MYLAN INC.
Form 10-Q
May 02, 2013

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

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 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	25-1211621
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1500 Corporate Drive, Canonsburg, Pennsylvania 15317
(Address of principal executive offices)
(724) 514-1800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

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

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Class of Common Stock	Outstanding at April 29, 2013
$0.50 par value	381,089,535

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MYLAN INC. AND SUBSIDIARIES
INDEX TO FORM 10-Q
For the Quarterly Period Ended
March 31, 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 March 31, 2013	2012
Revenues:		
Net revenues	$1,619,408	$1,573,075
Other revenues	12,082	10,580
Total revenues	1,631,490	1,583,655
Cost of sales	938,000	913,426
Gross profit	693,490	670,229
Operating expenses:		
Research and development	126,486	80,959
Selling, general and administrative	351,367	336,559
Litigation settlements, net	1,790	2,173
Total operating expenses	479,643	419,691
Earnings from operations	213,847	250,538
Interest expense	77,987	82,409
Other income (expense), net	3,398	(9,815)
Earnings before income taxes and noncontrolling interest	139,258	158,314
Income tax provision	31,714	28,844
Net earnings	107,544	129,470
Net earnings attributable to the noncontrolling interest	(662)	(391)
Net earnings attributable to Mylan Inc. common shareholders	$106,882	$129,079
Earnings per common share attributable to Mylan Inc. common shareholders:		
Basic	$0.27	$0.30
Diluted	$0.27	$0.30
Weighted average common shares outstanding:		
Basic	393,163	427,251
Diluted	399,013	432,365

See Notes to Condensed Consolidated Financial Statements

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MYLAN INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive (Loss) Earnings
(Unaudited; in thousands)

	Three Months Ended March 31,	
	2013	2012
Net earnings	$107,544	$129,470
Other comprehensive (loss) earnings, before tax:		
Foreign currency translation adjustment	(140,435)	101,438
Change in unrecognized loss and prior service cost related to defined benefit plans	277	(10)
Net unrecognized gain on derivatives	25,798	22,646
Net unrealized loss on marketable securities	(292)	(168)
Other comprehensive (loss) earnings, before tax	(114,652)	123,906
Income tax related to items of other comprehensive (loss) earnings	7,252	7,190
Other comprehensive (loss) earnings, net of tax	(121,904)	116,716
Comprehensive (loss) earnings	(14,360)	246,186
Comprehensive earnings attributable to the noncontrolling interest	(662)	(391)
Comprehensive (loss) earnings attributable to Mylan Inc. common shareholders	$(15,022)	$245,795

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)

	March 31, 2013	December 31, 2012
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	$294,421	$349,969
Accounts receivable, net	1,514,480	1,554,342
Inventories	1,623,246	1,525,242
Deferred income tax benefit	244,148	229,348
Prepaid expenses and other current assets	274,099	243,816
Total current assets	3,950,394	3,902,717
Property, plant and equipment, net	1,421,889	1,397,216
Intangible assets, net	2,105,440	2,224,457
Goodwill	3,451,506	3,515,655
Deferred income tax benefit	100,306	87,655
Other assets	855,497	804,197
Total assets	$11,885,032	$11,931,897
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$766,075	$777,908
Short-term borrowings	485,486	298,987
Income taxes payable	19,866	33,731
Current portion of long-term debt and other long-term obligations	104,737	98,048
Deferred income tax liability	587	1,283
Other current liabilities	905,619	983,546
Total current liabilities	2,282,370	2,193,503
Long-term debt	5,672,142	5,337,196
Other long-term obligations	777,856	771,111
Deferred income tax liability	265,472	274,259
Total liabilities	8,997,840	8,576,069
Equity		
Mylan Inc. shareholders' equity		
Common stock — par value $0.50 per share		
Shares authorized: 1,500,000,000		
Shares issued: 541,245,735 and 539,664,386 as of March 31, 2013 and December 31, 2012	270,623	269,832
Additional paid-in capital	4,021,264	3,986,746
Retained earnings	2,168,252	2,061,370
Accumulated other comprehensive loss	(208,402)	(86,498)
	6,251,737	6,231,450
Noncontrolling interest	15,716	15,110
Less: treasury stock — at cost		
Shares: 160,221,798 and 144,459,210 as of March 31, 2013 and December 31, 2012	3,380,261	2,890,732

