MYLAN INC.
Form 10-Q
July 26, 2012

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 June 30, 2012

OR

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

For the transition period from_____________to___________

Commission File Number 1-9114

MYLAN INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Class of Common Stock	Outstanding at July 20, 2012
$0.50 par value	405,887,535

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For the Quarterly Period Ended
June 30, 2012

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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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Net revenues	$1,677,985	$1,570,364	$3,251,060	$3,006,873
Other revenues	13,552	3,513	32,885	15,961
Total revenues	1,691,537	1,573,877	3,283,945	3,022,834
Cost of sales	992,358	904,448	1,918,493	1,762,460
Gross profit	699,179	669,429	1,365,452	1,260,374
Operating expenses:				
Research and development	94,361	72,494	175,320	147,804
Selling, general and administrative	359,216	314,220	695,985	594,215
Litigation settlements, net	(12,206)	2,244	(10,033)	26,210
Total operating expenses	441,371	388,958	861,272	768,229
Earnings from operations	257,808	280,471	504,180	492,145
Interest expense	75,666	84,654	158,075	169,064
Other income, net	7,837	7,218	2,145	10,470
Earnings before income taxes and noncontrolling interest	189,979	203,035	348,250	333,551
Income tax provision	50,843	56,049	79,687	82,020
Net earnings	139,136	146,986	268,563	251,531
Net earnings attributable to the noncontrolling interest	(586)	(540)	(934)	(910)
Net earnings attributable to Mylan Inc. common shareholders	$138,550	$146,446	$267,629	$250,621
Earnings per common share attributable to Mylan Inc. common shareholders:				
Basic	$0.33	$0.34	$0.63	$0.58
Diluted	$0.33	$0.33	$0.62	$0.56
Weighted average common shares outstanding:				
Basic	420,281	433,236	423,766	435,192
Diluted	424,394	445,391	428,380	446,932

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 June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net earnings	$139,136	$146,986	$268,563	$251,531
Other comprehensive (loss) earnings, before tax:				
Foreign currency translation adjustment	(218,222)	116,123	(116,784)	279,929
Change in unrecognized (loss) gain and prior service cost related to post-retirement plans	(9)	513	(19)	522
Net unrecognized (loss) gain on derivatives	(34,806)	(1,181)	(12,160)	3,469
Net unrealized gain (loss) on marketable securities	88	237	(80)	(131)
Other comprehensive (loss) earnings, before tax	(252,949)	115,692	(129,043)	283,789
Income tax related to items of other comprehensive (loss) earnings	(11,198)	(154)	(4,008)	1,406
Other comprehensive (loss) earnings, net of tax	(241,751)	115,846	(125,035)	282,383
Comprehensive (loss) earnings	(102,615)	262,832	143,528	533,914
Comprehensive earnings attributable to the noncontrolling interest	(586)	(540)	(934)	(910)
Comprehensive (loss) earnings attributable to Mylan Inc. common shareholders	$(103,201)	$262,292	$142,594	$533,004

See Notes to Condensed Consolidated Financial Statements

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MYLAN INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited; in thousands, except share and per share amounts)

	June 30, 2012	December 31, 2011
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	$314,330	$375,056
Restricted cash	1,413	9,274
Marketable securities	32,240	30,686
Accounts receivable, net	1,526,315	1,426,438
Inventories	1,473,360	1,396,742
Deferred income tax benefit	195,743	202,899
Prepaid expenses and other current assets	208,526	127,749
Total current assets	3,751,927	3,568,844
Property, plant and equipment, net	1,298,587	1,298,034
Intangible assets, net	2,491,377	2,630,747
Goodwill	3,467,924	3,517,935
Deferred income tax benefit	84,065	39,376
Other assets	508,091	543,207
Total assets	$11,601,971	$11,598,143
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$678,451	$703,235
Short-term borrowings	406,130	128,054
Income taxes payable	57,740	42,880
Current portion of long-term debt and other long-term obligations	98,379	691,614
Deferred income tax liability	1,132	1,215
Other current liabilities	922,180	996,158
Total current liabilities	2,164,012	2,563,156
Long-term debt	5,165,931	4,479,080
Contingent consideration	393,339	376,110
Other long-term obligations	385,767	366,100
Deferred income tax liability	293,801	308,915
Total liabilities	8,402,850	8,093,361
Equity		
Mylan Inc. shareholders' equity		
Common stock — par value $0.50 per share		
Shares authorized: 1,500,000,000		
Shares issued: 532,294,070 and 530,315,453 as of June 30, 2012 and December 31, 2011	266,147	265,158
Additional paid-in capital	3,834,631	3,795,373
Retained earnings	1,688,149	1,420,520
Accumulated other comprehensive loss	(212,874)	(87,839)
	5,576,053	5,393,212
Noncontrolling interest	13,932	13,007

