MYLAN INC.
Form 10-Q
August 01, 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 June 30, 2013

OR

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

For the transition period from_____________to___________

Commission File Number 1-9114

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

Pennsylvania	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 29, 2013
$0.50 par value	381,811,984

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For the Quarterly Period Ended
June 30, 2013

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PART I — FINANCIAL INFORMATION

MYLAN INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited; in thousands, except per share amounts)

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

See Notes to Condensed Consolidated Financial Statements

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

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

See Notes to Condensed Consolidated Financial Statements

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

	June 30, 2013	December 31, 2012
ASSETS		
Assets		
Current assets:		
Cash and cash equivalents	$277,379	$349,969
Accounts receivable, net	1,651,389	1,554,342
Inventories	1,637,373	1,525,242
Deferred income tax benefit	205,838	229,348
Prepaid expenses and other current assets	440,320	243,816
Total current assets	4,212,299	3,902,717
Property, plant and equipment, net	1,431,455	1,397,216
Intangible assets, net	1,972,146	2,224,457
Goodwill	3,359,543	3,515,655
Deferred income tax benefit	98,147	87,655
Other assets	1,138,121	804,197
Total assets	$12,211,711	$11,931,897
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$838,035	$777,908
Short-term borrowings	405,396	298,987
Income taxes payable	89,878	33,731
Current portion of long-term debt and other long-term obligations	2,692	98,048
Deferred income tax liability	651	1,283
Other current liabilities	989,680	983,546
Total current liabilities	2,326,332	2,193,503
Long-term debt	5,812,170	5,337,196
Other long-term obligations	850,099	771,111
Deferred income tax liability	277,794	274,259
Total liabilities	9,266,395	8,576,069
Equity		
Mylan Inc. shareholders' equity		
Common stock — par value $0.50 per share		
Shares authorized: 1,500,000,000		
Shares issued: 541,859,089 and 539,664,386 as of June 30, 2013 and December 31, 2012	270,930	269,832
Additional paid-in capital	4,045,322	3,986,746
Retained earnings	2,345,941	2,061,370
Accumulated other comprehensive loss	(354,716)	(86,498)
	6,307,477	6,231,450
Noncontrolling interest	16,735	15,110
Less: treasury stock — at cost		
Shares: 160,157,124 and 144,459,210 as of June 30, 2013 and December 31, 2012	3,378,896	2,890,732
Total equity	2,945,316	3,355,828

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

See Notes to Condensed Consolidated Financial Statements

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

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

See Notes to Condensed Consolidated Financial Statements

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. General

The accompanying unaudited Condensed Consolidated Financial Statements ("interim financial statements") of Mylan Inc. and subsidiaries ("Mylan" or the "Company") were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC") for reporting on Form 10-Q; therefore, as permitted under these rules, certain footnotes and other financial information included in audited financial statements were condensed or omitted. The interim financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the interim results of operations, comprehensive earnings, financial position and cash flows for the periods presented. These interim financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, as updated by the Company's Current Report on Form 8-K filed on May 28, 2013. The December 31, 2012 Condensed Consolidated Balance Sheet was derived from audited financial statements.

The interim results of operations, comprehensive earnings and cash flows for the six months ended June 30, 2013 are not necessarily indicative of the results to be expected for the full fiscal year or any other future period. The Company computed its provision for income taxes using an estimated effective tax rate for the full year with consideration of certain discrete tax items which occurred within the interim period. The estimated annual effective tax rate for 2013 includes an estimate of the full-year effect of foreign tax credits that the Company anticipates it will claim against its 2013 U.S. tax liabilities.

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

2. Revenue Recognition and Accounts Receivable

Mylan recognizes net revenue for product sales when title and risk of loss pass to its customers and when provisions for estimates, including discounts, sales allowances, price adjustments, returns, chargebacks and other promotional programs are reasonably determinable. Accounts receivable are presented net of allowances relating to these provisions. No revisions were made to the methodology used in determining these provisions during the six months ended June 30, 2013. Such allowances were $939.6 million and $977.0 million at June 30, 2013 and December 31, 2012, respectively. Other current liabilities include $205.6 million and $202.9 million at June 30, 2013 and December 31, 2012, respectively, for certain sales allowances and other adjustments that are paid to indirect customers.

