MYLAN INC.
Form 10-Q
October 30, 2009

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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 September 30, 2009

OR

o **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 o

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 o No o

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 o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o 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 October 28, 2009**
$0.50 par value	305,584,189

* The registrant has not yet been phased into the interactive data requirements.

MYLAN INC. AND SUBSIDIARIES

FORM 10-Q
For the Quarterly Period Ended
September 30, 2009

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MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Period Ended September 30,			
	Three Months		Nine Months	
	2009	2008	2009	2008
	(Unaudited; in thousands, except per share amounts)			
Revenues:				
Net revenues	$ 1,255,708	$ 1,191,010	$ 3,679,868	$ 3,440,680
Other revenues	8,366	465,838	61,100	493,750
Total revenues	1,264,074	1,656,848	3,740,968	3,934,430
Cost of sales	759,094	745,711	2,182,488	2,258,863
Gross profit	504,980	911,137	1,558,480	1,675,567
Operating expenses:				
Research and development	69,812	74,721	202,665	239,320
Impairment loss on goodwill				385,000
Selling, general and administrative	259,609	275,584	780,953	787,953
Litigation settlements, net	114,281		111,530	
Total operating expenses	443,702	350,305	1,095,148	1,412,273
Earnings from operations	61,278	560,832	463,332	263,294
Interest expense	77,034	93,540	240,209	282,405
Other income, net	243	5,766	29,741	20,583
(Loss) earnings before income taxes and noncontrolling interest	(15,513)	473,058	252,864	1,472
Income tax (benefit) provision	(11,092)	256,088	52,539	180,062
Net (loss) earnings	(4,421)	216,970	200,325	(178,590)
Net (earnings) loss attributable to the noncontrolling interest	(841)	151	(6,658)	2,266
Net (loss) earnings attributable to Mylan Inc. before preferred dividends	(5,262)	217,121	193,667	(176,324)
Preferred dividends	34,759	34,759	104,276	104,236
Net (loss) earnings attributable to Mylan Inc. common shareholders	$ (40,021)	$ 182,362	$ 89,391	$ (280,560)
(Loss) earnings per common share attributable to Mylan Inc. common shareholders:				
Basic	$ (0.13)	$ 0.60	$ 0.29	$ (0.92)

Diluted	$ (0.13)	$ 0.47	$ 0.29	$ (0.92)
Weighted average common shares outstanding:				
Basic	305,285	304,449	304,951	304,305
Diluted	305,285	458,350	306,086	304,305

See Notes to Condensed Consolidated Financial Statements

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MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	September 30, 2009	December 31, 2008
	(Unaudited; in thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 584,411	$ 557,147
Restricted cash	63,346	40,309
Available-for-sale securities	34,034	42,260
Accounts receivable, net	1,102,380	1,164,613
Inventories	1,119,042	1,065,990
Deferred income tax benefit	247,755	199,278
Prepaid expenses and other current assets	110,961	105,076
Total current assets	3,261,929	3,174,673
Property, plant and equipment, net	1,085,174	1,063,996
Intangible assets, net	2,465,869	2,453,161
Goodwill	3,316,654	3,161,580
Deferred income tax benefit	46,130	16,493
Other assets	586,812	539,956
Total assets	$ 10,762,568	$ 10,409,859
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$ 476,605	$ 498,815
Short-term borrowings	167,074	151,109
Income taxes payable	59,882	92,158
Current portion of long-term debt and other long-term obligations	7,727	5,099
Deferred income tax liability	3,280	1,935
Other current liabilities	868,768	795,534
Total current liabilities	1,583,336	1,544,650
Long-term debt	5,128,827	5,078,937
Other long-term obligations	405,298	422,052
Deferred income tax liability	573,215	577,379
Total liabilities	7,690,676	7,623,018
Equity		
Mylan Inc. shareholders equity		

Preferred stock par value $0.50 per share Shares authorized: 5,000,000 Shares issued: 2,139,000	1,070	1,070
Common stock par value $0.50 per share Shares authorized: 1,500,000,000 and 600,000,000 as of September 30, 2009 and December 31, 2008 Shares issued: 395,767,460 and 395,368,062 as of September 30, 2009 and December 31, 2008	197,884	197,684
Additional paid-in capital	3,824,302	3,955,725
Retained earnings	655,985	566,594
Accumulated other comprehensive loss	(45,335)	(380,802)
	4,633,906	4,340,271
Noncontrolling interest	13,057	29,108
Less treasury stock at cost Shares: 90,220,543 and 90,635,441 as of September 30, 2009 and December 31, 2008	1,575,071	1,582,538
Total equity	3,071,892	2,786,841
Total liabilities and equity	$ 10,762,568	$ 10,409,859

See Notes to Condensed Consolidated Financial Statements

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MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2009	**2008**
	(Unaudited; in thousands)	
Cash flows from operating activities:		
Net earnings (loss)	$ 200,325	$ (178,590)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	296,949	327,791
Stock-based compensation expense	23,591	23,188
Net earnings from equity method investees	(1,231)	(3,165)
Change in estimated sales allowances	62,288	22,115
Deferred income tax benefit	(82,036)	(76,154)
Impairment loss on goodwill		385,000
Other non-cash items	52,515	24,812
Litigation settlements, net	111,530	
Changes in operating assets and liabilities:		
Accounts receivable	48,390	(135,293)
Inventories	11,188	(98,812)
Trade accounts payable	(57,854)	(35)
Income taxes	(59,038)	92,346
Deferred revenue	(24,029)	(110,021)
Other operating assets and liabilities, net	(36,038)	(24,009)
Net cash provided by operating activities	546,550	249,173
Cash flows from investing activities:		
Capital expenditures	(83,135)	(101,699)
Increase in restricted cash	(22,861)	(44,828)
Cash paid for acquisitions	(211,209)	
Proceeds from sale of equity-method investee	23,333	
Purchase of available-for-sale securities	(4,278)	(17,509)
Proceeds from sale of available-for-sale securities	14,970	60,109
Other items, net	237	4,716
Net cash used in investing activities	(282,943)	(99,211)
Cash flows from financing activities:		
Cash dividends paid	(104,276)	(102,736)
Payment of financing fees		(13,954)
Purchase of bond hedge		(161,173)
Proceeds from issuance of warrants		62,560
Change in short-term borrowings, net	(260)	46,054

Proceeds from long-term debt	6,236	581,547
Payment of long-term debt	(153,315)	(392,213)
Proceeds from exercise of stock options	8,803	1,098
Other items, net		(260)
Net cash (used in) provided by financing activities	(242,812)	20,923
Effect on cash of changes in exchange rates	6,469	579
Net increase in cash and cash equivalents	27,264	171,464
Cash and cash equivalents beginning of period	557,147	484,202
Cash and cash equivalents end of period	$ 584,411	$ 655,666

See Notes to Condensed Consolidated Financial Statements

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. General

In the opinion of management, 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, as amended, for the fiscal year ended December 31, 2008.

The interim results of operations for the three and nine months ended September 30, 2009 and the interim cash flows for the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full fiscal year or any other future period.

Management evaluated all activity of Mylan through October 30, 2009 (the issue date of the interim financial statements) and concluded that no subsequent events have occurred that would require recognition in the interim financial statements or disclosure in the notes to the interim financial statements, other than as discussed elsewhere in the Notes to Condensed Consolidated Financial Statements.

2. Revenue Recognition and Accounts Receivable

Revenue is recognized for product sales when title and risk of loss pass to the Company s customers and when provisions for estimates, including discounts, rebates, price adjustments, returns, chargebacks and other promotional programs are reasonably determinable. No revisions were made to the methodology used in determining these provisions during the nine months ended September 30, 2009. Accounts receivable are presented net of allowances relating to these provisions. Such allowances were $546.8 million and $496.5 million as of September 30, 2009 and December 31, 2008. Other current liabilities include $250.9 million and $238.9 million at September 30, 2009 and December 31, 2008, for certain rebates and other adjustments that are payable to indirect customers.

3. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles A Replacement of FASB Statement No. 162* (as codified in the *FASB Accounting Standards Codification™* (ASC or Codification) topic 105, *Generally Accepted Accounting Principles* (ASC 105)). This update to ASC 105 establishes the Codification as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This update to ASC 105 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting

literature not included in the Codification has become non-authoritative. Following this update to ASC 105, the FASB will not issue new standards in the form of Statements, FASB Staff Positions (FSP), or Emerging Issues Task Force (EITF) Abstracts. Instead, the FASB will issue Accounting Standards Updates, which will serve only to: (*a*) update the Codification; (*b*) provide background information about the guidance; and (*c*) provide the basis for conclusions on the change(s) in the Codification. The Company adopted the requirements of this standard for the quarter ended September 30, 2009. The adoption of this

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

update to ASC 105 did not have a material impact on the Company s Condensed Consolidated Financial Statements. All accounting references have been updated, and therefore SFAS references have been augmented with ASC references. In future filings all accounting references will refer to the Codification only.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of SFAS No. 140* (as codified in ASC topic 860, *Transfers and Servicing* (ASC 860)). This update to ASC 860 is a revision to FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (which is codified in ASC 860), and will require more disclosures about transfers of financial assets, including securitization transactions and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. This update to ASC 860 enhances disclosures reported to users of financial statements by providing greater transparency about transfers of financial assets and an entity s continuing involvement in transferred financial assets. This update to ASC 860 is effective for fiscal years beginning after November 15, 2009. Early application is not permitted. The Company is currently evaluating the impact on its consolidated financial statements of adopting this update to ASC 860.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (as codified in ASC topic 855, *Subsequent Events* (ASC 855)). This update to ASC 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company adopted the requirements of this standard as of June 30, 2009. The adoption of this update to ASC 855 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (as codified in ASC topic 320, *Investments Debt and Equity Securities (ASC 320)*). This update to ASC 320 amends SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, SFAS 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations,* and EITF Issue 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets* (all of which are codified in ASC 320), to make the other-than-temporary impairments guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. This standard replaces the existing requirement that the entity s management assert it has both the intent and ability to hold an impaired debt security until recovery with a requirement that management assert it does not have the intent to sell the security, and it is more likely than not it will not have to sell the security before recovery of its cost basis. The Company adopted the requirements of this standard as of June 30, 2009. The adoption of this update to ASC 320 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (as codified in ASC topic 825, *Financial Instruments* (ASC 825)). This update to ASC 825 requires companies to disclose in interim financial statements the fair value of financial instruments within the scope of ASC 825. However, companies are not required to provide in interim periods the disclosures about the concentration of credit risk of all financial instruments that are currently required in annual financial statements. The fair-value

information disclosed in the footnotes must be presented together with the related carrying amount, making it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the balance sheet. This update to ASC 825 also requires that companies disclose the method or methods and significant assumptions used to estimate the fair value of financial instruments and a discussion of changes, if any, in the method or methods and significant assumptions during the period. The

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Company adopted the requirements of this standard as of June 30, 2009. The adoption of this update to ASC 825 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

On January 1, 2009, the Company adopted FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (as codified in ASC topic 470, *Debt* (ASC 470)). Under the new rules, for convertible debt instruments (including the Company s Senior Convertible Notes) that may be settled entirely or partially in cash upon conversion, entities now separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. The effect of the new rules, as they apply to the Company s Senior Convertible Notes, is that the equity component is included in the additional paid-in capital section of shareholders equity on the Company s consolidated balance sheet and the value of the equity component is treated as an original issue discount for purposes of accounting for the debt component. Higher interest expense results through the accretion of the discounted carrying value of the Senior Convertible Notes to their face amount over their term. This update to ASC 470 requires retrospective application as disclosed below.

On January 1, 2009, the Company adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB 51* (as codified in ASC topic 810, *Consolidation* (ASC 810)). This update to ASC 810 amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (which is codified in ASC 810), to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard defines a noncontrolling interest, sometimes called a minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. This update to ASC 810 requires, among other items, that a noncontrolling interest be included in the consolidated balance sheet within equity separate from the parent s equity; consolidated net income to be reported at amounts inclusive of both the parent s and noncontrolling interest s shares and, separately, the amounts of consolidated net income attributable to the parent and noncontrolling interest all on the consolidated statement of operations; and if a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income based on such fair value.

The Company s Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2008, as originally reported and as adjusted for the adoption of the aforementioned updates to ASC 470 and ASC 810, are as follows:

	Three Months Ended September 30,	
	2008	2008 As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ 87,553	$ 93,540
Earnings before income taxes and noncontrolling interest	479,045	473,058
Income tax provision	272,438	256,088
Net earnings	206,607	216,970
Net earnings attributable to the noncontrolling interest	151	151

Net earnings attributable to Mylan Inc. common shareholders		171,999		182,362
Loss per common share attributable to Mylan Inc.:				
Basic	$	0.56	$	0.60
Diluted	$	0.45	$	0.47
Weighted average common shares outstanding:				
Basic		304,449		304,449
Diluted		458,350		458,350

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

	Nine Months Ended September 30,	
	2008	2008 As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ 264,789	$ 282,405
Earnings before income taxes and noncontrolling interest	19,088	1,472
Income tax provision	197,378	180,062
Net loss	(178,290)	(178,590)
Net earnings attributable to the noncontrolling interest	2,266	2,266
Net loss attributable to Mylan Inc. common shareholders	(280,260)	(280,560)
Loss per common share attributable to Mylan Inc.:		
Basic	$ (0.92)	$ (0.92)
Diluted	$ (0.92)	$ (0.92)
Weighted average common shares outstanding:		
Basic	304,305	304,305
Diluted	304,305	304,305

The Company s Condensed Consolidated Balance Sheet as originally reported and as adjusted for the adoption of the aforementioned updates to ASC 470 and ASC 810, is as follows:

	December 31, 2008	December 31, 2008 As Adjusted
	(In thousands)	
Liabilities and equity		
Liabilities		
Long-term debt	$ 5,165,419	$ 5,078,937
Deferred income tax liability	545,121	577,379
Total liabilities	7,677,242	7,623,018
Minority interest	29,108	
Equity		
Mylan Inc. shareholders equity		
Additional paid-in capital	3,873,743	3,955,725
Retained earnings	594,352	566,594

Noncontrolling interest		29,108
Total equity	2,703,509	2,786,841

4. Acquisitions and Other Transactions

Acquisition of the Remaining Interest in Matrix Laboratories Limited

On March 26, 2009, the Company announced plans to buy the remaining public interest in Matrix Laboratories Limited (Matrix) from its minority shareholders pursuant to a voluntary delisting offer. At the time, the Company owned approximately 71.2% of Matrix through a wholly-owned subsidiary and controlled more than 76% of its voting rights. On June 1, 2009, Mylan announced that it had successfully completed the delisting offer and accepted the discovered price of 211 Rupees per share, which was established by the reverse book building process prescribed by Indian regulations. During the nine months ended September 30, 2009, the Company completed the

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

purchase of an additional portion of the remaining interest from minority shareholders of Matrix, for cash of approximately $172.3 million, bringing both the Company s total ownership and control to approximately 95%.

Matrix s stock was delisted effective August 21, 2009. Minority shareholders who have not yet tendered their shares may do so during the six-month period following the delisting. The purchase was treated as an equity transaction as required by ASC topic 805, *Business Combinations* (ASC 805). Under ASC 805, subsequent increases or decreases of ownership that do not result in a change in control are accounted for as equity transactions. As such, upon purchase of the additional interest in Matrix, both the noncontrolling interest and additional paid in capital on the Condensed Consolidated Balance Sheet were reduced by $21.6 million and $154.0 million, respectively.

Termination of Joint Ventures

During the nine months ended September 30, 2009, Matrix and Aspen Pharmacare Holdings Limited (Aspen) terminated two joint ventures in which each held a 50% share; Astrix Laboratories Limited (Astrix) and Fine Chemicals Corporation (FCC). Under the agreed upon terms, Matrix sold its 50% interest in FCC to Aspen for $23.3 million. At the same time, a wholly-owned subsidiary of Mylan purchased from Aspen its 50% interest in Astrix for $38.9 million. These transactions resulted in a net gain of approximately $10.4 million, which is included in other income, net, in the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2009. As of the date of purchase, June 1, 2009, the results of Astrix were consolidated with those of Mylan.

The Company accounted for the acquisition of the remaining 50% of Astrix using 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 preliminary estimate of their respective fair values.

Biologics Agreement

On June 29, 2009, Mylan announced that it has executed a definitive agreement with Biocon Limited (Biocon), a publicly traded company on the Indian stock exchanges, for an exclusive collaboration on the development, manufacturing, supply and commercialization of multiple, high value generic biologic compounds for the global marketplace.

As part of this collaboration, Mylan and Biocon will share development, capital and certain other costs to bring products to market. Mylan will have exclusive commercialization rights in the U.S., Canada, Japan, Australia, New Zealand and in the European Union and European Free Trade Association countries through a profit sharing arrangement with Biocon. Mylan will have co-exclusive commercialization rights with Biocon in all other markets around the world. In conjunction with executing this agreement, Mylan recorded a non-recurring research and development charge in the nine months ended September 30, 2009 related to its up-front, non-refundable obligation pursuant to the agreement.

5. Impairment of Long-lived Assets Including Goodwill

On February 27, 2008, the Company announced that it was reviewing strategic alternatives for its specialty business, Dey, L.P. (Dey), including the potential sale of the business. This decision was based upon several factors, including a strategic review of the business and the expected performance of the Perforomist® Solution product, where anticipated

growth was determined to be slower than expected and the timeframe to reach peak sales was determined to be longer than was originally anticipated.

As a result of the Company s ongoing review of strategic alternatives, the Company determined that it was more likely than not that the business would be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Accordingly, a recoverability test of Dey s long-lived assets was performed during the three months ended March 31, 2008 in accordance with ASC topic 360, *Property, Plant, and Equipment* (ASC

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

360). The Company evaluated both cash flow projections and estimated proceeds from the eventual disposition of the long-lived assets. The estimated undiscounted future cash flows exceeded the book values of the long-lived assets and, as a result, no impairment charge was recorded.

Upon the closing of the former Merck Generics business transaction, Dey was defined as the Specialty Segment under the provisions of ASC topic 280, *Segment Reporting*. Dey is also considered a reporting unit under the provisions of ASC topic 350, *Intangibles Goodwill and Other* (ASC 350). Upon closing of the transaction, the Company allocated $711.2 million of goodwill to Dey.

The Company tests goodwill for possible impairment on an annual basis and at any other time events occur or circumstances indicate that the carrying amount of goodwill may be impaired. As the Company had determined that it was more likely than not that the business would be sold or otherwise disposed of significantly before the end of its previously estimated useful life, the Company was required, during the three months ended March 31, 2008, to assess whether any portion of its recorded goodwill balance was impaired.

The first step of the ASC 350 impairment analysis consisted of a comparison of the fair value of the reporting unit with its carrying amount, including the goodwill. The Company performed extensive valuation analyses, utilizing both income and market-based approaches, in its goodwill assessment process. The following describes the valuation methodologies used to derive the estimated fair value of the reporting unit.

Income Approach: To determine fair value, the Company discounted the expected future cash flows of the reporting unit, using a discount rate, which reflected the overall level of inherent risk and the rate of return an outside investor would have expected to earn. To estimate cash flows beyond the final year of its model, the Company used a terminal value approach. Under this approach, the Company used estimated operating income before interest, taxes, depreciation and amortization in the final year of its model, adjusted to estimate a normalized cash flow, applied a perpetuity growth assumption, and discounted by a perpetuity discount factor to determine the terminal value. The Company incorporated the present value of the resulting terminal value into its estimate of fair value.

Market-Based Approach: To corroborate the results of the income approach described above, Mylan estimated the fair value of its reporting unit using several market-based approaches, including the guideline company method which focused on comparing its risk profile and growth prospects to a select group of publicly traded companies with reasonably similar guidelines.

Based on the ASC 350 step one analysis that was performed for Dey, the Company determined that the carrying amount of the net assets of the reporting unit was in excess of its estimated fair value. As such, the Company was required to perform the step two analysis for Dey, in order to determine the amount of any goodwill impairment. The step two analysis consisted of comparing the implied fair value of the goodwill with the carrying amount of the goodwill, with an impairment charge resulting from any excess of the carrying value of the goodwill over the implied fair value of the goodwill based on a hypothetical allocation of the estimated fair value to the net assets. Based on the second step analysis, the Company concluded that $385.0 million of the goodwill recorded at Dey was impaired. As a result, the Company recorded a non-cash goodwill impairment charge of $385.0 million during the three months ended March 31, 2008, which represented the Company s best estimate as of March 31, 2008. The allocation discussed above was performed only for purposes of assessing goodwill for impairment; accordingly, Mylan did not adjust the net book value of the assets and liabilities on the Company s Condensed Consolidated Balance Sheet, other than

goodwill, as a result of this process.

The determination of the fair value of the reporting unit required the Company to make significant estimates and assumptions that affect the reporting unit s expected future cash flows. These estimates and assumptions primarily include, but are not limited to, the discount rate, terminal growth rates, operating income before depreciation and amortization, and capital expenditures forecasts. Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates. In addition, changes in underlying

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

assumptions could have a significant impact on either the fair value of the reporting unit or the goodwill impairment charge.

The hypothetical allocation of the fair value of the reporting unit to individual assets and liabilities within the reporting unit also required the Company to make significant estimates and assumptions. The hypothetical allocation required several analyses to determine the estimate of the fair value of assets and liabilities of the reporting unit.

In September 2008, following the completion of the comprehensive review of strategic alternatives for Dey, the Company announced its decision to retain the Dey business. This decision included a plan to realign the business, and as a result, the Company expects to incur severance and other exit costs (see Note 14). In addition, the comprehensive review resulted in the impairment of intangible assets related to certain non-core, insignificant, third-party products in December 2008.

