Inventories	(57,432)	18,680
Trade accounts payable	48,805	(28,697)
Income taxes	195,914	(34,117)
Deferred revenue	(1,792)	(29,616)
Other operating assets and liabilities, net	(97,905)	(68,524)
Net cash provided by operating activities	240,673	126,326
Cash flows from investing activities:		
Capital expenditures	(20,158)	(31,094)
Change in restricted cash	(118)	288
Purchase of marketable securities	(1,990)	
Proceeds from sale of marketable securities		2,290
Other items, net	(5,484)	(1,085)
Net cash used in investing activities	(27,750)	(29,601)
Cash flows from financing activities:		
Cash dividends paid	(34,759)	(34,759)
Change in short-term borrowings, net	(46,232)	(6,968)
Payment of long-term debt	(778)	(151,552)
Proceeds from exercise of stock options	24,967	509
Other items, net		846
Net cash used in financing activities	(56,802)	(191,924)
Effect on cash of changes in exchange rates	(14,194)	(8,886)

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Net increase (decrease) in cash and cash equivalents	141,927	(104,085)
Cash and cash equivalents beginning of period	380,516	557,147
Cash and cash equivalents end of period	\$ 522,443	\$ 453,062

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, 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, 2009.

The interim results of operations for the three months ended March 31, 2010 and the interim cash flows for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the full fiscal year or any other future period. The Company computes its provision for income taxes in the first three quarters of the year using an estimated effective tax rate for the full year. The estimated annual effective tax rate for 2010 includes an estimate of the full-year effect of foreign tax credits that the Company anticipates it will claim against its 2010 U.S. tax liabilities. The Company did not claim foreign tax credits against its 2009 U.S. tax liabilities.

2. Revenue Recognition and Accounts Receivable

Mylan recognizes revenue for product sales when title and risk of loss pass to its customers and when provisions for estimates, including discounts, rebates, price adjustments, returns, chargebacks and other promotional programs, are reasonably determinable. Accounts receivable are presented net of allowances relating to these provisions. No revisions were made to the methodology used in determining these provisions during the three months ended March 31, 2010. Such allowances were \$624.5 million and \$607.9 million at March 31, 2010 and December 31, 2009. Other current liabilities include \$221.6 million and \$238.2 million at March 31, 2010 and December 31, 2009, for certain rebates and other adjustments that are paid to indirect customers.

3. Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued revised accounting guidance for multiple-deliverable arrangements. The amended guidance requires that arrangement considerations be allocated at the inception of the arrangement to all deliverables using the relative selling price method and provides for expanded disclosures related to such arrangements. It is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

4. Acquisition of the Remaining Interest in Matrix Laboratories Limited

On March 26, 2009, the Company announced plans to buy the remaining public interest in Matrix Laboratories Limited (Matrix) from its minority shareholders pursuant to a voluntary delisting offer. At the time, the Company owned approximately 71.2% of Matrix through a wholly-owned subsidiary and controlled more than 76% of its voting rights. During the calendar year ended December 31, 2009, the Company completed the purchase of an additional

portion of the remaining interest from minority shareholders of Matrix, bringing both the Company's total ownership and control to over 96%. During the three months ended March 31, 2010, Mylan completed the purchase of an additional portion of the remaining interest from minority shareholders of Matrix, for cash of approximately \$5.1 million, bringing both the Company's total ownership and control to approximately 97%.

Table of Contents**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, 37,500,000 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. Awards are granted at the fair value of the shares underlying the options at the date of the grant, generally become exercisable over periods ranging from three to four years, and generally expire in ten years. In the 2003 Plan, no more than 8,000,000 shares may be issued as restricted shares, restricted units, performance shares and other stock-based awards.

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

The following table summarizes stock option activity:

	Number of Shares Under Option	Weighted Average Exercise Price per Share
Outstanding at December 31, 2009	26,268,678	\$ 15.22
Options granted	1,638,031	21.00
Options exercised	(1,760,474)	14.26
Options forfeited	(467,397)	14.37
Outstanding at March 31, 2010	25,678,838	\$ 15.67
Vested and expected to vest at March 31, 2010	24,479,974	\$ 15.70
Options exercisable at March 31, 2010	17,038,023	\$ 15.82

As of March 31, 2010, options outstanding, options vested and expected to vest, and options exercisable had average remaining contractual terms of 6.01 years, 5.89 years and 4.59 years, respectively. Also at March 31, 2010, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of \$181.0 million, \$172.0 million and \$117.6 million, respectively.

A summary of the status of the Company's nonvested restricted stock and restricted stock unit awards as of March 31, 2010 and the changes during the three-month period ended March 31, 2010, are presented below:

Number of Restricted	Weighted Average
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