PORT FINANCIAL CORP
Form DEF 14A
April 16, 2003

SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant	[ ]
Filed by a party other than the Registrant	[ ]

Check the appropriate box:

[ ]	Preliminary Proxy Statement
[ ]	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X]	Definitive Proxy Statement
[ ]	Definitive Additional Materials
[ ]	Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

PORT FINANCIAL CORP.

(Name of Registrant as Specified in Its Charter)

_____
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X]No fee required

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(1)Title of each class of securities to which transaction applies:

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(1)Amount previously paid:

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(2)Form, Schedule or Registration Statement No.:

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(4)Date Filed:

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PORT

FINANCIAL
CORP

April 18, 2003

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Port Financial Corp., the holding company for Cambridgeport Bank, which will be held on May 21, 2003 at 9:00 a.m., local time, at Port Financial's corporate headquarters, located at 1380 Soldiers Field Road, Brighton, MA 02135.

The attached Notice of Annual Meeting and proxy statement describe the formal business that Port Financial will transact at the annual meeting. The Board of Directors of Port Financial has determined that an affirmative vote on each matter to be considered at the annual meeting is in the best interests of Port Financial and its shareholders and unanimously recommends a vote "FOR" each of these matters.

Please complete, sign and return the enclosed proxy card promptly, whether or not you plan to attend the annual meeting. **Your vote is important regardless of the number of shares you own. Voting by proxy will not prevent you from voting in person at the annual meeting but will assure that your vote is counted if you cannot attend.**

On behalf of the Board of Directors and the employees of Port Financial and Cambridgeport Bank, we thank you for your continued support.

Sincerely yours

/s/ James B. Keegan

James B. Keegan

Chairman and Chief Executive Officer

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Notice of Annual Meeting of Shareholders

Date:	Wednesday, May 21, 2003
Time:	9:00 a.m., local time
Place:	Main Office of Port Financial Corp. 1380 Soldiers Field Road Brighton, MA 02135

At our 2003 annual meeting, Port Financial will ask you to:

1. Elect Maliz E. Beams, Thomas J. Galligan III, and Frances K. Moseley to serve as directors for a term of office set to expire in 2005, and Daniel C. Crane, Esq., James B. Keegan, and Thomas H. Niles to serve as directors for a term of office set to expire in 2006.

2. Transact any other business as may properly come before the annual meeting.

You may vote at the annual meeting if you were a shareholder of Port Financial at the close of business on March 28, 2003, the record date.

By Order of the Board of Directors

/s/ James B. Keegan

James B. Keegan
Chairman and Chief Executive Officer

Brighton, Massachusetts
April 18, 2003

You are cordially invited to attend the annual meeting. It is important that your shares be represented regardless of the number of shares you own. The Board of Directors urges you to sign, date and mark the enclosed proxy card promptly and return it in the enclosed envelope. Returning the proxy card will not prevent you from voting in person if you attend the annual meeting.

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GENERAL INFORMATION

GENERAL

Port Financial is a Massachusetts-chartered stock holding company, which owns all the capital stock of Cambridgeport Bank. As used in this proxy statement, the term "annual meeting" includes any adjournment or postponement of such meeting.

Port Financial has sent you this proxy statement and enclosed proxy card because the Board of Directors is soliciting your proxy to vote at the annual meeting. This proxy statement summarizes the information you will need to know to cast an informed vote at the annual meeting. You do not need to attend the annual meeting to vote your

shares. You may simply complete, sign and return the enclosed proxy card and your votes will be cast for you at the annual meeting. This process is described below in the section entitled "Voting Rights."

Port Financial began mailing this proxy statement, the Notice of Annual Meeting and the enclosed proxy card on or about April 18, 2003 to all shareholders entitled to vote. If you owned common stock of Port Financial at the close of business on March 28, 2003, the record date, you are entitled to vote at the annual meeting. On the record date, there were 5,288,101 shares of common stock outstanding.

QUORUM

A quorum of shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of common stock entitled to vote are represented in person or by proxy at the annual meeting, a quorum will exist. Port Financial will include proxies marked as abstentions and broker non-votes to determine the number of shares present at the annual meeting.