6. Stock-Based Incentive Plan

Mylan s shareholders approved the *2003 Long-Term Incentive Plan* on July 25, 2003, and approved certain amendments on July 28, 2006, April 25, 2008 and May 7, 2009 (as amended, the 2003 Plan). Under the 2003 Plan, 37,500,000 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. 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. 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, the *1997 Incentive Stock Option Plan* (the 1997 Plan) was frozen, and no further grants of stock options will be made under that plan. However, there are stock options outstanding from the 1997 Plan, 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, 2008	23,423,041	$ 15.32
Options granted	5,226,254	13.60
Options exercised	(435,987)	11.17
Options forfeited	(1,016,932)	14.33
Outstanding at September 30, 2009	27,196,376	$ 15.09

Vested and expected to vest at September 30, 2009	25,938,815	$	15.14
Options exercisable at September 30, 2009	17,844,466	$	15.82

As of September 30, 2009, options outstanding, options vested and expected to vest and options exercisable had average remaining contractual terms of 5.97 years, 5.82 years and 4.38 years, respectively. Also at September 30, 2009, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of $51.2 million, $48.3 million and $27.9 million, respectively.

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

A summary of the status of the Company s nonvested restricted stock and restricted stock unit awards as of September 30, 2009 and the changes during the nine months ended September 30, 2009, are presented below:

Restricted Stock Awards	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value per Share
Nonvested at December 31, 2008	2,543,348	$ 13.46
Granted	884,163	12.74
Released	(756,873)	15.22
Forfeited	(179,829)	11.97
Nonvested at September 30, 2009	2,490,809	$ 12.79

As of September 30, 2009, the Company had $47.2 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 1.82 years. The total intrinsic value of stock-based awards exercised and restricted stock units converted during the nine months ended September 30, 2009 and September 30, 2008 was $11.1 million and $4.6 million.

7. Balance Sheet Components

Selected balance sheet components consist of the following:

	September 30, 2009	December 31, 2008
	(In thousands)	
Inventories:		
Raw materials	$ 287,993	$ 273,232
Work in process	184,063	157,473
Finished goods	646,986	635,285
	$ 1,119,042	$ 1,065,990
Property, plant and equipment:		
Land and improvements	$ 64,303	$ 56,945
Buildings and improvements	620,790	577,182
Machinery and equipment	1,109,765	1,012,748
Construction in progress	95,890	110,721

		1,890,748		1,757,596
Less accumulated depreciation		805,574		693,600
	$	1,085,174	$	1,063,996
Other current liabilities:				
Payroll and employee benefit plan accruals	$	198,097	$	181,316
Accrued rebates		250,855		238,886
Fair value of financial instruments		76,193		91,797
Legal and professional accruals		181,095		71,813
Restructuring reserves		55,600		75,100
Other		106,928		136,622
	$	868,768	$	795,534

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

8. (Loss) Earnings per Common Share attributable to Mylan Inc.

Basic (loss) earnings per common share is computed by dividing net (loss) earnings attributable to Mylan Inc. common shareholders by the weighted average number of shares outstanding during the period. Diluted (loss) earnings per common share is computed by dividing net (loss) 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 dilutable securities or instruments, if the impact is dilutive.

With respect to the Company s convertible preferred stock, the Company considered the effect on diluted earnings per share of the preferred stock conversion feature using the if-converted method. The preferred stock is convertible into between 125,234,172 shares and 152,785,775 shares of the Company s common stock, subject to anti-dilution adjustments, depending on the average stock price of the Company s common stock over the 20 trading-day period ending on the third trading day prior to conversion. For the three and nine months ended September 30, 2009, and for the nine months ended September 30, 2008, the if-converted method is anti-dilutive; therefore, the preferred stock conversion is excluded from the computation of diluted earnings per share. For the three months ended September 30, 2008, the preferred stock conversion is dilutive; therefore, under the provisions of the if-converted method, the conversion of the preferred stock is included in the denominator of the computation of diluted earnings per share, and the preferred share dividend is added back to the numerator.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands, except per share amounts)			
Basic (loss) earnings attributable to Mylan Inc. common shareholders (numerator):				
Net (loss) earnings attributable to Mylan Inc. before preferred dividends	$ (5,262)	$ 217,121	$ 193,667	$ (176,324)
Less: Preferred dividends	34,759	34,759	104,276	104,236
Net (loss) earnings attributable to Mylan Inc. common shareholders	$ (40,021)	$ 182,362	$ 89,391	$ (280,560)
Shares (denominator):				
Weighted average shares outstanding	305,285	304,449	304,951	304,305
Basic (loss) earnings per common share attributable to Mylan Inc.	$ (0.13)	$ 0.60	$ 0.29	$ (0.92)

Diluted (loss) earnings attributable to Mylan Inc. common shareholders (numerator):				
Net (loss) earnings attributable to Mylan Inc. common shareholders	$ (40,021)	$ 182,362	$ 89,391	$ (280,560)
Add: Preferred dividends		34,759		
(Loss) earnings attributable to Mylan Inc. common shareholders and assumed conversions	$ (40,021)	$ 217,121	$ 89,391	$ (280,560)
Shares (denominator):				
Stock-based awards		1,115	1,135	
Preferred stock conversion		152,786		
Total dilutive shares outstanding	305,285	458,350	306,086	304,305
Diluted (loss) earnings per common share attributable to Mylan Inc.	$ (0.13)	$ 0.47	$ 0.29	$ (0.92)

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Additional stock options or restricted stock awards representing 19.2 million and 18.6 million shares were outstanding for the nine months ended September 30, 2009 and 2008, but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive.

On October 20, 2009, the Company announced that a quarterly dividend of $16.25 per share was declared (based on the annual dividend rate of 6.5% and a liquidation preference of $1,000 per share) payable on November 16, 2009, to the holders of preferred stock of record as of November 1, 2009.

9. Goodwill and Intangible Assets

A rollforward of goodwill from December 31, 2008 to September 30, 2009 is as follows:

	Total (In thousands)
Goodwill balance at December 31, 2008	$ 3,161,580
Foreign currency translation	155,074
Goodwill balance at September 30, 2009	$ 3,316,654

Intangible assets consist of the following components:

	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(In thousands)		
September 30, 2009				
Amortized intangible assets:				
Patents and technologies	20	$ 118,926	$ 76,146	$ 42,780
Product rights and licenses	10	2,925,260	607,684	2,317,576
Other	8	169,108	63,595	105,513
		$ 3,213,294	$ 747,425	$ 2,465,869
December 31, 2008				
Amortized intangible assets:				
Patents and technologies	20	$ 118,926	$ 71,631	$ 47,295
Product rights and licenses	10	2,738,191	433,169	2,305,022
Other	8	129,563	28,719	100,844

$ 2,986,680	$ 533,519	$ 2,453,161

Amortization expense, which is primarily classified within cost of sales on the Company s Condensed Consolidated Statements of Operations, for the nine months ended September 30, 2009 and 2008 was $204.3 million and $235.0 million and is expected to be $69.7 million for the remainder of 2009, and $277.8 million, $272.3 million, $271.9 million and $259.8 million for the years ended December 31, 2010 through 2013, respectively.

10. Financial Instruments and Risk Management

Financial Risks

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

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

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 statement of operations.

The Company has 754.5 million ($1.10 billion) of borrowings under the Senior Credit Agreement that are designated as a hedge of its net investment in certain Euro-functional currency subsidiaries. In accordance with ASC topic 830, *Foreign Currency Matters*, and ASC topic 815, *Derivatives and Hedging* (ASC 815), borrowings designated as hedges of net investments are measured at fair value using the current spot exchange rate at the end of the period, with gains and losses included in the foreign currency translation adjustment component of accumulated other comprehensive income (loss) (AOCI) on the balance sheet until the sale or substantial liquidation of the underlying net investments.

The Company enters into interest rate swaps in order to manage interest rate risk associated with the Company s floating-rate debt. These interest rate swaps are designated as cash flow hedges in accordance with ASC 815. The Company s interest rate swaps fix the interest rate on a portion of the Company s variable-rate U.S. Tranche B Term Loans and Euro Tranche B Term Loans under the Senior Credit Agreement. In accordance with ASC 815, derivative contracts designated as hedges to manage interest rate risk 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 reported in earnings or deferred, depending on the nature and effectiveness of the offset. Any ineffectiveness in a hedging relationship is recognized immediately in earnings in the Condensed Consolidated Statements of Operations. As of September 30, 2009, the total notional amount of the Company s floating-rate debt interest rate swaps was $2.3 billion.

As described in Note 11 to Condensed Consolidated Financial Statements, a total of $1.0 billion of the Company s floating-rate debt interest rate swaps have been extended through additional forward starting swaps. In July 2009, the Company entered into $500.0 million of notional value forward-starting interest-rate swaps to fix the interest rate on a portion of the Company s variable-rate U.S. Tranche B Term Loans under the Senior Credit Agreement. These swaps are designated as cash flow hedges of expected future borrowings under the Senior Credit Agreement. The swaps extend previously executed swaps maturing in December 2010 and fix a rate of 6.60% from December 2010 to December 2012.

Certain derivative contracts entered into by the Company are governed by Master Agreements, which contain credit-risk-related contingent features which 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 derivative instruments with credit-risk-related contingent features that are in a liability position at September 30, 2009 is $70.9 million. The Company is not subject to any obligations to post collateral under derivative contracts.

In September 2008, the Company issued $575.0 million in Cash Convertible Notes whereby 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 under ASC 815; 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

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Consolidated Balance Sheet (in accordance with the guidance of ASC 815), the instruments are exempt from the scope of ASC 815 and are not subject to the fair value provisions set forth therein.

The Company s most significant credit exposure arises from the convertible note hedge on its Cash Convertible Notes. At September 30, 2009, the convertible note hedge had a total fair value of $348.9 million, which reflects the maximum loss that would be incurred should the parties fail to perform according to the terms of the contract. The counterparties are highly rated diversified financial institutions with both commercial and investment banking operations. The counterparties are required to post collateral against this obligation should they be downgraded below thresholds specified in the contract. Eligible collateral is comprised of a wide range of financial securities with a valuation discount percentage reflecting the associated risk.

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

Derivatives Designated as Hedging Instruments under ASC 815
Fair Values of Derivative Instruments

	Liability Derivatives			
	September 30, 2009		December 31, 2008	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Other current liabilities	$ 70,890	Other current liabilities	$ 72,395
Foreign currency borrowings	Long-term debt	1,103,130	Long-term debt	1,128,267
Total		$ 1,174,020		$ 1,200,662

Derivatives Not Designated as Hedging Instruments under ASC 815
Fair Values of Derivative Instruments

	Asset Derivatives			
	September 30, 2009		December 31, 2008	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 2,276	Prepaid expenses and other current assets	$ 14,632
Purchased cash convertible note hedge	Other assets	348,900	Other assets	235,750

Total	$ 351,176	$ 250,382

	Liability Derivatives			
	September 30, 2009		December 31, 2008	
(In thousands)	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign currency forward contracts	Other current liabilities	$ 4,827	Other current liabilities	$ 19,402
Cash conversion feature of Cash Convertible Notes	Long-term debt	348,900	Long-term debt	235,750
Total		$ 353,727		$ 255,152

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Three Months Ended September 30, 2009
Derivatives in ASC 815 Cash Flow Hedging Relationships

(In thousands)	Amount of Gain or (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion)
Interest rate swaps	$ (5,112)	Interest expense	$ (14,047)
Total	$ (5,112)	**Total**	$ (14,047)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Nine Months Ended September 30, 2009
Derivatives in ASC 815 Cash Flow Hedging Relationships

(In thousands)	Amount of Gain or (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Earnings (Effective Portion)
Interest rate swaps	$ 937	Interest expense	$ (34,417)
Total	$ 937	**Total**	$ (34,417)

There was no gain or loss recognized into earnings on derivatives with cash flow hedging relationships for ineffectiveness during the three and nine months ended September 30, 2009.

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Three Months Ended September 30, 2009
Derivatives in ASC 815 Net Investment Hedging Relationships

(In thousands)	Amount of Gain or (Loss) Recognized in AOCI on Derivative (Effective Portion)	
Foreign currency borrowings	$	(28,906)
Total	$	(28,906)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Nine Months Ended September 30, 2009
Derivatives in ASC 815 Net Investment Hedging Relationships

(In thousands)	Amount of Gain or (Loss) Recognized in AOCI on Derivative (Effective Portion)	
Foreign currency borrowings	$	(31,356)
Total	$	(31,356)

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

There was no gain or loss recognized into earnings on derivatives with net investment hedging relationships during the three and nine months ended September 30, 2009.

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Three Months Ended September 30, 2009 Derivatives Not Designated as Hedging Instruments under ASC 815

(In thousands)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives
Foreign currency forward contracts	Other income, net	$ (15,461)
Cash conversion feature of Cash Convertible Notes	Other income, net	90,725
Purchased cash convertible note hedge	Other income, net	(90,725)
Total		$ (15,461)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Nine Months Ended September 30, 2009 Derivatives Not Designated as Hedging Instruments under ASC 815

(In thousands)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives
Foreign currency forward contracts	Other income, net	$ (18,003)
Cash conversion feature of Cash Convertible Notes	Other income, net	113,150
Purchased cash convertible note hedge	Other income, net	(113,150)
Total		$ (18,003)

Fair Value Measurement

As defined in ASC topic 820, *Fair Value Measurements and Disclosures* (ASC 820), 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, ASC 820 establishes a fair value hierarchy 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 assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data.

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.

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Financial assets and liabilities carried at fair value as of September 30, 2009 are classified in the table below in one of the three categories described above:

Financial Assets

	Level 1	Level 2	Level 3	Total
		(In thousands)		
Available-for-sale fixed income investments	$	$ 32,439	$	$ 32,439
Available-for-sale equity securities	1,595			1,595
Foreign exchange derivative assets		2,276		2,276
Purchased cash convertible note hedge		348,900		348,900
Total assets at fair value[1]	$ 1,595	$ 383,615	$	$ 385,210

Financial Liabilities

	Level 1	Level 2	Level 3	Total
Foreign exchange derivative liabilities	$	$ 4,827	$	$ 4,827
Interest rate swap derivative liabilities		70,890		70,890
Cash conversion feature of cash convertible notes		348,900		348,900
Total liabilities at fair value[1]	$	424,617	$	$ 424,617

(1) The Company chose not to elect the fair value option as prescribed by ASC topic 825, *Financial Instruments,* 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:

Municipal bonds valued at the quoted market price from broker or dealer quotations or transparent pricing sources at the reporting date.

Other 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.

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 nine months ended September 30, 2009, 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 nine months ended September 30, 2009 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

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Hedge are highly rated financial institutions, none of which experienced any significant downgrades during the nine months ended September 30, 2009, that would reduce the receivable amount owed, if any, to the Company.

11. Long-Term Debt

A summary of long-term debt at September 30, 2009 and December 31, 2008, is as follows:

	September 30, 2009	December 31, 2008
	(In thousands)	
U.S. Tranche A Term Loans(A)	$ 218,750	$ 265,625
Euro Tranche A Term Loans(A)	358,612	413,684
U.S. Tranche B Term Loans(A)	2,479,320	2,504,880
Euro Tranche B Term Loans(A)	744,518	714,583
Senior Convertible Notes(B)	532,183	513,518
Cash Convertible Notes(C)	780,744	655,442
Other	18,416	14,586
	5,132,543	5,082,318
Less: Current portion	3,716	3,381
Total long-term debt	$ 5,128,827	$ 5,078,937

(A) All 2009 payments due under the Senior Credit Agreement were prepaid in December 2008. During the three months ended March 31, 2009, the Company prepaid the 2010 payments due under the Senior Credit Agreement, as follows: $46.9 million on the U.S. Tranche A Term loans, 52.6 ($71.2) million on the Euro Tranche A Term Loans, $25.6 million on the U.S. Tranche B Term Loans, and 5.3 ($7.1) million on the Euro Tranche B Term Loans.

(B) At September 30, 2009, the $532.2 million of debt is net of a $67.8 million discount. During the three and nine months ended September 30, 2009, the Company recognized non-cash interest expense of $6.4 million and $18.7 million in the Condensed Consolidated Statements of Operations. At December 31, 2008, the $513.5 million of debt is net of an $86.5 million discount.

(C) At September 30, 2009, the $780.7 million consists of $431.8 million of debt ($575.0 million face amount, net of $143.2 million discount) and the bifurcated conversion feature with a fair value of $348.9 million recorded as a liability within long-term debt in the Condensed Consolidated Balance Sheet at September 30, 2009. The purchased call options are assets recorded at their fair value of $348.9 million within other assets in the Condensed Consolidated Balance Sheet at September 30, 2009. At December 31, 2008, the $655.4 million

consisted of $419.7 million of debt ($575.0 million face amount, net of $155.3 million discount) and the bifurcated conversion feature with a fair value of $235.7 million recorded as a liability within other long-term obligations in the Condensed Consolidated Balance Sheet. The purchased call options are assets recorded at their fair value of $235.7 million within other assets in the Condensed Consolidated Balance Sheet at December 31, 2008.

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Details of the interest rates in effect at September 30, 2009 and December 31, 2008, on the outstanding borrowings under the Term Loans are in the table below:

	September 30, 2009		
	Outstanding	Basis	Rate
	(Dollars in thousands)		
U.S. Tranche A Term Loans	$ 218,750	LIBOR + 2.75%	3.00%
Euro Tranche A Term Loans	$ 358,612	EURIBO + 2.75%	3.19%
U.S. Tranche B Term Loans			
Swapped to Fixed Rate December 2010[1][2]	$ 500,000	Fixed	6.03%
Swapped to Fixed Rate March 2010[1][3]	500,000	Fixed	5.44%
Swapped to Fixed Rate December 2010[1]	1,000,000	Fixed	7.37%
Floating Rate	479,320	LIBOR + 3.25%	3.50%
Total U.S. Tranche B Term Loans	$ 2,479,320		
Euro Tranche B Term Loans			
Swapped to Fixed Rate March 2011[1]	$ 292,398	Fixed	5.38%
Floating Rate	452,120	EURIBO + 3.25%	3.69%
Total Euro Tranche B Term Loans	$ 744,518		

	December 31, 2008		
	Outstanding	Basis	Rate
	(Dollars in thousands)		
U.S. Tranche A Term Loans	$ 265,625	LIBOR + 3%	6.50%
Euro Tranche A Term Loans	$ 413,684	EURIBO + 3%	7.86%
U.S. Tranche B Term Loans			
Swapped to Fixed Rate December 2010[1][2]	$ 500,000	Fixed	6.03%
Swapped to Fixed Rate March 2010[1][3]	500,000	Fixed	5.44%
Swapped to Fixed Rate December 2010[1]	1,000,000	Fixed	7.37%
Floating Rate	504,880	LIBOR + 3.25%	5.79%
Total U.S. Tranche B Term Loans	$ 2,504,880		
Euro Tranche B Term Loans	$ 714,583	EURIBO + 3.25%	8.11%

(1) Designated as a cash flow hedge of expected future borrowings under the Senior Credit Agreement

(2) This interest rate swap has been extended to December 2012 at a rate of 6.60%, effective December 2010

(3) This interest rate swap has been extended to March 2012 at a rate of 5.38%, effective March 2010

At September 30, 2009 and December 31, 2008, the fair value of the Senior Convertible Notes was approximately $588.5 million and $444.0 million. At September 30, 2009 and December 31, 2008, the fair value of the Cash Convertible Notes was approximately $802.0 million and $524.4 million.

At September 30, 2009 and December 31, 2008, the Company had $84.0 million and $83.6 million in letters of credit outstanding.

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Mandatory minimum repayments remaining on the outstanding borrowings under the term loans and convertible notes at September 30, 2009, excluding the discount and conversion feature, are as follows for each of the periods ending December 31:

	U.S. Tranche A Term Loans	Euro Tranche A Term Loans	U.S. Tranche B Term Loans	Euro Tranche B Term Loans	Senior Convertible Notes	Cash Convertible Notes	Total
				(In thousands)			
2009	$	$	$	$	$	$	$
2010							
2011	62,500	102,460	25,560	7,675			198,195
2012	78,125	128,076	25,560	7,675	600,000		839,436
2013	78,125	128,076	25,560	7,675			239,436
2014			2,402,640	721,493			3,124,133
Thereafter						575,000	575,000
Total	$ 218,750	$ 358,612	$ 2,479,320	$ 744,518	$ 600,000	$ 575,000	$ 4,976,200

12. Comprehensive Earnings (Loss)

Comprehensive earnings (loss) consists of the following:

	Three Months Ended September 30,			
	2009		2008	
	(In thousands)			
Net (loss) earnings		$ (4,421)		$ 216,970
Other comprehensive earnings (loss), net of tax:				
Foreign currency translation adjustments		230,791		(388,308)
Change in unrecognized gains and prior service cost related to post-retirement plans		(974)		791
Net unrecognized loss on derivatives		(5,112)		(3,562)
Unrealized gains (losses) on available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	685		(695)	
Less: Reclassification for gains included in net earnings	12	697	8	(687)
Total other comprehensive earnings (loss), net of tax:		225,402		(391,766)

Comprehensive earnings (loss)	220,981	(174,796)
Comprehensive (earnings) loss attributable to the noncontrolling interest	(827)	25
Comprehensive earnings (loss) attributable to Mylan Inc.	$ 220,154	$ (174,771)

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

	Nine Months Ended September 30,			
	2009		2008	
	(In thousands)			
Net earnings (loss)		$ 200,325		$ (178,590)
Other comprehensive earnings (loss), net of tax:				
Foreign currency translation adjustments		334,084		(223,480)
Change in unrecognized gains and prior service cost related to post-retirement plans		(754)		1,568
Net unrecognized gain on derivatives		937		1,061
Unrealized gains on available-for-sale securities				
Net unrealized gains on available-for-sale securities	1,062		(616)	
Less: Reclassification for gains included in net earnings	173	1,235	74	(542)
Total other comprehensive earnings (loss), net of tax:		335,502		(221,393)
Comprehensive earnings (loss)		535,827		(399,983)
Comprehensive (earnings) loss attributable to the noncontrolling interest		(6,693)		2,273
Comprehensive earnings (loss) attributable to Mylan Inc.		$ 529,134		$ (397,710)

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

	September 30, 2009	December 31, 2008
	(In thousands)	
Net unrealized gain in available-for-sale securities	$ 1,326	$ 91
Change in unrecognized losses and prior service cost related to post-retirement plans	(9,738)	(8,984)
Net unrecognized losses on derivatives	(44,478)	(45,415)
Foreign currency translation adjustments	7,555	(326,494)
Accumulated other comprehensive loss	$ (45,335)	$ (380,802)

13. Segment Information

Mylan previously had three reportable segments in accordance with ASC topic 280, *Segment Reporting* (ASC 280); the Generics Segment, Specialty Segment and the Matrix Segment. The Matrix Segment had consisted of Matrix, which had been a publicly traded Indian Company, in which Mylan held a 71.2% ownership stake. Beginning this quarter, the Company has changed its segment disclosure to better align with how the business is now being managed. Following the acquisition of approximately 24% of the remaining interest in Matrix and its related de-listing, Mylan has two reportable segments, Generics and Specialty. The former Matrix Segment is included within the Generics Segment. Under the provisions of ASC 280, information for earlier periods has been recast.