Less: treasury stock — at cost		
Shares: 126,455,343 and 103,637,016 as of June 30, 2012 and December 31, 2011	2,390,864	1,901,437
Total equity	3,199,121	3,504,782
Total liabilities and equity	$11,601,971	$11,598,143

See Notes to Condensed Consolidated Financial Statements

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MYLAN INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited; in thousands)

	Six Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Net earnings	$268,563	$251,531
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	250,956	244,877
Stock-based compensation expense	22,435	21,198
Change in estimated sales allowances	180,391	38,861
Deferred income tax benefit	(57,076)	(54,005)
Other non-cash items	118,935	33,593
Litigation settlements, net	(10,033)	26,210
Changes in operating assets and liabilities:		
Accounts receivable	(288,011)	(300,200)
Inventories	(109,639)	(139,998)
Trade accounts payable	(8,975)	55,559
Income taxes	(32,837)	81,301
Deferred revenue	(14,645)	—
Other operating assets and liabilities, net	(127,426)	(115,581)
Net cash provided by operating activities	192,638	143,346
Cash flows from investing activities:		
Capital expenditures	(98,918)	(111,413)
Purchase of marketable securities	(7,957)	(2,890)
Proceeds from sale of marketable securities	6,568	571
Other items, net	(62,622)	2,132
Net cash used in investing activities	(162,929)	(111,600)
Cash flows from financing activities:		
Purchase of common stock	(499,953)	(349,998)
Change in short-term borrowings, net	283,108	4,924
Proceeds from issuance of long-term debt	835,000	—
Payment of long-term debt	(732,549)	(2,466)
Proceeds from exercise of stock options	27,676	61,166
Other items, net	4,335	4,020
Net cash used in financing activities	(82,383)	(282,354)
Effect on cash of changes in exchange rates	(8,052)	23,495
Net decrease in cash and cash equivalents	(60,726)	(227,113)
Cash and cash equivalents — beginning of period	375,056	662,052
Cash and cash equivalents — end of period	$314,330	$434,939

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, 2011. The December 31, 2011 Condensed Consolidated Balance Sheet was derived from audited financial statements.
The interim results of operations for the three and six months ended and the interim cash flows for the six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full fiscal year or any other future period. The Company computed its provision for income taxes using an estimated effective tax rate for the full year with consideration of certain discrete tax items which occurred within the interim period. The estimated annual effective tax rate for 2012 includes an estimate of the full-year effect of foreign tax credits that the Company anticipates it will claim against its 2012 U.S. tax liabilities.

2. Revenue Recognition and Accounts Receivable
Mylan recognizes net revenue for product sales when title and risk of loss pass to its customers and when provisions for estimates, including discounts, sales allowances, price adjustments, returns, chargebacks and other promotional programs are reasonably determinable. Accounts receivable are presented net of allowances relating to these provisions. No revisions were made to the methodology used in determining these provisions during the six months ended June 30, 2012. Such allowances were $928.8 million and $763.0 million at June 30, 2012 and December 31, 2011. Other current liabilities include $160.0 million and $147.9 million at June 30, 2012 and December 31, 2011, for certain sales allowances and other adjustments that are paid to indirect customers.
In February 2012, Mylan Pharmaceuticals Inc. (“MPI”) entered into a receivable securitization facility (the “Receivables Facility”) of up to $300.0 million (which was subsequently expanded to $400.0 million in July 2012). Pursuant to the terms of the Receivables Facility, MPI transfers certain of its domestic receivables, on an ongoing basis, to Mylan Securitization LLC (“Mylan Securitization”), a wholly-owned bankruptcy remote subsidiary. In turn, from time to time, Mylan Securitization sells its interests in such receivables, related assets and collections to certain conduit purchasers, committed purchasers and letter of credit issuers in exchange for cash or letters of credit. Mylan Securitization maintains a subordinated interest, in the form of over collateralization, in a portion of the receivables sold. At June 30, 2012, there were $300.0 million of short-term borrowings outstanding under the Receivables Facility, which are recorded as a secured loan and included in short-term borrowings in the Condensed Consolidated Balance Sheets. The receivables underlying any borrowings are included in accounts receivable, net, in the Condensed Consolidated Balance Sheets. There were $688.7 million of securitized accounts receivable at June 30, 2012.
The Company utilizes proceeds from the sale of its accounts receivable as an alternative to other forms of debt, effectively reducing its overall borrowing costs. MPI has agreed to continue servicing the sold receivables for the financial institution at market rates.

3. Acquisitions
The Respiratory Delivery Platform

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

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

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

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

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

4. 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 years to four years, and generally expire in ten years. In the 2003 Plan, no more than 8,000,000 shares may be issued as restricted shares, restricted units, performance shares and other stock-based awards.