Total equity	2,887,192	3,355,828
Total liabilities and equity	$11,885,032	$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)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net earnings	$107,544	$129,470
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	128,909	123,667
Stock-based compensation expense	12,129	12,303
Change in estimated sales allowances	(67,182)	59,865
Deferred income tax benefit	(31,488)	(5,250)
Other non-cash items	45,163	57,515
Litigation settlements, net	1,790	2,173
Changes in operating assets and liabilities:		
Accounts receivable	76,690	(155,085)
Inventories	(118,925)	(70,095)
Trade accounts payable	5,875	(33,077)
Income taxes	23,115	(48,562)
Deferred revenue	(134)	(7,043)
Other operating assets and liabilities, net	(95,925)	(172,953)
Net cash provided by (used in) operating activities	87,561	(107,072)
Cash flows from investing activities:		
Capital expenditures	(53,075)	(35,745)
Change in restricted cash	(53,093)	44
Cash paid for acquisitions, net	(32,100)	—
Purchase of marketable securities	(2,538)	(2,660)
Proceeds from sale of marketable securities	2,839	2,562
Other items, net	(4,294)	(72,419)
Net cash used in investing activities	(142,261)	(108,218)
Cash flows from financing activities:		
Payment of financing fees	(4,983)	(1,248)
Purchase of common stock	(500,000)	—
Change in short-term borrowings, net	185,073	311,053
Proceeds from issuance of long-term debt	525,000	435,000
Payment of long-term debt	(239,442)	(673,806)
Proceeds from exercise of stock options	28,060	17,182
Other items, net	12,891	3,746
Net cash provided by financing activities	6,599	91,927
Effect on cash of changes in exchange rates	(7,447)	6,345
Net decrease in cash and cash equivalents	(55,548)	(117,018)
Cash and cash equivalents — beginning of period	349,969	375,056
Cash and cash equivalents — end of period	$294,421	$258,038

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. 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 three months ended March 31, 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 income (expense), 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 (used in) 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 three months ended March 31, 2013. Such allowances were $918.4 million and $977.0 million at March 31, 2013 and December 31, 2012. Other current liabilities include $187.8 million and $202.9 million at March 31, 2013 and December 31, 2012, 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 $455.7 million of securitized accounts receivable at March 31, 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 for the three months ended March 31, 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 for the three months ended March 31, 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 three months ended March 31, 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 a definitive agreement 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 transaction will be funded through $1 billion in committed financing and the use of cash on hand and borrowings from the Company's revolving credit facility. 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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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 Shares Under Option	Weighted Average Exercise Price per Share
Outstanding at December 31, 2012	16,616,617	$19.54
Options granted	1,168,837	30.62
Options exercised	(1,607,628)	17.86
Options forfeited	(188,576)	22.13
Outstanding at March 31, 2013	15,989,250	$20.49
Vested and expected to vest at March 31, 2013	15,084,161	$20.35
Options exercisable at March 31, 2013	9,774,159	$18.51

As of March 31, 2013, options outstanding, options vested and expected to vest, and options exercisable had average remaining contractual terms of 6.82 years, 6.73 years and 5.67 years, respectively. Also at March 31, 2013, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of $137.3 million, $131.7 million and $102.1 million, respectively.

A summary of the status of the Company's nonvested restricted stock and restricted stock unit awards, including performance based restricted stock, as of March 31, 2013 and the changes during the three months ended March 31, 2013 are presented below:

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value per Share
Nonvested at December 31, 2012	2,498,316	$22.47
Granted	1,791,903	30.86
Released	(745,307)	21.82
Forfeited	(58,564)	23.03
Nonvested at March 31, 2013	3,486,348	$26.92

As of March 31, 2013, the Company had $94.1 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 1.99 years. The total intrinsic value of stock-based awards exercised and restricted stock units converted during the three months ended March 31, 2013 and 2012 was $41.5 million and $28.1 million, respectively.