The Generics Segment primarily develops, manufactures, sells and distributes generic or branded generic pharmaceutical products in tablet, capsule or transdermal patch form, as well as active pharmaceutical ingredients (API). The Specialty Segment engages mainly in the manufacture and sale of branded specialty nebulized and injectable products.

The Company s chief operating decision maker evaluates the performance of its reportable segments based on total revenues and segment profitability. For the Generics and Specialty Segments, segment profitability represents

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

segment gross profit less direct research and development expenses and direct selling, general and administrative expenses. Certain general and administrative and research and development expenses not allocated to the segments, as well as litigation settlements, non-cash impairment charges and other expenses not directly attributable to the segments, are reported in Corporate/Other. Additionally, amortization of intangible assets, and other purchase accounting related items, including the inventory step-up, as well as any non-cash impairment charges and other significant, non-recurring items (such as the revenue related to the sale of Bystolic product rights in 2008), are included in Corporate/Other. Items below the earnings from operations line on the Company s Condensed Consolidated Statements of Operations are not presented by segment, since they are excluded from the measure of segment profitability reviewed by the Company s chief operating decision maker. The Company does not report depreciation expense, total assets and capital expenditures by segment, as such information is not used by the chief operating decision maker.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies included in the Company s Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2008. Intersegment revenues are accounted for at current market values.

The table below presents segment information for the periods identified and provides a reconciliation of segment information to total consolidated information.

Three Months Ended September 30, 2009	Generics Segment	Specialty Segment	Corporate/ Other[1]	Consolidated
		(In thousands)		
Total revenues				
Third party	$ 1,113,199	$ 150,875	$	$ 1,264,074
Intersegment	2,608	3,776	(6,384)	
Total	$ 1,115,807	$ 154,651	$ (6,384)	$ 1,264,074
Segment profitability	$ 295,190	$ 39,799	$ (273,711)	$ 61,278

Nine Months Ended September 30, 2009	Generics Segment	Specialty Segment	Corporate/ Other[1]	Consolidated
Total revenues				
Third party	$ 3,387,921	$ 353,047	$	$ 3,740,968
Intersegment	20,836	15,196	(36,032)	
Total	$ 3,408,757	$ 368,243	$ (36,032)	$ 3,740,968
Segment profitability	$ 995,207	$ 71,494	$ (603,369)	$ 463,332

	Generics	Specialty	Corporate/

Three Months Ended September 30, 2008	Segment	Segment	Other[1]	Consolidated
Total revenues				
Third party	$ 1,076,362	$ 125,444	$ 455,042	$ 1,656,848
Intersegment	394	5,151	(5,545)	
Total	$ 1,076,756	$ 130,595	$ 449,497	$ 1,656,848
Segment profitability	$ 273,897	$ 28,177	$ 258,758	$ 560,832

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

Nine Months Ended September 30, 2008	Generics Segment	Specialty Segment	Corporate/ Other[1]	Consolidated
Total revenues				
Third party	$ 3,157,853	$ 308,482	$ 468,095	$ 3,934,430
Intersegment	838	27,547	(28,385)	
Total	$ 3,158,691	$ 336,029	$ 439,710	$ 3,934,430
Segment profitability	$ 703,723	$ 50,396	$ (490,825)	$ 263,294

(1) Includes certain corporate general and administrative and research and development expenses; a non-recurring, up-front payment of $18.0 million made with respect to the Company s execution of a co-development agreement that was entered into during the nine months ended September 30, 2009; litigation settlements; intercompany eliminations; revenue related to the 2008 sale of Bystolic product rights; amortization of intangible assets and certain purchase-accounting items (such as the inventory step-up); non-cash impairment charges; and other expenses not directly attributable to segments.

14. Restructuring

Included in other current liabilities in the Company s Condensed Consolidated Balance Sheet as of September 30, 2009 are restructuring reserves totaling $55.6 million. Of this amount, $39.6 million relates to certain estimated exit costs associated with the acquisition of the former Merck Generics business, and the remainder relates to the Company s intention to restructure certain other activities and incur certain related exit costs.

The plans related to the exit activities associated with the former Merck Generics business were finalized during calendar year 2008. During the nine months ended September 30, 2009, payments of $13.0 million were made against the reserve, of which $3.9 million were severance costs and the remaining $9.1 million were other exit costs. In addition, during the nine months ended September 30, 2009, the Company reversed $13.9 million of the reserve to other income as a result of a reduction in the estimated remaining spending on accrued projects. Of the remaining accrual, approximately $22.1 million relates to additional severance and related costs, $14.3 million relates to costs associated with the previously announced rationalization and optimization of the Company s global manufacturing and research and development platforms, and the remainder consists of other exit costs.

In addition to the activities associated with the acquisition of the former Merck Generics business, the Company has announced its intent to restructure certain activities and incur certain related exit costs, including costs related to the realignment of the Dey business and the right-sizing of the Company s sales force in certain markets outside of the U.S. Accordingly, the Company has recorded a reserve for such activities, of which approximately $16.0 million remains at September 30, 2009. During the nine months ended September 30, 2009, the Company recorded restructuring charges of approximately $16.4 million, nearly all of which relates to severance and related costs. The majority of this amount was charged to selling, general and administrative expense, with the remainder to cost of sales. Spending during the nine months, primarily related to severance, amounted to approximately $8.6 million. Of the accrual balance at September 30, 2009, $7.7 million is recorded in the Specialty Segment with the remainder in the

Generics Segment.

As finalization of certain of these plans is still in progress, the Company has not yet estimated the total amount expected to be incurred in connection with such activities. However, Mylan expects that the majority of such costs will relate to one-time termination benefits and certain asset write-downs, which could be significant. Spending against the balance of the restructuring reserves as of September 30, 2009 is expected to occur over the next two to three years.

15. Contingencies

While it is not possible to determine with any degree of certainty the ultimate outcome of the following legal proceedings, the Company believes that it has meritorious defenses with respect to the claims asserted against it and

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MYLAN INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

intends to vigorously defend its position. The Company is also party to certain litigation matters, some of which are described below, for which Merck KGaA has agreed to indemnify the Company, under the terms of the Share Purchase Agreement by which Mylan acquired the former Merck Generics business. An adverse outcome in any of these proceedings, or the inability or denial of Merck KGaA to pay an indemnified claim, could have a material adverse effect on the Company s financial position and results of operations.

Lorazepam and Clorazepate

On June 1, 2005, a jury verdict was rendered against Mylan, Mylan Pharmaceuticals Inc. (MPI), and co-defendants Cambrex Corporation and Gyma Laboratories in the U.S. District Court for the District of Columbia in the amount of approximately $12.0 million, which has been accrued for by the Company. The jury found that Mylan and its co-defendants willfully violated Massachusetts, Minnesota and Illinois state antitrust laws in connection with API supply agreements entered into between the Company and its API supplier (Cambrex) and broker (Gyma) for two drugs, lorazepam and clorazepate, in 1997, and subsequent price increases on these drugs in 1998. The case was brought by four health insurers who opted out of earlier class action settlements agreed to by the Company in 2001 and represents the last remaining antitrust claims relating to Mylan s 1998 price increases for lorazepam and clorazepate. Following the verdict, the Company filed a motion for judgment as a matter of law, a motion for a new trial, a motion to dismiss two of the insurers and a motion to reduce the verdict. On December 20, 2006, the Company s motion for judgment as a matter of law and motion for a new trial were denied and the remaining motions were denied on January 24, 2008. In post-trial filings, the plaintiffs requested that the verdict be trebled and that request was granted on January 24, 2008. On February 6, 2008, a judgment was issued against Mylan and its co-defendants in the total amount of approximately $69.0 million, which, in the case of three of the plaintiffs, reflects trebling of the compensatory damages in the original verdict (approximately $11 million in total) and, in the case of the fourth plaintiff, reflects their amount of the compensatory damages in the original jury verdict plus doubling this compensatory damage award as punitive damages assessed against each of the defendants (approximately $58 million in total), some or all of which may be subject to indemnification obligations by Mylan. Plaintiffs are also seeking an award of attorneys fees and litigation costs in unspecified amounts and prejudgment interest of approximately $8.0 million. The Company and its co-defendants have appealed to the U.S. Court of Appeals for the D.C. Circuit and intend to challenge the verdict as legally erroneous on multiple grounds. The appeals were held in abeyance pending a ruling on the motion for prejudgment interest, which has been granted. Mylan intends to contest this ruling along with the liability finding and other damages awards as part of its pending appeal, which will now proceed in the Court of Appeals for the D.C. Circuit. In connection with the Company s appeal of the lorazepam judgment, the Company submitted a surety bond underwritten by a third-party insurance company in the amount of $74.5 million. This surety bond is secured by a pledge of a $40.0 million cash deposit (which is included as restricted cash on the Company s Consolidated Balance Sheet as of September 30, 2009) and an irrevocable letter of credit for $34.5 million issued under the Senior Credit Agreement.

Pricing and Medicaid Litigation

Beginning in September 2003, Mylan, MPI and/or UDL Laboratories Inc. (UDL), together with many other pharmaceutical companies, have been named in civil lawsuits filed by state attorneys general (AGs) and municipal bodies within the state of New York alleging generally that the defendants defrauded the state Medicaid systems by allegedly reporting Average Wholesale Prices and/or Wholesale Acquisition Costs that exceeded the actual selling price of the defendants prescription drugs. To date, Mylan, MPI and/or UDL have been named as defendants in

substantially similar civil lawsuits filed by the AGs of Alabama, Alaska, California, Florida, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Massachusetts, Mississippi, Missouri, South Carolina, Texas, Utah and Wisconsin and also by the city of New York and approximately 40 counties across New York State. Several of these cases have been transferred to the AWP multi-district litigation proceedings pending in the U.S. District Court for the District of Massachusetts for pretrial proceedings. Others of these cases will likely be litigated in the state courts in which they were filed. Each of the cases seeks money damages, civil penalties and/or double or treble damages,

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counsel fees and costs, and/or injunctive relief. Mylan and its subsidiaries have denied liability and intend to defend each of these actions vigorously.

In May 2008, an amended complaint was filed in the U.S. District Court for the District of Massachusetts by a plaintiff on behalf of the United States of America, against Mylan, MPI, UDL and several other generic manufacturers. The original complaint was filed under seal in April 2000, and Mylan, MPI and UDL were added as parties in February 2001. The claims against Mylan, MPI, UDL and the other generic manufacturers were severed from the April 2000 complaint (which remains under seal) as a result of the federal government s decision not to intervene in the action as to those defendants. The complaint alleges violations of the False Claims Act and sets forth allegations substantially similar to those alleged in the state AG cases mentioned in the preceding paragraph and purports to seek recovery of any and all alleged overpayment of the federal share under the Medicaid program. Mylan intends to answer the complaint denying liability and to defend the action vigorously.

In addition, by letter dated January 12, 2005, MPI was notified by the U.S. Department of Justice of an investigation concerning calculations of Medicaid drug rebates. The investigation involved whether MPI and UDL may have violated the False Claims Act by classifying certain authorized generics as non-innovator rather than innovator drugs for purposes of Medicaid and other federal healthcare programs on sales from 2000 through 2004. MPI and UDL denied the government s allegations and denied that they engaged in any wrongful conduct. On October 19, 2009, a lawsuit, filed in March 2004 by a private relator, in which the federal government subsequently intervened, was unsealed by the U.S. District Court for the District of New Hampshire. That same day, MPI and UDL announced that they had entered into a settlement agreement with the federal government, relevant states and the relator for approximately $121.0 million, resolving both the lawsuit and the U.S. Department of Justice investigation. A stipulation of dismissal with prejudice has been filed with the court. The resolution of the matter did not include any admission or finding of wrongdoing on the part of either MPI or UDL. Mylan has recorded a one time, non-recurring, after-tax charge of approximately $83.0 million ($121.0 million pre-tax) in the quarter ended September 30, 2009, as a result of this settlement. Additionally, the Company intends to seek recovery of a substantial portion of the settlement amount from any party that received overpayments resulting from adjusted net sales during the relevant timeframe.

Dey is a defendant currently in lawsuits brought by the state AGs of Arizona, California, Florida, Illinois, Iowa, Kansas, Kentucky, Pennsylvania and Wisconsin, as well as the city of New York and approximately 40 New York counties. Dey is also named as a defendant in several class actions brought by consumers and third-party payors. Dey has reached a settlement of these class actions, which has been preliminarily approved by the court. Additionally, a complaint was filed under seal by a plaintiff on behalf of the United States of America against Dey in August 1997. In August 2006, the Government filed its complaint-in-intervention and the case was unsealed in September 2006. Dey s motion for partial summary judgment is pending. These cases all generally allege that Dey falsely reported certain price information concerning certain drugs marketed by Dey. Dey intends to defend each of these actions vigorously. The Company has approximately $114.6 million recorded in other liabilities related to the price-related litigation involving Dey. As stated above, in conjunction with the acquisition of the former Merck Generics business, Mylan is entitled to indemnification from Merck KGaA under the Share Purchase Agreement. As a result, the Company has recorded approximately $114.6 million in other assets.

Modafinil Antitrust Litigation and FTC Inquiry

Beginning in April 2006, Mylan, along with four other drug manufacturers, has been named as a defendant in civil lawsuits filed in the Eastern District of Pennsylvania by a variety of plaintiffs purportedly representing direct and indirect purchasers of the drug modafinil and a third-party payor and one action brought by Apotex, Inc., a manufacturer of generic drugs, seeking approval to market a generic modafinil product. These actions allege violations of federal and state laws in connection with the defendants settlement of patent litigation relating to modafinil. These actions are in their preliminary stages, and motions to dismiss each action are pending. Mylan intends to defend each of these actions vigorously. In addition, by letter dated July 11, 2006, Mylan was notified by

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the U.S. Federal Trade Commission (FTC) of an investigation relating to the settlement of the modafinil patent litigation. In its letter, the FTC requested certain information from Mylan, MPI and Mylan Technologies, Inc. pertaining to the patent litigation and the settlement thereof. On March 29, 2007, the FTC issued a subpoena, and on April 26, 2007, the FTC issued a civil investigative demand to Mylan requesting additional information from the Company relating to the investigation. Mylan has cooperated fully with the government s investigation and completed all requests for information. On February 13, 2008, the FTC filed a lawsuit against Cephalon in the U.S. District Court for the District of Columbia and the case has subsequently been transferred to the U.S. District Court for the Eastern District of Pennsylvania. Mylan is not named as a defendant in the FTC s lawsuit, although the complaint includes certain allegations pertaining to the Mylan/Cephalon settlement.

Levetiracetam

By letter dated November 19, 2007, Mylan was notified by the FTC of an investigation brought against Mylan and Dr. Reddy s Laboratories, Inc. by UCB Society Anonyme and UCB Pharma, Inc. relating to the settlement in October 2007 of the levetiracetam patent litigation. In its letter, the FTC requested certain information from Mylan pertaining to the litigation and the settlement. On April 9, 2008, the FTC issued a civil investigative demand requesting additional information from Mylan relating to the investigation. Mylan cooperated fully with the government s investigation and complied with all requests for information. By letter dated March 10, 2009, the FTC notified Mylan that it has closed its investigation and that it intends to take no additional action at this time.

Digitek (R) Recall

On April 25, 2008, Actavis Totowa LLC, a division of Actavis Group, announced a voluntary, nationwide recall of all lots and all strengths of Digitek (digoxin tablets USP). Digitek was manufactured by Actavis and distributed in the United States by MPI and UDL. The Company has tendered its defense and indemnity in all lawsuits and claims arising from this event to Actavis, and Actavis has accepted that tender, subject to a reservation of rights. While the Company is unable to estimate total potential costs with any degree of certainty, such costs could be significant. To date, an estimated 710 lawsuits have been filed against Mylan, UDL and Actavis pertaining to the recall. An adverse outcome in these lawsuits or the inability or denial of Actavis to pay on an indemnified claim could have a materially negative impact on the Company s financial position and results of operations.

Pioglitazone

On February 21, 2006, a district court in the U.S. District Court for the Southern District of New York held that Mylan, MPI and UDL s pioglitazone abbreviated new drug application (ANDA) product infringed a patent asserted against them by Takeda Pharmaceuticals North America, Inc. and Takeda Chemical Industries, Ltd (Takeda) and that the patent was enforceable. That same court also held that Alphapharm Pty, Ltd and Genpharm ULC s pioglitazone ANDA product infringed the Takeda patent and that the patent was valid. Subsequently, the district court granted Takeda s motion to find the cases to be exceptional and to award attorneys fees and costs in the amounts of $11.4 million from Mylan and $5.4 million from Alphapharm/Genpharm, with interest, which amounts were paid in 2009. Mylan and Alphapharm/Genpharm both separately appealed the underlying patent validity and enforceability determinations and the exceptional case findings to the Court of Appeals for the Federal Circuit, but the findings were affirmed. Mylan s and Alphapharm s petitions to the U.S. Supreme Court were rejected on October 5, 2009.

EU Commission Proceedings

On or around July 3, 2009, the European Commission (the EU Commission or the Commission) stated that it had initiated antitrust proceedings pursuant to Article 11(6) of Regulation No. 1/2003 and Article 2(1) of Regulation No. 773/2004 to explore possible infringement of Articles 81 and 82 EC and Articles 53 and 54 of the EEA Agreement by Les Laboratoires Servier (Servier) as well as possible infringement of Article 81 EC by

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Matrix and four other companies, each of which entered into agreements with Servier relating to the product perindopril. Matrix is cooperating with the EU Commission in connection with the investigation. The EU Commission stated that the initiation of proceedings does not imply that the Commission has conclusive proof of an infringement but merely signifies that the Commission will deal with the case as a matter of priority. No statement of objections has been filed against Matrix in connection with its investigation. On August 5, 2009, Matrix and Generics [UK] Ltd received requests for information from the EU Commission in connection with this matter, and both companies have responded.

In addition, the EU Commission is conducting a pharmaceutical sector inquiry involving approximately 100 companies concerning the introduction of innovative and generic medicines. Mylan S.A.S has responded to the questionnaires received in connection with the sector inquiry and has produced documents and other information in connection with the inquiry.

On October 6, 2009, the Company received notice that the EU Commission was initiating an investigation pursuant to Article 20(4) of Regulation No. 1/2003 to explore possible infringement of Articles 81 and 82 EC by the Company and its affiliates. Mylan S.A.S., acting on behalf of its Mylan affiliates, has produced documents and other information in connection with the inquiry. Mylan is cooperating with the Commission in connection with the investigation. No statement of objections has been filed against Mylan in connection with the investigation.

Other Litigation

The Company is involved in various other legal proceedings that are considered normal to its business, including certain proceedings assumed as a result of the acquisition of the former Merck Generics business. While it is not feasible to predict the ultimate outcome of such other proceedings, the Company believes that the ultimate outcome of such other proceedings will not have a material adverse effect on its financial position or results of operations.

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ITEM 2. *MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION*

The following discussion and analysis addresses material changes in the results of operations and financial condition of Mylan Inc. and subsidiaries (the Company, Mylan or we) for the periods presented. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements, the related Notes to Consolidated Financial Statements and Management s Discussion and Analysis of Results of Operations and Financial Condition included in the Company s Annual Report on Form 10-K, as amended, for the year ended December 31, 2008, the unaudited interim Condensed Consolidated Financial Statements and related Notes included in Part I Item 1 of this Quarterly Report on Form 10-Q (Form 10-Q) and the Company s other Securities and Exchange Commission (SEC) filings and public disclosures.

This Form 10-Q may contain forward-looking statements. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, statements about the Company s market opportunities, strategies, competition and expected activities and expenditures, and at times may be identified by the use of words such as may , will , could , should , would , project , believe , anticipate , expect , plan , estimate , forecast , potential , intend , continue words or comparable words. Forward-looking statements inherently involve risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the risks described below under Risk Factors in Part II, Item 1A. The Company undertakes no obligation to update any forward-looking statements for revisions or changes after the filing date of this Form 10-Q.