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

The following table summarizes stock option activity:

	Number of Shares Under Option	Weighted Average Exercise Price per Share
Outstanding at December 31, 2011	23,599,256	$ 17.42
Options granted	2,457,343	22.94
Options exercised	(1,978,618)	13.99
Options forfeited	(369,908)	19.68
Outstanding at June 30, 2012	23,708,073	$ 18.24
Vested and expected to vest at June 30, 2012	22,629,289	$ 18.12
Options exercisable at June 30, 2012	16,027,140	$ 16.83

As of June 30, 2012, options outstanding, options vested and expected to vest, and options exercisable had average remaining contractual terms of 6.05 years, 5.93 years and 4.77 years, respectively. Also at June 30, 2012, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of $85.0 million, $83.3 million and $75.5 million, respectively.

A summary of the status of the Company's nonvested restricted stock and restricted stock unit awards, including performance based restricted stock, as of June 30, 2012 and the changes during the six months ended June 30, 2012 is presented below:

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MYLAN INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value per Share
Nonvested at December 31, 2011	2,520,487	$20.16
Granted	926,512	23.28
Released	(788,398)	16.18
Forfeited	(59,020)	22.33
Nonvested at June 30, 2012	2,599,581	$22.44

As of June 30, 2012, the Company had $63.7 million of total unrecognized compensation expense, net of estimated forfeitures, related to all of its stock-based awards, which will be recognized over the remaining weighted average period of 1.75 years. The total intrinsic value of stock-based awards exercised and restricted stock units converted during the six months ended June 30, 2012 and June 30, 2011 was $34.9 million and $56.2 million.

5. Balance Sheet Components

Selected balance sheet components consist of the following:

(In thousands)	June 30, 2012	December 31, 2011
Inventories:		
Raw materials	$414,577	$ 370,423
Work in process	235,477	253,492
Finished goods	823,306	772,827
	$1,473,360	$ 1,396,742
Property, plant and equipment:		
Land and improvements	$71,401	$ 72,945
Buildings and improvements	675,971	676,028
Machinery and equipment	1,337,312	1,358,163
Construction in progress	267,257	263,948
	2,351,941	2,371,084
Less accumulated depreciation	1,053,354	1,073,050
	$1,298,587	$ 1,298,034
Other current liabilities:		
Legal and professional accruals, including litigation reserves	$141,482	$ 232,670
Payroll and employee benefit plan accruals	193,774	221,458
Accrued sales allowances	160,042	147,938
Accrued interest	73,711	74,754
Fair value of financial instruments	72,202	69,493
Other	280,969	249,845
	$922,180	$ 996,158

6. Earnings per Common Share attributable to Mylan Inc.

Basic earnings per common share is computed by dividing net earnings attributable to Mylan Inc. common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per common share is computed by dividing net earnings attributable to Mylan Inc. common shareholders by the weighted average number of shares outstanding during the period increased by the number of additional shares that would have been outstanding related to potentially dilutive securities or instruments, if the impact is dilutive.

On September 15, 2008, concurrent with the sale of $575.0 million aggregate principal amount of Cash Convertible Notes due 2015 (the “Cash Convertible Notes”), Mylan entered into a convertible note hedge and warrant transaction with certain counterparties. Pursuant to the warrant transactions, the Company sold to the counterparties warrants to purchase in the aggregate up to approximately 43.2 million shares of Mylan common stock, subject to anti-dilution adjustments substantially similar to the anti-dilution adjustments for the Cash Convertible Notes, which under most circumstances represents the maximum number of shares that underlie the conversion reference rate for the Cash Convertible Notes. The sold warrants had an exercise price of $20.00 and will be net share settled, meaning that Mylan will issue a number of shares per warrant corresponding to the difference between its share price at each warrant expiration date and the exercise price. The warrants meet the definition of derivatives under the guidance in FASB Accounting Standards Codification (“ASC”) 815 Derivatives and Hedging (“ASC 815”); however, because these instruments have been determined to be indexed to the Company’s own stock and meet the criteria for equity classification under ASC 815-40 Contracts in Entity’s Own Equity, the warrants have been recorded in shareholders’ equity in the Condensed Consolidated Balance Sheets.

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

The average market value of the Company’s shares did not exceed the exercise price of the New Warrants during the three and six months ended June 30, 2012. For the three and six months ended June 30, 2012, the average market value of the Company’s shares exceeded the exercise price of the Old Warrants, and as a result, the Company has included 0.2 million and 0.2 million shares, respectively, in the calculation of diluted earnings per share. For the three and six months ended June 30, 2011, the average market value of the Company's shares exceeded the exercise price of the Old Warrants, and as a result, the Company has included 6.5 million and 5.9 million shares, respectively, in the calculation of diluted earnings per share.

