MYLAN INC.
Form 10-Q
August 03, 2009

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 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 July 29, 2009**
$0.50 par value	305,330,880

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

MYLAN INC. AND SUBSIDIARIES

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

INDEX

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Period Ended June 30,			
	Three Months		Six Months	
	2009	2008	2009	2008
	(Unaudited; in thousands, except per share amounts)			
Revenues:				
Net revenues	$ 1,255,798	$ 1,187,258	$ 2,424,160	$ 2,249,670
Other revenues	11,179	15,864	52,733	27,912
Total revenues	1,266,977	1,203,122	2,476,893	2,277,582
Cost of sales	739,210	788,912	1,423,393	1,513,150
Gross profit	527,767	414,210	1,053,500	764,432
Operating expenses:				
Research and development	74,016	80,753	132,853	164,599
Impairment loss on goodwill				385,000
Selling, general and administrative	279,038	259,457	518,593	512,369
Total operating expenses	353,054	340,210	651,446	1,061,968
Earnings (loss) from operations	174,713	74,000	402,054	(297,536)
Interest expense	78,172	92,386	163,175	188,865
Other income, net	25,308	7,855	29,498	14,816
Earnings (loss) before income taxes and noncontrolling interest	121,849	(10,531)	268,377	(471,585)
Income tax provision (benefit)	26,178	(28,905)	63,632	(76,026)
Net earnings (loss)	95,671	18,374	204,745	(395,559)
Net (earnings) loss attributable to the noncontrolling interest	(2,801)	72	(5,816)	2,114
Net earnings (loss) attributable to Mylan Inc. before preferred dividends	92,870	18,446	198,929	(393,445)
Preferred dividends	34,759	34,759	69,518	69,477
Net earnings (loss) attributable to Mylan Inc. common shareholders	$ 58,111	$ (16,313)	$ 129,411	$ (462,922)
Earnings (loss) per common share attributable to Mylan Inc. common shareholders:				
Basic	$ 0.19	$ (0.05)	$ 0.42	$ (1.52)

Diluted	$ 0.19	$ (0.05)	$ 0.42	$ (1.52)
Weighted average common shares outstanding:				
Basic	304,991	304,284	304,784	304,233
Diluted	306,256	304,284	305,759	304,233

See Notes to Condensed Consolidated Financial Statements

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	June 30, 2009	December 31, 2008
	(Unaudited; in thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 429,477	$ 557,147
Restricted cash	56,050	40,309
Available-for-sale securities	30,117	42,260
Accounts receivable, net	1,140,605	1,164,613
Inventories	1,077,088	1,065,990
Deferred income tax benefit	188,792	199,278
Prepaid expenses and other current assets	100,446	105,076
Total current assets	3,022,575	3,174,673
Property, plant and equipment, net	1,077,726	1,063,996
Intangible assets, net	2,429,344	2,453,161
Goodwill	3,179,083	3,161,580
Deferred income tax benefit	32,968	16,493
Other assets	500,988	539,956
Total assets	$ 10,242,684	$ 10,409,859
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$ 443,473	$ 498,815
Short-term borrowings	152,274	151,109
Income taxes payable	91,601	92,158
Current portion of long-term debt and other long-term obligations	6,365	5,099
Deferred income tax liability	2,515	1,935
Other current liabilities	725,189	795,534
Total current liabilities	1,421,417	1,544,650
Long-term debt	4,978,289	5,078,937
Other long-term obligations	412,866	422,052
Deferred income tax liability	517,824	577,379
Total liabilities	7,330,396	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 June 30, 2009 and December 31, 2008 Shares issued: 395,501,142 and 395,368,062 as of June 30, 2009 and December 31, 2008	197,751	197,684
Additional paid-in capital	3,849,863	3,955,725
Retained earnings	696,006	566,594
Accumulated other comprehensive loss	(270,750)	(380,802)
	4,473,940	4,340,271
Noncontrolling interest	16,235	29,108
Less treasury stock at cost Shares: 90,380,527 and 90,635,441 as of June 30, 2009 and December 31, 2008	1,577,887	1,582,538
Total equity	2,912,288	2,786,841
Total liabilities and equity	$ 10,242,684	$ 10,409,859

See Notes to Condensed Consolidated Financial Statements

Table of Contents

MYLAN INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
	2009	2008
	(Unaudited; in thousands)	
Cash flows from operating activities:		
Net earnings (loss)	$ 204,745	$ (395,559)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	193,361	220,186
Stock-based compensation expense	14,652	15,579
Net earnings from equity method investees	(1,286)	(2,632)
Change in estimated sales allowances	36,911	47,716
Deferred income tax benefit	(76,619)	(205,611)
Impairment loss on goodwill		385,000
Other non-cash items	27,251	14,942
Litigation settlements, net	(2,751)	(1,856)
Changes in operating assets and liabilities:		
Accounts receivable	48,643	(166,777)
Inventories	22,221	(60,257)
Trade accounts payable	(63,172)	777
Income taxes	27,487	34,535
Deferred revenue	(26,241)	348,445
Other operating assets and liabilities, net	(68,986)	(72,237)
Net cash provided by operating activities	336,216	162,251
Cash flows from investing activities:		
Capital expenditures	(53,007)	(70,950)
Increase in restricted cash	(16,029)	(40,000)
Cash paid for acquisitions	(173,359)	
Proceeds from sale of equity-method investee	23,333	
Purchase of available-for-sale securities	(1,086)	(17,509)
Proceeds from sale of available-for-sale securities	13,205	55,558
Other items, net	620	(10,180)
Net cash used in investing activities	(206,323)	(83,081)
Cash flows from financing activities:		
Cash dividends paid	(69,518)	(67,977)
Payment of financing fees		(421)
Change in short-term borrowings, net	(18,736)	41,003
Proceeds from long-term debt		7,761

Payment of long-term debt	(172,164)	(76,357)
Proceeds from exercise of stock options	1,417	633
Other items, net	(23)	(5)
Net cash used in financing activities	(259,024)	(95,363)
Effect on cash of changes in exchange rates	1,461	10,499
Net decrease in cash and cash equivalents	(127,670)	(5,694)
Cash and cash equivalents beginning of period	557,147	484,202
Cash and cash equivalents end of period	$ 429,477	$ 478,508

See Notes to Condensed Consolidated Financial Statements

Table of Contents

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

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 six months ended June 30, 2009. Accounts receivable are presented net of allowances relating to these provisions. Such allowances were $513.3 million and $496.5 million as of June 30, 2009 and December 31, 2008. Other current liabilities include $259.0 million and $238.9 million at June 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* (SFAS No. 168). SFAS No. 168 establishes the *FASB Accounting Standards Codification™* (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. SFAS No. 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. When effective, the Codification will supersede all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. Following SFAS No. 168, 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 adoption of SFAS No. 168 will not have a material impact on the Company s Condensed Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of SFAS No. 140* (SFAS No. 166). SFAS No. 166 is a revision to FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* 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,

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

changes the requirements for derecognizing financial assets, and requires additional disclosures. SFAS No. 166 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. SFAS No. 166 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 SFAS No. 166.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 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. SFAS No. 165 is effective for interim or annual periods ending after June 15, 2009 and will be applied prospectively. The Company adopted the requirements of this standard for the quarter ended June 30, 2009. The adoption of SFAS No. 165 did not have a material impact on the Company s Condensed Consolidated Financial Statements (see Note 17).

