

MYLAN INC.
Form 10-Q
August 08, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 2008

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 of incorporation)

25-1211621

*(I.R.S. Employer
Identification No.)*

**1500 Corporate Drive
Canonsburg, Pennsylvania**

(Address of principal executive offices)

15317

(Zip Code)

(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 twelve 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 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 Smaller reporting company
(Do not check if a 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

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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 August 5, 2008
\$0.50 par value	304,488,610

MYLAN INC. AND SUBSIDIARIES

FORM 10-Q
For the Quarterly Period Ended
June 30, 2008

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	Period Ended June 30,			
	Three Months		Six Months	
	2008	2007	2008	2007
(Unaudited; in thousands, except per share amounts)				
Revenues:				
Net revenues	\$ 1,187,258	\$ 542,709	\$ 2,249,670	\$ 1,026,409
Other revenues	15,864	3,612	27,912	7,174
Total revenues	1,203,122	546,321	2,277,582	1,033,583
Cost of sales	788,912	249,613	1,513,150	502,028
Gross profit	414,210	296,708	764,432	531,555
Operating expenses:				
Research and development	80,753	31,720	164,599	68,568
Acquired in-process research and development				147,000
Impairment loss on goodwill			385,000	
Selling, general and administrative	259,457	76,914	512,369	139,668
Litigation settlements, net				(3,962)
Total operating expenses	340,210	108,634	1,061,968	351,274
Earnings (loss) from operations	74,000	188,074	(297,536)	180,281
Interest expense	86,489	22,919	177,236	43,903
Other income (expense), net	7,855	(36,358)	14,816	(25,909)
(Loss) earnings before income taxes and minority interest	(4,634)	128,797	(459,956)	110,469
Income tax (benefit) provision	(30,955)	49,207	(75,060)	101,957
Earnings (loss) before minority interest	26,321	79,590	(384,896)	8,512
Minority interest (income) expense	(72)	(137)	(2,114)	74
Net earnings (loss) before preferred dividends	26,393	79,727	(382,782)	8,438
Preferred dividends	34,759		69,477	
Net (loss) earnings available to common shareholders	\$ (8,366)	\$ 79,727	\$ (452,259)	\$ 8,438
(Loss) earnings per common share:				
Basic	\$ (0.03)	\$ 0.32	\$ (1.49)	\$ 0.04
Diluted	\$ (0.03)	\$ 0.32	\$ (1.49)	\$ 0.03

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Weighted average common shares outstanding:				
Basic	304,284	248,477	304,233	237,818
Diluted	304,284	251,604	304,233	241,129
Cash dividend declared per common share:	\$	\$ 0.06	\$	\$ 0.12

See Notes to Condensed Consolidated Financial Statements

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

	June 30, 2008	December 31, 2007
	(Unaudited; in thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 478,508	\$ 484,202
Restricted cash	40,000	
Available for sale securities	53,476	91,361
Accounts receivable, net	1,318,177	1,132,121
Inventories	1,150,605	1,063,840
Deferred income tax benefit	333,658	192,113
Prepaid expenses and other current assets	100,733	95,664
Total current assets	3,475,157	3,059,301
Property, plant and equipment, net	1,111,161	1,102,932
Intangible assets, net	2,936,388	2,978,706
Goodwill	3,589,879	3,855,971
Deferred income tax benefit	58,260	18,703
Other assets	332,117	337,563
Total assets	\$ 11,502,962	\$ 11,353,176
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	\$ 666,563	\$ 643,873
Short-term borrowings	179,161	144,355
Income taxes payable	156,402	133,715
Current portion of long-term debt and other long-term obligations	404,812	410,934
Deferred income tax liability	11,589	
Other current liabilities	688,121	669,474
Total current liabilities	2,106,648	2,002,351
Deferred revenue	435,875	122,870
Long-term debt	4,728,854	4,706,716
Other long-term obligations	223,928	206,672
Deferred income tax liability	846,479	876,816
Total liabilities	8,341,784	7,915,425
Minority interest	31,624	34,325

Shareholders' equity		
Preferred stock — par value \$0.50 per share		
Shares authorized: 5,000,000		
Shares issued: 2,139,000 as of June 30, 2008 and December 31, 2007	1,070	1,070
Common stock — par value \$0.50 per share		
Shares authorized: 600,000,000		
Shares issued: 395,322,296 and 395,260,355 as of June 30, 2008 and December 31, 2007, respectively	197,661	197,630
Additional paid-in capital	3,800,689	3,785,729
Retained earnings	462,344	922,857
Accumulated other comprehensive earnings	253,417	83,044
	4,715,181	4,990,330
Less treasury stock — at cost		
Shares: 90,812,400 and 90,885,188 as of June 30, 2008 and December 31, 2007, respectively	1,585,627	1,586,904
Total shareholders' equity	3,129,554	3,403,426
Total liabilities and shareholders' equity	\$ 11,502,962	\$ 11,353,176

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2008	2007
	(Unaudited; in thousands)	
Cash flows from operating activities:		
Net (loss) earnings before preferred dividends	\$ (382,782)	\$ 8,438
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization	220,186	51,372
Stock-based compensation expense	15,579	9,508
In-process research and development		147,000
Minority interest	(2,114)	74
Net income from equity method investees	(2,632)	(3,902)
Change in estimated sales allowances	47,716	9,540
Deferred income tax benefit	(216,274)	(59,232)
Impairment loss on goodwill	385,000	
Loss on foreign exchange contract		57,468
Other non-cash items	14,942	7,815
Litigation settlements, net	(1,856)	39,358
Changes in operating assets and liabilities:		
Accounts receivable	(166,777)	(63,016)
Inventories	(60,257)	9,573
Trade accounts payable	777	(45,139)
Income taxes	34,535	38,022
Deferred revenue	348,445	9,743
Other operating assets and liabilities, net	(72,237)	7,167
Net cash provided by operating activities	162,251	223,789
Cash flows from investing activities:		
Capital expenditures	(70,950)	(107,891)
Acquisition of Matrix, net of cash acquired of \$10,943		(550,448)
Increase in restricted cash	(40,000)	
Purchase of available for sale securities	(17,509)	(193,391)
Proceeds from sale of available for sale securities	55,558	195,366
Other items, net	(10,180)	876
Net cash used in investing activities	(83,081)	(655,488)
Cash flows from financing activities:		
Cash dividends paid	(67,977)	(27,687)
Payment of financing fees	(421)	(13,547)
Excess tax benefit from stock-based compensation		2,082
Proceeds from issuance of common stock, net		657,678

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Purchase of bond hedge		(126,000)
Proceeds from issuance of warrants		45,360
Change in short-term borrowings, net	41,003	(3,824)
Proceeds from long-term debt	7,761	1,369,251
Payment of long-term debt	(76,357)	(502,000)
Proceeds from exercise of stock options	633	19,480
Change in outstanding checks in excess of cash disbursements accounts		36,016
Other items, net	(5)	(412)
Net cash (used in) provided by financing activities	(95,363)	1,456,397
Effect on cash and cash equivalents of changes in exchange rates	10,499	3,979
Net (decrease) increase in cash and cash equivalents	(5,694)	1,028,677
Cash and cash equivalents beginning of period	484,202	286,880
Cash and cash equivalents end of period	\$ 478,508	\$ 1,315,557