On May 10, 2012, the Company announced that its Board of Directors had approved the repurchase of up to $500.0 million of the Company's common stock in the open market. As of June 30, 2012, the repurchase program was completed with approximately 23.4 million shares of common stock being repurchased for approximately $500.0 million.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	2012	2011	2012	2011
Basic earnings attributable to Mylan Inc. common shareholders (numerator):				
Net earnings attributable to Mylan Inc. common shareholders	$138,550	$146,446	$267,629	$250,621
Shares (denominator):				
Weighted average common shares outstanding	420,281	433,236	423,766	435,192
Basic earnings per common share attributable to Mylan Inc. common shareholders	$0.33	$0.34	$0.63	$0.58
Diluted earnings attributable to Mylan Inc. common shareholders (numerator):				
Net earnings attributable to Mylan Inc. common shareholders	$138,550	$146,446	$267,629	$250,621
Shares (denominator):				

Weighted average common shares outstanding	420,281	433,236	423,766	435,192
Stock-based awards and warrants	4,113	12,155	4,614	11,740
Total dilutive shares outstanding	424,394	445,391	428,380	446,932
Diluted earnings per common share attributable to Mylan Inc. common shareholders	$0.33	$0.33	$0.62	$0.56

Additional stock options or restricted stock awards were outstanding during the periods ended June 30, 2012 and June 30, 2011 but were not included in the computation of diluted earnings per share for each respective period, because the effect would be anti-dilutive. Such anti-dilutive stock options or restricted stock awards represented 8.2 million and 7.4 million shares for the three and six months ended June 30, 2012, respectively, and 4.9 million and 4.0 million shares for the three and six months ended June 30, 2011, respectively.

7. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 30, 2012 are as follows:

(In thousands)	Generics Segment	Specialty Segment	Total
Balance at December 31, 2011:			
Goodwill	$3,196,428	$706,507	$3,902,935
Accumulated impairment losses	—	(385,000)	(385,000)
	3,196,428	321,507	3,517,935
Foreign currency translation	(50,011)	—	(50,011)
	3,146,417	321,507	3,467,924
Balance at June 30, 2012:			
Goodwill	3,146,417	706,507	3,852,924
Accumulated impairment losses	—	(385,000)	(385,000)
	$3,146,417	$321,507	$3,467,924

Intangible assets consist of the following components:

(In thousands)	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
June 30, 2012				
Amortized intangible assets:				
Patents and technologies	20	$116,631	$85,551	$31,080
Product rights and licenses	10	3,424,613	1,548,888	1,875,725
Other [(1)]	8	180,801	50,858	129,943
		3,722,045	1,685,297	2,036,748
IPR&D		454,629	—	454,629
		$4,176,674	$1,685,297	$2,491,377
December 31, 2011				
Amortized intangible assets:				
Patents and technologies	20	$116,631	$82,815	$33,816
Product rights and licenses	10	3,364,263	1,418,492	1,945,771
Other [(1)]	8	200,663	45,604	155,059
		3,681,557	1,546,911	2,134,646
IPR&D		496,101	—	496,101
		$4,177,658	$1,546,911	$2,630,747

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

Amortization expense, which is classified primarily within cost of sales on Mylan’s Condensed Consolidated Statements of Operations, for the six months ended June 30, 2012 and June 30, 2011 was $175.0 million and $170.7 million, respectively, and is expected to be approximately $171 million for the remainder of 2012 and $338 million, $331 million, $308 million and $241 million for the years ended December 31, 2013 through 2016, respectively.

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

During the six months ended June 30, 2012, approximately $33.0 million was reclassified from acquired IPR&D to product rights and licenses. Also during the six months ended June 30, 2012, the Company paid approximately $70.0 million to acquire products rights and licenses, the majority of which relates to two dermatological products acquired from Valeant Pharmaceuticals.

8. Financial Instruments and Risk Management

Financial Risks

Mylan is exposed to certain financial risks relating to its ongoing business operations. The primary financial risks that are managed by using derivative instruments are foreign currency risk, interest rate risk and equity risk.

In order to manage foreign currency risk, Mylan enters into foreign exchange forward contracts to mitigate risk associated with changes in spot exchange rates of mainly non-functional currency denominated assets or liabilities. The foreign exchange forward contracts are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. Any gains or losses on the foreign exchange forward contracts are recognized in earnings in the period incurred in the Condensed Consolidated Statements of Operations.

The Company has also entered into forward contracts to hedge forecasted foreign currency denominated sales from certain international subsidiaries. These contracts are designated as cash flow hedges to manage foreign currency transaction risk and are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. Any changes in fair value are included in earnings or deferred through accumulated other comprehensive earnings ("AOCE"), depending on the nature and effectiveness of the offset.