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP No. FAS 115-2 and FAS 124-2). FSP No. FAS 115-2 and FAS 124-2 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*, 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 FSP No. FAS 115-2 and FAS 124-2 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP No. FAS 107-1 and APB 28-1). FSP No. FAS 107-1 and APB 28-1 requires companies to disclose in interim financial statements the fair value of financial instruments within the scope of FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*. 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. FSP No. FAS 107-1 and APB 28-1 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 FSP No. FAS 107-1 and APB 28-1 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

On January 1, 2009, the Company adopted FSP No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (FSP No. APB 14-1). 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

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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. FSP No. APB 14-1 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* (SFAS No. 160). SFAS No. 160 amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, 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. SFAS No. 160 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 six months ended June 30, 2008, as originally reported and as adjusted for the adoption of FSP No. APB 14-1 and SFAS No. 160, are as follows:

	Three Months Ended June 30,	
	2008	2008 As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ 86,489	$ 92,386
Loss before income taxes and noncontrolling interest	(4,634)	(10,531)
Income tax benefit	(30,955)	(28,905)
Net earnings	26,321	18,374
Net loss attributable to the noncontrolling interest	72	72
Net loss attributable to Mylan Inc. common shareholders	(8,366)	(16,313)
Loss per common share attributable to Mylan Inc.:		
Basic	$ (0.03)	$ (0.05)
Diluted	$ (0.03)	$ (0.05)
Weighted average common shares outstanding:		
Basic	304,284	304,284
Diluted	304,284	304,284

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

	Six Months Ended June 30,	
	2008	2008 As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ 177,236	$ 188,865
Loss before income taxes and noncontrolling interest	(459,956)	(471,585)
Income tax benefit	(75,060)	(76,026)
Net loss	(384,896)	(395,559)
Net loss attributable to the noncontrolling interest	2,114	2,114
Net loss attributable to Mylan Inc. common shareholders	(452,259)	(462,922)
Loss per common share attributable to Mylan Inc.:		
Basic	$ (1.49)	$ (1.52)
Diluted	$ (1.49)	$ (1.52)
Weighted average common shares outstanding:		
Basic	304,233	304,233
Diluted	304,233	304,233

The Company s Condensed Consolidated Balance Sheet as originally reported and as adjusted for the adoption of FSP No. APB 14-1 and SFAS 160, 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 its 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. As of June 30, 2009, the Company completed the purchase of

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

approximately 19% of the remaining interest from the minority shareholders of Matrix for cash of approximately $134.5 million, bringing the Company s total ownership to approximately 90% and control to approximately 95% of its voting rights. On July 31, 2009, the Company received notice of approval of the delisting application. Matrix s stock will be suspended from trading on the Bombay and National Stock Exchanges effective August 14, 2009 and will be delisted effective August 21, 2009. Minority shareholders who have not yet tendered their shares may do so during a six-month period following the delisting. The purchase was treated as an equity transaction as required by SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)). Under SFAS No. 141(R), 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 three and six months ended June 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. The purchase price allocation is preliminary and is based on the information that was available as of the acquisition date. Management believes that the information provides a reasonable basis for allocating the purchase price, but the Company is awaiting additional information necessary to finalize the purchase price allocation. The fair values reflected in the consolidated financial statements may be adjusted, and such adjustments could be significant. The Company expects the purchase price allocation to be finalized as soon as possible but no later than one year from the acquisition date.

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.

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, the expected performance of the Perforomist® 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.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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 SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company included 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 SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. Dey is also considered a reporting unit under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). 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 SFAS No. 142 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 SFAS No. 142 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.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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 assumptions would 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. 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 amended 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	2,717,394	12.61
Options exercised	(143,319)	10.75

Options forfeited	(1,135,974)		14.35
Outstanding at June 30, 2009	24,861,142	$	15.09
Vested and expected to vest at June 30, 2009	23,624,165	$	15.13
Options exercisable at June 30, 2009	16,064,919	$	15.69

As of June 30, 2009, options outstanding, options vested and expected to vest, and options exercisable had average remaining contractual terms of 5.87 years, 5.74 years and 4.41 years, respectively. Also at June 30, 2009, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of $14.7 million, $14.0 million and $9.1 million, respectively.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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 June 30, 2009 and the changes during the six months ended June 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	863,069	12.73
Released	(515,751)	14.98
Forfeited	(144,300)	11.67
Nonvested at June 30, 2009	2,746,366	$ 13.05

As of June 30, 2009, the Company had $36.6 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 1.73 years. The total intrinsic value of stock-based awards exercised and restricted stock units converted during the six months ended June 30, 2009 and June 30, 2008 was $7.4 million and $1.5 million.

7. Balance Sheet Components

Selected balance sheet components consist of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Inventories:		
Raw materials	$ 269,809	$ 273,232
Work in process	160,320	157,473
Finished goods	646,959	635,285
	$ 1,077,088	$ 1,065,990
Property, plant and equipment:		
Land and improvements	$ 63,186	$ 56,945
Buildings and improvements	607,900	577,182
Machinery and equipment	1,074,891	1,012,748
Construction in progress	99,007	110,721

	1,844,984	1,757,596
Less accumulated depreciation	767,258	693,600
	$ 1,077,726	$ 1,063,996
Other current liabilities:		
Payroll and employee benefit plan accruals	$ 160,540	$ 181,316
Accrued rebates	259,012	238,886
Fair value of financial instruments	70,014	91,797
Legal and professional accruals	65,726	71,813
Restructuring reserves	62,285	75,100
Other	107,612	136,622
	$ 725,189	$ 795,534

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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

Basic earnings (loss) per common share is computed by dividing net earnings (loss) attributable to Mylan Inc. common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per common share is computed by dividing net earnings (loss) 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 our common stock, subject to anti-dilution adjustments, depending on the average stock price of our common stock over the 20 trading-day period ending on the third trading day prior to conversion. For the three and six months ended June 30, 2009, the if-converted method was anti-dilutive; therefore, the preferred stock conversion was excluded from the computation of diluted earnings per share. Under the provisions of the if-converted method, the preferred stock is assumed to be converted and included in the denominator and the preferred share dividend is added back to the numerator.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands, except per share amounts)			
Basic earnings (loss) attributable to Mylan Inc. common shareholders (numerator):				
Net earnings (loss) attributable to Mylan Inc. before preferred dividends	$ 92,870	$ 18,446	$ 198,929	$ (393,445)
Less: Preferred dividends	34,759	34,759	69,518	69,477
Net earnings (loss) attributable to Mylan Inc. common shareholders	$ 58,111	$ (16,313)	$ 129,411	$ (462,922)
Shares (denominator):				
Weighted average shares outstanding	304,991	304,284	304,784	304,233
Basic earnings (loss) per common share attributable to Mylan Inc.	$ 0.19	$ (0.05)	$ 0.42	$ (1.52)
Diluted earnings (loss) attributable to Mylan Inc. common shareholders (numerator):				
	$ 58,111	$ (16,313)	$ 129,411	$ (462,922)

Net earnings (loss) attributable to Mylan Inc. common shareholders				
Add: Preferred dividends				
Earnings (loss) attributable to Mylan Inc. common shareholders and assumed conversions	$ 58,111	$ (16,313)	$ 129,411	$ (462,922)
Shares (denominator):				
Stock-based awards	1,265		975	
Preferred stock conversion				
Total dilutive shares outstanding	306,256	304,284	305,759	304,233
Diluted earnings (loss) per common share attributable to Mylan Inc.	$ 0.19	$ (0.05)	$ 0.42	$ (1.52)

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

Additional stock options or restricted stock awards representing 18.7 million and 26.3 million shares were outstanding for the six months ended June 30, 2009 and 2008, but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive.

On July 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 August 17, 2009, to the holders of preferred stock of record as of August 1, 2009.

9. Goodwill and Intangible Assets

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

	Total (In thousands)
Goodwill balance at December 31, 2008	$ 3,161,580
Foreign currency translation	17,503
Goodwill balance at June 30, 2009	$ 3,179,083

Intangible assets consist of the following components:

	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(In thousands)		
June 30, 2009				
Amortized intangible assets:				
Patents and technologies	20	$ 118,926	$ 74,641	$ 44,285
Product rights and licenses	10	2,824,571	549,631	2,274,940
Other	8	161,552	51,433	110,119
		$ 3,105,049	$ 675,705	$ 2,429,344
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 classified within cost of sales on the Company s Condensed Consolidated Statements of Operations, for the six months ended June 30, 2009 and 2008 was $133.4 million and $155.2 million and is expected to be $139.6 million for the remainder of 2009, and $272.8 million, $267.1 million, $260.1 million and $253.9 million for 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.

Table of Contents

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 consolidated balance sheet. Any gains (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 ($1.06 billion) of borrowings under the Senior Credit Agreement that are designated as a hedge of our net investment in certain Euro-functional currency subsidiaries. In accordance with SFAS No. 52, *Foreign Currency Translation,* and SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), 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 other comprehensive loss 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 SFAS No. 133. 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 SFAS No. 133, 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 consolidated balance sheet. 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 consolidated statement of operations. As of June 30, 2009, the total notional amount of the Company s floating-rate debt interest rate swaps was $2.3 billion.

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 June 30, 2009, is $62.7 million. The Company is not subject to any obligations to post collateral under derivative contracts.

In September 2008, the Company issued $575.0 million 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 SFAS No. 133; however, because these instruments have been determined to be indexed to the Company s own stock (in accordance with the guidance of EITF Issue No. 01-6, *The Meaning of Indexed to a Company s Own Stock*, and have been recorded in shareholders equity in the Company s Condensed Consolidated Balance Sheet (as determined by

EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock* and EITF No. 07-05, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity s Own Stock*)), the instruments are exempt from the scope of SFAS No. 133 and are not subject to the fair value provisions of that standard.