VOTING RIGHTS

You are entitled to one vote at the annual meeting for each share of the common stock of Port Financial that you owned as of record at the close of business on March 28, 2003. The number of shares you own (and may vote) is listed at the top of the back of the proxy card.

You may vote your shares at the annual meeting in person or by proxy. To vote in person, you must attend the annual meeting and obtain and submit a ballot, which Port Financial will provide to you at the annual meeting. To vote by proxy, you must complete, sign and return the enclosed proxy card. If you properly complete your proxy card and send it to us in time to vote, your "proxy" (one of the individuals named on your proxy card) will vote your shares as you have directed. **If you sign the proxy card but do not make specific choices, your proxy will vote your shares FOR the proposal identified in the Notice of Annual Meeting.**

If any other matter is presented, your proxy will vote the shares represented by all properly executed proxies on such matters as a majority of the Board of Directors determines. As of the date of this proxy statement, Port Financial knows of no other matters that may be presented at the annual meeting, other than those listed in the Notice of Annual Meeting.

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VOTE REQUIRED

Proposal 1: Election of Directors	To be elected, a nominee for director must receive a plurality of the votes cast at the Annual Meeting. So, if you do not vote for a nominee, or you indicate "withhold authority" for a nominee on your proxy card, your vote will not count "for" or "against" the nominee. You may not vote your shares cumulatively for the election of the director nominees.

EFFECT OF BROKER NON-VOTES

If your broker holds shares that you own in "street name," the broker may vote your shares on the proposal listed above even if the broker does not receive instructions from you. If your broker does not vote on this proposal, this will constitute a "broker non-vote." Here is the effect of a "broker non-vote."

* Proposal 1:

Election of Directors. A broker non-vote would have no effect on the outcome of this proposal because only a plurality of votes cast is required to elect the director nominees.

CONFIDENTIAL VOTING POLICY

Port Financial maintains a policy of keeping shareholder votes confidential. Port Financial only lets our Inspector of Election and certain employees of our independent tabulating agent examine the voting materials. Port Financial will not disclose your vote to management unless it is necessary to meet legal requirements. Our independent tabulating agent will, however, forward any written comments that you may have to management.

REVOKING YOUR PROXY

You may revoke your grant of proxy at any time before it is voted by:

* filing a written revocation of the proxy with our Clerk;
* submitting a signed proxy card bearing a later date; or
* attending and voting in person at the annual meeting, but you also must file a written revocation with the clerk of the annual meeting prior to the voting.

If your shares are not registered in your own name, you will need appropriate documentation from your shareholder of record to vote personally at the annual meeting. Examples of such documentation include a broker's statement, letter or other document that will confirm your ownership of shares of Port Financial.

SOLICITATION OF PROXIES

Port Financial will pay the costs of soliciting proxies from its shareholders. Directors, officers or employees of Port Financial and Cambridgeport Bank may solicit proxies by mail, telephone and other forms of communication. Port Financial has also hired Georgeson Shareholder Communications to assist in the solicitation of proxies for a fee of $5,000 plus reimbursement of out of pocket expenses.

Port Financial will also reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you.

OBTAINING AN ANNUAL REPORT ON FORM 10-K

If you would like a copy of our Annual Report on Form 10-K and audited financial statements for the year ended December 31, 2002, which has been filed with the Securities and Exchange Commission ("SEC"), Port Financial will send you one (without exhibits) free of charge. Please write to:

Jane L. Lundquist, President and Clerk
Port Financial Corp.
1380 Soldiers Field Road
Brighton, Massachusetts 02135

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Shareholders of Port Financial

The following table sets forth, as of March 28, 2003, certain information as to common stock beneficially owned by persons owning in excess of 5% of the outstanding shares of our common stock. Port Financial knows of no person, except as listed below, who beneficially owned more than 5% of the outstanding shares of its common stock

as of March 28, 2003. Except as otherwise indicated, the information provided in the following table was obtained from filings with the Securities and Exchange Commission and with Port Financial pursuant to the Securities Exchange Act of 1934, as amended, and on information presented to management. Addresses provided are those listed in the filings as the address of the person authorized to receive notices and communications. For purposes of the table below, in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, a person is deemed to be the beneficial owner, for purposes of any shares of common stock: (1) over which he or she has or shares, directly or indirectly, voting or investment power; or (2) of which he or she has the right to acquire beneficial ownership at any time within 60 days after March 28, 2003. As used in this proxy statement, "voting power" is the power to vote or direct the voting of shares and "investment power" includes the power to dispose or direct the disposition of shares.