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

3. Recent Accounting Pronouncements

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

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In December 2011 and January 2013, the FASB issued revised accounting guidance for an entity with particular financial instruments and derivative instruments that offset in accordance with the FASB's guidance regarding other presentation matters for derivatives and hedging. Under the amendments in this update, an entity with financial instruments that are offset in the financial statements or subject to enforceable master netting arrangements or similar agreements must disclose the gross amount recognized for the asset/liability, the offsetting amounts, the net amounts presented on the balance sheet and any amounts subject to enforceable master netting arrangements. The amended guidance is effective for fiscal years, including interim periods, beginning on or after January 1, 2013. Retroactive application is required. The Company adopted the guidance during 2013, and the adoption of the guidance did not have a material effect on the Company's results of operations, financial position or cash flows.

4. Acquisitions and Collaborative Agreements

Pfizer Japan

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

Biocon Insulin Products

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

SMS Pharmaceuticals Ltd.

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

Agila Specialties

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

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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	1,527,535	30.58
Options exercised	(2,233,680)	17.79
Options forfeited	(533,097)	22.34
Outstanding at June 30, 2013	15,377,375	$20.81
Vested and expected to vest at June 30, 2013	14,507,129	$20.66
Options exercisable at June 30, 2013	9,430,523	$18.67

As of June 30, 2013, options outstanding, options vested and expected to vest, and options exercisable had average remaining contractual terms of 6.68 years, 6.58 years and 5.52 years, respectively. Also at June 30, 2013, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of $157.2 million, $150.6 million and $116.6 million, respectively.

A summary of the status of the Company's nonvested restricted stock and restricted stock unit awards, including performance based restricted stock, as of June 30, 2013 and the changes during the six months ended June 30, 2013 are presented below:

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

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

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6. Balance Sheet Components

Selected balance sheet components consist of the following:

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

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

7. Earnings per Common Share Attributable to Mylan Inc.

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

On September 15, 2008, concurrent with the sale of $575 million aggregate principal amount of Cash Convertible Notes due 2015 (the "Cash Convertible Notes"), Mylan entered into a convertible note hedge and warrant transaction with certain counterparties. Pursuant to the warrant transactions, the Company sold to the counterparties warrants to purchase in the aggregate up to approximately 43.2 million shares of Mylan common stock, subject to certain anti-dilution provisions. In 2011, the Company entered into amendments with the counterparties to exchange the original warrants with an exercise price of $20.00 (the "Old Warrants") with new warrants with an exercise price of $30.00 (the "New Warrants"). Approximately 41.0 million of the Old Warrants were exchanged in the transaction. Both the Old and New Warrants meet the definition of

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

On February 27, 2013, the Board of Directors of the Company approved the repurchase of up to $500 million of the Company's common stock in the open market and through privately-negotiated transactions. The repurchase program was completed during the first quarter of 2013 with approximately 16.3 million shares of common stock repurchased.

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

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

Additional stock options and restricted stock awards were outstanding during the periods ended June 30, 2013 and 2012 but were not included in the computation of diluted earnings per share for each respective period, because the effect would be anti-dilutive. Such anti-dilutive stock options or restricted stock awards represented 2.9 million and 2.0 million shares for the three and six months ended June 30, 2013, respectively, and 8.2 million and 7.4 million shares for the three and six months ended June 30, 2012, respectively.

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Notes to Condensed Consolidated Financial Statements (Unaudited) - Continued

8. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 30, 2013 are as follows:

(In thousands)	Generics 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]	10,781	—	10,781
Transfers [2]	(27,602)	27,602	—
Foreign currency translation	(166,893)	—	(166,893)
	$3,010,434	$349,109	$3,359,543
Balance at June 30, 2013:			
Goodwill	$3,010,434	$734,109	$3,744,543
Accumulated impairment losses	—	(385,000)	(385,000)
	$3,010,434	$349,109	$3,359,543

(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 June 30, 2013 and December 31, 2012:

(In thousands)	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
June 30, 2013				
Amortized intangible assets:				
Patents and technologies	20	$116,631	$89,656	$26,975
Product rights and licenses	10	3,317,541	1,833,904	1,483,637
Other [1]	8	108,077	60,176	47,901
		3,542,249	1,983,736	1,558,513
In-process research and development		413,633	—	413,633
		$3,955,882	$1,983,736	$1,972,146
December 31, 2012				
Amortized intangible assets:				
Patents and technologies	20	$116,631	$88,288	$28,343
Product rights and licenses	10	3,459,980	1,749,424	1,710,556
Other [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.

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

Indefinite-lived intangible assets, such as the Company's in-process research and development ("IPR&D") assets, are tested at least annually for impairment, but may be tested whenever certain impairment indicators are present. Impairment is determined to exist when the fair value is less than the carrying value of the assets being tested. During the six months ended June 30, 2013, the Company recognized IPR&D impairment charges of $5.1 million, which were recorded as a component of amortization expense.