The Company s most significant credit exposure arises from the convertible note hedge on our Cash Convertible Notes. At June 30, 2009, the bond hedge had a total fair value of $258.2 million, which reflects the maximum loss that would be incurred should the parties fail to perform according to the terms of the contract.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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 specified thresholds. Eligible collateral is comprised of a wide range of financial securities with a valuation 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 SFAS No. 133
Fair Values of Derivative Instruments

	Liability Derivatives			
	June 30, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In thousands)		
Interest rate swaps	Other current liabilities	$ 62,742	Other current liabilities	$ 72,395
Foreign currency borrowings	Long-term debt	1,059,153	Long-term debt	1,128,267
Total		$ 1,121,895		$ 1,200,662

Derivatives Not Designated as Hedging Instruments under SFAS No. 133
Fair Values of Derivative Instruments

	Asset Derivatives			
	June 30, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In thousands)		
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 3,952	Prepaid expenses and other current assets	$ 14,632
Purchased cash convertible note hedge	Other assets	258,175	Other assets	235,750
Total		$ 262,127		$ 250,382

	Liability Derivatives	
	June 30, 2009	

		Fair	December 31, 2008	
	Balance Sheet Location	**Value**	**Balance Sheet Location**	**Fair Value**
		(In thousands)		
Foreign currency forward contracts	Other current liabilities	$ 7,912	Other current liabilities	$ 19,402
Cash conversion feature of Cash Convertible Notes	Long-term debt	258,175	Long-term debt	235,750
Total		$ 266,087		$ 255,152

Table of Contents

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 June 30, 2009
Derivatives in SFAS No. 133 Cash Flow Hedging Relationships

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)
		(In thousands)	
Interest rate swaps	$ 6,039	Interest expense	$ (11,190)
Total	$ 6,039	**Total**	$ (11,190)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2009
Derivatives in SFAS No. 133 Cash Flow Hedging Relationships

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)
		(In thousands)	
Interest rate swaps	$ 6,049	Interest expense	$ (20,370)
Total	$ 6,049	**Total**	$ (20,370)

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

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Three Months Ended June 30, 2009 Derivatives in SFAS No. 133 Net Investment Hedging Relationships

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) (In thousands)
Foreign currency borrowings	$ (35,745)
Total	$ (35,745)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2009 Derivatives in SFAS No. 133 Net Investment Hedging Relationships

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) (In thousands)
Foreign currency borrowings	$ (2,450)
Total	$ (2,450)

Table of Contents

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 six months ended June 30, 2009.

The Effect of Derivative Instruments on the Consolidated Statement of Operations for the Three Months Ended June 30, 2009 Derivatives Not Designated as Hedging Instruments under SFAS No. 133

	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives
		(In thousands)
Foreign currency forward contracts	Other income, net	$ (10,462)
Cash conversion feature of Cash Convertible Notes	Other income, net	55,925
Purchased cash convertible note hedge	Other income, net	(55,925)
Total		$ (10,462)

The Effect of Derivative Instruments on the Consolidated Consolidated Statement of Operations for the Six Months Ended June 30, 2009 Derivatives Not Designated as Hedging Instruments under SFAS No. 133

	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives
		(In thousands)
Foreign currency forward contracts	Other income, net	$ (2,542)
Cash conversion feature of Cash Convertible Notes	Other income, net	(22,425)
Purchased cash convertible note hedge	Other income, net	22,425
Total		$ (2,542)

Fair Value Measurement

As defined in SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, SFAS No. 157 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.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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

Financial Assets

	Level 1	Level 2	Level 3[2]	Total
		(In thousands)		
Available-for-sale fixed income investments	$	$ 28,623	$	$ 28,623
Available-for-sale equity securities	1,494			1,494
Foreign exchange derivative assets		3,952		3,952
Purchased cash convertible note hedge		258,175		258,175
Total assets at fair value[1]	$ 1,494	$ 290,750	$	$ 292,244

Financial Liabilities

	Level 1	Level 2	Level 3	Total
		(In thousands)		
Foreign exchange derivative liabilities	$	$ 7,912	$	$ 7,912
Interest rate swap derivative liabilities		62,742		62,742
Cash conversion feature of cash convertible notes		258,175		258,175
Total liabilities at fair value[1]	$	$ 328,829	$	$ 328,829

(1) The Company chose not to elect the fair value option as prescribed by SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115,* 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.

(2) During the three months ended June 30, 2009, the auction rate securities were redeemed at par; therefore, Level 3 financial assets decreased $9.1 million from December 31, 2008 to June 30, 2009.

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 yield curve at the reporting date. Counterparties to these contracts are highly rated financial institutions, none of which experienced any significant downgrades during the six months ended June 30, 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 six months ended June 30, 2009 that would reduce the receivable amount owed, if any, to the Company.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

Cash Conversion Feature of Cash Convertible Notes and Purchased Convertible Note Hedge valued using quoted prices for the Company s cash convertible notes, its implied volatility and the quoted yield on the Company s other long-term debt at the reporting date. Counterparties to the Purchased Convertible Note Hedge are highly rated financial institutions, none of which experienced any significant downgrades during the six months ended June 30, 2009, that would reduce the receivable amount owed, if any, to the Company.

11. Long-Term Debt

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

	June 30, 2009	December 31, 2008
	(In thousands)	
U.S. Tranche A Term Loans(A)	$ 218,750	$ 265,625
Euro Tranche A Term Loans(A)	344,316	413,684
U.S. Tranche B Term Loans(A)	2,479,320	2,504,880
Euro Tranche B Term Loans(A)	714,837	714,583
Senior Convertible Notes(B)	525,814	513,518
Cash Convertible Notes(C)	685,562	655,442
Other	13,082	14,586
	4,981,681	5,082,318
Less: Current portion	3,392	3,381
Total long-term debt	$ 4,978,289	$ 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 June 30, 2009, the $525.8 million of debt is net of a $74.2 million discount. During the three and six months ended June 30, 2009, the Company recognized non-cash interest expense of $6.3 million and $12.3 million in the Condensed Consolidated Statements of Operations. At December 31, 2008, the $513.5 million of debt is net of a $86.5 million discount.

(C) At June 30, 2009, the $685.6 million consists of $427.4 million of debt ($575.0 million face amount, net of $147.6 million discount) and the bifurcated conversion feature with a fair value of $258.2 million recorded as a

liability within long-term debt in the Condensed Consolidated Balance Sheet at June 30, 2009. The purchased call options are assets recorded at their fair value of $258.2 million within other assets in the Condensed Consolidated Balance Sheet at June 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 $235.8 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 $235.8 million within other assets in the Condensed Consolidated Balance Sheet at December 31, 2008.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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

	June 30, 2009		
	Outstanding	Basis	Rate
	(Dollars in thousands)		
U.S. Tranche A Term Loans	$ 218,750	LIBOR + 2.75%	3.06%
Euro Tranche A Term Loans	$ 344,316	EURIBO + 2.75%	3.53%
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%	3.56%
Total U.S. Tranche B Term Loans	$ 2,479,320		
Euro Tranche B Term Loans			
Swapped to Fixed Rate March 2011[1]	$ 280,741	Fixed	5.38%
Floating Rate	434,096	EURIBO + 3.25%	4.03%
Total Euro Tranche B Term Loans	$ 714,837		

	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 January 2011

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

At June 30, 2009 and December 31, 2008, the fair value of the Senior Convertible Notes was approximately $517.8 million and $444.0 million. At June 30, 2009 and December 31, 2008, the fair value of the Cash Convertible Notes was approximately $648.6 million and $524.4 million.

At June 30, 2009 and December 31, 2008, the Company had $94.9 million and $83.6 million in letters of credit outstanding.