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Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent(5)
Common Stock, $0.01 par value	Port Financial Corp. Employee Stock Ownership Plan Trust GreatBanc Trust Company 1301 West 22nd Street, Suite 702 Oak Brook, Illinois 60523	593,027(1)	11.21%
Common Stock, $0.01 par value	Barclays Global Investors, N.A. 45 Fremont Street San Francisco, California 94105	300,458(2)	5.68%
Common Stock, $0.01 par value	Loomis, Sayles & Co., L.P. One Financial Center Boston, Massachusetts 02111	287,700(3)	5.44%

(1) The Port Financial Corp. Employee Stock Ownership Plan ("ESOP") is administered by the ESOP committee of Port Financial (the "ESOP Committee"). The ESOP's assets are held in a trust (the "ESOP Trust"), for which GreatBanc Trust Company, serves as trustee (the "ESOP Trustee"). The ESOP Trust purchased these shares with funds borrowed from Port Financial, initially placed these shares in a suspense account for future allocation to be allocated to employees participating in the ESOP over a period of years as its acquisition debt is retired. The ESOP Trustee is the beneficial owner of the shares held in the ESOP Trust. The terms of the ESOP Trust Agreement provide that, subject to the ESOP Trustee's fiduciary responsibilities under the Employee Retirement Income Security Act

of 1974, as amended, the ESOP Trustee will vote, tender or exchange shares of common stock held in the ESOP Trust in accordance with instructions received from the participants. As of March 28, 2003, 59,542 shares held by the ESOP Trust have been released for allocation. The ESOP Trustee will vote allocated shares as to which no instructions are received and any shares that have not been allocated to participants' accounts in the same proportion as allocated shares with respect to which the ESOP trustee receives instructions are voted. The ESOP Trustee will tender or exchange any shares in the suspense account or that otherwise have not been allocated to participants' accounts in the same proportion as allocated shares with respect to which the ESOP Trustee receives instructions are tendered or exchanged, but otherwise has no disposition power. As a result, the ESOP has sole voting power over 533,485 shares and disposition power over 593,027 shares.

(2) As reported by Barclays Global Investors, N.A. in a Schedule 13G dated February 10, 2003, which reported sole voting power and sole investment power with respect to 300,458 shares as of December 31, 2002.

(3) As reported by Loomis, Sayles & Co., L.P. in their capacity as an investment advisor in a Schedule 13G dated December 31, 2002, which reported sole voting power with respect to 210,025 shares and sole investment power with respect to 287,700 shares as of December 31, 2002. Loomis, Sayles & Co., L.P. disclaims beneficial ownership of such shares.

(4) Percentages with respect to each person or group of persons have been calculated based upon 5,288,101 shares of common stock, the number of shares outstanding as of March 28, 2003.

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SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information about the shares of common stock beneficially owned by each director of Port Financial, by each named executive officer of Port Financial identified in the Summary Compensation Table included elsewhere in this proxy statement, and all directors and executive officers of Port Financial or Port Financial's wholly owned subsidiary, Cambridgeport Bank, as a group as of March 28, 2003. Except as otherwise indicated, each person and each group shown in the table has sole voting and investment power with respect to the shares of common stock indicated.

Name	Position with Port Financial	Amount and Nature of Beneficial Ownership(1)(2)(3)	Percent of Common Stock, $.01 par value Outstanding(4)
James B. Keegan (5)	Chairman of the Board and Chief Executive Officer	138,167	2.59%
Jane L. Lundquist (6)	Director, President and Clerk	86,594	1.63%
Charles Jeffrey (7)	Senior Vice President, Treasurer and Chief Financial Officer	46,564	*
Maliz E. Beams (8)	Director	450	*
Paul R. Corcoran, Jr.	Director	21,028	*
Daniel C. Crane, Esq. (9)	Director	19,076	*
Samuel C. Fleming (10)	Director	23,565	*
Thomas J. Galligan III (11)	Director	450	*
Frances K. Moseley	Director	600	*
Thomas H. Niles	Director	28,700	*
Robert D. Happ	Director	8,727	*

Rudolph R. Russo	Director	45,185	*
Sandra J. Sucher (12)	Director	9,608	*
All directors and executive officers as a group (13 persons)(13)		962,199	17.68%

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* Less than one percent

(footnotes on following page)

(1) See "Security Ownership of Certain Beneficial Owners and Management -- Principal Shareholders of Port Financial" for a definition of "beneficial ownership."