6. Balance Sheet Components

Selected balance sheet components consist of the following:

(In thousands)	March 31, 2013	December 31, 2012
Inventories:		
Raw materials	$507,519	$455,958
Work in process	271,230	268,191
Finished goods	844,497	801,093
	$1,623,246	$1,525,242
Property, plant and equipment:		
Land and improvements	$77,100	$73,857
Buildings and improvements	673,001	665,058
Machinery and equipment	1,526,695	1,436,904
Construction in progress	258,547	308,192
	2,535,343	2,484,011
Less accumulated depreciation	1,113,454	1,086,795
	$1,421,889	$1,397,216
Other current liabilities:		
Legal and professional accruals, including litigation accruals	$123,906	$122,083
Payroll and employee benefit plan accruals	210,795	266,650
Accrued sales allowances	187,803	202,891
Accrued interest	55,268	72,590
Fair value of financial instruments	14,106	29,051
Other	313,741	290,281
	$905,619	$983,546

The value of contingent consideration included in other long-term obligations in the Condensed Consolidated Balance Sheets is $385.0 million and $379.2 million at March 31, 2013 and December 31, 2012, respectively. Included in prepaid expenses and other current assets is $54.5 million and $1.5 million of restricted cash at March 31, 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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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 months ended March 31, 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. 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:

	Three Months Ended March 31,	
(In thousands, except per share amounts)	2013	2012
Basic earnings attributable to Mylan Inc. common shareholders (numerator):		
Net earnings attributable to Mylan Inc. common shareholders	$106,882	$129,079
Shares (denominator):		
Weighted average common shares outstanding	393,163	427,251
Basic earnings per common share attributable to Mylan Inc. common shareholders	$0.27	$0.30
Diluted earnings attributable to Mylan Inc. common shareholders (numerator):		
Net earnings attributable to Mylan Inc. common shareholders	$106,882	$129,079
Shares (denominator):		
Weighted average common shares outstanding	393,163	427,251
Stock-based awards and warrants	5,850	5,114
Total dilutive shares outstanding	399,013	432,365
Diluted earnings per common share attributable to Mylan Inc. common shareholders	$0.27	$0.30

Additional stock options and restricted stock awards were outstanding during the periods ended March 31, 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 2.3 million and 6.4 million shares for the three months ended March 31, 2013 and 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 three months ended March 31, 2013 are as follows:

(In thousands)	Generics Segment	Specialty 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 (1)	10,213	—	10,213
Transfers (2)	(27,602)	27,602	—
Foreign currency translation	(74,362)	—	(74,362)
	$3,102,397	$349,109	$3,451,506
Balance at March 31, 2013:			
Goodwill	$3,102,397	$734,109	$3,836,506
Accumulated impairment losses	—	(385,000)	(385,000)
	$3,102,397	$349,109	$3,451,506

(1) See Note 4.

(2) As a result of the January 1, 2013 reorganization of certain components between the Generics and Specialty 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 March 31, 2013 and December 31, 2012:

(In thousands)	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
March 31, 2013				
Amortized intangible assets:				
Patents and technologies	20	$116,631	$89,656	$26,975
Product rights and licenses	10	3,411,312	1,794,267	1,617,045
Other (1)	8	106,701	58,309	48,392
		3,634,644	1,942,232	1,692,412
In-process research and development		413,028	—	413,028
		$4,047,672	$1,942,232	$2,105,440
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 (1)	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

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

Amortization expense, which is classified primarily within cost of sales in the Condensed Consolidated Statements of Operations, for the three months ended March 31, 2013 and 2012, was $91.5 million and $87.8 million, respectively. Amortization expense is expected to be approximately $260 million for the remainder of 2013 and $339 million, $317 million, $244 million and $199 million for the years ended December 31, 2014 through 2017, respectively.
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 three months ended March 31, 2013, the Company recognized IPR&D impairment charges of $5.1 million, which were recorded as a component of amortization expense.
During the three months ended March 31, 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