Table of Contents

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 June 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	98,376	25,560	7,369			193,805
2012	78,125	122,970	25,560	7,369	600,000		834,024
2013	78,125	122,970	25,560	7,369			234,024
2014			2,402,640	692,730			3,095,370
Thereafter						575,000	575,000
Total	$ 218,750	$ 344,316	$ 2,479,320	$ 714,837	$ 600,000	$ 575,000	$ 4,932,223

12. Comprehensive Earnings (Loss)

Comprehensive earnings (loss) consists of the following:

	Three Months Ended June 30,			
	2009		2008	
	(In thousands)			
Net earnings		$ 95,671		$ 18,374
Other comprehensive earnings (loss), net of tax:				
Foreign currency translation adjustments		322,222		(56,537)
Change in unrecognized gains and prior service cost related to post-retirement plans		281		388
Net unrecognized gain on derivatives		6,039		29,388
Unrealized gains (losses) on available-for-sale securities				
Net unrealized gains (losses) on available-for-sale securities	226		(317)	
Reclassification for gains included in net earnings	45	271	40	(277)
Total other comprehensive earnings (loss), net of tax:		328,813		(27,038)

Comprehensive earnings (loss)	424,484	(8,664)
Comprehensive (earnings) loss attributable to the noncontrolling interest	(2,962)	206
Comprehensive earnings (loss) attributable to Mylan Inc.	$ 421,522	$ (8,458)

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

	Six Months Ended June 30,			
	2009		2008	
	(In thousands)			
Net earnings (loss)		$ 204,745		$ (395,559)
Other comprehensive earnings, net of tax:				
Foreign currency translation adjustments		103,293		164,828
Change in unrecognized gains and prior service cost related to post-retirement plans		220		777
Net unrecognized gain on derivatives		6,049		4,623
Unrealized gains on available-for-sale securities				
Net unrealized gains on available-for-sale securities	378		78	
Reclassification for gains included in net earnings	161	539	66	144
Total other comprehensive earnings, net of tax:		110,101		170,372
Comprehensive earnings (loss)		314,846		(225,187)
Comprehensive (earnings) loss attributable to the noncontrolling interest		(5,865)		2,248
Comprehensive earnings (loss) attributable to Mylan Inc.		$ 308,981		$ (222,939)

Accumulated other comprehensive loss, as reflected on the balance sheet, is comprised of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Net unrealized gain in available-for-sale securities	$ 630	$ 91
Change in unrecognized losses and prior service cost related to post-retirement plans	(8,764)	(8,984)
Net unrecognized losses on derivatives	(39,366)	(45,415)
Foreign currency translation adjustments	(223,250)	(326,494)
Accumulated other comprehensive loss	$ (270,750)	$ (380,802)

13. Segment Information

Mylan has three reportable segments, the Generics Segment, the Specialty Segment and the Matrix Segment . The Generics Segment primarily develops, manufactures, sells and distributes generic or branded generic pharmaceutical

products in tablet, capsule or transdermal patch form. The Specialty Segment engages mainly in the manufacture and sale of branded specialty nebulized and injectable products. The Matrix Segment engages mainly in the manufacture and sale of active pharmaceutical ingredients (API) and finished dosage form (FDF) pharmaceutical products in tablet and capsule form and the distribution of certain branded generic 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, Specialty, and Matrix Segments, segment profitability represents 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, 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 excluded from segment profitability. 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

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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 June 30, 2009	Generics Segment	Specialty Segment	Matrix Segment	Corporate/ Other[1]	Consolidated
			(In thousands)		
Total revenues					
Third party	$ 1,027,331	$ 122,776	$ 116,870	$	$ 1,266,977
Intersegment	1,638	7,090	16,605	(25,333)	
Total	$ 1,028,969	$ 129,866	$ 133,475	$ (25,333)	$ 1,266,977
Segment profitability	$ 309,884	$ 29,795	$ 10,899	$ (175,865)	$ 174,713

Six Months Ended June 30, 2009	Generics Segment	Specialty Segment	Matrix Segment	Corporate/ Other[1]	Consolidated
			(In thousands)		
Total revenues					
Third party	$ 2,055,222	$ 202,172	$ 219,499	$	$ 2,476,893
Intersegment	1,651	11,420	39,938	(53,009)	
Total	$ 2,056,873	$ 213,592	$ 259,437	$ (53,009)	$ 2,476,893
Segment profitability	$ 666,491	$ 31,695	$ 33,638	$ (329,770)	$ 402,054

Three Months Ended June 30, 2008	Generics Segment	Specialty Segment	Matrix Segment	Corporate/ Other[1]	Consolidated
			(In thousands)		
Total revenues					
Third party	$ 982,783	$ 105,899	$ 104,648	$ 9,792	$ 1,203,122
Intersegment	345	10,068	14,190	(24,603)	

Total	$ 983,128	$ 115,967	$ 118,838	$ (14,811)	$ 1,203,122
Segment profitability	$ 226,291	$ 19,690	$ 6,334	$ (178,315)	$ 74,000

Six Months Ended June 30, 2008	Generics Segment	Specialty Segment	Matrix Segment	Corporate/ Other[1]	Consolidated
			(In thousands)		
Total revenues					
Third party	$ 1,889,211	$ 183,037	$ 192,278	$ 13,056	$ 2,277,582
Intersegment	602	22,397	29,977	(52,976)	
Total	$ 1,889,813	$ 205,434	$ 222,255	$ (39,920)	$ 2,277,582
Segment profitability	$ 419,187	$ 22,219	$ 9,952	$ (748,894)	$ (297,536)

(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 three months ended June 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.

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

14. Restructuring

Included in other current liabilities in the Company s Condensed Consolidated Balance Sheet as of June 30, 2009, are restructuring reserves totaling $62.3 million. Of this amount, $44.2 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 six months ended June 30, 2009, payments of $8.5 million were made against the reserve, of which $3.4 million were severance costs and the remaining $5.1 million were other exit costs. In addition, during the six months ended June 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 $23.2 million relates to additional severance and related costs, $17.7 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 $18.1 million remains at June 30, 2009. During the six months ended June 30, 2009, the Company recorded restructuring charges of approximately $13.5 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 six months, primarily related to severance, amounted to approximately $3.5 million. Of the accrual balance at June 30, 2009, $6.2 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 June 30, 2009 is expected to occur over the next two to three years.

15. Shareholders Equity

A summary of the change in shareholders equity for the six months ended June 30, 2009 and 2008 is as follows:

(In thousands)	Total Mylan Inc. Shareholders Equity	Noncontrolling Interest	Total
December 31, 2008	$ 2,757,733	$ 29,108	$ 2,786,841
Net income	198,929	5,816	204,745

Purchase of subsidiary shares from noncontrolling interest			(19,299)	(19,299)
Other comprehensive income		110,052	49	110,101
Dividends paid on preferred stock		(69,518)		(69,518)
Stock option activity		1,417		1,417
Stock compensation expense		14,652		14,652
Impact on additional paid-in capital of equity transaction		(115,210)		(115,210)
Other		(2,002)	561	(1,441)
June 30, 2009	$	2,896,053	$ 16,235	$ 2,912,288

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

(In thousands)	Total Mylan Inc. Shareholders Equity	Noncontrolling Interest	Total
December 31, 2007	$ 3,464,241	$ 34,325	$ 3,498,566
Net loss	(393,445)	(2,114)	(395,559)
Other comprehensive income	170,506	(134)	170,372
Dividends paid on preferred stock	(67,977)		(67,977)
Stock option activity	633		633
Stock compensation expense	15,579		15,579
Other	1,831	(453)	1,378
June 30, 2008	$ 3,191,368	$ 31,624	$ 3,222,992

16. 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 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, 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. The appeals have been held in abeyance pending a ruling on the motion for prejudgment interest. 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 June 30, 2009) and an irrevocable letter of credit for $34.5 million issued under the Senior Credit Agreement. On October 27, 2008, a U.S. magistrate judge issued a report recommending the granting of plaintiffs motion for prejudgment interest. The report also recommends requiring the surety bond amount to be increased to include prejudgment interest. Mylan submitted objections to the magistrate judge s recommendations and on July 16, 2009, the district court entered an order adopting the

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

magistrate judge s report in full. 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.

Pricing and Medicaid Litigation

On June 26, 2003, MPI and UDL Laboratories Inc. (UDL) received requests from the U.S. House of Representatives Energy and Commerce Committee (the Committee) seeking information about certain products sold by MPI and UDL in connection with the Committee s investigation into pharmaceutical reimbursement and rebates under Medicaid. MPI and UDL cooperated with this inquiry and provided information in response to the Committee s requests in 2003. Several states attorneys general (AG) have also sent letters to MPI, UDL and Mylan Bertek Pharmaceuticals Inc., demanding that those companies retain documents relating to Medicaid reimbursement and rebate calculations pending the outcome of unspecified investigations by those AGs into such matters. In addition, in July 2004, Mylan received subpoenas from the AGs of California and Florida in connection with civil investigations purportedly related to price reporting and marketing practices regarding various drugs. As noted below, both California and Florida subsequently filed suits against Mylan, and the Company believes any further requests for information and disclosures will be made as part of that litigation.