Executive Overview

Mylan is the world s third largest producer of generic and specialty pharmaceuticals, offering one of the industry s broadest and highest quality product portfolios, a robust pipeline and a global commercial footprint that spans more than 140 countries and territories. Employing approximately 15,000 people, Mylan has attained leading positions in key international markets through its wide array of dosage forms and delivery systems, significant manufacturing capacity, global scale and commitment to customer service. Through its Matrix Laboratories Limited (Matrix) subsidiary, Mylan controls the third-largest active pharmaceutical ingredient (API) manufacturer in the world. This relationship makes Mylan one of only two global generics companies with a comprehensive, vertically integrated supply chain.

Mylan previously had three reportable segments, Generics , Specialty and Matrix, as determined in accordance with the *Financial Accounting Standards Board* (FASB) *Accounting Standards Codification™* (ASC or Codification) topic 280, *Segment Reporting* (ASC 280). The Matrix Segment had consisted of Matrix, which had been a publicly traded Indian Company, in which Mylan held a 71.2% ownership stake. Beginning this quarter the Company has changed its segment disclosure to better align with how the business is now being managed. Following the acquisition of approximately 24% of the remaining interest in Matrix and its related de-listing, Mylan has two reportable segments, Generics and Specialty. The former Matrix Segment is included within the Generics Segment. Under the provisions of ASC 280, information for earlier periods has been recast.

Generics primarily develops, manufactures, sells and distributes generic or branded generic pharmaceutical products in tablet, capsule or transdermal patch form, as well as API. Specialty engages mainly in the manufacture and sale of branded specialty nebulized and injectable products. The Company also reports in Corporate/Other certain general and administrative expenses; litigation settlements; amortization of intangible assets and certain purchase-accounting items (such as the inventory step-up); non-cash impairment charges; and other items not directly attributable to the segments. The measure of profitability used by the Company with respect to its segments is gross profit, less direct

research and development (R&D) and direct selling, general and administrative (SG&A) expenses.

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Acquisition of the Remaining Interest in Matrix Laboratories Limited

On March 26, 2009, the Company announced plans to buy the remaining public interest in Matrix from its minority shareholders pursuant to a voluntary delisting offer. At the time, the Company owned approximately 71.2% of Matrix through a wholly-owned subsidiary and controlled more than 76% of its voting rights. On June 1, 2009, Mylan announced that it had successfully completed the delisting offer and accepted the discovered price of 211 Rupees per share, which was established by the reverse book building process prescribed by Indian regulations. During the nine months ended September 30, 2009, the Company completed the purchase of an additional portion of the remaining interest from minority shareholders of Matrix, for cash of approximately $172.3 million, bringing both the Company s total ownership and control to approximately 95%.

Matrix s stock was delisted effective August 21, 2009. Minority shareholders who have not yet tendered their shares may do so during the six-month period following the delisting. The purchase was treated as an equity transaction as required by ASC topic 805, *Business Combinations* (ASC 805). Under ASC 805, subsequent increases or decreases of ownership that do not result in a change in control are accounted for as equity transactions.

Termination of Joint Ventures

During the quarter ended June 30, 2009, Matrix and Aspen Pharmacare Holdings Limited (Aspen) terminated two joint ventures in which each held a 50% share; Astrix Laboratories Limited (Astrix) and Fine Chemicals Corporation (FCC). Under the agreed upon terms, Matrix sold its 50% interest in FCC to Aspen for $23.3 million. At the same time, a wholly-owned subsidiary of Mylan purchased from Aspen its 50% interest in Astrix for $38.9 million. These transactions resulted in a net gain of approximately $10.4 million, which is included in other income, net, in the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2009. As of the date of purchase, June 1, 2009, the results of Astrix were consolidated with those of Mylan.

The Company accounted for the acquisition of the remaining 50% of Astrix using 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 preliminary estimate of their respective fair values.

Biologics Agreement

On June 29, 2009, Mylan announced that it has executed a definitive agreement with Biocon Limited (Biocon), a publicly traded company on the Indian stock exchanges, for an exclusive collaboration on the development, manufacturing, supply and commercialization of multiple, high value generic biologic compounds for the global marketplace.

As part of this collaboration, Mylan and Biocon will share development, capital and certain other costs to bring products to market. Mylan will have exclusive commercialization rights in the U.S., Canada, Japan, Australia, New Zealand and in the European Union and European Free Trade Association countries through a profit sharing arrangement with Biocon. Mylan will have co-exclusive commercialization rights with Biocon in all other markets around the world. In conjunction with executing this agreement, Mylan recorded a non-recurring research and development charge related to its up-front, non-refundable obligation pursuant to the agreement.

Financial Summary

Mylan s financial results for the three months ended September 30, 2009, included total revenues of $1.26 billion compared to $1.66 billion for the three months ended September 30, 2008. Included in total revenues for the three months ended September 30, 2008, was $455.0 million of previously deferred revenue related to the Company s sale of

the product rights of Bystolic[tm]. Excluding this, total revenues increased by $62.2 million over the same prior year period. Consolidated gross profit for the current quarter was $505.0 million compared to $911.1 million in the same prior year period, a decrease of 44.6%. Excluding Bystolic, gross profit for the current quarter increased by 10.7%. For the current quarter, operating earnings of $61.3 million were realized compared to $560.8 million for the three months ended September 30, 2008, or $105.8 million, excluding Bystolic.

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The net loss attributable to Mylan Inc. common shareholders for the three months ended September 30, 2009 was $40.0 million, which translates into a loss per diluted share of $0.13. In the same prior year period, the net earnings attributable to Mylan Inc. common shareholders were $182.4 million, which translates into earnings per diluted share of $0.47. A more detailed discussion of the Company s financial results can be found below in the section titled Results of Operations .

In addition to the revenue from the sale of the product rights of Bystolic, the comparability of results between the two periods is affected by the following:

Charges consisting primarily of incremental amortization related to purchased intangible assets and the amortization of the inventory step-up associated with the acquisition of the former Merck Generics business of $71.8 million (pre-tax) during the three months ended September 30, 2009, compared to $105.4 million (pre-tax) in the comparable prior year period; and

A charge of $121.0 million (pre-tax) related to the settlement of an investigation by the U.S. Department of Justice, concerning calculations of Medicaid drug rebates.

Mylan s financial results for the nine months ended September 30, 2009, include total revenues of $3.74 billion compared to $3.93 billion for the nine months ended September 30, 2008. This represents a decrease in revenues of $193.5 million. Revenues related to the sale of the product rights of Bystolic totaled $468.1 million during the nine months ended September 30, 2008. Excluding this, total revenues in the current year increased by $274.6 million or 7.9%. Consolidated gross profit for the nine months ended September 30, 2009 was $1.56 billion compared to $1.68 billion in the same prior year period, a decrease of 7.0%. Excluding Bystolic, gross profit for the current year increased by 29.1%. For the nine months ended September 30, 2009, operating earnings of $463.3 million was realized compared to $263.3 million for the same prior year period.

The net earnings attributable to Mylan Inc. common shareholders for the nine months ended September 30, 2009 were $89.4 million, which translates into earnings per diluted share of $0.29. In the same prior year period, the net loss attributable to Mylan Inc. common shareholders was $280.6 million, which translates into a loss per diluted share of $0.92. A more detailed discussion of the Company s financial results can be found below in the section titled Results of Operations .

In addition to the revenue from the sale of the product rights of Bystolic, the comparability of results between the two periods is affected by the following:

Charges consisting primarily of incremental amortization related to purchased intangible assets and the amortization of the inventory step-up associated with the acquisition of the former Merck Generics business of $210.2 million (pre-tax) during the nine months ended September 30, 2009, compared to $335.7 million (pre-tax) in the comparable prior year period;

A charge of $121.0 million (pre-tax) related to the settlement of an investigation by the U.S. Department of Justice, concerning calculations of Medicaid drug rebates; and

A non-cash impairment loss on the goodwill of the Dey, L.P. (Dey) business of $385.0 million (pre-tax and after-tax) recorded during the three months ended March 31, 2008. The operating results of Dey are included in the Specialty Segment, however this non-cash impairment charge has been included in the Corporate/Other results for the nine months ended September 30, 2008.

Results of Operations

Three Months Ended September 30, 2009, Compared to Three Months Ended September 30, 2008

Total Revenues and Gross Profit

For the current quarter, Mylan reported total revenues of $1.26 billion compared to $1.66 billion in the comparable prior year period. Net revenues increased $64.7 million or 5.4% from $1.19 billion to $1.26 billion, while other revenues decreased $457.5 million, mainly due to the sale of the product rights of Bystolic in the prior year. Foreign exchange translation had an unfavorable impact on net revenues, due primarily to the strengthening of the U.S. Dollar in comparison to the functional currencies of Mylan s other subsidiaries, primarily those in Europe,

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Australia and India. On a constant currency basis, net revenues increased by approximately 9%. The increase in net revenues is due to higher third-party sales in both of the Company s segments. The Generics Segment accounted for the majority of the increase ($42.2 million) followed by the Specialty Segment ($22.4 million). See below for a more detailed discussion of each segment.

Gross profit for the three months ended September 30, 2009 was $505.0 million, and gross margins were 39.9%. For the three months ended September 30, 2008, gross profit was $911.1 million, and gross margins were 55.0%. Excluding the impact of the Bystolic revenue, gross profit in the prior year was $456.1 million and gross margins were 38.0%. Additionally, gross profit for both quarters is impacted by certain purchase accounting related items which consisted primarily of incremental amortization related to purchased intangible assets and the inventory step-up associated with the acquisition of the former Merck Generics business. Excluding such items from both periods and the Bystolic revenue from the prior year, gross margins would have been approximately 45.6% in the current quarter compared to 46.7% in the same prior year period. The decrease in margins was realized by the Generics Segment, due mainly to an unfavorable product mix, as Specialty Segment margins remained constant.

Generics Segment

For the current quarter, the Generics Segment reported total revenues of $1.12 billion, compared to $1.08 billion for the comparable prior year period. Generics Segment total revenues are derived from sales primarily in or from the U.S. and Canada (collectively, North America), Europe, the Middle East and Africa (collectively, EMEA) and Australia, Japan, India and New Zealand (collectively, Asia Pacific).

Total revenues from North America were $502.5 million for the three-month period ended September 30, 2009, compared to $460.3 million for the three months ended September 30, 2008, an increase of $42.1 million or 9.2%. The increase in revenues is the result of products launched subsequent to September 30, 2008, and favorable volume, partially offset by unfavorable pricing. New products contributed net revenues of approximately $60.0 million. Products generally contribute most significantly to sales and gross margin at the time of their launch, when there is limited generic competition and even more so in periods of market exclusivity.

Fentanyl, Mylan s AB-rated generic alternative to Duragesic®, continued to contribute to both revenue and gross profit despite the entrance into the market of additional generic competition. Sales of fentanyl have remained relatively strong primarily due to Mylan s ability to continue to be a stable and reliable source of supply to the market. As is the case in the generic industry, the entrance into the market of additional competition generally has a negative impact on the volume and pricing of the affected products. Competition on fentanyl in the future could continue to have an unfavorable impact on pricing and market share.

Total revenues from EMEA were $417.6 million for the three-month period ended September 30, 2009, compared to $422.1 million for the comparable prior year period, which represents a slight decrease. However, on a constant currency basis, EMEA revenues increased by approximately 7%, driven mainly by France and the U.K., partially offset by lower sales in Germany.

Revenues in France increased as a result of new product launches and higher volumes. In the U.K., prior year revenues were negatively impacted by excess supply in the market at that time. The increase in the current year is the result of such excess supply issues having since been resolved.

The German market was affected by recently implemented tender systems . A number of markets in which we operate have implemented or may implement such tender systems for generic pharmaceuticals in an effort to lower prices. These measures have a negative impact on sales and gross profit in the affected markets. In Germany, current quarter revenues were negatively impacted by the price reductions as a result of these tenders, as well as general pricing

pressure on its non-tender business and the loss of exclusivity on certain Statutory Health Insurance contracts.

Total revenues from Asia Pacific were $237.0 million for the three-month period ended September 30, 2009, compared to $226.6 million for the three months ended September 30, 2008, representing an increase of $10.4 million or 4.6%. Sales in Asia Pacific are derived from the sale of generic pharmaceuticals in Australia, India, Japan and New Zealand.

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On a constant currency basis, Asia Pacific revenues increased approximately 10%. In Australia, sales decreased as new products were offset by lower volume. The third quarter of 2008 was an unusually strong quarter in terms of volume as many Australian customers re-stocked their inventory following the government mandated pricing reform that took place in July of 2008. Japan sales increased as Mylan continues to gain footing in the continually expanding Japanese generics market. In India, revenues increased primarily due to higher sales of first-line anti-retroviral (ARV) products. Also contributing to the increase in Asia Pacific revenues are higher third party sales of API. API is also sold to Mylan subsidiaries in conjunction with the Company s vertical integration strategy.

In addition to net revenue, total revenues in Asia Pacific included other revenue of $9.6 million in the current quarter through intercompany product development agreements, compared to $13.9 million in the same prior year period.

Certain markets in which the Company does business have recently undergone government-imposed price reductions, thereby increasing pricing pressures on pharmaceutical products. This is true in Australia as well as several European countries. Such measures, along with the tender systems discussed above, are likely to have a negative impact on sales and gross profit in these markets. However, some pro-generic government initiatives in certain markets could help to offset some of this unfavorability by potentially increasing generic substitution.

For the three months ended September 30, 2009, the segment profitability for the Generics Segment was $295.2 million compared to $273.9 million in the prior year comparable period. This increase is the result of higher revenues and gross profit, mainly from North America and Asia Pacific, as well as lower operating expenses as discussed below.

Specialty Segment

For the current quarter, the Specialty Segment reported total revenues of $154.7 million, of which $150.9 million represented third-party sales, compared to total revenues of $130.6 million in the same prior year period, of which $125.4 million represented third-party sales. The Specialty Segment consists of Dey, which focuses on the development, manufacturing and marketing of specialty pharmaceuticals in the respiratory and severe allergy markets. The most significant contributor to Specialty Segment revenues and profitability is the EpiPen® Auto-Injector, which is used in the treatment of severe allergic reactions. The EpiPen Auto-Injector is the number one prescribed treatment for severe allergic reactions with a U.S. market share of over 95%.

Segment profitability for the current quarter was $39.8 million compared to $28.2 million in the comparable three-month period. The increase is the result of increased revenue and gross profit as operating expenses were consistent when comparing the periods.

Operating Expenses

R&D expense for the three months ended September 30, 2009, was $69.8 million compared to $74.7 million in the same prior year period, a decrease of $4.9 million. The decrease was primarily realized by the Generics Segment and is reflective of certain restructuring activities undertaken by the Company with respect to the previously announced rationalization and optimization of the global manufacturing and research and development platforms.

SG&A expense for the current quarter was $259.6 million compared to $275.6 million for the same period in the prior year, a decrease of $16.0 million. This decrease was primarily recognized in Corporate/Other and is due to lower costs, including temporary staffing and consulting costs related to the integration of the former Merck Generics business, the majority of which were incurred in prior periods. Lower selling expenses, resulting from right-sizing of the sales force in certain non-U.S. markets, and the favorable impact of foreign currency also contributed to the overall decrease in the current quarter.

Litigation Settlements, net

During the three months ended September 30, 2009, the Company recorded net unfavorable litigation charges of $114.3 million. The majority of this amount, $121.0 million, pre-tax (approximately $83.0 million after-tax), related to the settlement of an investigation by the U.S. Department of Justice concerning calculations of Medicaid drug rebates.

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Interest Expense

Interest expense for the three months ended September 30, 2009, totaled $77.0 million compared to $93.5 million for the three months ended September 30, 2008. The decrease is due to the reduction in the Company s outstanding debt balance, through repayments made in December 2008 and March 2009, as well as lower overall interest rates.

Other Income, net

Other income, net was $0.2 million in the current quarter compared to $5.8 million in the comparable three-month period.

Income Tax Expense

The Company recorded an income tax benefit of $11.1 million for the three-month period ending September 30, 2009 compared to a provision of $256.1 million in the comparable prior year quarter. The fluctuation in the effective tax rate is due to different levels of income, the deductibility of certain foreign attributes, changes in unrecognized losses of certain foreign subsidiaries, and changes to the reserves required by ASC topic 740, *Income Taxes* (ASC 740).

Nine Months Ended September 30, 2009, Compared to Nine Months Ended September 30, 2008

Total Revenues and Gross Profit

For the nine months ended September 30, 2009, Mylan reported total revenues of $3.74 billion compared to $3.93 billion in the same prior year period. Net revenues increased $239.2 million or 7% from $3.44 billion to $3.68 billion, while other revenues decreased $432.7 million. On a constant currency basis, net revenues increased by approximately 14%. The increase in net revenues is due to higher third-party sales in both of the Company s segments. The Generics Segment accounted for the majority of the increase ($198.7 million) in third-party sales followed by the Specialty Segment ($40.5 million). See below for a more detailed discussion of each segment.

The decrease in other revenues of $432.7 million in the nine-month period was primarily the result of approximately $468.1 million recognized in the prior year of previously deferred revenue related to the sale of the Company s rights of Bystolic. This decrease is partially offset by an increase in incremental revenue in the current year resulting from the cancellation of product development agreements for which the revenue had been previously deferred. Prior to the termination of these agreements, Mylan had been amortizing the previously received non-refundable, upfront payments over a period of several years.

Gross profit for the nine months ended September 30, 2009 was $1.56 billion, and gross margins were 41.7%. For the nine months ended September 30, 2008, gross profit was $1.68 billion, and gross margins were 42.6%. Gross profit for both periods is impacted by certain purchase accounting related items which consisted primarily of incremental amortization related to purchased intangible assets and the inventory step-up associated with the acquisition of the former Merck Generics business. Excluding such items from both periods, and the Bystolic revenue from the prior year, gross margins would have been approximately 47.3% in the current year period compared to 44.5% in the prior year period. This increase in gross margins was realized by the Generics Segment, due primarily to the launch of new products in North America, as gross margins in the Specialty Segment remained constant.

Generics Segment

For the nine months ended September 30, 2009, the Generics Segment reported total revenues of $3.41 billion, compared to $3.16 billion for the comparable prior year period. Total revenues from North America were

$1.64 billion for the nine-month period ended September 30, 2009, compared to $1.31 billion for the nine months ended September 30, 2008. Included in total revenues are other revenues of $48.3 million in the current year period compared to $17.0 million in the prior year period. This increase is the result of approximately $26.0 million of incremental revenue resulting from the cancellation of product development agreements.

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North America net revenues were $1.59 billion in the nine-month period ended September 30, 2009, compared to $1.30 billion in the prior year period, an increase of $293.3 million or 22.6%. The increase in net revenues is the result of revenue from new products and favorable volume, partially offset by unfavorable pricing. New products contributed net revenues of approximately $297.0 million, the majority of which were divalproex ER, Mylan s version of Abbott Laboratories Depakote® ER, and levetiracetam, Mylan s version of UCB Pharma s Keppra®.

Fentanyl continued to contribute significantly to both revenue and gross profit despite the entrance into the market of additional generic competition. Sales of fentanyl have remained relatively strong primarily due to Mylan s ability to continue to be a stable and reliable source of supply to the market. As is the case in the generic industry, the entrance into the market of additional competition generally has a negative impact on the volume and pricing of the affected products. Competition on fentanyl in the future could have an unfavorable impact on pricing and market share.

Total revenues from EMEA were $1.18 billion for the nine-month period ended September 30, 2009, compared to $1.27 billion for the comparable prior year period. On a constant currency basis, EMEA revenues increased by approximately 5% over the prior year.

Increased revenues in France, driven mainly by market share gain and new product launches, strong development in Italy where we have recently achieved market leadership, and a full nine months of revenue contribution from the Central and Eastern European businesses acquired in June 2008, served to offset lower revenues brought about by continued pricing pressures in certain European markets, primarily in Germany. A number of markets in which we operate have implemented or may implement tender systems for generic pharmaceuticals in an effort to lower prices. Such measures are likely to have a further negative impact on sales and gross profit in these markets.

Total revenues from Asia Pacific were $692.2 million for the nine-month period ended September 30, 2009, compared to $678.8 million for the nine months ended September 30, 2008, representing an increase of $13.4 million or 2.0%. However, on a constant currency basis, Asia Pacific sales increased by approximately 15%, primarily realized by Mylan s Japanese and Indian subsidiaries, and higher sales of API. The increase in Japan was driven by favorable product mix, as well as the continued impact of certain pro-generic measures implemented by the Japanese government. In India, revenues increased due to higher sales of first-line ARV products. These increases were offset by lower sales in Australia, which have been impacted by unfavorable pricing following the government price reduction of 25% that took place in the third quarter of 2008 and the competitive pressure that resulted.

In addition to net revenue, total revenues in Asia Pacific included other revenue of $42.7 million in the nine months ended September 30, 2009, realized primarily through intercompany product development agreements, compared to $37.0 million in the same prior year period.

Certain markets in which the Company does business have recently undergone government-imposed price reductions, thereby increasing pricing pressures on pharmaceutical products. This is true in Australia as well as several European countries. Such measures, along with the tender systems discussed above, are likely to have a negative impact on sales and gross profit in these markets. However, some pro-generic government initiatives in certain markets could help to offset some of this unfavorability by potentially increasing generic substitution.

For the nine months ended September 30, 2009, the segment profitability for the Generics Segment was $995.2 million compared to $703.7 million in the prior year comparable period. This increase is the result of higher revenues and gross profit, as well as lower operating expenses, as discussed below.

Specialty Segment

For the nine months ended September 30, 2009, the Specialty Segment reported total revenues of $368.2 million, of which $353.0 million represented third-party sales, compared to total revenues of $336.0 million in the same prior year period, of which $308.5 million represented third-party sales. The EpiPen Auto-Injector continued to be the most significant contributor to Specialty Segment revenues and profitability.