(2) Includes unvested restricted stock awards of (i) 8,931 shares made to each of Messrs. Corcoran and Russo; (ii) 4,467 shares made to each of Messrs. Crane, Fleming and Happ; (iii) 3,348 shares made to Mr. Niles; (iv) 450 shares made to Ms. Beams, Mr. Galligan and Ms. Moseley; and (v) 1,116 shares made to Ms. Sucher under the Port Financial Corp. 2000 Recognition and Retention Plan, respectively. Under the plan, Mr. Keegan, Ms. Lundquist and Mr. Jeffrey have unvested restricted stock awards of 42,000, 30,400 and 9,000 shares of common stock, respectively. Each recipient of a restricted share award has sole voting power but no investment power, except in limited circumstances, over the common stock covered by the award.

(3) Includes common stock of Port Financial that may be acquired by executive officers and directors of Port Financial pursuant to the exercise of options under the Port Financial 2000 Stock Option Plan within 60 days after March 28, 2003 as follows: (i) Directors Corcoran, Crane, Fleming, Niles and Sucher each may acquire 8,120 shares of common stock; (ii) Director Happ may acquire 4,060 shares of common stock; (iii) Director Russo may acquire 20,300 shares of common stock; and (iv) Mr. Keegan, Ms. Lundquist and Mr. Jeffrey each may acquire 55,600, 22,800 and 16,400 shares of common stock of Port Financial, respectively.

(4) Percentages with respect to each person or group of persons have been calculated on the basis of 5,288,101 shares of common stock, the total number of shares of common stock outstanding as of March 28, 2003, plus shares of common stock which such person or group has the right to acquire within 60 days after March 28, 2003, by the exercise of stock options.

(5) Includes 14,700 shares held in Mr. Keegan's 401(k) plan and 1,567 shares held in trust pursuant to the ESOP. Does not include 14,000 shares held in an officer's deferred compensation plan for which Mr. Keegan has no voting or investment power.

(6) Includes 900 shares held by Ms. Lundquist as custodian for her minor children under the Uniform Transfer to Minors Act and 2,395 shares held in Ms. Lundquist's 401(k) Plan and 1,567 shares held in trust pursuant to the ESOP. Does not include 7,600 shares held in an officer's deferred compensation plan for which Ms. Lundquist has no voting or investment power.

(7) Amount reflects 11,000 shares held in Mr. Jeffrey's individual retirement account, 397 shares held in Mr. Jeffrey's 401(k) Plan and 1,567 shares held in trust pursuant to the ESOP.

(8) Does not include 150 shares held in a director's deferred compensation plan for which Ms. Beams has no voting or investment power.

(9) Includes 5,000 shares held by Mr. Crane jointly with his spouse. Does not include 1,489 shares held in a director's deferred compensation plan for which Mr. Crane has no voting or investment power.

(10) Includes 3,000 shares held in Mr. Fleming's individual retirement account.
(11) Does not include 150 shares held in a director's deferred compensation plan for which Mr. Galligan has no voting or investment power.
(12) Does not include 372 shares held in a director's deferred compensation plan for which Ms. Sucher has not voting or investment power.
(13) The amount of shares for all directors and executive officers as a group includes 533,485 shares held by the ESOP Trust that have not been allocated to eligible participants as of December 31, 2002, over which the ESOP Committee (consisting of Messrs. Keegan, Jeffrey, Robert Montgomery-Rice and Ms. Lundquist) may be deemed to have sole investment power, except in limited circumstances, thereby causing each committee member to be a beneficial owner of such shares. Each of the members of the ESOP Committee disclaims beneficial ownership of such shares and accordingly, such shares are not attributed to the members of the ESOP Committee individually. As of March 28, 2003, 59,542 shares of Port Financial's common stock have been allocated to participants pursuant to Port Financial's Employee Stock Ownership Plan.