Beginning in September 2003, Mylan, MPI and/or UDL, together with many other pharmaceutical companies, have been named in civil lawsuits filed by state 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. In each of these matters Mylan, MPI and/or UDL have either moved to dismiss the complaints or have answered the complaints denying liability. Mylan and its subsidiaries 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 has moved to dismiss the complaint and intends 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 involves whether MPI and UDL may have violated the False Claims Act or other laws by classifying certain authorized generics launched in the 1990 s and early

2000 s as non-innovator rather than innovator drugs for purposes of Medicaid and other federal healthcare programs until 2005. MPI and UDL deny the government s allegations and deny that they engaged in any wrongful conduct. Based on the Company s understanding of the government s allegations, the alleged difference in rebates for the MPI and UDL products currently at issue may be up to approximately $100.0 million, which includes interest. Remedies under the False Claims Act could include treble damages and penalties. MPI and UDL have been cooperating fully with the government s investigation and are currently in discussions with the government about a possible resolution of the matter. Additionally, the Company believes that it has contractual and other rights to

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

recover from the innovator a substantial portion of any payments that MPI and UDL may remit to the government. The Company has not recorded any amounts in the consolidated financial statements related to this matter.

Dey is a defendant currently in lawsuits brought by the state AGs of Arizona, California, Florida, Illinois, Iowa, Kansas, Kentucky, Pennsylvania, South Carolina (on behalf of the state and the state health plan), Utah and Wisconsin and 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 most 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. 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 $115.6 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 $115.6 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, with the exception of the third-party payor action, in which Mylan s response to the complaint is not due until the motions filed in the other cases have been decided. 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.

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

Table of Contents

MYLAN INC. AND SUBSIDIARIES

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

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, approximately 578 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 our financial position and results of operations.

Pioglitazone

On February 21, 2006, a district court in the United States 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. 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. Although the required amounts were paid in 2009, Mylan and Alphapharm/Genpharm continue to challenge the exceptional case findings and have filed petitions for writ of certiorari with the United States Supreme Court.

EU Commission Proceedings

On or around July 3, 2009, the European Commission stated that it had initiated 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. The 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. Matrix is cooperating with the Commission in connection with the investigation. Matrix had previously received a request for information from the Commission in January 2009 relating to a 2005 settlement agreement with Servier.

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.

17. Subsequent Events

Management evaluated all activity of Mylan through July 31, 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.

Table of Contents

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 controlling interest in Matrix Laboratories Limited (Matrix), Mylan has direct access to 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 has three reportable segments: Generics, Specialty and Matrix, as determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information*. 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.

Acquisition of the Remaining Interest in Matrix Laboratories Limited

On March 26, 2009, the Company announced its 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. As of June 30, 2009, the Company completed the purchase of approximately 19% of the remaining interest from the minority shareholders of Matrix for cash of approximately $134.5 million, bringing the Company s total ownership to approximately 90% and control to approximately 95% of its voting rights. On July 31, 2009, the Company received notice of approval of the delisting application. Matrix s stock will be suspended from trading on the Bombay and National Stock Exchanges effective August 14, 2009 and will be delisted effective August 21, 2009. Minority shareholders who have not yet tendered their shares may do so during a six-month period following the

Table of Contents

delisting. The purchase was treated as an equity transaction as required by SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)). Under SFAS No. 141(R), 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 three and six months ended June 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. The purchase price allocation is preliminary and is based on the information that was available as of the acquisition date. Management believes that the information provides a reasonable basis for allocating the purchase price, but the Company is awaiting additional information necessary to finalize the purchase price allocation. The fair values reflected in the consolidated financial statements may be adjusted, and such adjustments could be significant. The Company expects the purchase price allocation to be finalized as soon as possible but no later than one year from the acquisition date.

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 June 30, 2009, included total revenues of $1.27 billion compared to $1.20 billion for the three months ended June 30, 2008. This represents an increase in revenues of $63.9 million. Consolidated gross profit for the current quarter was $527.8 million compared to $414.2 million in the same prior year period, an increase of 27.4%. For the current quarter, operating earnings of $174.7 million were realized compared to $74.0 million for the three months ended June 30, 2008.

The net earnings attributable to Mylan Inc. common shareholders for the three months ended June 30, 2009 was $58.1 million, which translates into earnings per diluted share of $0.19. In the same prior year period, the net loss attributable to Mylan Inc. common shareholders was $16.3 million, which translates into a loss per diluted share of $0.05. A more detailed discussion of the Company s financial results can be found below in the section titled Results

of Operations .

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

Table of Contents

of $70.1 million (pre-tax) during the three months ended June 30, 2009, compared to $112.1 million (pre-tax) in the comparable prior year period.

Mylan s financial results for the six months ended June 30, 2009, include total revenues of $2.48 billion compared to $2.28 billion for the six months ended June 30, 2008. This represents an increase in revenues of $199.3 million. Consolidated gross profit for the six months ended June 30, 2009 was $1.05 billion compared to $764.4 million in the same prior year period, an increase of 37.8%. For the six months ended June 30, 2009, operating earnings of $402.1 million was realized compared to an operating loss of $297.5 million for the same prior year period.

The net earnings attributable to Mylan Inc. common shareholders for the six months ended June 30, 2009 was $129.4 million, which translates into earnings per diluted share of $0.42. In the same prior year period, the net loss attributable to Mylan Inc. common shareholders was $462.9 million, which translates into a loss per diluted share of $1.52. A more detailed discussion of the Company s financial results can be found below in the section titled Results of Operations .

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 $139.1 million (pre-tax) during the six months ended June 30, 2009, compared to $230.2 million (pre-tax) in the comparable prior year period;

A non-cash impairment loss on the goodwill of the Specialty Segment of $385.0 million (pre-tax and after-tax) recorded during the three months ended March 31, 2008.

Results of Operations

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

Total Revenues and Gross Profit

For the current quarter, Mylan reported total revenues of $1.27 billion compared to $1.20 billion in the comparable prior year period. This represents an increase of $63.9 million or 5.3%. Net revenues increased $68.5 million, while other revenues decreased $4.7 million. The increase in net revenues is due to higher third-party sales in all three of the Company s segments. The Generics Segment accounted for the majority of the increase ($41.9 million) followed by the Specialty Segment ($15.8 million) and the Matrix Segment ($10.9 million). Foreign exchange translation had an unfavorable impact on total 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, Australia and India. On a constant currency basis, total revenues increased by approximately 13%. See below for a more detailed discussion of each segment.

Gross profit for the three months ended June 30, 2009 was $527.8 million, and gross margins were 41.7%. For the three months ended June 30, 2008, gross profit was $414.2 million, and gross margins were 34.4%. Gross profit for the current quarter is impacted by certain purchase accounting related items recorded during the three months ended June 30, 2009, of approximately $70.1 million, 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, gross margins would have been approximately 47.2%. Prior year gross profit is also impacted by similar purchase accounting related items in the amount of $112.1 million. Excluding such items, gross margins in the prior year would have been approximately 43.7%. Margin improvement was realized by each of the

Company s segments, with the most significant increase due primarily to the contribution from products launched in North America subsequent to June 30, 2008. In the first quarter of 2009, Mylan launched divalproex sodium extended-release (divalproex ER) tablets, the generic version of Abbott Laboratories Depakote® ER. Products generally contribute most significantly to gross margin at the time of their launch, when there is limited generic competition and even more so in periods of market exclusivity, as was the case with divalproex ER for the quarter ended June 30, 2009.

Table of Contents

Generics Segment

For the current quarter, the Generics Segment reported total revenues of $1.03 billion. 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 and New Zealand (collectively, Asia Pacific).

Total revenues from North America were $533.3 million for the three-month period ended June 30, 2009, compared to $452.0 million for the three months ended June 30, 2008, an increase of $81.3 million or 18.0%. This increase is the result of revenue from products launched subsequent to June 30, 2008, and favorable volume, partially offset by unfavorable pricing. New products contributed net revenues of $112.2 million, the majority of which was divalproex ER.

Fentanyl, Mylan s AB-rated generic alternative to Duragesic®, 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 continue to have an unfavorable impact on pricing and market share.

Total revenues from EMEA were $367.8 million for the three-month period ended June 30, 2009, compared to $389.8 million for the comparable prior year period. On a constant currency basis, EMEA revenues increased by approximately 10%.