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In addition to the continued strong sales of the EpiPen Auto-Injector, the increase in third-party revenues is due primarily to increased sales of Perforomist® Solution, Dey s maintenance therapy for patients with moderate to severe chronic obstructive pulmonary disease. Increased sales of the EpiPen Auto-Injector and Perforomist Solution in the current year were partially offset by lower revenue from DuoNeb® for which patent protection was lost in late 2007. The additional competition which followed the loss of patent protection has not only affected Dey s sales of the branded product, but also impacted the profit share received from sales of the licensed generic.

Segment profitability for the nine months ended September 30, 2009 was $71.5 million compared to $50.4 million in the comparable nine-month period. This increase is the result of increased sales volume as discussed above, as well as lower operating expenses resulting from certain restructuring initiatives.

Operating Expenses

R&D expense for the nine months ended September 30, 2009, was $202.7 million compared to $239.3 million in the same prior year period, a decrease of $36.7 million. The decrease was realized by the Generics Segment and to a lesser degree the Specialty Segment, and is reflective of certain restructuring activities undertaken by the Company with respect to the previously announced rationalization and optimization of the global manufacturing and research and development platforms. These decreases were partially offset by a non-recurring, up-front payment of $18.0 million made with respect to the Company s execution of a co-development agreement that was entered into during the nine months ended September 30, 2009.

SG&A expense for the nine months ended September 30, 2009 was $781.0 million compared to $788.0 million for the same period in the prior year, a decrease of $7.0 million. This decrease resulted from lower SG&A realized by both segments, due to the favorable impact of foreign exchange and cost savings resulting from certain restructuring initiatives. This decrease was partially offset by an increase in Corporate/Other SG&A activities due primarily to an increase in legal and professional fees, as well as higher payroll and payroll related costs.

Litigation Settlements, net

During the nine months ended September 30, 2009, the Company recorded net unfavorable litigation charges of $111.5 million. The majority of this amount, $121.0 million, pre-tax (approximately $83.0 million, after-tax), related to the settlement of an investigation by the U.S. Department of Justice concerning calculations of Medicaid drug rebates.

Interest Expense

Interest expense for the nine months ended September 30, 2009, totaled $240.2 million compared to $282.4 million for the nine months ended September 30, 2008. The decrease is due to the reduction in the Company s outstanding debt balance, through repayments made in December 2008 and March 2009, as well as lower overall interest rates.

Other Income, net

Other income, net was $29.7 million in the current nine-month period compared to $20.6 million in the comparable nine-month period. Included in the current year is a favorable adjustment in the current year of $13.9 million to the restructuring reserve as a result of a reduction in the estimated remaining spending on accrued projects, as well as a net gain of $10.4 million realized on the termination of two joint ventures.

Income Tax Expense

The Company recorded income tax expense of $52.5 million for the nine-month period ending September 30, 2009 compared to $180.1 million in the comparable prior year period. The fluctuation in the tax provision is due to different levels of income, the deductibility of certain foreign attributes, changes in unrecognized losses of certain foreign subsidiaries, and changes to the reserves required by ASC 740. In the nine-month period ending September 30, 2008, a pre-tax operating loss was offset by the non-deductible goodwill impairment charge related to Dey. The effective tax rate in the prior year was largely influenced by the gain on the sale of Bystolic as well.

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Liquidity and Capital Resources

Cash provided by operating activities were $546.6 million for the nine months ended September 30, 2009. The amount consists primarily of net earnings and non-cash addbacks for depreciation and amortization and litigation settlements, partially offset by a decrease in cash from net changes in operating assets and liabilities and the deferred income tax benefit.

Cash used in investing activities for the nine months ended September 30, 2009 was $282.9 million, consisting primarily of approximately $172.3 million which was spent to acquire additional shares of Matrix and $38.9 million which was used to acquire the additional 50% interest in Astrix. Partially offsetting these cash outflows was the receipt of $23.3 million consisting of the proceeds from Matrix s sale of its 50% in the FCC joint venture.

Also included in cash used in investing activities were capital expenditures of $83.1 million. These expenditures were primarily for equipment, including a portion related to the Company s previously announced planned expansions and integration plans surrounding the acquisition of the former Merck Generics business.

Cash used in financing activities was $242.8 million for the nine months ended September 30, 2009. Cash dividends of $104.3 million were paid on the Company s 6.50% mandatory convertible preferred stock. Additionally, the Company made repayments on its long-term debt in the amount of $153.3 million. These payments primarily consist of the prepayment of amounts due in 2010 under the Company s Senior Credit Agreement.

The Company is involved in various legal proceedings that are considered normal to its business. While it is not feasible to predict the outcome of such proceedings, an adverse outcome in any of these proceedings could materially affect the Company s financial position and results of operations. Additionally, for certain contingencies assumed in conjunction with the acquisition of the former Merck Generics business, Merck KGaA, the seller, has indemnified Mylan under the provisions of the Share Purchase Agreement. The inability or denial of Merck KGaA to pay on an indemnified claim, could have a material adverse effect on the Company s financial position or results of operations.

The Company s Condensed Consolidated Balance Sheet as of September 30, 2009 includes restructuring reserves of $55.6 million. Spending against this balance, which consists primarily of severance and related costs and costs associated with the previously announced rationalization and optimization of the Company s global manufacturing and research and development platforms, is expected to occur over the next two to three years.

Additionally, as finalization of these plans is still in progress, the Company has not yet estimated the total amount expected to be incurred in connection with such activities. However, Mylan expects that the majority of such costs will relate to one-time termination benefits and certain asset write-downs, which could be significant.

On May 7, 2009, at the annual shareholders meeting, Mylan s shareholders approved an increase in the number of authorized shares of Mylan s common stock from 600,000,000 to 1,500,000,000. In addition, the shareholders approved an increase in shares that may be issued under the Company s 2003 Long-Term Incentive Plan as restricted shares, restricted units, performance shares and other stock-based awards from 5,000,000 to 8,000,000.

On October 20, 2009, the Company announced that a quarterly dividend of $16.25 per share was declared (based on the annual dividend rate of 6.5% and a liquidation preference of $1,000 per share) payable on November 16, 2009, to the holders of preferred stock of record as of November 1, 2009.

The Company is actively pursuing, and is currently involved in, joint projects related to the development, distribution and marketing of both generic and branded products. Many of these arrangements provide for payments to be made by the Company upon the attainment of specified milestones. While these arrangements help to reduce the financial risk

for unsuccessful projects, fulfillment of specified milestones or the occurrence of other obligations may result in fluctuations in cash flows.

The Company is continuously evaluating the potential acquisition of products, as well as companies, as a strategic part of its future growth. Consequently, the Company may utilize current cash reserves or incur additional indebtedness to finance any such acquisitions, which could impact future liquidity. In addition, on an ongoing basis,

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the Company reviews its operations including the evaluation of potential divestures of products and businesses as part of its future strategy. Any divestitures could impact future liquidity.

At September 30, 2009 and December 31, 2008, the Company had $84.0 million and $83.6 million in letters of credit outstanding.

Mandatory minimum repayments remaining on the outstanding borrowings under the term loans and convertible notes at September 30, 2009, excluding the discount and conversion feature, are as follows for each of the periods ending December 31:

	U.S. Tranche A Term Loans	Euro Tranche A Term Loans	U.S. Tranche B Term Loans	Euro Tranche B Term Loans	Senior Convertible Notes	Cash Convertible Notes	Total
				(In thousands)			
2009	$	$	$	$	$	$	$
2010							
2011	62,500	102,460	25,560	7,675			198,195
2012	78,125	128,076	25,560	7,675	600,000		839,436
2013	78,125	128,076	25,560	7,675			239,436
2014			2,402,640	721,493			3,124,133
Thereafter						575,000	575,000
Total	$ 218,750	$ 358,612	$ 2,479,320	$ 744,518	$ 600,000	$ 575,000	$ 4,976,200

Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles A Replacement of FASB Statement No. 162* (as codified in ASC topic 105, *Generally Accepted Accounting Principles* (ASC 105)). This update to ASC 105 establishes the Codification as the single source of authoritative accounting principles generally accepted in the United States of America (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. ASC 105 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification has become non-authoritative. Following this update to ASC 105, the FASB will not issue new standards in the form of Statements, FASB Staff Positions (FSP), or Emerging Issues Task Force (EITF) Abstracts. Instead, the FASB will issue Accounting Standards Updates, which will serve only to: (*a*) update the Codification; (*b*) provide background information about the guidance; and (*c*) provide the bases for conclusions on the change(s) in the Codification. The Company adopted the requirements of this standard for the quarter ended September 30, 2009. The adoption of this update to ASC 105 did not have a material impact on the Company s Condensed Consolidated Financial Statements. All accounting references have been updated, and therefore SFAS references have been replaced with ASC references.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of SFAS No. 140* (as codified in ASC topic 860, *Transfers and Servicing* (ASC 860)). This update to ASC 860 is a revision to FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (which is codified in ASC 860), and will require more disclosures about transfers of financial assets, including securitization transactions and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. This update to ASC 860 enhances disclosures reported to users of financial statements by providing greater transparency about transfers of financial assets and an entity s continuing involvement in transferred financial assets. This update to ASC 860 is effective for fiscal years beginning after November 15, 2009. Early application is not permitted. The Company is currently evaluating the impact on its consolidated financial statements of adopting this update to ASC 860.

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In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (as codified in ASC topic 855, *Subsequent Events* (ASC 855)). This update to ASC 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company adopted the requirements of this standard for the quarter ended June 30, 2009. The adoption of this update to ASC 855 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (as codified in ASC topic 320, *Investments Debt and Equity Securities* (ASC 320)). This update to ASC 320 amends SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations,* and EITF Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets* (all of which are codified in ASC 320), to make the other-than-temporary impairments guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. This standard replaces the existing requirement that the entity s management assert it has both the intent and ability to hold an impaired debt security until recovery with a requirement that management assert it does not have the intent to sell the security, and it is more likely than not it will not have to sell the security before recovery of its cost basis. The Company adopted the requirements of this standard as of June 30, 2009. The adoption of this update to ASC 320 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (as codified in ASC topic 825, *Financial Instruments* (ASC 825)). This update to ASC 825 requires companies to disclose in interim financial statements the fair value of financial instruments within the scope of ASC 825. However, companies are not required to provide in interim periods the disclosures about the concentration of credit risk of all financial instruments that are currently required in annual financial statements. The fair-value information disclosed in the footnotes must be presented together with the related carrying amount, making it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the balance sheet. This update to ASC 825 also requires that companies disclose the method or methods and significant assumptions used to estimate the fair value of financial instruments and a discussion of changes, if any, in the method or methods and significant assumptions during the period. The Company adopted the requirements of this standard as of June 30, 2009. The adoption of this update to ASC 825 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

On January 1, 2009, the Company adopted FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (as codified in ASC topic 470, *Debt* (ASC 470)). Under the new rules, for convertible debt instruments (including the Company s Senior Convertible Notes) that may be settled entirely or partially in cash upon conversion, entities now separately account for the liability and equity components of the instrument in a manner that reflects the issuer s economic interest cost. The effect of the new rules, as they apply to the Company s Senior Convertible Notes, is that the equity component is included in the additional paid-in capital section of shareholders equity on the Company s consolidated balance sheet and the value of the equity component is treated as an original issue discount for purposes of accounting for the debt component. Higher interest expense results through the accretion of the discounted carrying value of the Senior Convertible Notes to their face amount over their term. This update to ASC 470 requires retrospective application as disclosed below.

On January 1, 2009, the Company adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (as codified in ASC topic 810, *Consolidation* (ASC 810)). This update to

ASC 810 amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (which is codified in ASC 810), to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard defines a noncontrolling interest, sometimes called a minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. This update to ASC 810 requires, among other items, that a noncontrolling interest be included in the consolidated

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balance sheet within equity separate from the parent s equity; consolidated net income to be reported at amounts inclusive of both the parent s and noncontrolling interest s shares and, separately, the amounts of consolidated net income attributable to the parent and noncontrolling interest all on the consolidated statement of operations; and if a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income based on such fair value.

The Company s Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2008, as originally reported and as adjusted for the adoption of the aforementioned updates to ASC 470 and ASC 810, are as follows:

	Three Months Ended September 30,	
	2008	2008 As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ 87,553	$ 93,540
Earnings before income taxes and noncontrolling interest	479,045	473,058
Income tax provision	272,438	256,088
Net earnings	206,607	216,970
Net earnings attributable to the noncontrolling interest	151	151
Net earnings attributable to Mylan Inc. common shareholders	171,999	182,362
Loss per common share attributable to Mylan Inc.:		
Basic	$ 0.56	$ 0.60
Diluted	$ 0.45	$ 0.47
Weighted average common shares outstanding:		
Basic	304,449	304,449
Diluted	458,350	458,350

	Nine Months Ended September 30,	
	2008	2008 As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ 264,789	$ 282,405
Earnings before income taxes and noncontrolling interest	19,088	1,472
Income tax provision	197,378	180,062
Net loss	(178,290)	(178,590)
Net earnings attributable to the noncontrolling interest	2,266	2,266
Net loss attributable to Mylan Inc. common shareholders	(280,260)	(280,560)

Loss per common share attributable to Mylan Inc.:				
Basic	$	(0.92)	$	(0.92)
Diluted	$	(0.92)	$	(0.92)
Weighted average common shares outstanding:				
Basic		304,305		304,305
Diluted		304,305		304,305

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The Company s Condensed Consolidated Balance Sheet as originally reported and as adjusted for the adoption of the aforementioned updates to ASC 470 and ASC 810, is as follows:

	December 31, 2008	December 31, 2008 As Adjusted
	(In thousands)	
Liabilities and equity		
Liabilities		
Long-term debt	$ 5,165,419	$ 5,078,937
Deferred income tax liability	545,121	577,379
Total liabilities	7,677,242	7,623,018
Minority interest	29,108	
Equity		
Mylan Inc. shareholders equity		
Additional paid-in capital	3,873,743	3,955,725
Retained earnings	594,352	566,594
Noncontrolling interest		29,108
Total equity	2,703,509	2,786,841

ITEM 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

For a discussion of the Company s market risk, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in the Company s Annual Report filed on Form 10-K, as amended.

ITEM 4. ***CONTROLS AND PROCEDURES***

An evaluation was performed under the supervision and with the participation of the Company s management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of September 30, 2009. Based upon that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that the Company s disclosure controls and procedures were effective. No change in the Company s internal control over financial reporting occurred during the nine months ended September 30, 2009, that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. ***LEGAL PROCEEDINGS***

While it is not possible to determine with any degree of certainty the ultimate outcome of the following legal proceedings, the Company believes that it has meritorious defenses with respect to the claims asserted against it and intends to vigorously defend its position. The Company is also party to certain litigation matters, some of which are described below, for which Merck KGaA has agreed to indemnify the Company, under the terms of the Share Purchase Agreement by which Mylan acquired the former Merck Generics business. An adverse outcome in any of these proceedings, or the inability or denial of Merck KGaA to pay an indemnified claim, could have a material adverse effect on the Company s financial position and results of operations.

Lorazepam and Clorazepate

On June 1, 2005, a jury verdict was rendered against Mylan, Mylan Pharmaceuticals Inc. (MPI), and co-defendants Cambrex Corporation and Gyma Laboratories in the U.S. District Court for the District of Columbia in the amount of approximately $12.0 million, which has been accrued for by the Company. The jury found that Mylan and its co-defendants willfully violated Massachusetts, Minnesota and Illinois state antitrust laws in connection with API supply agreements entered into between the Company and its API supplier (Cambrex) and broker (Gyma) for two drugs, lorazepam and clorazepate, in 1997, and subsequent price increases on these drugs in

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1998. The case was brought by four health insurers who opted out of earlier class action settlements agreed to by the Company in 2001 and represents the last remaining antitrust claims relating to Mylan s 1998 price increases for lorazepam and clorazepate. Following the verdict, the Company filed a motion for judgment as a matter of law, a motion for a new trial, a motion to dismiss two of the insurers and a motion to reduce the verdict. On December 20, 2006, the Company s motion for judgment as a matter of law and motion for a new trial were denied and the remaining motions were denied on January 24, 2008. In post-trial filings, the plaintiffs requested that the verdict be trebled and that request was granted on January 24, 2008. On February 6, 2008, a judgment was issued against Mylan and its co-defendants in the total amount of approximately $69.0 million, which, in the case of three of the plaintiffs, reflects trebling of the compensatory damages in the original verdict (approximately $11 million in total) and, in the case of the fourth plaintiff, reflects their amount of the compensatory damages in the original jury verdict plus doubling this compensatory damage award as punitive damages assessed against each of the defendants (approximately $58 million in total), some or all of which may be subject to indemnification obligations by Mylan. Plaintiffs are also seeking an award of attorneys fees and litigation costs in unspecified amounts and prejudgment interest of approximately $8.0 million. The Company and its co-defendants have appealed to the U.S. Court of Appeals for the D.C. Circuit and intend to challenge the verdict as legally erroneous on multiple grounds. The appeals were held in abeyance pending a ruling on the motion for prejudgment interest, which has been granted. Mylan intends to contest this ruling along with the liability finding and other damages awards as part of its pending appeal, which will now proceed in the Court of Appeals for the D.C. Circuit. In connection with the Company s appeal of the lorazepam judgment, the Company submitted a surety bond underwritten by a third-party insurance company in the amount of $74.5 million. This surety bond is secured by a pledge of a $40.0 million cash deposit (which is included as restricted cash on the Company s Consolidated Balance Sheet as of September 30, 2009) and an irrevocable letter of credit for $34.5 million issued under the Senior Credit Agreement.

Pricing and Medicaid Litigation

Beginning in September 2003, Mylan, MPI and/or UDL Laboratories Inc. (UDL), together with many other pharmaceutical companies, have been named in civil lawsuits filed by state attorneys general (AGs) and municipal bodies within the state of New York alleging generally that the defendants defrauded the state Medicaid systems by allegedly reporting Average Wholesale Prices and/or Wholesale Acquisition Costs that exceeded the actual selling price of the defendants prescription drugs. To date, Mylan, MPI and/or UDL have been named as defendants in substantially similar civil lawsuits filed by the AGs of Alabama, Alaska, California, Florida, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Massachusetts, Mississippi, Missouri, South Carolina, Texas, Utah and Wisconsin and also by the city of New York and approximately 40 counties across New York State. Several of these cases have been transferred to the AWP multi-district litigation proceedings pending in the U.S. District Court for the District of Massachusetts for pretrial proceedings. Others of these cases will likely be litigated in the state courts in which they were filed. Each of the cases seeks money damages, civil penalties and/or double or treble damages, counsel fees and costs, and/or injunctive relief. Mylan and its subsidiaries have denied liability and intend to defend each of these actions vigorously.

In May 2008, an amended complaint was filed in the U.S. District Court for the District of Massachusetts by a plaintiff on behalf of the United States of America, against Mylan, MPI, UDL and several other generic manufacturers. The original complaint was filed under seal in April 2000, and Mylan, MPI and UDL were added as parties in February 2001. The claims against Mylan, MPI, UDL and the other generic manufacturers were severed from the April 2000 complaint (which remains under seal) as a result of the federal government s decision not to intervene in the action as to those defendants. The complaint alleges violations of the False Claims Act and sets forth allegations substantially similar to those alleged in the state AG cases mentioned in the preceding paragraph and purports to seek recovery of any and all alleged overpayment of the federal share under the Medicaid program. Mylan intends to answer the complaint denying liability and to defend the action vigorously.

In addition, by letter dated January 12, 2005, MPI was notified by the U.S. Department of Justice of an investigation concerning calculations of Medicaid drug rebates. The investigation involved whether MPI and UDL may have violated the False Claims Act by classifying certain authorized generics as non-innovator rather than innovator drugs for purposes of Medicaid and other federal healthcare programs on sales from 2000 through 2004. MPI and UDL denied the government s allegations and denied that they engaged in any wrongful conduct. On

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October 19, 2009, a lawsuit, filed in March 2004 by a private relator, in which the federal government subsequently intervened, was unsealed by the U.S. District Court for the District of New Hampshire. That same day, MPI and UDL announced that they had entered into a settlement agreement with the federal government, relevant states and the relator for approximately $121.0 million, resolving both the lawsuit and the U.S. Department of Justice investigation. A stipulation of dismissal with prejudice has been filed with the court. The resolution of the matter did not include any admission or finding of wrongdoing on the part of either MPI or UDL. Mylan has recorded a one time, non-recurring, after-tax charge of approximately $83.0 million ($121.0 million pre-tax) in the quarter ended September 30, 2009, as a result of this settlement. Additionally, the Company intends to seek recovery of a substantial portion of the settlement amount from any party that received overpayments resulting from adjusted net sales during the relevant timeframe.

Dey is a defendant currently in lawsuits brought by the state AGs of Arizona, California, Florida, Illinois, Iowa, Kansas, Kentucky, Pennsylvania and Wisconsin, as well as the city of New York and approximately 40 New York counties. Dey is also named as a defendant in several class actions brought by consumers and third-party payors. Dey has reached a settlement of these class actions, which has been preliminarily approved by the court. Additionally, a complaint was filed under seal by a plaintiff on behalf of the United States of America against Dey in August 1997. In August 2006, the Government filed its complaint-in-intervention and the case was unsealed in September 2006. Dey s motion for partial summary judgment is pending. These cases all generally allege that Dey falsely reported certain price information concerning certain drugs marketed by Dey. Dey intends to defend each of these actions vigorously. The Company has approximately $114.6 million recorded in other liabilities related to the price-related litigation involving Dey. As stated above, in conjunction with the acquisition of the former Merck Generics business, Mylan is entitled to indemnification from Merck KGaA under the Share Purchase Agreement. As a result, the Company has recorded approximately $114.6 million in other assets.