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PROPOSAL 1

ELECTION OF DIRECTORS

General

Nominees	Term to Expire
Maliz E. Beams	2005
Thomas J. Galligan III	2005
Frances K. Moseley	2005
Daniel C. Crane, Esq.	2006
James B. Keegan	2006
Thomas H. Niles	2006

Directors Beams, Galligan, Moseley, Crane, Keegan and Niles are currently serving on Port Financial's Board of Directors. If you elect the nominees listed above, they will hold office until the annual meeting in 2005 or 2006 or until their successors have been elected and qualified.

Port Financial knows of no reason why any of the nominees may be unable to serve as directors. If any of the nominees is unable to serve, your proxy may vote for another nominee proposed by the Board. If for any reason any of the nominees proves unable or unwilling to stand for election, the Board will nominate alternates or reduce the size of the Board of Directors to eliminate the vacancy. The Board has no reason to believe that any of its nominees would prove unable to serve if elected.

The Board of Directors unanimously recommends a vote "For" all of the nominees for election as directors.

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Nominees, Continuing and Retiring Directors

Nominees	Age(1)	Term Expires	Position(s) Held with Port Financial	Director Since(2)

Maliz E. Beams	47	2005	Director	2002
Thomas J. Galligan III	58	2005	Director	2002
Frances K. Moseley	53	2005	Director	2002
Daniel C. Crane, Esq.	52	2006	Director	1986
James B. Keegan	61	2006	Chairman and Chief Executive Officer	1983
Thomas H. Niles	62	2006	Director	2000
Continuing Directors				
Paul R. Corcoran, Jr.	70	2005	Director	1972
Samuel C. Fleming	62	2004	Director	1993
Robert D. Happ	62	2004	Director	1997
Jane L. Lundquist	49	2004	Director, President and Clerk	1999
Sandra J. Sucher	55	2004	Director	2000
Retiring Director				
Rudolph R. Russo	75	2003	Director	1977

(1) At December 31, 2002.
(2) Includes terms served on the Board of Trustees of Cambridgeport Bank.

Biographical Information

The principal occupation and business experience of the nominee for election as director and each continuing and retiring director are set forth below.

Nominees

Maliz E. Beams

was a Managing Director and Partner of Zurich Scudder Investments, the global asset management business of Zurich Financial Services from 1996 to 2002. She served on the boards of Zurich Scudder's Americas Management Committee and Zurich's Global Commercial and Consumer Group Boards, and was a member of key governance committees for Zurich Financial Services and Scudder Investments. Prior to joining Scudder, Ms. Beams was a Managing Director of Fleet Investment Advisors, and while there she also served as President and Chief Executive Officer of Shawmut Discount Brokerage. Before holding these positions, Ms. Beams held management positions at American Express and Citibank. Ms. Beams is a graduate of Boston College and the Columbia Business School, with additional graduate work at Harvard University.

Thomas J. Galligan III

has been Chairman, President and Chief Executive Officer and Director of Papa Gino's Holding Corp. since March 1997. Papa Gino's is a privately held company with 370 restaurants which operates in the New England market. Prior to joining Papa Gino's, Mr. Galligan held a series of executive positions including Executive Vice President, The Circle K Corporation; President and Chief Operating Officer, Morse Shoe, Inc.; and Vice President and Chief Financial Officer, PepsiCo International and Pepsi Cola Bottling Group. Mr. Galligan is a graduate of Boston College and The Harvard Business School.

Frances K. Moseley

is Vice President, Resource Development for Pathfinder International, a $57 million international family planning not-for-profit organization. Prior to joining Pathfinder International in 2001, Ms. Moseley was a Principal and Managing Director of State Street Global Advisors, the asset management arm of State Street Corporation. She also served as President and Chief Executive Officer of the Boys & Girls Clubs of Boston from 1992 to 1998. Ms. Moseley is a graduate of the University of Denver.

Daniel C. Crane, Esq.

has served as Chief Bar Counsel for the Board of Bar Overseers of the Supreme Judicial Court of Massachusetts since September, 1999. Prior to this position, he was an attorney in private practice for over 20 years with the firm Finn & Crane. He has served on the boards of directors of a number of charitable and professional organizations, including service as President of the Massachusetts Bar Association. Mr. Crane earned his undergraduate degree from Harvard College and is a graduate of Boston College Law School.