Financial Risks

Mylan is exposed to certain financial risks relating to its ongoing business operations. The primary financial risks that are managed by using derivative instruments are foreign currency risk, interest rate risk and equity risk.
In order to manage foreign currency risk, Mylan enters into foreign exchange forward contracts to mitigate risk associated with changes in spot exchange rates of mainly non-functional currency denominated assets or liabilities. The foreign exchange forward contracts are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. Any gains or losses on the foreign exchange forward contracts are recognized in earnings in the period incurred in the Condensed Consolidated Statements of Operations.
The Company has also entered into forward contracts to hedge forecasted foreign currency denominated sales from certain international subsidiaries. These contracts are designated as cash flow hedges to manage foreign currency transaction risk and are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. Any changes in fair value are included in earnings or deferred through accumulated other comprehensive earnings ("AOCE"), depending on the nature and effectiveness of the offset.
The Company enters into interest rate swaps in order to manage interest rate risk associated with the Company's fixed and floating-rate debt. These derivative instruments are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. 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. 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. As of March 31, 2013 and December 31, 2012, the total notional amount of the Company's interest rate swaps on floating-rate debt was $850 million. A total of $750 million of the Company's floating rate debt interest rate swaps have been extended through additional forward-starting swaps.
During the first quarter of 2013, the Company entered into a series of forward 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 6.0% Senior Notes due 2018 to a variable rate. These interest rate swaps designated as fair value hedges are measured at fair value and reported as current assets or current liabilities on 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. As of March 31, 2013 and December 31, 2012, the total notional amount of the Company's interest rate swaps on fixed-rate debt was $500 million.

Certain derivative instrument contracts entered into by the Company are governed by Master Agreements, which contain credit-risk-related contingent features that would allow the counterparties to terminate the contracts early and request immediate payment should the Company trigger an event of default on other specified borrowings. The aggregate fair value of all such contracts, which are in a net asset position at March 31, 2013, is $26.8 million. The Company is not subject to any obligations to post collateral under derivative instrument contracts.

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

At March 31, 2013, the convertible note hedge had a total fair value of $691.6 million, which reflects the maximum loss that would be incurred should the parties fail to perform according to the terms of the contract. The counterparties are highly rated diversified financial institutions 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.

Fair Values of Derivative Instruments
Derivatives Designated as Hedging Instruments

(In thousands)	Asset Derivatives March 31, 2013 Balance Sheet Location	Fair Value	December 31, 2012 Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	$35,026	Prepaid expenses and other current assets	$36,647
Foreign currency forward contracts	Prepaid expenses and other current assets	3,900	Prepaid expenses and other current assets	—
Total		$38,926		$36,647

(In thousands)	Liability Derivatives March 31, 2013 Balance Sheet Location	Fair Value	December 31, 2012 Balance Sheet Location	Fair Value
Interest rate swaps	Other current liabilities	$8,203	Other current liabilities	$9,823
Foreign currency forward contracts	Other current liabilities	—	Other current liabilities	15,863
Total		$8,203		$25,686

Fair Values of Derivative Instruments
Derivatives Not Designated as Hedging Instruments

(In thousands)	Asset Derivatives March 31, 2013 Balance Sheet Location	Fair Value	December 31, 2012 Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	$3,193	Prepaid expenses and other current assets	$5,818
Purchased cash convertible note hedge	Other assets	691,600	Other assets	636,300
Total		$694,793		$642,118

(In thousands)	Liability Derivatives March 31, 2013 Balance Sheet Location	Fair Value	December 31, 2012 Balance Sheet Location	Fair Value
Foreign currency forward contracts	Other current liabilities	$5,903	Other current liabilities	$3,365
Cash conversion feature of Cash Convertible Notes	Long-term debt	691,600	Long-term debt	636,300
Total		$697,503		$639,665

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

(In thousands)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives Three Months Ended March 31, 2013	2012
Interest rate swaps	Interest expense	$(1,800)	$11,896
Total		$(1,800)	$11,896

(In thousands)	Location of Gain or(Loss) Recognized in Earnings on Hedged Items	Amount of Gain or (Loss) Recognized in Earnings on Hedging Items Three Months Ended March 31, 2013	2012
2018 Senior Notes	Interest expense	$5,309	$(8,825)
Total		$5,309	$(8,825)

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

(In thousands)	Amount of Gain or (Loss) Recognized in AOCE (Net of Tax) on Derivative (Effective Portion) Three Months Ended March 31, 2013	2012
Foreign currency forward contracts	$4,737	$11,461
Interest rate swaps	4,708	(1,324)
Total	$9,445	$10,137

(In thousands)	Location of Loss Reclassified from AOCE into Earnings (Effective Portion)	Amount of Loss Reclassified from AOCE into Earnings (Effective Portion) Three Months Ended March 31, 2013	2012
Foreign currency forward contracts	Net revenues	$(9,104)	$(5,255)
Interest rate swaps	Interest expense	(712)	(374)
Total		$(9,816)	$(5,629)

	Location of Gain Excluded from the	Amount of Gain Excluded from the Assessment of