Modafinil Antitrust Litigation and FTC Inquiry

Beginning in April 2006, Mylan, along with four other drug manufacturers, has been named as a defendant in civil lawsuits filed in the Eastern District of Pennsylvania by a variety of plaintiffs purportedly representing direct and indirect purchasers of the drug modafinil and a third-party payor and one action brought by Apotex, Inc., a manufacturer of generic drugs, seeking approval to market a generic modafinil product. These actions allege violations of federal and state laws in connection with the defendants settlement of patent litigation relating to modafinil. These actions are in their preliminary stages, and motions to dismiss each action are pending. Mylan intends to defend each of these actions vigorously. In addition, by letter dated July 11, 2006, Mylan was notified by the U.S. Federal Trade Commission (FTC) of an investigation relating to the settlement of the modafinil patent litigation. In its letter, the FTC requested certain information from Mylan, MPI and Mylan Technologies, Inc. pertaining to the patent litigation and the settlement thereof. On March 29, 2007, the FTC issued a subpoena, and on April 26, 2007, the FTC issued a civil investigative demand to Mylan requesting additional information from the Company relating to the investigation. Mylan has cooperated fully with the government s investigation and completed all requests for information. On February 13, 2008, the FTC filed a lawsuit against Cephalon in the U.S. District Court for the District of Columbia and the case has subsequently been transferred to the U.S. District Court for the Eastern District of Pennsylvania. Mylan is not named as a defendant in the FTC s lawsuit, although the complaint includes certain allegations pertaining to the Mylan/Cephalon settlement.

Levetiracetam

By letter dated November 19, 2007, Mylan was notified by the FTC of an investigation brought against Mylan and Dr. Reddy s Laboratories, Inc. by UCB Society Anonyme and UCB Pharma, Inc. relating to the settlement in October 2007 of the levetiracetam patent litigation. In its letter, the FTC requested certain information from Mylan pertaining to the litigation and the settlement. On April 9, 2008, the FTC issued a civil investigative demand requesting additional information from Mylan relating to the investigation. Mylan cooperated fully with the government s

investigation and complied with all requests for information. By letter dated March 10, 2009, the FTC notified Mylan that it has closed its investigation and that it intends to take no additional action at this time.

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Digitek (R) Recall

On April 25, 2008, Actavis Totowa LLC, a division of Actavis Group, announced a voluntary, nationwide recall of all lots and all strengths of Digitek (digoxin tablets USP). Digitek was manufactured by Actavis and distributed in the United States by MPI and UDL. The Company has tendered its defense and indemnity in all lawsuits and claims arising from this event to Actavis, and Actavis has accepted that tender, subject to a reservation of rights. While the Company is unable to estimate total potential costs with any degree of certainty, such costs could be significant. To date, an estimated 710 lawsuits have been filed against Mylan, UDL and Actavis pertaining to the recall. An adverse outcome in these lawsuits or the inability or denial of Actavis to pay on an indemnified claim could have a materially negative impact on the Company s financial position and results of operations.

Pioglitazone

On February 21, 2006, a district court in the U.S. District Court for the Southern District of New York held that Mylan, MPI and UDL s pioglitazone abbreviated new drug application (ANDA) product infringed a patent asserted against them by Takeda Pharmaceuticals North America, Inc. and Takeda Chemical Industries, Ltd (Takeda) and that the patent was enforceable. That same court also held that Alphapharm Pty, Ltd and Genpharm ULC s pioglitazone ANDA product infringed the Takeda patent and that the patent was valid. Subsequently, the district court granted Takeda s motion to find the cases to be exceptional and to award attorneys fees and costs in the amounts of $11.4 million from Mylan and $5.4 million from Alphapharm/Genpharm, with interest, which amounts were paid in 2009. Mylan and Alphapharm/Genpharm both separately appealed the underlying patent validity and enforceability determinations and the exceptional case findings to the Court of Appeals for the Federal Circuit, but the findings were affirmed. Mylan s and Alphapharm s petitions to the U.S. Supreme Court were rejected on October 5, 2009.

EU Commission Proceedings

On or around July 3, 2009, the European Commission (the EU Commission or the Commission) stated that it had initiated antitrust proceedings pursuant to Article 11(6) of Regulation No. 1/2003 and Article 2(1) of Regulation No. 773/2004 to explore possible infringement of Articles 81 and 82 EC and Articles 53 and 54 of the EEA Agreement by Les Laboratoires Servier (Servier) as well as possible infringement of Article 81 EC by Matrix Laboratories Limited (Matrix) and four other companies, each of which entered into agreements with Servier relating to the product perindopril. Matrix is cooperating with the EU Commission in connection with the investigation. The EU Commission stated that the initiation of proceedings does not imply that the Commission has conclusive proof of an infringement but merely signifies that the Commission will deal with the case as a matter of priority. No statement of objections has been filed against Matrix in connection with its investigation. On August 5, 2009, Matrix and Generics [UK] Ltd received requests for information from the EU Commission in connection with this matter, and both companies have responded.

In addition, the European Commission is conducting a pharmaceutical sector inquiry involving approximately 100 companies concerning the introduction of innovative and generic medicines. Mylan S.A.S has responded to the questionnaires received in connection with the sector inquiry and has produced documents and other information in connection with the inquiry.

On October 6, 2009, the Company received notice that the EU Commission was initiating an investigation pursuant to Article 20(4) of Regulation No. 1/2003 to explore possible infringement of Articles 81 and 82 EC by the Company and its affiliates. Mylan S.A.S, acting on behalf of its Mylan affiliates, has produced documents and other information in connection with the inquiry. Mylan is cooperating with the Commission in connection with the investigation. No statement of objections has been filed against Mylan in connection with the investigation.

Other Litigation

The Company is involved in various other legal proceedings that are considered normal to its business, including certain proceedings assumed as a result of the acquisition of the former Merck Generics business. While it is not feasible to predict the ultimate outcome of such other proceedings, the Company believes that the ultimate

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outcome of such other proceedings will not have a material adverse effect on its financial position or results of operations.

ITEM 1A. ***RISK FACTORS***

The following risk factors could have a material adverse effect on our business, financial position or results of operations and could cause the market value of our common stock to decline. These risk factors may not include all of the important factors that could affect our business or our industry or that could cause our future financial results to differ materially from historic or expected results or cause the market price of our common stock to fluctuate or decline.

CURRENT ECONOMIC CONDITIONS MAY ADVERSELY AFFECT OUR INDUSTRY, BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

The global economy is currently undergoing a period of unprecedented volatility, and the future economic environment may continue to be less favorable than that of recent years. This has led, and could further lead, to reduced consumer spending in the foreseeable future, and this may include spending on healthcare. While generic drugs present an ideal alternative to higher-priced branded products, our sales could be negatively impacted if patients forego obtaining healthcare. In addition, reduced consumer spending may drive us and our competitors to decrease prices. These conditions may adversely affect our industry, business, financial position and results of operations and may cause the market value of our common stock to decline.

OUR CONTINUING INTEGRATION OF THE FORMER MERCK GENERICS BUSINESS INVOLVES A NUMBER OF RISKS. THESE RISKS COULD CAUSE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We acquired the former Merck Generics business in October 2007. There continue to be a number of operational risks associated with the acquisition and related integration, including but not limited to:

- difficulties in successfully integrating the operations and personnel of the former Merck Generics business with our historical business and corporate culture;
- difficulties in achieving identified financial and operating synergies;
- diversion of management s attention from our ongoing business concerns to integration matters;
- the potential loss of key personnel or customers;
- difficulties in consolidating information technology platforms, business applications and corporate infrastructure;
- our substantial indebtedness and assumed liabilities;
- the incurrence of significant additional capital expenditures, operating expenses and non-recurring acquisition-related charges;
- challenges in operating in other markets outside of the United States that are new to us; and

unanticipated effects of export controls, exchange rate fluctuations, domestic and foreign political conditions or domestic and foreign economic conditions.

These factors could impair our growth and ability to compete, require us to focus additional resources on integration of operations rather than other profitable areas, or otherwise cause a material adverse effect on our business, financial position and results of operations and could cause a decline in the market value of our common stock.

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WE MAY FAIL TO REALIZE THE EXPECTED COST SAVINGS, GROWTH OPPORTUNITIES AND OTHER BENEFITS ANTICIPATED FROM THE ACQUISITIONS OF THE FORMER MERCK GENERICS BUSINESS AND MATRIX, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

The success of the acquisitions of the former Merck Generics business and Matrix will depend, in part, on our ability to realize anticipated cost savings, revenue synergies and growth opportunities from integrating the businesses. We expect to benefit from operational cost savings resulting from the consolidation of capabilities and elimination of redundancies as well as greater efficiencies from increased scale and market integration.

There is a risk, however, that the businesses may not be combined in a manner that permits these costs savings or synergies to be realized in the time currently expected, or at all. This may limit or delay our ability to integrate the companies manufacturing, research and development, marketing, organizations, procedures, policies and operations. In addition, a variety of factors, including, but not limited to, wage inflation and currency fluctuations, may adversely affect our anticipated cost savings and revenues.

Also, we may be unable to achieve our anticipated cost savings and synergies without adversely affecting our revenues. If we are not able to successfully achieve these objectives, the anticipated benefits of these acquisitions may not be realized fully, or at all, or may take longer to realize than expected. These factors could impair our growth and ability to compete, require us to focus additional resources on integration of operations rather than other profitable areas, or otherwise cause a material adverse effect on our business, financial position and results of operations and could cause a decline in the market value of our common stock.

WE HAVE GROWN AT A VERY RAPID PACE. OUR INABILITY TO PROPERLY MANAGE OR SUPPORT THIS GROWTH MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We have grown very rapidly over the past few years, through our acquisitions of the former Merck Generics business and Matrix. This growth has put significant demands on our processes, systems and people. We expect to make further investments in additional personnel, systems and internal control processes to help manage our growth. Attracting, retaining and motivating key employees in various departments and locations to support our growth are critical to our business, and competition for these people can be intense. If we are unable to hire and retain qualified employees and if we do not continue to invest in systems and processes to manage and support our rapid growth, there may be a material adverse effect on our business, financial position and results of operations, and the market value of our common stock could decline.

OUR GLOBAL EXPANSION THROUGH THE ACQUISITIONS OF THE FORMER MERCK GENERICS BUSINESS AND MATRIX EXPOSES US TO ADDITIONAL RISKS WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

With our acquisitions of the former Merck Generics business and Matrix, our operations extend to numerous countries outside the United States. Operating globally exposes us to certain additional risks including, but not limited to:

- compliance with a variety of national and local laws of countries in which we do business, including restrictions on the import and export of certain intermediates, drugs and technologies;

changes in laws, regulations, and practices affecting the pharmaceutical industry and the healthcare system, including but not limited to imports, exports, manufacturing, cost, pricing, reimbursement, approval, inspection, and delivery of healthcare;

fluctuations in exchange rates for transactions conducted in currencies other than the functional currency;

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adverse changes in the economies in which we operate as a result of a slowdown in overall growth, a change in government or economic liberalization policies, or financial, political or social instability in such countries that affects the markets in which we operate, particularly emerging markets;

wage increases or rising inflation in the countries in which we operate;

supply disruptions, and increases in energy and transportation costs;

natural disasters, including droughts, floods and earthquakes in the countries in which we operate;

communal disturbances, terrorist attacks, riots or regional hostilities in the countries in which we operate; and

government uncertainty, including as a result of new or changed laws and regulations.

We also face the risk that some of our competitors have more experience with operations in such countries or with international operations generally. Certain of the above factors could have a material adverse effect on our business, financial position and results of operations and could cause a decline in the market value of our common stock.

OUR FUTURE REVENUE GROWTH AND PROFITABILITY ARE DEPENDENT UPON OUR ABILITY TO DEVELOP AND/OR LICENSE, OR OTHERWISE ACQUIRE, AND INTRODUCE NEW PRODUCTS ON A TIMELY BASIS IN RELATION TO OUR COMPETITORS PRODUCT INTRODUCTIONS. OUR FAILURE TO DO SO SUCCESSFULLY COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Our future revenues and profitability will depend, to a significant extent, upon our ability to successfully develop and/or license, or otherwise acquire and commercialize, new generic and patent or statutorily protected pharmaceutical products in a timely manner. Product development is inherently risky, especially for new drugs for which safety and efficacy have not been established and the market is not yet proven. Likewise, product licensing involves inherent risks including uncertainties due to matters that may affect the achievement of milestones, as well as the possibility of contractual disagreements with regard to terms such as license scope or termination rights. The development and commercialization process, particularly with regard to new drugs, also requires substantial time, effort and financial resources. We, or a partner, may not be successful in commercializing any of such products on a timely basis, if at all, which could adversely affect our business, financial position and results of operations and could cause the market value of our common stock to decline.

Before any prescription drug product, including generic drug products, can be marketed, marketing authorization approval is required by the relevant regulatory authorities and/or national regulatory agencies (for example the Food and Drug Administration (FDA) in the United States and the European Medicines Agency (EMA) in the EU). The process of obtaining regulatory approval to manufacture and market new and generic pharmaceutical products is rigorous, time consuming, costly and largely unpredictable. Outside the United States, the approval process may be more or less rigorous, and the time required for approval may be longer or shorter than that required in the United States. Bioequivalency studies conducted in one country may not be accepted in other countries, and the approval of a pharmaceutical product in one country does not necessarily mean that the product will be approved in another country. We, or a partner, may be unable to obtain requisite approvals on a timely basis for new generic or branded products that we may develop, license or otherwise acquire. Moreover, if we obtain regulatory approval for a drug it may be limited with respect to the indicated uses and delivery methods for which the drug may be marketed, which could in turn restrict our potential market for the drug. Also, for products pending approval, we may obtain raw materials or

produce batches of inventory to be used in efficacy and bioequivalence testing, as well as in anticipation of the product s launch. In the event that regulatory approval is denied or delayed, we could be exposed to the risk of this inventory becoming obsolete. The timing and cost of obtaining regulatory approvals could adversely affect our product introduction plans, business, financial position and results of operations and could cause the market value of our common stock to decline.

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The approval process for generic pharmaceutical products often results in the relevant regulatory agency granting final approval to a number of generic pharmaceutical products at the time a patent claim for a corresponding branded product or other market exclusivity expires. This often forces us to face immediate competition when we introduce a generic product into the market. Additionally, further generic approvals often continue to be granted for a given product subsequent to the initial launch of the generic product. These circumstances generally result in significantly lower prices, as well as reduced margins, for generic products compared to branded products. New generic market entrants generally cause continued price and margin erosion over the generic product life cycle.

In the United States, the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, provides for a period of 180 days of generic marketing exclusivity for each ANDA applicant that is first-to-file an ANDA containing a certification of invalidity, non-infringement or unenforceability related to a patent listed with respect to a reference drug product, commonly referred to as a Paragraph IV certification. During this exclusivity period, which under certain circumstances may be required to be shared with other applicable ANDA sponsors with Paragraph IV certifications, the FDA cannot grant final approval to other ANDA sponsors holding applications for the same generic equivalent. If an ANDA containing a Paragraph IV certification is successful and the applicant is awarded exclusivity, the applicant generally enjoys higher market share, net revenues and gross margin for that product. Even if we obtain FDA approval for our generic drug products, if we are not the first ANDA applicant to challenge a listed patent for such a product, we may lose significant advantages to a competitor that filed its ANDA containing such a challenge. The same would be true in situations where we are required to share our exclusivity period with other ANDA sponsors with Paragraph IV certifications. Such situations could have a material adverse effect on our ability to market that product profitably and on our business, financial position and results of operations, and the market value of our common stock could decline.

In Europe, there is no exclusivity period for the first generic. The EMA or national regulatory agencies may grant marketing authorizations to any number of generics. However, if there are other relevant patents when the core patent expires, for example, new formulations, the owner of the original brand pharmaceutical may be able to obtain preliminary injunctions in certain European jurisdictions preventing launch of the generic product, if the generic company did not commence proceedings in a timely manner to invalidate any relevant patents prior to launch of its generic.

In addition, in jurisdictions other than the United States, we may face similar regulatory hurdles and constraints. If we are unable to navigate our products through all of the regulatory hurdles we face in a timely manner it could adversely affect our product introduction plans, business, financial position and results of operations and could cause the market value of our common stock to decline.

IF THE INTERCOMPANY TERMS OF CROSS BORDER ARRANGEMENTS WE HAVE AMONG OUR SUBSIDIARIES ARE DETERMINED TO BE INAPPROPRIATE, OUR TAX LIABILITY MAY INCREASE, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We have potential tax exposures resulting from the varying application of statutes, regulations and interpretations which include exposures on intercompany terms of cross border arrangements among our subsidiaries in relation to various aspects of our business, including manufacturing, marketing, sales and delivery functions. Although our cross border arrangements between affiliates are based upon internationally accepted standards, tax authorities in various jurisdictions may disagree with and subsequently challenge the amount of profits taxed in their country, which may result in increased tax liability, including accrued interest and penalties, which would cause our tax expense to increase. This could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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CHANGES IN INCOME TAX LAWS AND TAX RULINGS MAY HAVE A SIGNIFICANTLY ADVERSE IMPACT ON OUR EFFECTIVE TAX RATE AND INCOME TAX EXPENSE, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

The current U.S. presidential administration recently announced several proposals to change U.S. income tax rules, including proposals for U.S. international tax reform. The proposals would, among other things, limit the use of foreign tax credits to reduce residual U.S. income tax on non-U.S. source income, limit the deferral of U.S. income tax on non-U.S. source income, and defer the deduction of interest and certain other expenses attributable to non-U.S. source income of foreign subsidiaries. Each of these proposals would be effective only for taxable years beginning after December 31, 2010. We cannot determine whether these proposals will be enacted into law or what, if any, changes will be made to such proposals prior to their being enacted into law. If enacted, and depending on its precise terms, such legislation could materially increase our overall effective income tax rate and income tax expense. This could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

OUR APPROVED PRODUCTS MAY NOT ACHIEVE EXPECTED LEVELS OF MARKET ACCEPTANCE, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR PROFITABILITY, BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Even if we are able to obtain regulatory approvals for our new pharmaceutical products, generic or branded, the success of those products is dependent upon market acceptance. Levels of market acceptance for our new products could be impacted by several factors, including but not limited to:

- the availability of alternative products from our competitors;
- the price of our products relative to that of our competitors;
- the timing of our market entry;
- the ability to market our products effectively to the retail level; and
- the acceptance of our products by government and private formularies.

Some of these factors are not within our control. Additionally, continuing studies of the proper utilization, safety and efficacy of pharmaceutical products are being conducted by the industry, government agencies and others. Such studies, which increasingly employ sophisticated methods and techniques, can call into question the utilization, safety and efficacy of previously marketed products. In some cases, studies have resulted, and may in the future result, in the discontinuance of product marketing or other risk management programs such as the need for a patient registry. These situations, should they occur, could have a material adverse effect on our profitability, business, financial position and results of operations, and could cause the market value of our common stock to decline.

A RELATIVELY SMALL GROUP OF PRODUCTS MAY REPRESENT A SIGNIFICANT PORTION OF OUR NET REVENUES, GROSS PROFIT OR NET EARNINGS FROM TIME TO TIME. IF THE VOLUME OR PRICING OF ANY OF THESE PRODUCTS DECLINES, IT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Sales of a limited number of our products often represent a significant portion of our net revenues, gross profit and net earnings. If the volume or pricing of our largest selling products declines in the future, our business, financial position and results of operations could be materially adversely affected, and the market value of our common stock could decline.

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WE FACE VIGOROUS COMPETITION FROM OTHER PHARMACEUTICAL MANUFACTURERS THAT THREATENS THE COMMERCIAL ACCEPTANCE AND PRICING OF OUR PRODUCTS. SUCH COMPETITION COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

The generic pharmaceutical industry is highly competitive. We face competition from many U.S. and foreign manufacturers, some of whom are significantly larger than we are. Our competitors may be able to develop products and processes competitive with or superior to our own for many reasons, including but not limited to the possibility that they may have:

proprietary processes or delivery systems;

larger research and development and marketing staffs;

larger production capabilities in a particular therapeutic area;

more experience in preclinical testing and human clinical trials;

more products; or

more experience in developing new drugs and greater financial resources, particularly with regard to manufacturers of branded products.

Any of these factors and others could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

BECAUSE THE PHARMACEUTICAL INDUSTRY IS HEAVILY REGULATED, WE FACE SIGNIFICANT COSTS AND UNCERTAINTIES ASSOCIATED WITH OUR EFFORTS TO COMPLY WITH APPLICABLE REGULATIONS. SHOULD WE FAIL TO COMPLY, WE COULD EXPERIENCE MATERIAL ADVERSE EFFECTS ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

The pharmaceutical industry is subject to regulation by various governmental authorities. For instance, we must comply with requirements of the FDA and similar requirements of similar agencies in our other markets with respect to the manufacture, labeling, sale, distribution, marketing, advertising, promotion and development of pharmaceutical products. Failure to comply with regulations of the FDA and other regulators can result in fines, disgorgement, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the applicable regulator s review of our submissions, enforcement actions, injunctions and criminal prosecution. Under certain circumstances, the regulators may also have the authority to revoke previously granted drug approvals. Although we have internal regulatory compliance programs and policies and have had a favorable compliance history, there is no guarantee that these programs, as currently designed, will meet regulatory agency standards in the future. Additionally, despite our efforts at compliance, there is no guarantee that we may not be deemed to be deficient in some manner in the future. If we were deemed to be deficient in any significant way, our business, financial position and results of operations could be materially affected and the market value of our common stock could decline.

In Europe we must also comply with regulatory requirements with respect to the manufacture, labeling, sale, distribution, marketing, advertising, promotion and development of pharmaceutical products. Some of these

requirements are contained in EU regulations and governed by the EMA. Other requirements are set down in national laws and regulations of the EU Member States. Failure to comply with the regulations can result in a range of fines, penalties, product recalls/suspensions or even criminal liability. Similar laws and regulations exist in most of the markets in which we operate.