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

In December 2011, the Company executed $500.0 million of notional interest rate swaps in order to fix the interest rate on a portion of its variable rate U.S. Term Loans under its senior credit agreement (the "Senior Credit Agreement"). In January 2012, the Company executed a further $350.0 million of notional interest rate swaps in order to fix the interest rate on an additional portion of its variable rate U.S. Term Loans under the Senior Credit Agreement. In June 2012, the Company executed an additional $750.0 million of forward starting swaps to extend the existing swaps to maturities ranging from March 2016 to November 2016. All of these interest rate swaps are designated as cash flow hedges of the variability of interest expense related to the Company's variable rate debt. Any changes in fair value are included in earnings or deferred through AOCE, depending on the nature and effectiveness of the offset. The total notional amount of the Company's effective interest rate swaps on floating-rate debt was $850.0 million and $500.0 million as of June 30, 2012 and December 31, 2011, respectively.

In January 2011, the Company entered into interest rate swaps which convert $500.0 million of the Company's fixed-rate 6.0% Senior Notes due 2018 (the "2018 Senior Notes") to a variable rate. These interest rate swaps are designated as fair value hedges, are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. The change in the fair value of these derivative instruments, as well as the offsetting change in fair value of the portion of the fixed-rate debt being hedged, is included in interest expense. As of June 30, 2012, the total notional amount of the Company's interest rate swaps on fixed-rate debt was $500.0 million.

Certain derivative instrument contracts entered into by the Company are governed by Master Agreements, which contain credit-risk-related contingent features that would allow the counterparties to terminate the contracts early and request immediate payment should the Company trigger an event of default on other specified borrowings. The aggregate fair value of all such contracts, which are in a net asset position at June 30, 2012, is $32.5 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 June 30, 2012, the convertible note hedge had a total fair value of $426.1 million, which reflects the maximum loss that would be incurred should the parties fail to perform according to the terms of the contract. The counterparties are highly rated diversified financial institutions. The counterparties are required to post collateral against this obligation should they be downgraded below thresholds specified in the contract. Eligible collateral is comprised of a wide range of financial securities with a valuation discount percentage reflecting the associated risk.

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

Fair Values of Derivative Instruments
Derivatives Designated as Hedging Instruments

	Asset Derivatives			
	June 30, 2012		December 31, 2011	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	$36,848	Prepaid expenses and other current assets	$29,773
Total		$36,848		$29,773

	Liability Derivatives			
	June 30, 2012		December 31, 2011	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Other current liabilities	$4,386	Other current liabilities	$658
Foreign currency forward contracts	Other current liabilities	63,055	Other current liabilities	57,075
Total		$67,441		$57,733

Fair Values of Derivative Instruments
Derivatives Not Designated as Hedging Instruments

	Asset Derivatives			
	June 30, 2012		December 31, 2011	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	$4,132	Prepaid expenses and other current assets	$3,802
Purchased cash convertible note hedge	Other assets	426,100	Other assets	460,000

Total	$430,232	$463,802

MYLAN INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

	Liability Derivatives			
	June 30, 2012		December 31, 2011	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Other current liabilities	$4,761	Other current liabilities	$11,760
Cash conversion feature of Cash Convertible Notes	Long-term debt	426,100	Long-term debt	460,000
Total		$430,861		$471,760

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		Six Months Ended	
		June 30,		June 30,	
		2012	2011	2012	2011
Interest Rate Swaps	Interest Expense	$1,564	$11,123	$13,459	$4,795
Total		$1,564	$11,123	$13,459	$4,795

(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		Six Months Ended	
		June 30,		June 30,	
		2012	2011	2012	2011
2018 Senior Notes	Interest Expense	$1,751	$(11,123)	$(7,074)	$(4,795)
Total		$1,751	$(11,123)	$(7,074)	$(4,795)

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

	Amount of Gain or (Loss) Recognized in AOCE (Net of Tax) on Derivative (Effective Portion)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(In thousands)	2012	2011	2012	2011
Foreign currency forward contracts	$(35,453)	$301	$(23,992)	$1,689
Interest rate swaps	(1,027)	568	(2,351)	2,889
Total	$(36,480)	$869	$(26,343)	$4,578

	Location of Gain or (Loss) Reclassified	Amount of Gain or (Loss) Reclassified from AOCE

(In thousands)	from AOCE into Earnings (Effective Portion)	into Earnings (Effective Portion) Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Foreign currency forward contracts	Net revenues	$(13,041)	$1,622	$(18,295)	$2,367
Interest rate swaps	Interest expense	(645)	(407)	(1,019)	(2,189)
Total		$(13,686)	$1,215	$(19,314)	$178

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MYLAN INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

(In thousands)	Location of Gain Excluded from the Assessment of Hedge Effectiveness	Amount of Gain Excluded from the Assessment of Hedge Effectiveness Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Foreign currency forward contracts	Other income, net	$15,360	$5,054	$21,071	$5,088
Total		$15,360	$5,054	$21,071	$5,088

At June 30, 2012, the Company expects that approximately $53.0 million of pre-tax net losses on cash flow hedges will be reclassified from AOCE into earnings during the next 12 months.