(In thousands)	Assessment of Hedge Effectiveness	Hedge Effectiveness Three Months Ended March 31, 2013	2012
Foreign currency forward contracts	Other income (expense), net	$8,108	$5,711
Total		$8,108	$5,711

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At March 31, 2013, the Company expects that approximately $18.4 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

(In thousands)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives Three Months Ended March 31, 2013	2012
Foreign currency forward contracts	Other income (expense), net	$(11,231)	$5,255
Cash conversion feature of Cash Convertible Notes	Other income (expense), net	(55,300)	(51,600)
Purchased cash convertible note hedge	Other income (expense), net	55,300	51,600
Total		$(11,231)	$5,255

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.

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

	March 31, 2013			
(In thousands)	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash equivalents:				
Money market funds	$62,194	$—	$—	$62,194
Total cash equivalents	62,194	—	—	62,194
Trading securities:				
Equity securities — exchange traded funds	11,715	—	—	11,715
Total trading securities	11,715	—	—	11,715
Available-for-sale fixed income investments:				
U.S. Treasuries	—	11,148	—	11,148
Corporate bonds	—	7,889	—	7,889
Agency mortgage-backed securities	—	937	—	937
Other	—	2,476	—	2,476
Total available-for-sale fixed income investments	—	22,450	—	22,450
Available-for-sale equity securities:				
Biosciences industry	83	—	—	83
Total available-for-sale equity securities	83	—	—	83
Foreign exchange derivative assets	—	7,093	—	7,093
Interest rate swap derivative assets	—	35,026	—	35,026
Purchased cash convertible note hedge	—	691,600	—	691,600
Total assets at fair value	$73,992	$756,169	$—	$830,161
Financial Liabilities				
Foreign exchange derivative liabilities	$—	$5,903	$—	$5,903
Interest rate swap derivative liabilities	—	8,203	—	8,203
Cash conversion feature of Cash Convertible Notes	—	691,600	—	691,600
Contingent consideration	—	—	385,021	385,021
Total liabilities at fair value	$—	$705,706	$385,021	$1,090,727

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(In thousands)	December 31, 2012 Level 1	Level 2	Level 3	Total
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 fair value	$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 fair value	$—	$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 three months ended March 31, 2013 that would reduce the receivable amount owed, if any, to the Company.

- 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 three months ended March 31, 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 three months ended March 31, 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 March 31, 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 10.3% were utilized in the valuation. Significant changes in unobservable inputs could result in material changes to the contingent consideration liability. During the three months ended March 31, 2013, accretion of $7.7 million was recorded in interest expense, and the Company also recorded a fair value adjustment to decrease the liability of approximately $1.9 million.

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 will be guaranteed by various subsidiaries of the Company and 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 Sale and Purchase Agreements (the "SPAs"), 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 SPAs, and other customary conditions.

The 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 March 31, 2013 and December 31, 2012, the Company was in compliance with all covenants. As of March 31, 2013 and December 31, 2012, respectively, the Condensed Consolidated Balance Sheets include $455.7

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 March 31, 2013 and December 31, 2012, respectively, are $300 million and

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$180 million of short-term borrowings, which are recorded as a secured loan. The interest rate on borrowings under the Receivables Facility was approximately 0.97% at March 31, 2013.

Long-Term Debt

A summary of long-term debt is as follows:

(In thousands)	March 31, 2013	December 31, 2012
U.S. Term Loans	$1,132,813	$1,156,250
Revolving Facility	310,000	—
2017 Senior Notes	550,000	550,000
2018 Senior Notes	822,008	826,974
2020 Senior Notes	1,013,038	1,013,372
2023 Senior Notes	748,484	748,452
Cash Convertible Notes	1,197,241	1,136,768
Other	132	132
	5,773,716	5,431,948
Less: Current portion	101,574	94,752
Total long-term debt	$5,672,142	$5,337,196

Senior Credit Facilities

In November 2011, the Company entered into a Senior Credit Agreement with a syndication of banks, which provided $1.25 billion in U.S. Term Loans (the "U.S. Term Loans") and contains a $1.25 billion revolving facility (the "Revolving Facility," and together with the U.S. Term Loans, the "Senior Credit Facilities"). Amortization payments due in the first quarter of 2013 on the U.S. Term Loans were paid in March 2013, in the amount of $23.4 million. At March 31, 2013, the Company had $310 million outstanding under the Revolving Facility. The interest rate on the Revolving Facility at March 31, 2013 was 1.60%.