Within EMEA, approximately 70% of net revenues are derived from the three largest markets: France, the U.K. and Germany. Revenues in France increased as a result of new product launches and higher volumes. Revenues in the U.K. increased over the same period in the prior year which was negatively impacted by excess supply in the market. These increases served to offset lower revenues 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 negative impact on sales and gross profit in these markets. The German market is one that has begun to implement tender systems. Current quarter revenues in Germany 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. Also contributing to EMEA s total revenues in the current quarter are sales from the Central and Eastern European businesses acquired in June 2008.

Total revenues from Asia Pacific were $127.9 million for the three-month period ended June 30, 2009, compared to $141.4 million for the three months ended June 30, 2008, representing a decrease of $13.5 million or 9.5%. The majority of revenues from Asia Pacific are contributed by Alphapharm, Mylan s Australian subsidiary, with the remainder comprised of sales in Japan and New Zealand.

On a constant currency basis, Asia Pacific revenues increased slightly. This increase is a result of increased volumes and new product launches in Australia, partially offset by unfavorable pricing which resulted from the government mandated pricing reform that took place in Australia in July of 2008. Additionally, revenues contributed by Mylan s Japanese subsidiary increased, driven by certain pro-generic measures implemented by the Japanese government and new product launches.

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 June 30, 2009, the segment profitability for the Generics Segment was $309.9 million compared to $226.3 million in the prior year comparable period. This increase is the result of higher revenues and gross profit, mainly from North America, as well as lower R&D expense as discussed below.

Table of Contents

Specialty Segment

For the current quarter, the Specialty Segment reported total revenues of $129.9 million, of which $122.8 million represented third-party sales, compared to total revenues of $116.0 million in the same prior year period, of which $105.9 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 EpiPen®, an epinephrine auto-injector, which is used in the treatment of severe allergies. EpiPen is the number one prescribed treatment for severe allergic reactions with a U.S market share of over 95%.

In addition to the continued strong sales of EpiPen, 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.

Segment profitability for the current quarter was $29.8 million compared to $19.7 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.

Matrix Segment

For the three months ended June 30, 2009, the Matrix Segment reported total revenues of $133.5 million, of which $116.9 million represented third-party sales compared to total revenues of $118.8 million, of which $104.6 million represented third party sales, during the prior year comparable period. Approximately 50% of the Matrix Segment s third-party net revenues are derived from the sale of API and intermediates, and approximately 13% comes from its distribution business in Europe. The majority of the remainder came from sales of Matrix s finished dose form (FDF) anti-retroviral (ARV) products, which was the primary driver of the increase in sales. Matrix launched its FDF business in late calendar year 2007. The 11.8% increase in third-party revenues is primarily due to higher revenue from the sale of first-line ARV FDF products. On a constant currency basis, the increase in third-party sales would have been approximately 29%.

In addition to third party net revenue, Matrix realized other revenue of $12.9 million in the current quarter through intersegment product development agreements compared to $11.3 million in the same prior year period. Intersegment net revenue consists of API sales to the Generics Segment primarily in conjunction with Mylan s vertical integration strategy.

Segment profitability for the Matrix Segment for the current quarter was $10.9 million compared to $6.3 million in the comparable three-month period. This increase is the result of increased revenue and gross profit, including the intersegment development agreements discussed previously, partially offset by increased R&D spending.

Operating Expenses

R&D expense for the three months ended June 30, 2009, was $74.0 million compared to $80.8 million in the same prior year period, a decrease of $6.8 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. Additionally, R&D expense was favorably impacted by foreign currency fluctuations and the timing of certain 2009 development projects. 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 three months ended June 30, 2009.

SG&A expense for the current quarter was $279.0 million compared to $259.5 million for the same period in the prior year, an increase of $19.5 million. This increase was primarily recognized by Corporate/Other. The increase in Corporate/Other SG&A expense is due primarily to higher payroll and payroll related costs and increased legal and consulting costs, including those associated with the purchase, during the quarter, of additional shares in Matrix. The increase in payroll and payroll related costs includes increased headcount as the Company expanded its corporate infrastructure following the acquisition of the former Merck Generics business. Partially

Table of Contents

offsetting these items are lower integration costs, which were much more significant in the prior year, and the favorable impact of foreign currency fluctuations.

Interest Expense

Interest expense for the three months ended June 30, 2009, totaled $78.2 million compared to $92.4 million for the three months ended June 30, 2008. The decrease is due to the reduction of our 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 $25.3 million in the current quarter compared to $7.9 million in the comparable three-month period. The increase is primarily due to a favorable adjustment 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 between Matrix and Aspen Pharmacare Holdings Limited (Aspen).

Income Tax Expense

The Company recorded a provision for income tax of $26.2 million for the three-month period ending June 30, 2009 compared to a benefit of $28.9 million in the comparable prior year quarter. The fluctuation is due to the deductibility of certain foreign attributes and changes in unrecognized losses of certain foreign subsidiaries.

Six Months Ended June 30, 2009, Compared to Six Months Ended June 30, 2008

Total Revenues and Gross Profit

For the six months ended June 30, 2009, Mylan reported total revenues of $2.48 billion compared to $2.28 billion in the same prior year period. This represents an increase of $199.3 million or 8.8%. Net revenues increased $174.5 million, while other revenues increased $24.8 million. The increase in net revenues is due to higher third-party sales in all three of the Company s segments. The Generics Segment accounted for the majority of the increase ($131.3 million) followed by the Matrix Segment ($25.2 million) and the Specialty Segment ($18.0 million). On a constant currency basis, total revenues increased by approximately 17%. See below for a more detailed discussion of each segment.

The increase in other revenues in the six-month period was the result of approximately $26.0 million of incremental revenue 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 six months ended June 30, 2009 was $1.05 billion, and gross margins were 42.5%. For the six months ended June 30, 2008, gross profit was $764.4 million, and gross margins were 33.6%. Gross profit for the current year to date period is impacted by certain purchase accounting related items recorded during the six months ended June 30, 2009, of approximately $139.1 million, 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, gross margins would have been approximately 48.1%. Prior year gross profit is also impacted by similar purchase accounting related items in the amount of $230.2 million. Excluding such items, gross margins in the prior year would have been approximately 43.7%. The increase in gross margins excluding purchase accounting related items is due primarily to the launch of new products in North America.

Generics Segment

For the six months ended June 30, 2009, the Generics Segment reported total revenues of $2.06 billion. Total revenues from North America were $1.12 billion for the six-month period ended June 30, 2009, compared to $840.8 million for the six months ended June 30, 2008. Included in total revenues are other revenues of $43.5 million in the current year compared to $10.0 million in the prior year. This increase is the result of approximately $26.0 million of incremental revenue resulting from the cancellation of product development agreements.

Table of Contents

North America net revenues were $1.08 billion in the six-month period compared to $830.9 million in the prior year, an increase of $245.0 million or 29.5%. This increase is the result of revenue from new products and favorable volume, partially offset by unfavorable pricing. New products contributed net revenues of $250.1 million, the majority of which was divalproex ER.

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 $700.6 million for the six-month period ended June 30, 2009, compared to $778.7 million 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 new product launches, and a full six months of revenue contribution from the Central and Eastern European businesses served to offset lower revenues brought about by continued pricing pressures in certain European markets such as Germany and Portugal. 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 $236.9 million for the six-month period ended June 30, 2009, compared to $270.2 million for the six months ended June 30, 2008, representing a decrease of $33.3 million or 12.3%. On a constant currency basis, Asia Pacific sales declined by less than 1%, primarily as a result of the government mandated pricing reform that took place in Australia in calendar year 2008. This decrease in revenues at Alphapharm was partially offset by an increase in revenues at Mylan s Japanese subsidiary, driven by certain pro-generic measures implemented by the Japanese government.

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 six months ended June 30, 2009, the segment profitability for the Generics Segment was $666.5 million compared to $419.2 million in the prior year comparable period. This increase is the result of higher revenues and gross profit, mainly from North America, as well as lower operating expenses, primarily R&D as discussed below.

Specialty Segment

For the six months ended June 30, 2009, the Specialty Segment reported total revenues of $213.6 million, of which $202.2 million represented third-party sales, compared to total revenues of $205.4 million in the same prior year period, of which $183.0 million represented third-party sales. EpiPen continued to be the most significant contributor to Specialty Segment revenues and profitability .

Increased sales of EpiPen and Perforomist 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 six months ended June 30, 2009 was $31.7 million compared to $22.2 million in the comparable six-month period. This increase is the result of higher gross profit as well as lower operating expenses.