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

9. Financial Instruments and Risk Management

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

Foreign Currency Risk Management

In order to manage foreign currency risk, Mylan enters into foreign exchange forward contracts to mitigate risk associated with changes in spot exchange rates of mainly non-functional currency denominated assets or liabilities. The foreign exchange forward contracts are measured at fair value and reported as current assets or current ght" valign="bottom">

High Price ($)	31.55	20.40	18.90	18.47	17.98	20.30	21.87	23.00	23.00	22.74	25.40	25.44
Low Price ($)	23.99	19.55	17.73	17.20	16.45	19.32	20.41	22.00	21.00	21.15	24.80	24.75
Volume (000)	73,869	138	122	213	186	144	151	200	109	103	597	1,516
March 2009												
High Price ($)	33.18	20.00	18.37	17.47	17.00	20.05	21.74	23.64	22.35	22.00	25.59	25.74
Low Price ($)	25.28	18.82	17.26	16.05	15.81	18.13	19.85	22.00	19.20	19.60	25.00	25.07
Volume (000)	97,572	164	199	263	348	180	105	184	228	138	763	778
April 2009												
High Price ($)	35.85	21.18	19.05	18.00	17.92	21.45	22.28	24.10	24.43	23.70	26.96	27.40
Low Price ($)	30.30	19.41	17.57	16.66	16.61	19.25	20.95	22.83	21.75	22.00	25.33	25.48

Volume (000)
103,382 120 151 188 457 189 130 291 235 175 680 665
May 2009

High Price ($)
39.00 21.96 19.90 18.71 18.91 22.29 23.99 25.00 24.70 24.75 26.99
27.31
Low Price ($)
25.09 21.00 19.06 17.81 17.80 21.37 22.32 23.91 23.90 23.70 26.35
26.29
Volume (000)
77,234 241 204 350 253 339 117 605 314 381 392 327
June 2009

High Price ($)
44.51 22.15 20.24 19.45 19.26 21.95 23.69 25.70 25.28 25.45 27.50
27.99
Low Price ($)
38.61 21.50 19.53 18.52 18.49 21.01 22.97 24.90 24.40 24.41 26.80
26.66
Volume (000)
75,551 202 211 196 330 316 183 494 506 331 422 339
July 2009

High Price ($)
46.51 22.97 21.23 19.85 19.93 22.68 24.20 26.20 26.00 26.19 28.00
28.00
Low Price ($)
39.60 21.53 19.80 18.60 18.52 21.16 23.13 25.08 24.90 25.08 27.20
27.00
Volume (000)
71,182 222 232 228 235 720 152 698 411 323 456 339
August 2009

High Price ($)
48.62 24.36 22.31 21.20 21.16 24.23 25.40 26.15 26.00 26.00 27.82
28.07
Low Price ($)
43.16 22.66 20.80 19.76 19.76 22.50 24.31 25.84 25.56 25.59 27.40
27.47
Volume (000)
74,645 151 562 306 289 319 299 265 478 270 692 243
September 2009

High Price ($)
49.19 24.45 21.99 20.79 20.85 23.97 25.30 26.39 26.15 26.21 28.18
28.14
Low Price ($)
42.95 23.44 21.46 20.42 20.40 23.50 24.92 26.00 25.76 25.66 27.71
27.66
Volume (000)

	84,570	121	188	334	473	265	336	405	317	283	537	426
October 2009												
High Price ($)	49.14	24.25	21.99	20.60	20.63	23.91	25.19	26.28	26.18	25.98	28.00	28.09
Low Price ($)	43.48	22.78	20.66	19.30	19.40	22.57	23.71	25.60	25.28	25.20	27.10	27.02
Volume (000)	64,995	167	221	316	307	203	156	215	282	431	444	544
November 2009												
High Price ($)	49.00	23.77	21.83	20.44	20.39	23.60	24.90	26.44	26.35	26.38	27.95	27.98
Low Price ($)	44.84	22.81	20.70	19.50	19.50	22.76	24.38	25.72	25.65	25.67	27.14	27.28
Volume (000)	57,660	190	148	254	213	262	173	426	303	252	360	309
December 2009												
High Price ($)	49.93	24.10	22.34	21.12	20.79	24.11	25.39	26.75	26.83	26.72	28.25	28.33
Low Price ($)	46.55	23.54	21.60	20.05	20.10	23.50	24.54	26.35	26.04	26.10	27.50	27.88
Volume (000)	69,768	174	218	363	361	185	122	157	121	217	345	168
January 2010 (to January 8, 2010)												
High Price ($)	49.53	23.96	21.99	20.83	20.70	23.99	24.96	26.61	26.92	26.68	28.05	27.99
Low Price ($)	48.81	23.70	21.72	20.33	20.33	23.61	24.60	26.05	26.31	26.30	27.66	27.67
Volume (000)	15,999	96	17	173	71	82	86	63	40	96	58	61