In addition to the new drug approval process, government agencies also regulate the facilities and operational procedures that we use to manufacture our products. We must register our facilities with the FDA and other similar regulators. Products manufactured in our facilities must be made in a manner consistent with current good manufacturing practices, or similar standards in each territory in which we manufacture. Compliance with such

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regulations requires substantial expenditures of time, money and effort in such areas as production and quality control to ensure full technical compliance. The FDA and other agencies periodically inspect our manufacturing facilities for compliance. Regulatory approval to manufacture a drug is site-specific. Failure to comply with good manufacturing practices at one of our manufacturing facilities could result in an enforcement action brought by the FDA or other regulatory bodies which could include withholding the approval of our submissions or other product applications of that facility. If any regulatory body were to require one of our manufacturing facilities to cease or limit production, our business could be adversely affected. Delay and cost in obtaining FDA or other regulatory approval to manufacture at a different facility also could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

We are subject, as are generally all manufacturers, to various federal, state and local laws regulating working conditions, as well as environmental protection laws and regulations, including those governing the discharge of materials into the environment. We are also required to comply with data protection and data privacy rules in many countries. Although we have not incurred significant costs associated with complying with environmental provisions in the past, if changes to such environmental laws and regulations are made in the future that require significant changes in our operations or if we engage in the development and manufacturing of new products requiring new or different environmental controls, we may be required to expend significant funds. Such changes could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

OUR REPORTING AND PAYMENT OBLIGATIONS UNDER THE MEDICARE AND/OR MEDICAID REBATE PROGRAM AND OTHER GOVERNMENTAL PURCHASING AND REBATE PROGRAMS ARE COMPLEX AND MAY INVOLVE SUBJECTIVE DECISIONS THAT COULD CHANGE AS A RESULT OF NEW BUSINESS CIRCUMSTANCES, NEW REGULATORY GUIDANCE, OR ADVICE OF LEGAL COUNSEL. ANY DETERMINATION OF FAILURE TO COMPLY WITH THOSE OBLIGATIONS COULD SUBJECT US TO PENALTIES AND SANCTIONS WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

The regulations regarding reporting and payment obligations with respect to Medicare and/or Medicaid reimbursement and rebates and other governmental programs are complex. As discussed elsewhere in this Form 10-Q and other reports we file with the SEC, we and other pharmaceutical companies are defendants in a number of suits filed by state attorneys general and had been notified of an investigation by the United States Department of Justice with respect to Medicaid reimbursement and rebates, which has since been settled. Because our processes for these calculations and the judgments involved in making these calculations involve, and will continue to involve, subjective decisions and complex methodologies, these calculations are subject to the risk of errors. In addition, they are subject to review and challenge by the applicable governmental agencies, and it is possible that such reviews could result in material changes. Further, effective October 1, 2007, the Centers for Medicaid and Medicare Services, or CMS, adopted new rules for Average Manufacturer s Price (AMP) based on the provisions of the Deficit Reduction Act of 2005 (DRA). While the matter remains subject to litigation and proposed legislation, one potential significant change as a result of the DRA is that AMP would need to be disclosed to the public. AMP was historically kept confidential by the government and participants in the Medicaid program. Disclosing AMP to competitors, customers, and the public at large could negatively affect our leverage in commercial price negotiations.

In addition, as also disclosed herein, a number of state and federal government agencies are conducting investigations of manufacturers reporting practices with respect to Average Wholesale Prices (AWP) in which they have suggested that reporting of inflated AWP has led to excessive payments for prescription drugs. We and numerous other pharmaceutical companies have been named as defendants in various actions relating to pharmaceutical pricing issues and whether allegedly improper actions by pharmaceutical manufacturers led to excessive payments by Medicare

and/or Medicaid.

Any governmental agencies that have commenced, or may commence, an investigation of the Company could impose, based on a claim of violation of fraud and false claims laws or otherwise, civil and/or criminal sanctions, including fines, penalties and possible exclusion from federal health care programs including Medicare and/or Medicaid.

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Some of the applicable laws may impose liability even in the absence of specific intent to defraud. Furthermore, should there be ambiguity with regard to how to properly calculate and report payments and even in the absence of any such ambiguity a governmental authority may take a position contrary to a position we have taken, and may impose civil and/or criminal sanctions. Any such penalties or sanctions could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE EXPEND A SIGNIFICANT AMOUNT OF RESOURCES ON RESEARCH AND DEVELOPMENT EFFORTS THAT MAY NOT LEAD TO SUCCESSFUL PRODUCT INTRODUCTIONS. FAILURE TO SUCCESSFULLY INTRODUCE PRODUCTS INTO THE MARKET COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

Much of our development effort is focused on technically difficult-to-formulate products and/or products that require advanced manufacturing technology. We conduct research and development primarily to enable us to manufacture and market approved pharmaceuticals in accordance with applicable regulations. Typically, research expenses related to the development of innovative compounds and the filing of marketing authorization applications for innovative compounds (such as New Drug Applications (NDA) in the United States) are significantly greater than those expenses associated with the development of and filing of marketing authorization applications for generic products (such as ANDAs in the United States and abridged applications in Europe). As we continue to develop new products, our research expenses will likely increase. Because of the inherent risk associated with research and development efforts in our industry, particularly with respect to new drugs our, or a partner s, research and development expenditures may not result in the successful introduction of new pharmaceutical products approved by the relevant regulatory bodies. Also, after we submit a marketing authorization application for a new compound or generic product, the relevant regulatory authority may request that we conduct additional studies and, as a result, we may be unable to reasonably determine the total research and development costs to develop a particular product. Finally, we cannot be certain that any investment made in developing products will be recovered, even if we are successful in commercialization. To the extent that we expend significant resources on research and development efforts and are not able, ultimately, to introduce successful new products as a result of those efforts, our business, financial position and results of operations may be materially adversely affected, and the market value of our common stock could decline.

A SIGNIFICANT PORTION OF OUR NET REVENUES IS DERIVED FROM SALES TO A LIMITED NUMBER OF CUSTOMERS. ANY SIGNIFICANT REDUCTION OF BUSINESS WITH ANY OF THESE CUSTOMERS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

A significant portion of our net revenues is derived from sales to a limited number of customers. If we were to experience a significant reduction in or loss of business with one such customer, or if one such customer were to experience difficulty in paying us on a timely basis, our business, financial position and results of operations could be materially adversely affected, and the market value of our common stock could decline.

THE USE OF LEGAL, REGULATORY AND LEGISLATIVE STRATEGIES BY COMPETITORS, BOTH BRAND AND GENERIC, INCLUDING AUTHORIZED GENERICS AND CITIZEN S PETITIONS, AS WELL AS THE POTENTIAL IMPACT OF PROPOSED LEGISLATION, MAY INCREASE OUR COSTS ASSOCIATED WITH THE INTRODUCTION OR MARKETING OF OUR GENERIC PRODUCTS, COULD DELAY OR PREVENT SUCH INTRODUCTION AND/OR COULD SIGNIFICANTLY REDUCE OUR PROFIT POTENTIAL. THESE FACTORS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF

OUR COMMON STOCK TO DECLINE.

Our competitors, both branded and generic, often pursue strategies to prevent or delay competition from generic alternatives to branded products. These strategies include, but are not limited to:

- entering into agreements whereby other generic companies will begin to market an authorized generic, a generic equivalent of a branded product, at the same time generic competition initially enters the market;

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filing citizen s petitions with the FDA or other regulatory bodies, including timing the filings so as to thwart generic competition by causing delays of our product approvals;

seeking to establish regulatory and legal obstacles that would make it more difficult to demonstrate bioequivalence;

initiating legislative efforts to limit the substitution of generic versions of brand pharmaceuticals;

filing suits for patent infringement that may delay regulatory approval of many generic products;

introducing next-generation products prior to the expiration of market exclusivity for the reference product, which often materially reduces the demand for the first generic product for which we seek regulatory approval;

obtaining extensions of market exclusivity by conducting clinical trials of brand drugs in pediatric populations or by other potential methods;

persuading regulatory bodies to withdraw the approval of brand name drugs for which the patents are about to expire, thus allowing the brand name company to obtain new patented products serving as substitutes for the products withdrawn; and

seeking to obtain new patents on drugs for which patent protection is about to expire.

In the United States, some companies have lobbied Congress for amendments to the Hatch-Waxman legislation that would give them additional advantages over generic competitors. For example, although the term of a company s drug patent can be extended to reflect a portion of the time an NDA is under regulatory review, some companies have proposed extending the patent term by a full year for each year spent in clinical trials rather than the one-half year that is currently permitted.

If proposals like these in the United States, Europe or in other countries where we operate were to become effective, our entry into the market and our ability to generate revenues associated with new products may be delayed, reduced or eliminated, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE HAVE SUBSTANTIAL INDEBTEDNESS AND WILL BE REQUIRED TO APPLY A SUBSTANTIAL PORTION OF OUR CASH FLOW FROM OPERATIONS TO SERVICE OUR INDEBTEDNESS. OUR SUBSTANTIAL INDEBTEDNESS MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We incurred significant indebtedness to fund a portion of the consideration for our acquisition of the former Merck Generics business. Our high level of indebtedness could have important consequences, including but not limited to:

increasing our vulnerability to general adverse economic and industry conditions;

requiring us to dedicate a substantial portion of our cash flow from operations and proceeds of any equity issuances to payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;

making it difficult for us to optimally capitalize and manage the cash flow for our businesses;

limiting our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate;

making it difficult for us to meet the leverage and interest coverage ratios required by our Senior Credit Agreement;

limiting our ability to borrow money or sell stock to fund our working capital, capital expenditures, acquisitions and debt service requirements and other financing needs;

increasing our vulnerability to increases in interest rates in general because a substantial portion of our indebtedness bears interest at floating rates;

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requiring us to sell assets in order to pay down debt; and

placing us at a competitive disadvantage to our competitors that have less debt.

If we do not have sufficient cash flow to service our indebtedness, we may need to refinance all or part of our existing indebtedness, borrow more money or sell securities, some or all of which may not be available to us at acceptable terms or at all. In addition, we may need to incur additional indebtedness in the future in the ordinary course of business. Although the terms of our Senior Credit Agreement allow us to incur additional debt, this is subject to certain limitations which may preclude us from incurring the amount of indebtedness we otherwise desire. In addition, if we incur additional debt, the risks described above could intensify. Furthermore, the global credit markets are currently experiencing an unprecedented contraction. If current pressures on credit continue or worsen, future debt financing may not be available to us when required or may not be available on acceptable terms, and as a result we may be unable to grow our business, take advantage of business opportunities, respond to competitive pressures or satisfy our obligations under our indebtedness. Any of the foregoing could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE MAY DECIDE TO SELL ASSETS WHICH COULD ADVERSELY AFFECT OUR PROSPECTS AND OPPORTUNITIES FOR GROWTH, AND WHICH COULD AFFECT OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We may from time to time consider selling certain assets if (a) we determine that such assets are not critical to our strategy, or (b) we believe the opportunity to monetize the asset is attractive or for various reasons including we want to reduce indebtedness. We have explored and will continue to explore the sale of certain non-core assets. Although our intention is to engage in asset sales only if they advance our overall strategy, any such sale could reduce the size or scope of our business, our market share in particular markets or our opportunities with respect to certain markets, products or therapeutic categories. We also continue to review the carrying value of manufacturing and intangible assets for indications of impairment as circumstances require. Future events and decisions may lead to asset impairments and/or related costs. As a result, any such sale or impairment could have an adverse effect on our business, prospects and opportunities for growth, financial position and results of operations and could cause the market value of our common stock to decline.

OUR CREDIT FACILITIES AND ANY ADDITIONAL INDEBTEDNESS WE INCUR IN THE FUTURE IMPOSE, OR MAY IMPOSE, SIGNIFICANT OPERATING AND FINANCIAL RESTRICTIONS, WHICH MAY PREVENT US FROM CAPITALIZING ON BUSINESS OPPORTUNITIES. THESE FACTORS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Our credit facilities and any additional indebtedness we incur in the future impose, or may impose, significant operating and financial restrictions on us. These restrictions limit our ability to, among other things, incur additional indebtedness, make investments, pay certain dividends, prepay other indebtedness, sell assets, incur certain liens, enter into agreements with our affiliates or restricting our subsidiaries ability to pay dividends, merge or consolidate. In addition, our Senior Credit Agreement requires us to maintain specified financial ratios. We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities. A breach of any of these covenants or our inability to maintain the required financial ratios could result in a default under the related indebtedness. If a default occurs, the relevant lenders could elect to declare our indebtedness, together with accrued interest and other fees, to be immediately due and payable. These

factors could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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WE DEPEND ON THIRD-PARTY SUPPLIERS AND DISTRIBUTORS FOR THE RAW MATERIALS, PARTICULARLY THE CHEMICAL COMPOUND(S) COMPRISING THE ACTIVE PHARMACEUTICAL INGREDIENT, THAT WE USE TO MANUFACTURE OUR PRODUCTS AS WELL AS CERTAIN FINISHED GOODS. A PROLONGED INTERRUPTION IN THE SUPPLY OF SUCH PRODUCTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

We typically purchase the active pharmaceutical ingredient (i.e., the chemical compounds that produce the desired therapeutic effect in our products) and other materials and supplies that we use in our manufacturing operations, as well as certain finished products, from many different foreign and domestic suppliers.

Additionally, we maintain safety stocks in our raw materials inventory and, in certain cases where we have listed only one supplier in our applications with regulatory agencies, have received regulatory agency approval to use alternative suppliers should the need arise. However, there is no guarantee that we will always have timely and sufficient access to a critical raw material or finished product. A prolonged interruption in the supply of a single-sourced raw material, including the active ingredient, or finished product could cause our business, financial position and results of operations to be materially adversely affected, and the market value of our common stock could decline. In addition, our manufacturing capabilities could be impacted by quality deficiencies in the products which our suppliers provide, which could have a material adverse effect on our business, financial position and results of operations, and the market value of our common stock could decline.

We utilize controlled substances in certain of our current products and products in development and therefore must meet the requirements of the Controlled Substances Act of 1970 and the related regulations administered by the Drug Enforcement Administration (DEA) in the United States as well as similar laws in other countries where we operate. These laws relate to the manufacture, shipment, storage, sale and use of controlled substances. The DEA and other regulatory agencies limit the availability of the active ingredients used in certain of our current products and products in development and, as a result, our procurement quota of these active ingredients may not be sufficient to meet commercial demand or complete clinical trials. We must annually apply to the DEA and other regulatory agencies for procurement quota in order to obtain these substances. Any delay or refusal by the DEA or such regulatory agencies in establishing our procurement quota for controlled substances could delay or stop our clinical trials or product launches, or could cause trade inventory disruptions for those products that have already been launched, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

OUR BUSINESS IS HIGHLY DEPENDENT UPON MARKET PERCEPTIONS OF US, OUR BRANDS AND THE SAFETY AND QUALITY OF OUR PRODUCTS. OUR BUSINESS OR BRANDS COULD BE SUBJECT TO NEGATIVE PUBLICITY, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Market perceptions of our business are very important to us, especially market perceptions of our brands and the safety and quality of our products. If we, or our brands, suffer from negative publicity, or if any of our products or similar products which other companies distribute are proven to be, or are claimed to be, harmful to consumers then this could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline. Also, because we are dependant on market perceptions, negative publicity associated with illness or other adverse effects resulting from our products could have a material adverse impact on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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WE HAVE A LIMITED NUMBER OF MANUFACTURING FACILITIES PRODUCING A SUBSTANTIAL PORTION OF OUR PRODUCTS. PRODUCTION AT ANY ONE OF THESE FACILITIES COULD BE INTERRUPTED, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

A substantial portion of our capacity as well as our current production is attributable to a limited number of manufacturing facilities. A significant disruption at any one of those facilities, even on a short-term basis, could impair our ability to produce and ship products to the market on a timely basis, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE MAY EXPERIENCE DECLINES IN THE SALES VOLUME AND PRICES OF OUR PRODUCTS AS THE RESULT OF THE CONTINUING TREND TOWARD CONSOLIDATION OF CERTAIN CUSTOMER GROUPS, SUCH AS THE WHOLESALE DRUG DISTRIBUTION AND RETAIL PHARMACY INDUSTRIES, AS WELL AS THE EMERGENCE OF LARGE BUYING GROUPS. THE RESULT OF SUCH DEVELOPMENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

A significant amount of our sales are to a relatively small number of drug wholesalers and retail drug chains. These customers represent an essential part of the distribution chain of generic pharmaceutical products. Drug wholesalers and retail drug chains have undergone, and are continuing to undergo, significant consolidation. This consolidation may result in these groups gaining additional purchasing leverage and consequently increasing the product pricing pressures facing our business. Additionally, the emergence of large buying groups representing independent retail pharmacies and the prevalence and influence of managed care organizations and similar institutions potentially enable those groups to attempt to extract price discounts on our products. The result of these developments may have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

OUR COMPETITORS, INCLUDING BRANDED PHARMACEUTICAL COMPANIES, OR OTHER THIRD PARTIES MAY ALLEGE THAT WE ARE INFRINGING THEIR INTELLECTUAL PROPERTY, FORCING US TO EXPEND SUBSTANTIAL RESOURCES IN RESULTING LITIGATION, THE OUTCOME OF WHICH IS UNCERTAIN. ANY UNFAVORABLE OUTCOME OF SUCH LITIGATION, INCLUDING IN AN AT-RISK LAUNCH SITUATION, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Companies that produce brand pharmaceutical products routinely bring litigation against ANDA or similar applicants that seek regulatory approval to manufacture and market generic forms of their branded products. These companies allege patent infringement or other violations of intellectual property rights as the basis for filing suit against an ANDA or similar applicant. Likewise, patent holders may bring patent infringement suits against companies that are currently marketing and selling their approved generic products. Litigation often involves significant expense and can delay or prevent introduction or sale of our generic products. If patents are held valid and infringed by our products in a particular jurisdiction, we would, unless we could obtain a license from the patent holder, need to cease selling in that jurisdiction and may need to deliver up or destroy existing stock in that jurisdiction.

There may also be situations where the Company uses its business judgment and decides to market and sell products, notwithstanding the fact that allegations of patent infringement(s) have not been finally resolved by the courts (i.e., an

at-risk launch situation). The risk involved in doing so can be substantial because the remedies available to the owner of a patent for infringement may include, among other things, damages measured by the profits lost by the patent owner and not necessarily by the profits earned by the infringer. In the case of a willful infringement, the definition of which is subjective, such damages may be trebled. Moreover, because of the discount pricing typically involved with bioequivalent products, patented branded products generally realize a substantially

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higher profit margin than bioequivalent products. An adverse decision in a case such as this or in other similar litigation could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE MAY EXPERIENCE REDUCTIONS IN THE LEVELS OF REIMBURSEMENT FOR PHARMACEUTICAL PRODUCTS BY GOVERNMENTAL AUTHORITIES, HMOS OR OTHER THIRD-PARTY PAYERS. IN ADDITION, THE USE OF TENDER SYSTEMS COULD REDUCE PRICES FOR OUR PRODUCTS OR REDUCE OUR MARKET OPPORTUNITIES. ANY SUCH REDUCTIONS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Various governmental authorities (including the U.K. National Health Service and the German statutory health insurance scheme) and private health insurers and other organizations, such as health maintenance organizations (HMOs) in the United States, provide reimbursement to consumers for the cost of certain pharmaceutical products. Demand for our products depends in part on the extent to which such reimbursement is available. In the United States, third-party payers increasingly challenge the pricing of pharmaceutical products. This trend and other trends toward the growth of HMOs, managed health care and legislative health care reform create significant uncertainties regarding the future levels of reimbursement for pharmaceutical products. Further, any reimbursement may be reduced in the future, perhaps to the point that market demand for our products declines. Such a decline could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

In addition, a number of markets in which we operate (including, most recently, the Netherlands) have implemented or may implement tender systems for generic pharmaceuticals in an effort to lower prices. Under such tender systems, manufacturers submit bids which establish prices for generic pharmaceutical products. Upon winning the tender, the winning company will receive a preferential reimbursement for a period of time. The tender system often results in companies underbidding one another by proposing low pricing in order to win the tender.

Certain other countries may consider the implementation of a tender system. Even if a tender system is ultimately not implemented, the anticipation of such could result in price reductions. Failing to win tenders, or the implementation of similar systems in other markets leading to further price declines, could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

LEGISLATIVE OR REGULATORY PROGRAMS THAT MAY INFLUENCE PRICES OF PHARMACEUTICAL PRODUCTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Current or future federal, state or foreign laws and regulations may influence the prices of drugs and, therefore, could adversely affect the prices that we receive for our products. For example, programs in existence in certain states in the United States seek to set prices of all drugs sold within those states through the regulation and administration of the sale of prescription drugs. Expansion of these programs, in particular state Medicare and/or Medicaid programs, or changes required in the way in which Medicare and/or Medicaid rebates are calculated under such programs, could adversely affect the prices we receive for our products and could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

In order to control expenditure on pharmaceuticals, most member states in the EU regulate the pricing of products and, in some cases, limit the range of different forms of pharmaceuticals available for prescription by national health

services. These controls can result in considerable price differences between member states.