Table of Contents

Matrix Segment

For the six months ended June 30, 2009, the Matrix Segment reported total revenues of $259.4 million, of which $219.5 million represented third-party sales compared to total revenues of $222.3 million, of which $192.3 million represented third party sales, during the prior year comparable period. The 14.2% increase in third-party revenues is due primarily to the higher revenue from the sale of first-line ARV FDF products. On a constant currency basis, third-party sales increased by approximately 35%.

In addition to third party net revenue, Matrix realized other revenue of $33.1 million in the six months ended June 30, 2009 through intersegment product development agreements compared to $23.0 million in the same prior year period. Intersegment net revenue consists of API sales to the Generics Segment primarily in conjunction with Mylan s vertical integration strategy.

Segment profitability for the Matrix Segment for six months ended June 30, 2009 was $33.6 million compared to $10.0 million in the comparable six-month period. This increase is the result of increased revenue and gross profit, including the intersegment development agreements discussed above.

Operating Expenses

R&D expense for the six months ended June 30, 2009, was $132.9 million compared to $164.6 million in the same prior year period, a decrease of $31.7 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. Additionally, R&D expense was favorably impacted by foreign currency fluctuations. 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 six months ended June 30, 2009.

SG&A expense for the six months ended June 30, 2009 was $518.6 million compared to $512.4 million for the same period in the prior year, an increase of $6.2 million. This increase was the result of higher Corporate/Other SG&A expense as lower costs were realized by each of the segments, mainly as a result of the favorable impact of foreign exchange. The increase in Corporate/Other SG&A expense is due primarily to an increase in professional and consulting fees as well as higher payroll and payroll related costs.

Interest Expense

Interest expense for the six months ended June 30, 2009, totaled $163.2 million compared to $188.9 million for the six months ended June 30, 2008. The decrease is due to the reduction of our 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 $29.5 million in the current six-month period compared to $14.8 million in the comparable six-month period. The increase is primarily due to a favorable adjustment 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 between Matrix and Aspen.

Income Tax Expense

The Company recorded income tax expense of $63.6 million for the six-month period ending June 30, 2009 compared to a benefit of $76.0 million in the comparable prior year period. The fluctuation in the tax provision is due to the deductibility of certain foreign attributes and changes in unrecognized losses of certain foreign subsidiaries. In the six-month period ending June 30, 2008, a pre-tax operating loss was offset by the non-deductible goodwill impairment charge related to Dey.

Table of Contents

Liquidity and Capital Resources

Cash flows from operating activities were $336.2 million for the six months ended June 30, 2009. The amount consists primarily of net earnings and non-cash addbacks for depreciation and amortization, partially offset by a decrease in cash from net changes in operating assets and liabilities.

Cash used in investing activities for the six months ended June 30, 2009 was $206.3 million, consisting primarily of $134.5 million which was spent to acquire additional shares of Matrix and $38.9 million which was used to acquire the additional 50% interest in the Astrix joint venture. 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 within investing activities, capital expenditures of $53.0 million were incurred primarily for equipment, including with respect to the Company s previously announced planned expansions and integration plans with respect to the acquisition of the former Merck Generics business.

Cash used in financing activities was $259.0 million for the six months ended June 30, 2009. Cash dividends of $69.5 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 $172.2 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 our financial position or results of operations.

The Company s Condensed Consolidated Balance Sheet as of June 30, 2009 includes restructuring reserves of $62.3 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.

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, 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 June 30, 2009 and December 31, 2008, the Company had $94.9 million and $83.6 million in letters of credit outstanding.

Table of Contents

Mandatory minimum repayments remaining on the outstanding borrowings under the term loans and convertible notes at June 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	98,376	25,560	7,369			193,805
2012	78,125	122,970	25,560	7,369	600,000		834,024
2013	78,125	122,970	25,560	7,369			234,024
2014			2,402,640	692,730			3,095,370
Thereafter						575,000	575,000
Total	$ 218,750	$ 344,316	$ 2,479,320	$ 714,837	$ 600,000	$ 575,000	$ 4,932,223

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (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* (SFAS No. 168). SFAS No. 168 establishes the *FASB Accounting Standards Codification™* (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. SFAS No. 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. When effective, the Codification will supersede all existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. Following SFAS No. 168, 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 adoption of SFAS No. 168 will not have a material impact on the Company s Condensed Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets an amendment of SFAS No. 140* (SFAS No. 166). SFAS No. 166 is a revision to FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* 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. SFAS No. 166 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. SFAS No. 166 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 SFAS No. 166.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 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. SFAS No. 165 is effective for interim or annual periods ending after June 15, 2009 and will be applied prospectively. The Company adopted the requirements of this standard for the quarter ended June 30, 2009. The

Table of Contents

adoption of SFAS No. 165 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP No. FAS 115-2 and FAS 124-2). FSP No. FAS 115-2 and FAS 124-2 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*, 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 FSP No. FAS 115-2 and FAS 124-2 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP No. FAS 107-1 and APB 28-1). FSP No. FAS 107-1 and APB 28-1 requires companies to disclose in interim financial statements the fair value of financial instruments within the scope of FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*. 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. FSP No. FAS 107-1 and APB 28-1 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 FSP No. FAS 107-1 and APB 28-1 did not have a material impact on the Company s Condensed Consolidated Financial Statements.

On January 1, 2009, the Company adopted FSP No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (FSP No. APB 14-1). 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. FSP No. APB 14-1 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* (SFAS No. 160). SFAS No. 160 amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, 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. SFAS No. 160 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.

Table of Contents

The Company s Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2008, as originally reported and as adjusted for the adoption of FSP No. APB 14-1 and SFAS No. 160, are as follows:

	Three Months Ended June 30,	
	2008	2008 As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ 86,489	$ 92,386
Loss before income taxes and noncontrolling interest	(4,634)	(10,531)
Income tax benefit	(30,955)	(28,905)
Net earnings	26,321	18,374
Net loss attributable to the noncontrolling interest	72	72
Net loss attributable to Mylan Inc. common shareholders	(8,366)	(16,313)
Loss per common share attributable to Mylan Inc.:		
Basic	$ (0.03)	$ (0.05)
Diluted	$ (0.03)	$ (0.05)
Weighted average common shares outstanding:		
Basic	304,284	304,284
Diluted	304,284	304,284

	Six Months Ended June 30,	
	2008	2008 As Adjusted
	(In thousands, except per share amounts)	
Interest expense	$ 177,236	$ 188,865
Loss before income taxes and noncontrolling interest	(459,956)	(471,585)
Income tax benefit	(75,060)	(76,026)
Net loss	(384,896)	(395,559)
Net loss attributable to the noncontrolling interest	2,114	2,114
Net loss attributable to Mylan Inc. common shareholders	(452,259)	(462,922)
Loss per common share attributable to Mylan Inc.:		
Basic	$ (1.49)	$ (1.52)
Diluted	$ (1.49)	$ (1.52)
Weighted average common shares outstanding:		
Basic	304,233	304,233

Diluted	304,233	304,233

Table of Contents

The Company s Condensed Consolidated Balance Sheet as originally reported and as adjusted for the adoption of FSP No. APB 14-1 and SFAS No. 160, 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 Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of June 30, 2009. Based upon that evaluation, the Chief Executive Officer and the Chief 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 six months ended June 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 1998. The case

Table of Contents

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, 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. The appeals have been held in abeyance pending a ruling on the motion for prejudgment interest. 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 June 30, 2009) and an irrevocable letter of credit for $34.5 million issued under the Senior Credit Agreement. On October 27, 2008, a U.S. magistrate judge issued a report recommending the granting of plaintiffs motion for prejudgment interest. The report also recommends requiring the surety bond amount to be increased to include prejudgment interest. Mylan submitted objections to the magistrate judge s recommendations and on July 16, 2009, the district court entered an order adopting the magistrate judge s report in full. 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.

Pricing and Medicaid Litigation

On June 26, 2003, MPI and UDL Laboratories Inc. (UDL) received requests from the U.S. House of Representatives Energy and Commerce Committee (the Committee) seeking information about certain products sold by MPI and UDL in connection with the Committee s investigation into pharmaceutical reimbursement and rebates under Medicaid. MPI and UDL cooperated with this inquiry and provided information in response to the Committee s requests in 2003. Several states attorneys general (AG) have also sent letters to MPI, UDL and Mylan Bertek Pharmaceuticals Inc., demanding that those companies retain documents relating to Medicaid reimbursement and rebate calculations pending the outcome of unspecified investigations by those AGs into such matters. In addition, in July 2004, Mylan received subpoenas from the AGs of California and Florida in connection with civil investigations purportedly related to price reporting and marketing practices regarding various drugs. As noted below, both California and Florida subsequently filed suits against Mylan, and the Company believes any further requests for information and disclosures will be made as part of that litigation.