(1) The Preferred Shares, Series 24 were issued on December 12, 2008 by the Bank to Sun Life Financial Inc. as partial consideration for the acquisition by the Bank of trust units of CI Financial Income Fund (now CI Financial Corp.).

(2) The Preferred Shares, Series 26 were issued on January 21, 2009.

(3) The Preferred Shares, Series 28 were issued on January 30, 2009.

PRIOR SALES

In the 12-month period ending on January 11, 2010, the Bank issued the following debt securities which are not listed on any exchange or quoted in any marketplace:

Security	Date Issued	Issue Price to Public per $1,000 Principal Amount	Number of Securities Issued
$1.0 Billion 6.65% Debentures due 2021	January 22, 2009	$ 999.83	1,000,000
$1.0 Billion 4.94% Debentures due 2019	April 15, 2009	$ 999.69	1,000,000

RISK FACTORS

Investment in the Debt Securities is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in any Debt Securities, investors should consider carefully the risks set out herein and incorporated by reference in this Prospectus (including subsequently filed documents incorporated by reference) and, if applicable, those described in a Prospectus Supplement relating to a specific offering of Debt Securities. Prospective investors should consider the categories of risks identified and discussed in the Bank s Annual Information Form and the Annual MD&A, each of which is incorporated herein by reference, including credit risk, market risk, liquidity risk, operational risk, reputational risk and environmental risk.

USE OF PROCEEDS

Unless otherwise specified in a Prospectus Supplement, the net proceeds to the Bank from the sale of the Debt Securities will be added to the general funds of the Bank and utilized for general banking purposes. The application of the proceeds will depend upon the funding requirements of the Bank at the time.

LIMITATIONS ON ENFORCEMENT OF U.S. LAWS AGAINST THE BANK, ITS MANAGEMENT AND OTHERS

The Bank is incorporated under the laws of Canada pursuant to the Bank Act. Many of its directors and executive officers, including many of the persons who will sign the registration statement on Form F-9, of which this Prospectus forms a part, and some of the experts named in this Prospectus, reside outside the United States, and a substantial portion of the Bank s assets and all or a substantial portion of the assets of such persons are located outside the United States. As a result, it may be difficult for United States investors to effect service of process within the United States upon those directors, officers or experts who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of such directors, officers or experts under United States federal securities laws.

The Bank has been advised by Osler, Hoskin & Harcourt LLP, its Canadian counsel, that a judgment of a U.S. court predicated solely upon civil liability under such laws would probably be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Bank has also been advised by such counsel, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

INDEPENDENT AUDITORS

KPMG LLP, Chartered Accountants, Toronto, Ontario, is the external auditor who prepared the Auditors Report to Shareholders with respect to the consolidated balance sheet of the Bank as at October 31, 2009 and 2008 and the consolidated statements of income, changes in shareholders equity, comprehensive income and cash flows for the years then ended. KPMG LLP is independent with respect to the Bank within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and within the meaning of the U.S. Securities Act of 1933, as amended, and the applicable rules and regulations thereunder. The audited consolidated financial statements of the Bank for each of the two years in the period ended October 31, 2009 incorporated by reference in this Prospectus have been so incorporated in reliance on the report of KPMG LLP, independent accountants.

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DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been filed with the SEC either separately or as exhibits to the registration statement of which this Prospectus forms a part: the documents referred to under Documents Incorporated by Reference ; the consent of KPMG LLP; the consent of Osler, Hoskin & Harcourt LLP; powers of attorney from directors and officers of the Bank; the forms of indentures relating to the Debt Securities; and the statement of eligibility of the trustee on Form T-1.

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The Bank of Nova Scotia

US$ Senior Notes due

PROSPECTUS SUPPLEMENT

January , 2011

Joint Book-Running Managers

BofA Merrill Lynch
Barclays Capital
Morgan Stanley
Scotia Capital

Co-Managers

BMO Capital Markets
Citi
Deutsche Bank Securities
Goldman, Sachs & Co.