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations
Derivatives in Net Investment Hedging Relationships

(In thousands)	Amount of Gain or (Loss) Recognized in AOCE (Net of Tax) on Derivative (Effective Portion) Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Foreign currency borrowings	$—	$(13,577)	$—	$(47,296)
Total	$—	$(13,577)	$—	$(47,296)

There was no gain or loss recognized into earnings on derivatives with net investment hedging relationships during the six months ended June 30, 2012 or 2011. The Euro-denominated borrowings that had been designated as a hedge of the net investments in certain Euro functional currency subsidiaries were repaid in November 2011.

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations
Derivatives Not Designated as Hedging Instruments

(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 June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Foreign currency forward contracts	Other income, net	$(13,912)	$2,682	$(8,657)	$14,144
Cash conversion feature of Cash Convertible Notes	Other income, net	85,500	(59,700)	33,900	(109,000)
Purchased cash convertible note hedge	Other income, net	(85,500)	59,700	(33,900)	109,000
Total		$(13,912)	$2,682	$(8,657)	$14,144

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:

	June 30, 2012			
(In thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$75,297	$—	$—	$75,297
Total cash equivalents	75,297	—	—	75,297
Trading securities:				
Equity securities — exchange traded funds	9,572	—	—	9,572
Total trading securities	9,572	—	—	9,572
Available-for-sale fixed income investments:				
U.S. Treasuries	—	11,505	—	11,505
Corporate bonds	—	7,283	—	7,283
Agency mortgage-backed securities	—	1,291	—	1,291
Other	—	2,538	—	2,538
Total available-for-sale fixed income investments	—	22,617	—	22,617
Available-for-sale equity securities:				
Biosciences industry	51	—	—	51
Total available-for-sale equity securities	51	—	—	51
Foreign exchange derivative assets	—	4,132	—	4,132
Interest rate swap derivative assets	—	36,848	—	36,848
Purchased cash convertible note hedge	—	426,100	—	426,100
Total assets at fair value (1)	$84,920	$489,697	$—	$574,617
Financial Liabilities:				
Foreign exchange derivative liabilities	$—	$67,816	$—	$67,816
Interest rate swap derivative liabilities	—	4,386	—	4,386
Cash conversion feature of Cash Convertible Notes	—	426,100	—	426,100
Contingent consideration	—	—	393,339	393,339
Total liabilities at fair value (1)	$—	$498,302	$393,339	$891,641

	December 31, 2011			
(In thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$152,331	$—	$—	$152,331
Total cash equivalents	152,331	—	—	152,331
Trading securities:				
Equity securities — exchange traded funds	6,760	—	—	6,760
Total trading securities	6,760	—	—	6,760
Available-for-sale fixed income investments:				
U.S. Treasuries	—	1,519	—	1,519
Corporate bonds	—	7,192	—	7,192
Agency mortgage-backed securities	—	12,346	—	12,346
Other	—	2,697	—	2,697
Total available-for-sale fixed income investments	—	23,754	—	23,754
Available-for-sale equity securities:				
Biosciences industry	172	—	—	172
Total available-for-sale equity securities	172	—	—	172
Foreign exchange derivative assets	—	3,802	—	3,802
Interest rate swap derivative assets	—	29,773	—	29,773
Purchased cash convertible note hedge	—	460,000	—	460,000
Total assets at fair value (1)	$159,263	$517,329	$—	$676,592
Financial Liabilities:				
Foreign exchange derivative liabilities	$—	$68,835	$—	$68,835
Interest rate swap derivative liabilities	—	658	—	658
Cash conversion feature of Cash Convertible Notes	—	460,000	—	460,000
Contingent consideration	—	—	376,110	376,110
Total liabilities at fair value (1)	$—	$529,493	$376,110	$905,603

(1) The Company chose not to elect the fair value option for its financial assets and liabilities that had not been previously carried at fair value. Therefore, material financial assets and liabilities not carried at fair value, such as short-term and long-term debt obligations and trade accounts receivable and payable, are still reported at their carrying values.