James B. Keegan

currently serves as the Chairman of the Board and Chief Executive Officer of Port Financial and Cambridgeport Bank. Mr. Keegan served as President of Cambridgeport Bank from 1984 to 2002. Prior to holding these positions, he was the Executive Vice President of Cambridgeport Bank for one year. Before joining Cambridgeport Bank, Mr. Keegan held positions in various financial institutions, including Rochester Savings Bank, First Pennsylvania Bank and New England Merchants National Bank. Mr. Keegan earned his undergraduate degree from Harvard College and his MBA from the Harvard Business School.

Thomas H. Niles

is a director and President of T.H. Niles Real Estate Group, Inc., positions he has held since 1998. Prior to that, for over 33 years, he served as an owner, director and the President of The Niles Company, Inc., a commercial real estate services firm based in Boston, Massachusetts. Mr. Niles sold his interests in that firm in 1996.

Continuing Directors

Paul R. Corcoran, Jr.

was for 18 years the owner and the President of The Harvard Shop, Inc., a retail specialty store which sells college insignia merchandise, until his retirement in 2001. He currently holds the office of Clerk of Cambridgeport Bank, a position he has held since 1990.

Samuel C. Fleming

has been the Board Chairman and Chief Executive Officer of Decision Resources, Inc., an international health care research and consulting company since 1990. From 1967 to 1990, Mr. Fleming held various positions at Arthur D. Little, Inc., most recently as Senior Vice President, Member of the Corporate Management Committee and Chairman of Arthur D. Little Decision Resources, which he founded in the mid-1970s. Mr. Fleming received a B.Ch.E. from Cornell University and an MBA from Harvard Business School. He also serves as a director of CareGroup, Inc. and as a Trustee of Cornell University and the Standish Mellon Mutual Funds.

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Robert D. Happ

retired in 1994 from his position as Regional Managing Partner of the firm formerly known as KPMG Peat Marwick, a position he had held since 1985. He had also served as a director of NetOptix Corp. until its acquisition by Corning, Inc. in April of 2000.

Jane L. Lundquist

has been the President and Clerk of Port Financial since 2000 and the President of Cambridgeport Bank since 2002. Prior to holding these positions, she served as the Executive Vice President of Cambridgeport Bank from 1996 to 2002. As President, she is the senior officer responsible for consumer banking, including mortgage lending, consumer lending, branch banking and telebanking. She also oversees the management of Human Resources, Marketing, Community Relations and Auditing (administrative reporting only). Prior to Port Financial and Cambridgeport Bank, Ms. Lundquist worked at Braxton Associates, a strategic management consulting firm, and at Arthur Andersen LLP. Ms. Lundquist holds a business degree from the University of North Carolina and an MBA from the University of Virginia.

Sandra J. Sucher

is a senior lecturer with the Harvard Business School's Technology and Operations Management Unit, a position she has held since 1998. Prior to that, she worked at Fidelity Investments as Vice President of Corporate Quality; Vice President of Retail Service Quality and Planning; and Vice President of Human Resources. Ms. Sucher also served in fashion retailing at Filene's for over 10 years in various capacities, including Vice President of Customer Service. Before that, she served as a director of Education and Research for The Sanctuary, Inc., a non-profit drug treatment, education, and research facility.

Retiring Director

Rudolph R. Russo

has over 50 years of experience in all phases of real estate including brokering, appraising, investing, developing and consulting. He also served as Chairman of the Board of Assessors for the City of Cambridge from 1969 to 1982. He has been involved with Cambridgeport Bank since 1977.

Executive Officers Who are Not Directors

Charles D. Jeffrey

, age 55, has served as Senior Vice President, Chief Financial Officer and Treasurer of Port Financial since April of 2000 and with Cambridgeport Bank, since July of 1998. From 1994 to 1997, he served as President of the Massachusetts Division of Albank, FSB located in Ludlow, Massachusetts. His background also includes 15 years at Bank of America where he held positions in commercial lending, operations, and finance.

