

EON LABS INC
Form 10-Q
November 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

Commission File Number 011-31333

For the quarterly period ended September 30, 2002

or

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

Eon Labs, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

227-15 North Conduit Avenue
Laurelton, New York

13-3653818
(I.R.S. Employer Identification Number)

11413

Edgar Filing: EON LABS INC - Form 10-Q

(Address of Principal Executive Offices)

(Zip Code)

(718) 276-8600

(Registrant's Telephone Number, Including Area Code)

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

As of November 14, 2002, there were 43,559,902 shares of the Registrant's Common Stock, \$0.01 par value per share, outstanding.

Eon Labs, Inc. and Subsidiaries

Table of Contents

PART I.	FINANCIAL INFORMATION	
ITEM 1.	Financial Statements	
	<u>Condensed Consolidated Balance Sheets as of December 31, 2001 and September 30, 2002 (unaudited)</u>	3
	<u>Condensed Consolidated Statements of Income (unaudited) for the Three and Nine Months Ended September 30, 2001 and September 30, 2002</u>	4
	<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the Nine Months Ended September 30, 2001 and September 30, 2002</u>	5
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	6
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
ITEM 3.	<u>Quantitative and Qualitative Disclosure about Market Risk</u>	22
ITEM 4	<u>Controls and Procedures</u>	22
PART II.	<u>OTHER INFORMATION</u>	24
ITEM 1.	<u>Legal Proceedings</u>	24
ITEM 2.	<u>Changes in Securities and Use of Proceeds</u>	24
ITEM 5.	<u>Other Information</u>	24
ITEM 6.	<u>Exhibits and Reports on Form 8-K</u>	26
	<u>SIGNATURES</u>	27
EXHIBIT 99.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
EXHIBIT 99.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

Eon Labs, Inc. and Subsidiaries**Condensed Consolidated Balance Sheets**

(dollars in thousands, except per share amounts)

	December 31, 2001	September 30, 2002 (Unaudited)
Assets		
Current assets		
Cash and cash equivalents	\$ 17,624	\$ 40,945
Restricted cash in escrow	877	806
Investments		19,328
Accounts receivable, net of allowances of \$6,882 and \$53,649 in 2001 and 2002, respectively	27,290	53,403
Inventories	31,192	39,903
Deferred tax assets, net	19,566	19,566
Prepaid expenses and other current assets	4,478	18,815
Due from related party	200	76
Total current assets	101,227	192,842
Property, plant and equipment, net	38,496	41,644
Goodwill and other intangible assets, net	78,805	77,814
Other assets	874	2,380
Total assets	\$ 219,402	\$ 314,680
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	\$ 10,430	\$ 12,272
Accrued expenses and other liabilities	37,301	47,986
Current portion of note payable	24,400	4,444
Total current liabilities	72,131	64,702
Long-term liabilities		
Long-term portion of note payable	2,353	
Deferred tax liabilities, net	7,153	7,153
Deferred revenue	660	489
Loans and advances from Hexal AG	90,114	
Total liabilities	172,411	72,344

Edgar Filing: EON LABS INC - Form 10-Q

Contingencies (Note 8)

Stockholders equity

Class A voting common stock, par value \$.01 per share; 60,000,000 shares authorized, no shares issued or outstanding at December 31, 2001, and no shares authorized or outstanding at September 30, 2002			
Common stock, par value \$.01 per share; no shares authorized or outstanding at December 31, 2001, and 70,000,000 authorized and 43,559,902 outstanding at September 30, 2002			436
Class B convertible, non-voting common stock, par value \$.01 per share; 3,000,000 shares authorized and no shares issued or outstanding at December 31, 2001; and no shares authorized or outstanding at September 30, 2002			
Preferred stock, par value \$.01 per share, Series A convertible; 35,000,000 shares authorized, 30,000,000 issued and outstanding at December 31, 2001 and no shares authorized or outstanding at September 30, 2002		300	
Preferred stock, par value \$.01 per share; no shares authorized and no shares issued or outstanding at December 31, 2001, and 5,000,000 shares authorized and no shares issued or outstanding at September 30, 2002			
Additional paid-in capital	26,101		190,380
Retained earnings	22,376		52,409
Accumulated other comprehensive income			31
	48,777		243,256
Less: Unearned deferred stock-based compensation	(1,786)		(920)
Total stockholders equity	46,991		242,336
Total liabilities and stockholders equity	\$ 219,402	\$	314,680

The accompanying notes are an integral part of these condensed consolidated financial statements.

Eon Labs, Inc. and Subsidiaries

Condensed Consolidated Statements of Income

(dollars in thousands, except per share amounts) (unaudited)

	For the three months ended September 30,			For the nine months ended September 30,		
	2001		2002	2001		2002