Cash Convertible Notes

At March 31, 2013, the $1.20 billion outstanding consists of $505.6 million of Cash Convertible Notes debt ($574 million face amount, net of $68.4 million discount) and the bifurcated conversion feature with a fair value of $691.6 million recorded as a liability within long-term debt in the Condensed Consolidated Balance Sheets at March 31, 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. Additionally, the Company has purchased call options, which are recorded as assets at their fair value of $691.6 million within other assets in the Condensed Consolidated Balance Sheets at March 31, 2013. At December 31, 2012, the $1.14 billion outstanding consists of $500.5 million of debt ($575 million face amount, net of $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 March 31, 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 March 31, 2013 period, was more than 130% of the applicable conversion reference price of $13.32 at March 31, 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.

Senior Notes

The Company has entered into interest rate swaps that convert $500 million of 2018 Senior Notes principal debt to a variable rate. The variable rate was 3.25% at March 31, 2013. At March 31, 2013, the $822.0 million of 2018 Senior Notes debt is net of a $9.3 million discount and includes a fair value adjustment of $31.3 million associated with the interest rate swaps. At December 31, 2012, the $827.0 million of debt is net of a $9.7 million discount and includes a fair value adjustment of $36.6 million.

At March 31, 2013 and December 31, 2012, the $1.01 billion of 2020 Senior Notes debt includes a premium of $13.0 million and $13.4 million, respectively.

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

Details of the interest rates in effect at March 31, 2013 and December 31, 2012 on the outstanding borrowings under the U.S. Term Loans are in the table below:

	March 31, 2013			December 31, 2012		
(In thousands, except basis and rate amounts)	Outstanding	Basis	Rate	Outstanding	Basis	Rate
U.S. Term Loans:						
Swapped to Fixed Rate — January 2014	$500,000	Fixed	2.35 %	$500,000	Fixed	2.35 %
Swapped to Fixed Rate — March 2014	350,000	Fixed	2.20 %	350,000	Fixed	2.20 %
Floating Rate	282,813	LIBOR + 1.75%	1.95 %	306,250	LIBOR + 1.75%	1.96 %
Total U.S. Term Loans	$1,132,813			$1,156,250		

Fair Value

At March 31, 2013 and December 31, 2012, the fair value of the Senior Notes was approximately $3.40 billion and $3.43 billion, respectively. At March 31, 2013 and December 31, 2012, the fair value of the Cash Convertible Notes was approximately $1.27 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 March 31, 2013 and December 31, 2012.

Mandatory minimum repayments remaining on the outstanding borrowings under the term loans and notes at March 31, 2013, excluding the discounts, premium and conversion features, are as follows for each of the periods ending December 31:

(In thousands)	U.S. Term Loans	Cash Convertible Notes	2017 Senior Notes	2018 Senior Notes	2020 Senior Notes	2023 Senior Notes	Revolving Facility	Total
2013	$70,313	$11	$—	$—	$—	$—	$—	$70,324
2014	125,000	—	—	—	—	—	—	125,000
2015	187,500	573,985	—	—	—	—	—	761,485
2016	750,000	—	—	—	—	—	310,000	1,060,000
2017	—	—	550,000	—	—	—	—	550,000
Thereafter	—	—	—	800,000	1,000,000	750,000	—	2,550,000
Total	$1,132,813	$573,996	$550,000	$800,000	$1,000,000	$750,000	$310,000	$5,116,809

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11. Comprehensive Earnings

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

(In thousands)	March 31, 2013	December 31, 2012
Accumulated other comprehensive loss:		
Net unrealized gains on marketable securities, net of tax	$843	$1,033
Net unrecognized losses and prior service costs related to defined benefit plans, net of tax	(13,717)	(13,890)
Net unrecognized losses on derivatives, net of tax	(12,272)	(30,820)
Foreign currency translation adjustment	(183,256)	(42,821)
	$(208,402)	$(86,498)

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Components of accumulated other comprehensive loss consist of the following, for the three months ended March 31, 2013:

	Three Months Ended March 31, 2013						
(In thousands)	Gains and Losses on Derivatives in Cash Flow Hedging Relationships			Gains and Losses on Marketable Securities	Defined Benefit Plan Items	Foreign Currency Translation Adjustment	Totals
	Foreign currency forward contracts	Interest rate swaps	Total				
Balance at December 31, 2012, net of tax			$(30,820)	$ 1,033	$(13,890)	$(42,821)	$(86,498)
Other comprehensive earnings (loss) before reclassifications, before tax			15,982	(267)	—	(140,435)	(124,720)
Amounts reclassified from accumulated other comprehensive (loss) earnings, before tax:							
Gain (loss) on foreign exchange forward contracts classified as cash flow hedges, included in net revenues	(9,104)		(9,104)				(9,104)
Gain (loss) on interest rate swaps classified as cash flow hedges, included in interest expense		(712)	(712)				(712)
Realized gain (loss) on sale of marketable securities, included in other income (expense), net				25			25
Amortization of actuarial gain (loss) included in selling, general and administrative expenses					(277)		(277)
Amounts reclassified from accumulated other comprehensive (loss) earnings, before tax			(9,816)	25	(277)	—	(10,068)
Net other comprehensive earnings (loss), before tax			25,798	(292)	277	(140,435)	(114,652)
Income tax related to items of other comprehensive (loss) earnings			(7,250)	102	(104)	—	(7,252)
Balance at March 31, 2013, net of tax			$(12,272)	$ 843	$(13,717)	$(183,256)	$(208,402)

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Components of other comprehensive (loss) earnings, before tax, consist of the following, for the three months ended March 31, 2012:

(In thousands)	Three Months Ended March 31, 2012
Defined benefit plans:	
Unrecognized gain (loss) and prior service cost arising during the period	$—
Less: Amortization of actuarial gain included in net earnings	10
Net change in unrecognized losses and prior service cost related to defined benefit plans	$(10)
Derivatives in cash flow hedging relationships:	
Amount of gain recognized in AOCE on derivatives (effective portion)	$17,017
Less: Reclassification of loss from AOCE into earnings (effective portion)	(5,629)
Net unrecognized gain on derivatives	$22,646
Net unrealized loss on marketable securities:	
Unrealized loss on marketable securities	$(143)
Less: Reclassification for gain included in net earnings	25
Net unrealized loss on marketable securities	$(168)

12. Shareholder's Equity

A summary of the change in shareholders' equity for the three months ended March 31, 2013 and 2012 is as follows:

(In thousands)	Total Mylan Inc. Shareholders' Equity	Noncontrolling Interest	Total
December 31, 2012	$3,340,718	$15,110	$3,355,828
Net earnings	106,882	662	107,544
Other comprehensive loss, net of tax	(121,904)	—	(121,904)
Common stock share repurchase	(500,000)	—	(500,000)
Stock option activity	28,060	—	28,060
Stock compensation expense	12,129	—	12,129
Issuance of restricted stock, net of shares withheld	(7,301)	—	(7,301)
Tax benefit of stock option plans	12,892	—	12,892
Other	—	(56)	(56)
March 31, 2013	$2,871,476	$15,716	$2,887,192
December 31, 2011	$3,491,775	$13,007	$3,504,782
Net earnings	129,079	391	129,470
Other comprehensive earnings. net of tax	116,716	—	116,716
Stock option activity	17,182	—	17,182
Stock compensation expense	12,303	—	12,303
Issuance of restricted stock, net of shares withheld	(4,983)	—	(4,983)
Purchase of subsidiary shares from noncontrolling interest	(9)	(25)	(34)
Tax benefit of stock option plans	3,796	—	3,796
Other	—	166	166
March 31, 2012	$3,765,859	$13,539	$3,779,398

13. Segment Information

Mylan has two segments, "Generics" and "Specialty." The Generics segment primarily develops, manufactures, sells and distributes generic or branded generic pharmaceutical products in tablet, capsule, injectable or transdermal patch form, as well as active pharmaceutical ingredients ("API"). The Specialty segment engages mainly in the development, manufacture and sale of branded specialty nebulized and injectable products. Beginning with the first quarter of 2013, the Company reorganized the components of its Generics and Specialty segments as a result of a change in the way the Chief Executive Officer, who is the chief operating decision maker, evaluates the performance of operations, develops strategy and allocates capital resources. As required by the applicable accounting standards, financial statements issued subsequent to this segment reporting change are required to reflect modifications to the reportable segment information resulting from the revision, including reclassifications of all comparative segment information. Accordingly, the results presented below reflect the change in segment reporting for all periods presented. There is no change to the Company's previously reported consolidated net operating results, financial position or cash flows.