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INFORMATION ABOUT THE BOARD OF DIRECTORS AND MANAGEMENT

Meetings and Committees of the Board of Directors

Port Financial's Board of Directors currently consists of twelve members. The Board of Directors oversees our business and monitors the performance of our management. In accordance with our corporate governance procedures, the Board of Directors does not involve itself in the day-to-day operations of Port Financial. Port Financial's executive officers and management oversee our day-to-day operations. Our directors fulfill their duties and responsibilities by attending regular meetings of the board which are held on a monthly basis. Our directors also discuss business and other matters with the Chairman, other key executives, and our principal external advisors (legal counsel, auditors, financial advisors and other consultants).

The Board of Directors held a total of 12 meetings during the fiscal year ended December 31, 2002. Each incumbent director attended at least 75% of the meetings of the Board of Directors held during the time in which they served as director, plus meetings of committees on which that particular director served during this period.

Committees of the Board

The Board of Directors of Port Financial has established the following committees:

EXECUTIVE COMMITTEE	The Executive Committee exercises the powers of the Board of Directors between board meetings. Directors Keegan, Corcoran, Fleming, Lundquist and Russo currently serve as members of the committee. Mr. Keegan is the Chairman of the committee. The Executive Committee did not meet in the 2002 fiscal year.
COMPENSATION COMMITTEE	The Compensation Committee provides advice and recommendation to the Board of Directors in the areas of employee salaries and benefit programs. Directors Corcoran, Fleming, Happ and Sucher currently serve on the committee. Mr. Corcoran is the Chairman of the committee. The Compensation Committee met six times in the 2002 fiscal year. The members of the Compensation Committee administer our 2000 Stock Option Plan and the 2000 Recognition and Retention Plan.
CREDIT COMMITTEE	The Credit Committee establishes Cambridgeport Bank's credit polices and is responsible for review, ratification, and/or approval of loans, mortgages and commercial loans, that exceed certain threshold amounts. The credit committee also approves all loans which do not comply with policy guidelines. Directors Keegan, Lundquist, Niles and Russo currently serve on the committee. Mr. Keegan is the Chairman of the committee. The Credit Committee met 52 times in the 2002 fiscal year.

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NOMINATING COMMITTEE	The Nominating Committee recommends nominees for election as directors and reviews if any shareholder nominations comply with the notice procedures set forth in Port Financial's Bylaws. Port Financial's Bylaws set forth a procedure for shareholders to nominate directors by notifying the Clerk of Port Financial in writing and meeting other requirements set forth in the Bylaws. Directors

Crane and Fleming currently serve on the committee. Mr. Crane is the Chairman of the committee. The Nominating Committee met once during 2002 to select the nominees for election as directors at the annual meeting.

AUDIT COMMITTEE

The Audit Committee oversees and monitors our financial reporting process and internal control system, reviews and evaluates the audit performed by our outside auditors and reports any substantive issues found during the audit to the Board. The Audit Committee is directly responsible for the appointment, compensation and oversight of the work of our independent auditors. The committee will also review and approve all transactions with affiliated parties. The board of directors has adopted a written charter for the Audit Committee.

The Audit Committee currently consists of Directors Crane, Happ and Sucher, with Mr. Crane serving as Chair. All members of the Audit Committee are independent directors as defined under The Nasdaq Stock Market listing standards. Port Financial believes that Mr. Happ qualifies as an "Audit Committee Financial Expert" as that term is defined by applicable SEC rules. The Audit Committee met six times during 2002.

AUDIT COMMITTEE REPORT

The following Audit Committee Report is provided in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). Pursuant to such rules and regulations, this report shall not be deemed "soliciting materials," filed with the SEC, subject to Regulation 14A or 14C of the SEC or subject to the liabilities of section 18 of the Securities Exchange Act of 1934, as amended.

During 2002, the Audit Committee of Port Financial's Board held six formal meetings. It also met periodically throughout the year to discuss matters consistent with its duties.

During 2002, each member of Port Financial's Audit Committee was independent as defined under the National Association of Securities Dealers' listing standards. Port Financial believes that Mr. Happ qualifies as an Audit Committee Financial Expert as the term is defined by SEC regulations. Port Financial's Audit Committee operates under a written charter approved by the Board.