For financial assets and liabilities that utilize Level 2 inputs, the Company utilizes both direct and indirect observable price quotes, including the LIBOR yield curve, foreign exchange forward prices, and bank price quotes. Below is a summary of valuation techniques for Level 1 and Level 2 financial assets and liabilities:

- Cash equivalents — valued at observable net asset value prices.
- Trading securities — valued at the active quoted market price from broker or dealer quotations or transparent pricing sources at the reporting date.
- Available-for-sale fixed income investments — valued at the quoted market price from broker or dealer quotations or transparent pricing sources at the reporting date.
- Available-for-sale equity securities — valued using quoted stock prices from the London Exchange at the reporting date and translated to U.S. Dollars at prevailing spot exchange rates.
- Interest rate swap derivative assets and liabilities — valued using the LIBOR/EURIBOR yield curves at the reporting date. Counterparties to these contracts are highly rated financial institutions, none of which experienced any significant downgrades during the six months ended June 30, 2012 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 six months ended June 30, 2012 that would reduce the receivable amount owed, if any, to the Company.
- Cash conversion feature of cash convertible notes and purchased convertible note hedge — valued using quoted prices for the Company's cash convertible notes, its implied volatility and the quoted yield on the Company's other long-term debt at the reporting date. Counterparties to the purchased convertible note hedge are highly rated financial institutions, none of which experienced any significant downgrades during the six months ended June 30, 2012 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 other acquisitions made during 2011. The measurement is calculated using unobservable inputs based on the Company's own assumptions. Significant unobservable inputs in the valuation include the probability and timing of future development and commercial milestones and future profit sharing payments. A discounted cash flow method was used to value contingent consideration at June 30, 2012 and December 31, 2011. Discount rates ranging from 3.3% to 10.4% were utilized in the valuation and represent the present value of the estimated future net cash flows using a market rate of return at June 30, 2012. Significant changes in unobservable inputs could result in material changes to the contingent consideration liability. To reflect a change in fair value measurement of contingent consideration during the six months ended June 30, 2012, a net adjustment of approximately $1.5 million was recorded, to increase the liability. For the three and six months ended June 30, 2012, accretion of $7.5 million and $15.7 million, respectively, was recorded in interest expense in the Condensed Consolidated Statements of Operations.

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.

9. Debt

The Receivables Facility

In February 2012, MPI, a wholly owned subsidiary of the Company, entered into a $300.0 million accounts receivable securitization facility, pursuant to (i) a Purchase and Contribution Agreement, between MPI and Mylan Securitization, and (ii) a Receivables Purchase Agreement, among Mylan Securitization, as seller, MPI, as originator and servicer, certain conduit purchasers, committed purchasers and letter of credit issuers from time to time party thereto (collectively, the "Purchasers"), certain purchaser agents from time to time party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as agent (the "Agent"). The Company agreed to enter into a performance guarantee with respect to the obligations of MPI under these agreements.

Under the Purchase and Contribution Agreement, MPI will sell, on an ongoing basis, certain accounts receivable and the right to the collections on those accounts receivable to Mylan Securitization. Once sold to Mylan Securitization, the accounts receivable and rights to collection described above will be separate and distinct from MPI's own assets and will not be available to MPI's creditors should MPI become insolvent. The servicing, administration and collection of the accounts receivable will be conducted by MPI, as servicer. Under the terms of the Receivables Purchase Agreement, Mylan Securitization may, from time to time, obtain up to $300 million (in the form of cash or letters of credit for the benefit of MPI) from the Purchasers through the sale of its interest in such receivables and collections. The size of the accounts receivable securitization facility may be increased from time to time, upon request by Mylan Securitization and with the consent of the purchaser agents and the Agent, up to a maximum of $500 million. In July 2012, the size of the accounts receivable securitization facility was increased to $400 million. Purchases under the Receivables Purchase Agreement will be repaid as accounts receivable are collected, with new purchases being advanced as new accounts receivable are originated by MPI and sold to Mylan Securitization, with settlement occurring monthly. Mylan Securitization has the option to reduce the commitments under the Receivables Purchase Agreement. Mylan Securitization's assets have been pledged to the Agent in support of its obligations under the Receivables Purchase Agreement. Any amounts outstanding under the facility will be recorded as a secured loan and the receivables underlying any borrowings will continue to be included in accounts receivable, net, in the Condensed Consolidated Balance Sheets of the Company. The accounts receivable securitization facility has a term of three years. The Receivables Purchase Agreement contains various customary affirmative and negative covenants and also contains customary default and termination provisions, which provide for acceleration of amounts owed under the Receivables Purchase Agreement upon the occurrence of certain specified events, including, but not limited to, failure by Mylan Securitization to pay

interest and other amounts due, defaults on certain indebtedness, certain judgments, change in control, certain events negatively affecting the overall credit quality of transferred accounts receivable, bankruptcy and insolvency events.
As of June 30, 2012, the Condensed Consolidated Balance Sheets include $688.7 million of accounts receivable balances legally sold to Mylan Securitization, as well as $300.0 million of short-term borrowings. The interest rate on borrowings under this facility was approximately 1.01% at June 30, 2012.
Mylan Securitization holds trade accounts receivable whose cash flows are the primary source of repayment for its liabilities. Investors only have recourse to the assets held by Mylan Securitization. The Company is involved in these arrangements to the extent that it originates the accounts receivable and provides servicing activities.