On July 18, 2008, the Australian government mandated a 25% price reduction on generic pharmaceutical products sold in Australia. Such a widespread price reduction of this magnitude is unprecedented in Australia. As a result, pharmaceutical companies have generally experienced significant declines in revenues and profitability and

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uncertainties continue to exist within the market. This price reduction has had an adverse effect on our business in Australia, and as uncertainties are resolved or if other countries in which we operate enact similar measures, they could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE ARE INVOLVED IN VARIOUS LEGAL PROCEEDINGS AND CERTAIN GOVERNMENT INQUIRIES AND MAY EXPERIENCE UNFAVORABLE OUTCOMES OF SUCH PROCEEDINGS OR INQUIRIES, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We are involved in various legal proceedings and certain government inquiries, including, but not limited to, patent infringement, product liability, breach of contract and claims involving Medicare and/or Medicaid reimbursements, some of which are described in our periodic reports, that involve claims for, or the possibility of fines and penalties involving substantial amounts of money or other relief. If any of these legal proceedings or inquiries were to result in an adverse outcome, the impact could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

With respect to product liability, we maintain commercial insurance to protect against and manage a portion of the risks involved in conducting our business. Although we carry insurance, we believe that no reasonable amount of insurance can fully protect against all such risks because of the potential liability inherent in the business of producing pharmaceuticals for human consumption. To the extent that a loss occurs, depending on the nature of the loss and the level of insurance coverage maintained, it could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

In addition, in limited circumstances, entities we acquired in the acquisition of the former Merck Generics business are party to litigation and/or subject to investigation in matters under which we are entitled to indemnification by Merck KGaA. However, there are risks inherent in such indemnities and, accordingly, there can be no assurance that we will receive the full benefits of such indemnification. This impact could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE ENTER INTO VARIOUS AGREEMENTS IN THE NORMAL COURSE OF BUSINESS WHICH PERIODICALLY INCORPORATE PROVISIONS WHEREBY WE INDEMNIFY THE OTHER PARTY TO THE AGREEMENT. IN THE EVENT THAT WE WOULD HAVE TO PERFORM UNDER THESE INDEMNIFICATION PROVISIONS, IT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

In the normal course of business, we periodically enter into employment, legal settlement, and other agreements which incorporate indemnification provisions. We maintain insurance coverage which we believe will effectively mitigate our obligations under certain of these indemnification provisions. However, should our obligation under an indemnification provision exceed our coverage or should coverage be denied, our business, financial position and results of operations could be materially adversely affected and the market value of our common stock could decline.

OUR FUTURE SUCCESS IS HIGHLY DEPENDENT ON OUR CONTINUED ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL. ANY FAILURE TO ATTRACT AND RETAIN KEY PERSONNEL COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

It is important that we attract and retain qualified personnel in order to develop new products and compete effectively. If we fail to attract and retain key scientific, technical or management personnel, our business could be affected adversely. Additionally, while we have employment agreements with certain key employees in place, their

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employment for the duration of the agreement is not guaranteed. If we are unsuccessful in retaining our key employees, it could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE ARE IN THE PROCESS OF ENHANCING AND FURTHER DEVELOPING OUR GLOBAL ENTERPRISE RESOURCE PLANNING SYSTEMS AND ASSOCIATED BUSINESS APPLICATIONS. AS WITH ANY ENHANCEMENTS OF SIGNIFICANT SYSTEMS, DIFFICULTIES ENCOUNTERED COULD RESULT IN BUSINESS INTERRUPTIONS, AND COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We are enhancing and further developing our global enterprise resource planning (ERP) systems and associated applications to provide more operating efficiencies and effective management of our business operations. Such changes to ERP systems and related software carry risks such as cost overruns, project delays and business interruptions and delays. If we experience a material business interruption as a result of our ERP enhancements, it could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

ANY FUTURE ACQUISITIONS OR DIVESTITURES WOULD INVOLVE A NUMBER OF INHERENT RISKS. THESE RISKS COULD CAUSE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We may continue to seek to expand our product line through complementary or strategic acquisitions of other companies, products or assets, including those in rapidly developing economies, or through joint ventures, licensing agreements or other arrangements or may determine to divest certain products or assets. Any such acquisitions, joint ventures or other business combinations may involve significant challenges in integrating the new company s operations, and divestitures could be equally challenging. Either process may prove to be complex and time consuming and require substantial resources and effort. It may also disrupt our ongoing businesses, which may adversely affect our relationships with customers, employees, regulators and others with whom we have business or other dealings.

We may be unable to realize synergies or other benefits expected to result from any acquisitions, joint ventures or other transactions or investments we may undertake, or be unable to generate additional revenue to offset any unanticipated inability to realize these expected synergies or benefits. Realization of the anticipated benefits of acquisitions or other transactions could take longer than expected, and implementation difficulties, unforeseen expenses, complications and delays, market factors or a deterioration in domestic and global economic conditions could alter the anticipated benefits of any such transactions. We may also compete for certain acquisition targets with companies having greater financial resources than us or other advantages over us that may prevent us from acquiring a target. These factors could impair our growth and ability to compete, require us to focus additional resources on integration of operations rather than other profitable areas, otherwise cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

MATRIX, AN IMPORTANT PART OF OUR BUSINESS, IS LOCATED IN INDIA AND IT IS SUBJECT TO REGULATORY, ECONOMIC, SOCIAL AND POLITICAL UNCERTAINTIES IN INDIA. THESE RISKS COULD CAUSE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

In recent years, Matrix has benefited from many policies of the Government of India and the Indian state governments in the states in which it operates, which are designed to promote foreign investment generally, including significant tax incentives, liberalized import and export duties and preferential rules on foreign investment and repatriation. There is no assurance that such policies will continue. Various factors, such as

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changes in the current federal government, could trigger significant changes in India s economic liberalization and deregulation policies and disrupt business and economic conditions in India generally and our business in particular.

In addition, our financial performance and the market price of our securities may be adversely affected by general economic conditions and economic and fiscal policy in India, including changes in exchange rates and controls, interest rates and taxation policies, as well as social stability and political, economic or diplomatic developments affecting India in the future. In particular, India has experienced significant economic growth over the last several years, but faces major challenges in sustaining that growth in the years ahead. These challenges include the need for substantial infrastructure development and improving access to healthcare and education. Our ability to recruit, train and retain qualified employees and develop and operate our manufacturing facilities in India could be adversely affected if India does not successfully meet these challenges.

Southern Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including India and Pakistan. Such military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Resulting political tensions could create a greater perception that investments in companies with Indian operations involve a high degree of risk, and that there is a risk of disruption of services provided by companies with Indian operations, which could have a material adverse effect on our share price and/or the market for Matrix s products. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, Matrix might not be able to continue its operations. We generally do not have insurance for losses and interruptions caused by terrorist attacks, military conflicts and wars. These risks could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

MOVEMENTS IN FOREIGN CURRENCY EXCHANGE RATES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

A significant portion of our revenues, indebtedness and our costs are denominated in foreign currencies including the Australian Dollar, the British Pound, the Canadian Dollar, the Euro, the Indian Rupee and the Japanese Yen. We report our financial results in U.S. Dollars. Our results of operations and, in some cases, cash flows, could be adversely affected by certain movements in exchange rates. From time to time, we may implement currency hedges intended to reduce our exposure to changes in foreign currency exchange rates. However, our hedging strategies may not be successful, and any of our unhedged foreign exchange payments will continue to be subject to market fluctuations. These risks could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

IF WE OR ANY PARTNER FAIL TO ADEQUATELY PROTECT OR ENFORCE OUR INTELLECTUAL PROPERTY RIGHTS, THEN WE COULD LOSE REVENUE UNDER OUR LICENSING AGREEMENTS OR LOSE SALES TO GENERIC COPIES OF OUR BRANDED PRODUCTS. THESE RISKS COULD CAUSE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Our success, particularly in our specialty business, depends in part on our or any partner s ability to obtain, maintain and enforce patents, and protect trade secrets, know-how and other proprietary information. Our ability to commercialize any branded product successfully will largely depend upon our or any partner s ability to obtain and maintain patents of sufficient scope to prevent third-parties from developing substantially equivalent products. In the absence of patent and trade secret protection, competitors may adversely affect our branded products business by independently developing and marketing substantially equivalent products. It is also possible that we could incur

substantial costs if we are required to initiate litigation against others to protect or enforce our intellectual property rights.

We have filed patent applications covering composition of, methods of making, and/or methods of using, our branded products and branded product candidates. We may not be issued patents based on patent applications

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already filed or that we file in the future and if patents are issued, they may be insufficient in scope to cover our branded products. The issuance of a patent in one country does not ensure the issuance of a patent in any other country. Furthermore, the patent position of companies in the pharmaceutical industry generally involves complex legal and factual questions and has been and remains the subject of much litigation. Legal standards relating to scope and validity of patent claims are evolving. Any patents we have obtained, or obtain in the future, may be challenged, invalidated or circumvented. Moreover, the United States Patent and Trademark Office or any other governmental agency may commence interference proceedings involving our patents or patent applications. Any challenge to, or invalidation or circumvention of, our patents or patent applications would be costly, would require significant time and attention of our management, could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

OUR SPECIALTY BUSINESS DEVELOPS, FORMULATES, MANUFACTURES OR IN-LICENSES AND MARKETS BRANDED PRODUCTS THAT ARE SUBJECT TO RISKS. THESE RISKS COULD CAUSE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Our branded products developed, formulated, manufactured (or alternatively, in-licensed) and marketed by our specialty business may be subject to the following risks, among others:

limited patent life, or the loss of patent protection;

competition from generic products;

reductions in reimbursement rates by third-party payors;

importation by consumers;

product liability;

drug development risks arising from typically greater research and development investments than generics; and

unpredictability with regard to establishing a market.

In addition, developing and commercializing branded products is generally more costly than generic products. If such business expenditures do not ultimately result in the launch of commercially successful brand products, or if any of the risks above were to occur, there could be a material adverse effect on our business, financial position and results of operations and the market value of our common stock could decline.

WE MUST MAINTAIN ADEQUATE INTERNAL CONTROLS AND BE ABLE, ON AN ANNUAL BASIS, TO PROVIDE AN ASSERTION AS TO THE EFFECTIVENESS OF SUCH CONTROLS. FAILURE TO MAINTAIN ADEQUATE INTERNAL CONTROLS OR TO IMPLEMENT NEW OR IMPROVED CONTROLS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Effective internal controls are necessary for the Company to provide reasonable assurance with respect to its financial reports. We are spending a substantial amount of management time and resources to comply with changing laws, regulations and standards relating to corporate governance and public disclosure. In the United States such changes include the Sarbanes-Oxley Act of 2002, SEC regulations and the NASDAQ listing standards. In particular,

Section 404 of the Sarbanes-Oxley Act of 2002 requires management s annual review and evaluation of our internal control over financial reporting and attestations as to the effectiveness of these controls by our independent registered public accounting firm. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting. Additionally, internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and

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fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, this could have a material adverse effect on our business, financial position and results of operations, and the market value of our common stock could decline.

THE TOTAL AMOUNT OF INDEBTEDNESS RELATED TO OUR OUTSTANDING CASH CONVERTIBLE NOTES WILL INCREASE IF OUR STOCK PRICE INCREASES. IN ADDITION, OUR OUTSTANDING SENIOR NOTES SETTLEMENT VALUE INCREASES AS OUR STOCK PRICE INCREASES, ALTHOUGH WE DO NOT ACCOUNT FOR THIS AS AN INCREASE IN INDEBTEDNESS. ALSO, WE HAVE ENTERED INTO NOTE HEDGES AND WARRANT TRANSACTIONS IN CONNECTION WITH THE SENIOR CONVERTIBLE NOTES AND CASH CONVERTIBLE NOTES IN ORDER TO HEDGE SOME OF THE RISK ASSOCIATED WITH THE POTENTIAL INCREASE OF INDEBTEDNESS AND SETTLEMENT VALUE. SUCH TRANSACTIONS HAVE BEEN CONSUMMATED WITH CERTAIN COUNTERPARTIES, MAINLY HIGHLY RATED FINANCIAL INSTITUTIONS. ANY INCREASE IN INDEBTEDNESS, NET EXPOSURE RELATED TO THE RISK OR FAILURE OF ANY COUNTERPARTIES TO PERFORM THEIR OBLIGATIONS, COULD HAVE ADVERSE EFFECTS ON US, INCLUDING UNDER OUR DEBT AGREEMENTS, AND COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Under applicable accounting rules, the cash conversion feature that is a term of the Cash Convertible Notes must be recorded as a liability on our balance sheet and periodically marked to fair value. If our stock price increases, the liability associated with the cash conversion feature would increase and, because this liability must be periodically marked to fair value on our balance sheet, the total amount of indebtedness related to the notes that is shown on our balance sheet would also increase. This could have adverse effects on us, including under our existing and any future debt agreements. For example, our senior credit facilities contain covenants that restrict our ability to incur debt, make capital expenditures, pay dividends and make investments if, among other things, our leverage ratio, exceeds certain levels. In addition, the interest rate we pay under our senior credit facilities increases if our leverage ratio increases. Because the leverage ratio under our senior credit facilities is calculated based on a definition of total indebtedness as defined under GAAP, if the amount of our total indebtedness were to increase, our leverage ratio would also increase. As a result, we may not be able to comply with such covenants in the future, which could, among other things, restrict our ability to grow our business, take advantage of business opportunities or respond to competitive pressures. Any of the foregoing could have a material adverse effect on our business, financial position and results of operations and could cause the market value of the notes and our common stock to decline.

Although the conversion feature under our Senior Convertible Notes is not marked to market, the conversion feature also increases as the price of our common stock increases. If our stock price increases, the settlement value of the conversion feature increases.

In connection with the issuance of the Cash Convertible Notes and Senior Convertible Notes, we entered into note hedge and warrant transactions with certain financial institutions, each of which we refer to as a counterparty. The Cash Convertible Note hedge is comprised of purchased cash-settled call options that are expected to reduce our exposure to potential cash payments required to be made by us upon the cash conversion of the notes. The Senior Convertible Notes hedge is comprised of call options that are expected to reduce our exposure to the settlement value (issuance of common stock) upon the conversion of the notes. We have also entered into respective warrant transactions with the counterparties pursuant to which we will have sold to each counterparty warrants for the purchase of shares of our common stock. Together, each of the note hedges and warrant transactions are expected to

provide us with some protection against increases in our stock price over the conversion price per share. However, there is no assurance that these transactions will remain in effect at all times. Also, although we believe the counterparties are highly rated financial institutions, there are no assurances that the counterparties will be able to perform their respective obligations under the agreement we have with each of them. Any net exposure related to

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conversion of the notes or any failure of the counterparties to perform their obligations under the agreements we have with them could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

THERE ARE INHERENT UNCERTAINTIES INVOLVED IN ESTIMATES, JUDGMENTS AND ASSUMPTIONS USED IN THE PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP. ANY FUTURE CHANGES IN ESTIMATES, JUDGMENTS AND ASSUMPTIONS USED OR NECESSARY REVISIONS TO PRIOR ESTIMATES, JUDGMENTS OR ASSUMPTIONS OR CHANGES IN ACCOUNTING STANDARDS COULD LEAD TO A RESTATEMENT OR REVISION TO PREVIOUSLY CONSOLIDATED FINANCIAL STATEMENTS WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

The Consolidated and Condensed Consolidated Financial Statements included in the periodic reports we file with the SEC are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in accordance with GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities, revenues, expenses (including acquired in-process research and development) and income. Estimates, judgments and assumptions are inherently subject to change in the future and any necessary revisions to prior estimates, judgments or assumptions could lead to a restatement. Also, any new or revised accounting standards may require adjustments to previously issued financial statements. Any such changes could result in corresponding changes to the amounts of assets (including goodwill and other intangible assets), liabilities, revenues, expenses (including acquired in-process research and development) and income. Any such changes could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE ARE SUBJECT TO THE U.S. FOREIGN CORRUPT PRACTICES ACT AND SIMILAR WORLDWIDE ANTI-BRIBERY LAWS, WHICH IMPOSE RESTRICTIONS AND MAY CARRY SUBSTANTIAL PENALTIES. ANY VIOLATIONS OF THESE LAWS, OR ALLEGATIONS OF SUCH VIOLATIONS, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

The U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. We operate in jurisdictions that have experienced governmental corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. We cannot assure you that our internal control policies and procedures always will protect us from reckless or other inappropriate acts committed by our affiliates, employees or agents. Violations of these laws, or allegations of such violations, could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

ITEM 5. ***OTHER INFORMATION***

On October 27, 2009, Mylan named Daniel C. Rizzo, Jr. its principal financial officer. Rizzo, age 47, serves as the Company s Senior Vice President, Chief Accounting Officer and Corporate Controller. He joined the Company in June 2006, as Vice President and Corporate Controller (principal accounting officer), prior to which he served as Vice President and General Controller of Hexion Specialty Chemicals, Inc. from October 2005 to May 2006, before which he was Vice President, Corporate Controller and principal accounting officer at Gardner Denver, Inc. since 1998.

Mr. Rizzo is party to an Executive Employment Agreement (Employment Agreement) and a Transition and Succession Agreement (T&S Agreement), in each case dated February 8, 2008.

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Employment Agreement

The Employment Agreement has an initial term of three years (i.e., through February 28, 2011) and may be extended or renewed upon mutual agreement of the parties. Mr. Rizzo has an annual base salary of $350,000 and is eligible for a discretionary annual bonus targeted at 60% of base salary.

In the event of Mr. Rizzo s termination of employment without cause (as defined in the Employment Agreement), Mr. Rizzo will be entitled to receive, in addition to his accrued benefits, a lump sum equal to the sum of his then-current annual base salary. Mr. Rizzo would also be entitled to continuation of employee benefits for up to 12 months following termination of employment with the Company. During the term of the Employment Agreement and for a period of one year following termination of employment for any reason, Mr. Rizzo may not engage in activities that are competitive with the Company s activities and may not solicit the Company s customers or employees.

T&S Agreement

Mr. Rizzo s T&S Agreement governs the terms of his employment commencing on the occurrence of a change of control (as defined in the T&S Agreement), and continues for the two year period following which a change of control occurs.

The agreement provides that upon a termination without cause or for good reason or by reason of Mr. Rizzo s death or disability (each as defined in the T&S Agreement), the Company shall pay to Mr. Rizzo a lump sum in cash equal to three times the sum of: (*i*) his then current annual base salary, plus (*ii*) an amount equal to the highest bonus determined under the Employment Agreement or paid to him under the T&S Agreement (in the case of Mr. Rizzo s death or disability, reduced by any disability or death benefits that he or his estate or beneficiaries are entitled to pursuant to plans or arrangements of the Company). Under the T&S Agreement, Mr. Rizzo also would be entitled to continuation of employee benefits for a period of three years following termination of employment with the Company.

ITEM 6. ***EXHIBITS***

3.1	Amended and Restated Articles of Incorporation of the registrant, as amended to date, filed as Exhibit 3.1 to the Report on Form 10-Q for the quarter ended June 30, 2009, and incorporated herein by reference.
3.2	Bylaws of the registrant, as amended to date, filed as Exhibit 3.2 to the Report on Form 10-Q for the quarter ended June 30, 2009, and incorporated herein by reference.
4.1(a)	Rights Agreement dated as of August 22, 1996, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on September 3, 1996, and incorporated herein by reference.
4.1(b)	Amendment to Rights Agreement dated as of November 8, 1999, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 1 to Form 8-A/A filed with the SEC on March 31, 2000, and incorporated herein by reference.
4.1(c)	Amendment No. 2 to Rights Agreement dated as of August 13, 2004, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on August 16, 2004, and incorporated herein by reference.
4.1(d)	Amendment No. 3 to Rights Agreement dated as of September 8, 2004, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on September 9, 2004, and incorporated herein by reference.
4.1(e)	

	Amendment No. 4 to Rights Agreement dated as of December 2, 2004, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on December 3, 2004, and incorporated herein by reference.
4.1(f)	Amendment No. 5 to Rights Agreement dated as of December 19, 2005, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on December 19, 2005, and incorporated herein by reference.
4.2(a)	Indenture, dated as of July 21, 2005, between the registrant and The Bank of New York, as trustee, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on July 27, 2005, and incorporated herein by reference.

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4.2(b)	Second Supplemental Indenture, dated as of October 1, 2007, among the registrant, the Subsidiaries of the registrant listed on the signature page thereto and The Bank of New York, as trustee, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on October 5, 2007, and incorporated herein by reference.
4.3	Registration Rights Agreement, dated as of July 21, 2005, among the registrant, the Guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNY Capital Markets, Inc., KeyBanc Capital Markets (a Division of McDonald Investments Inc.), PNC Capital Markets, Inc. and SunTrust Capital Markets, Inc., filed as Exhibit 4.2 to the Report on Form 8-K filed with the SEC on July 27, 2005, and incorporated herein by reference.
4.4	Indenture, dated as of September 15, 2008, among the registrant, the guarantors named therein and Bank of New York Mellon as trustee, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on September 15, 2008, and incorporated herein by reference.
10.1	Amendment No. 3 to Executive Employment Agreement dated as of August 31, 2009, by and between the registrant and Heather Bresch.
10.2	Amendment No. 3 to Executive Employment Agreement dated as of August 31, 2009, by and between the registrant and Rajiv Malik.
10.3	Retirement Benefit Agreement dated as of August 31, 2009, by and between the registrant and Heather Bresch.
10.4	Retirement Benefit Agreement dated as of August 31, 2009, by and between the registrant and Rajiv Malik.
10.5	Agreement dated as of September 22, 2009, by and between the registrant and Milan Puskar.
10.6	Severance Plan, as amended to date.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Mylan Inc.
(Registrant)

By: /s/ Robert J. Coury

Robert J. Coury
Chairman and Chief Executive Officer

October 30, 2009

/s/ Heather Bresch
Heather Bresch
President

October 30, 2009

/s/ Daniel C. Rizzo, Jr.
Daniel C. Rizzo, Jr.
Senior Vice President, Chief Accounting Officer
and Corporate Controller
(Principal financial and accounting officer)

October 30, 2009

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EXHIBIT INDEX

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