The Company's chief operating decision maker evaluates the performance of its segments based on total revenues and segment profitability. Segment profitability represents segment gross profit less direct research and development expenses and direct selling, general and administrative expenses. Certain general and administrative and research and development expenses not allocated to the segments, net charges for litigation settlements, impairment charges and other expenses not directly attributable to the segments, are reported in Corporate/Other. Additionally, amortization of intangible assets and other purchase accounting related items, as well as any other significant special items, are included in Corporate/Other. Items below the earnings from operations line on the Company's Condensed Consolidated Statements of Operations are not presented by segment, since they are excluded from the measure of segment profitability. The Company does not report depreciation

expense, total assets and capital expenditures by segment, as such information is not used by the chief operating decision maker.

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. Intersegment revenues are accounted for at current market values and are eliminated at the consolidated level.

Presented in the table below is segment information for the periods identified and a reconciliation of segment information to total consolidated information.

(In thousands)	Generics Segment	Specialty Segment	Corporate / Other[1]	Consolidated
Three Months Ended March 31, 2013				
Total revenues				
Third party	$1,412,816	$218,674	$—	$1,631,490
Intersegment	629	7,928	(8,557)	—
Total	$1,413,445	$226,602	$(8,557)	$1,631,490
Segment profitability	$392,060	$89,807	$(268,020)	$213,847
Three Months Ended March 31, 2012				
Total revenues				
Third party	$1,412,475	$171,180	$—	$1,583,655
Intersegment	355	14,578	(14,933)	—
Total	$1,412,830	$185,758	$(14,933)	$1,583,655
Segment profitability	$411,664	$60,458	$(221,584)	$250,538

(1) Includes certain corporate general and administrative and research and development expenses; net charges for litigation settlements; certain intercompany transactions, including eliminations; amortization of intangible assets and certain purchase accounting items; impairment charges; and other expenses not directly attributable to segments.

14. Contingencies

Legal Proceedings

The Company is involved in various disputes, governmental and/or regulatory inquiries and proceedings and litigation matters that arise from time to time, some of which are described below. The Company is also party to certain litigation matters for which Merck KGaA has agreed to indemnify the Company, pursuant to the agreement by which Mylan acquired the former Merck Generics business.

While the Company believes that it has meritorious defenses with respect to the claims asserted against it and intends to vigorously defend its position, the process of resolving matters through litigation or other means is inherently uncertain, and it is not possible to predict the ultimate resolution of any such proceeding. It is possible that an unfavorable resolution of any of the matters described below, or the inability or denial of Merck KGaA, another indemnitor or insurer to pay an indemnified claim, could have a material effect on the Company's financial position, results of operations and cash flows. Unless otherwise disclosed below, the Company is unable to predict the outcome of the respective litigation or to provide an estimate of the range of reasonably possible losses. Legal costs are recorded as incurred and are classified in selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Operations.

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Lorazepam and Clorazepate

On June 1, 2005, a jury verdict was rendered against Mylan, MPI, and co-defendants Cambrex Corporation and Gyma Laboratories in the U.S. District Court for the District of Columbia in the amount of approximately $12.0 million, which has been accrued for by the Company. The jury found that Mylan and its co-defendants willfully violated Massachusetts, Minnesota and Illinois state antitrust laws in connection with API supply agreements entered into between the Company and its API supplier (Cambrex) and broker (Gyma) for two drugs, Lorazepam and Clorazepate, in 1997, and subsequent price increases on these drugs in 1998. The case was brought by four health insurers who opted out of earlier class action settlements agreed to by the Company in 2001 and represents the last remaining antitrust claims relating to Mylan’s 1998 price increases for Lorazepam and Clorazepate. On December 20, 2006, the Company’s motion for judgment as a matter of law and motion for a new trial were denied and the remaining motions were denied on January 24, 2008. In post-trial filings, the plaintiffs requested that the verdict be trebled and that request was granted on January 24, 2008. On February 6, 2008, a judgment was issued against Mylan and its co-defendants in the total amount of approximately $69.0 million, which, in the case of three of the plaintiffs, reflects trebling of the