Long-Term Debt
A summary of long-term debt is as follows:

(In thousands)	June 30, 2012	December 31, 2011
U.S. Term Loans	$1,203,125	$1,250,000
Revolving Facility	750,000	—
Cash Convertible Notes	914,556	937,160
Senior Convertible Notes	—	593,983
2017 Senior Notes	550,000	550,000
2018 Senior Notes	826,500	818,774
2020 Senior Notes	1,014,020	1,014,643
Other	2,828	3,666
	5,261,029	5,168,226
Less: Current portion	95,098	689,146
Total long-term debt	$5,165,931	$4,479,080

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 and second quarters of 2012 under the Senior Credit Agreement on the U.S. Term Loans were paid in March 2012 and June 2012, in the amount of $23.4 million for each quarter. At June 30, 2012, the Company had $750.0 million outstanding under the Revolving Facility. The interest rate on the Revolving Facility at June 30, 2012 was 1.85%.
Cash Convertible Notes
At June 30, 2012, the $914.6 million outstanding consists of $488.5 million of Cash Convertible Notes debt ($575.0 million face amount, net of $86.5 million discount) and the bifurcated conversion feature with a fair value of $426.1 million recorded as a liability within long-term debt in the Condensed Consolidated Balance Sheets at June 30, 2012. 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 $426.1 million within other assets in the Condensed Consolidated Balance Sheets at June 30, 2012. At December 31, 2011, the $937.2 million outstanding consists of $477.2 million of debt ($575.0 million face amount, net of $97.8 million discount) and the bifurcated conversion feature with a fair value of $460.0 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 $460.0 million within other assets in the Condensed Consolidated Balance Sheets at December 31, 2011.

As of June 30, 2012, because the closing price of Mylan's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day in the June 30, 2012 period, was more than 130% of the applicable conversion reference price of $13.32 at June 30, 2012, the $575.0 million of Cash Convertible Notes are currently convertible. Although the Company's experience is that convertible debentures are not normally converted by investors until close to their maturity date, it is possible that debentures could be converted prior to their maturity date if, for example, a holder perceives the market for the debentures to be weaker than the market for the common stock. 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 Convertible Notes

In March 2012, $600.0 million of Senior Convertible Notes was repaid at maturity. At December 31, 2011, the $594.0 million of debt is net of a $6.0 million discount.

Senior Notes

The Company has entered into interest rate swaps that convert $500.0 million of 2018 Senior Notes principal debt to a variable rate. The variable rate is 3.43% at June 30, 2012. At June 30, 2012, the $826.5 million of 2018 Senior Notes debt is net of a $10.3 million discount and includes a fair value adjustment of $36.8 million associated with the interest rate swaps. At December 31, 2011, the $818.8 million of debt is net of an $11.0 million discount and includes a fair value adjustment of $29.8 million.

At June 30, 2012, the $1.01 billion of 2020 Senior Notes debt includes a $14.0 million premium. At December 31, 2011, the $1.01 billion of debt includes a $14.6 million premium.

Details of the interest rates in effect at June 30, 2012 and December 31, 2011 on the outstanding borrowings under the U.S. Term Loans are in the table below:

	June 30, 2012 Outstanding (In thousands)	Basis	Rate	
U.S. Term Loans:				
Swapped to Fixed Rate - January 2014 [(1)]	$500,000	Fixed	2.60	%
Swapped to Fixed Rate - March 2014 [(1)]	350,000	Fixed	2.45	%
Floating Rate	353,125	LIBOR + 2.00%	2.24	%
Total U.S. Term Loans	$1,203,125			

	December 31, 2011 Outstanding (In thousands)	Basis	Rate	
U.S. Term Loans	$1,250,000	LIBOR + 2.00%	2.34	%

(1) Effective January 2012, $500 million of the U.S. Term Loans have been swapped to a fixed rate of 0.60% plus the specified spread under the Senior Credit Agreement (currently 200 basis points), through January 2014. Effective March 2012, an additional $350 million of the U.S. Term Loans have been swapped to a fixed rate of 0.45% plus the specified spread under the Senior Credit Agreement (currently 200 basis points), through March 2014. Effective June 2012, $750 million of the currently effective swaps have been extended to maturities ranging from March 2016 to November 2016, thereby fixing a rate of 0.91% plus the specified spread (currently 200 basis points) on the underlying U.S. Term Loans, for the extension period. These swaps have been designated as cash flow hedges of the variability in interest expense related to our variable rate debt.

At June 30, 2012, the fair value of the Senior Notes was approximately $2.61 billion, and at December 31, 2011, the fair value of the Senior Notes and Senior Convertible Notes was approximately $3.15 billion. At June 30, 2012 and

December 31, 2011, the fair value of the Cash Convertible Notes was approximately $987.9 million and $1.00 billion. 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.