Beginning in September 2003, Mylan, MPI and/or UDL, together with many other pharmaceutical companies, have been named in civil lawsuits filed by state 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. In each of these matters Mylan, MPI and/or UDL have either moved to dismiss the complaints or have answered the complaints denying liability. Mylan and its subsidiaries 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

Table of Contents

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 has moved to dismiss the complaint and intends 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 involves whether MPI and UDL may have violated the False Claims Act or other laws by classifying certain authorized generics launched in the 1990 s and early 2000 s as non-innovator rather than innovator drugs for purposes of Medicaid and other federal healthcare programs until 2005. MPI and UDL deny the government s allegations and deny that they engaged in any wrongful conduct. Based on the Company s understanding of the government s allegations, the alleged difference in rebates for the MPI and UDL products currently at issue may be up to approximately $100.0 million, which includes interest. Remedies under the False Claims Act could include treble damages and penalties. MPI and UDL have been cooperating fully with the government s investigation and are currently in discussions with the government about a possible resolution of the matter. Additionally, the Company believes that it has contractual and other rights to recover from the innovator a substantial portion of any payments that MPI and UDL may remit to the government. The Company has not recorded any amounts in the consolidated financial statements related to this matter.

Dey is a defendant currently in lawsuits brought by the state AGs of Arizona, California, Florida, Illinois, Iowa, Kansas, Kentucky, Pennsylvania, South Carolina (on behalf of the state and the state health plan), Utah and Wisconsin and 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 most 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. 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 $115.6 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 $115.6 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, with the exception of the third-party payor action, in which Mylan s response to the complaint is not due until the motions filed in the other cases have been decided. 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.

Table of Contents

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, approximately 578 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 our financial position and results of operations.

Pioglitazone

On February 21, 2006, a district court in the United States 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. 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. Although the required amounts were paid in 2009, Mylan and Alphapharm/Genpharm continue to challenge the exceptional case findings and have filed petitions for writ of certiorari with the United States Supreme Court.

EU Commission Proceedings

On or around July 3, 2009, the European Commission stated that it had initiated 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. The 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. Matrix is cooperating with the Commission in connection with the investigation. Matrix had previously received a request for information from the Commission in January 2009 relating to a 2005 settlement agreement with Servier.

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.

Table of Contents

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.

Our integration of the former Merck Generics business involves a number of risks, 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;
- difficulties in transitioning the former Merck Generics business and products from the Merck name to achieve a global brand alignment;
- 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.

WE MAY FAIL TO REALIZE THE EXPECTED COST SAVINGS, GROWTH OPPORTUNITIES AND OTHER BENEFITS ANTICIPATED FROM THE ACQUISITIONS OF THE FORMER MERCK

Table of Contents

GENERICS BUSINESS AND A CONTROLLING INTEREST IN 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 a controlling interest in 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 a controlling interest in 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 A CONTROLLING INTEREST IN 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 a controlling interest in 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;

Table of Contents

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 FDA in the United States and the European Medicines Agency (or 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.

Table of Contents

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.

Table of Contents

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.

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

Table of Contents

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 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

Table of Contents

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 have been notified of an investigation by the United States Department of Justice with respect to Medicaid reimbursement and rebates. While we cannot predict the outcome of the investigation, possible remedies which the United States government could seek include treble damages, civil monetary penalties and exclusion from the Medicare and Medicaid programs. In connection with such an investigation, the United States government may also seek a Corporate Integrity Agreement (administered by the Office of Inspector General of Health and Human Services) with us which could include ongoing compliance and reporting obligations. 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. 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.

Table of Contents

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;

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;

Table of Contents

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;

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.

Table of Contents

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.

Table of Contents

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 EFFORTS TO TRANSITION THE FORMER MERCK GENERICS BUSINESS SUBSIDIARIES AWAY FROM THE MERCK NAME INVOLVE INHERENT RISKS AND MAY RESULT IN GREATER THAN EXPECTED COSTS OR IMPEDIMENTS, 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 a license from Merck KGaA to continue using the Merck name, including in product names, in respect of the former Merck Generics businesses for a transitional period of two years after the closing of the acquisition (i.e., until October 2009). We are engaged in efforts to transition in an orderly manner away from the Merck name and to achieve global brand alignment. Re-branding may prove to be costly, especially in markets where the former Merck Generics business name has strong dominance or significant equity locally. In addition, brand migration poses risks of both business disruption and customer confusion. Our customer outreach and similar efforts may not mitigate fully the risks of the name changes, which may lead to reductions in revenues in some markets. These losses 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.

57

Table of Contents

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.

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

Table of Contents

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 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.

59

Table of Contents

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 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 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.

The European Commission is conducting a pharmaceutical sector inquiry involving approximately 100 companies concerning the introduction of innovative and generic medicines. Mylan s subsidiary, Mylan S.A.S, acting on behalf of Mylan EU affiliates, has responded to questionnaires and has produced documents and other information in connection with the inquiry. The Commission has not alleged that the Company or any of its EU subsidiaries have

engaged in any unlawful practices. Matrix has likewise received a request for information from the EU Commission. In addition, the Commission has initiated antitrust proceedings to investigate settlements entered into between Les Laboratories Servier (Servier) and Matrix and four other companies relating to the product perindopril. If either of these inquires 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.

Table of Contents

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 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, or through joint ventures, licensing agreements or other arrangements or may

Table of Contents

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 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.

Table of Contents

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 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;

Table of Contents

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.

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 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 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

Table of Contents

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 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.

Table of Contents

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 4. ***SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS***

The following provides a summary of votes cast for the proposals on which our shareholders voted at our Annual Meeting of Shareholders held on May 7, 2009.

Proposal No. 1 Election of Nine Directors.

Nominee	For	Withheld
Milan Puskar	244,807,616	7,005,886
Robert J. Coury	245,408,826	6,404,676
Wendy Cameron	164,615,845	87,197,658
Neil Dimick, C.P.A.	238,286,701	13,526,801
Douglas J. Leech, C.P.A	138,225,923	113,587,580
Joseph C. Maroon, M.D.	165,028,271	86,785,231
Rodney L. Piatt, C.P.A.	164,717,336	87,096,167
C.B. Todd	245,967,890	5,845,612
Randall L. Vanderveen, Ph.D.	246,727,992	5,085,510

Proposal No. 2 To approve an amendment to the Company s Articles of Incorporation to increase the number of authorized shares of common stock from 600,000,000 to 1,500,000,000.

For	Against	Abstain	Broker Non-Votes
205,725,090	45,196,483	891,923	109

Proposal No. 3 To approve an amendment to the Company s 2003 Long-Term Incentive Plan to allocate 3,000,000 shares currently available under the Plan to the amount issuable as restricted shares, restricted units, performance shares or other stock-based awards.

For	Against	Abstain	Broker Non-Votes
172,906,004	15,830,226	856,897	62,220,478

Proposal No. 4 To consider a proposal to amend the Company s Bylaws to include a majority voting standard in an uncontested election of directors.

For	Against	Abstain	Broker Non-Votes
164,281,672	10,533,646	4,921,194	72,077,093

Table of Contents

Proposal No. 5 To ratify the selection of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the year ending December 31, 2009.

For	Against	Abstain
247,462,021	3,432,916	918,662

ITEM 5. ***OTHER INFORMATION***

None.

ITEM 6. ***EXHIBITS***

3.1	Amended and Restated Articles of Incorporation of the registrant, as amended to date.
3.2	Bylaws of the registrant, as amended to date.
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.
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	Executive Employment Agreement dated as of June 1, 2009, by and between the registrant and Jolene Varney.
10.2	Transition and Succession Agreement dated as of June 1, 2009, by and between the registrant and Jolene Varney.
10.3	Amended and Restated 2003 Long-Term Incentive Plan, as amended to date.
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

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

July 31, 2009

/s/ Jolene L. Varney
Jolene L. Varney
Executive Vice President and Chief Financial Officer
(Principal financial officer)

July 31, 2009

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

July 31, 2009

Table of Contents

EXHIBIT INDEX

3.1	Amended and Restated Articles of Incorporation of the registrant, as amended to date.
3.2	Bylaws of the registrant, as amended to date.
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