Port Financial's Audit Committee assists the Board by overseeing the audit coverage and monitoring the accounting, financial reporting, data processing, regulatory, and internal control environments. The primary duties and responsibilities of Port Financial's Audit Committee are to: (1) serve as an independent and objective party to monitor Port Financial's financial reporting process and internal control systems; (2) review and appraise the audit efforts of Port Financial's independent auditors and internal audit department; (3) evaluate Port Financial's quarterly financial performance, as well as its compliance with laws and regulations; (4) oversee management's establishment and enforcement of

financial policies; and (5) provide an open avenue of communication among the independent auditors, financial and senior management, the internal audit department, and the Board.

Port Financial's Audit Committee has reviewed and discussed the audited financial statements of Port Financial for the fiscal year ended December 31, 2002 with Port Financial's management. Port Financial's Audit Committee has discussed the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committee) with KPMG LLP.

During the fiscal year ended December 31, 2002, Port Financial retained and paid KPMG LLP to provide audit and other services as follows:

Audit Fees	$143,000
Tax Fees(1)	$ 29,000
Total Fees	$167,000

(1) Tax fees consist of tax consultation and tax compliance services.

Port Financial's Audit Committee has also received the written disclosures and the letter from KPMG LLP required by Independence Standards Board Standard No. 1 (entitled "Independence Discussions with Audit Committees"), has discussed the independence of KPMG LLP and considered whether the provision of non-audit services by KPMG LLP is compatible with maintaining the auditor's independence.

Based on the review and discussions noted above, Port Financial's Audit Committee recommended to the Board that Port Financial's audited financial statements be included in Port Financial's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 for filing with the SEC. A representative of KPMG LLP is expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if she or he so desires. Port Financial's Audit Committee also reappointed the independent auditors.

Audit Committee of Port Financial Corp.

Daniel C. Crane, Esq. (Chairman)

Robert D. Happ
Sandra S. Sucher

Directors' Compensation

Meetings and Fees.

Currently, each non-employee director of Port Financial receives an annual retainer of $10,000 for serving on the board of directors of Port Financial; and $600 for each board meeting or committee meeting attended. Port Financial paid fees totaling $280,271 to its non-employee directors for the year ended December 31, 2002.

Directors receive additional compensation for serving on the board of directors of Cambridgeport Bank. Only one board or committee meeting fee is paid to a director for any joint meeting of the boards of Port Financial and Cambridgeport Bank or any joint meeting of any committees of the boards.

Directors' Emeritus Consultation Plan.

Directors of Port Financial who retire from service on the board of Port Financial within four years from Port Financial's conversion to stock form (until April 11, 2004) may elect to participate in the Directors' Emeritus Consultation Plan by agreeing to provide

consulting services to Port Financial for a period of 12 to 36 months. A retiring director who elects to provide consulting services will receive a fee of $1,000 per month and will be designated as a director emeritus. A director emeritus will provide agreed upon consulting services and may attend meetings of the board of Port Financial, but will have no power or right to vote at such meetings. Currently, Joseph F. O'Connor and William Goldberg, Esq. serve as directors emeritus of Port Financial.

Directors' Deferred Compensation Plan.

Port Financial maintains this non-qualified plan to provide non-employee directors the ability to defer all or a portion of their directors' fees, stock option grants and restricted stock awards in a manner that defers the taxation of such income.

EXECUTIVE COMPENSATION

The report of Port Financial's Compensation Committee and performance graph included in this section are provided in accordance with the rules and regulations of the SEC. Pursuant to such rules and regulations, the report and the graph are not to be deemed "soliciting materials," filed with the SEC, subject to Regulation 14A or 14C of the SEC or subject to the liabilities of Section 18 of the 1934 Securities Exchange Act of 1934, as amended.

Compensation Committee Report on Executive Compensation

The Compensation Committee is responsible for administering the compensation and benefits programs for the Chairman and Chief Executive Officer of Port Financial and Cambridgeport Bank, the President of Port Financial and Cambridgeport Bank and all other executive officers. Compensation of the Chairman and Chief Executive Officer, the President and other executive officers for the fiscal year ended 2002 was paid by Cambridgeport Bank and Port Financial, respectively and determined by both Boards of Directors upon the recommendation of the Compensation Committee for Cambridgeport Bank and Port Financial.

The committee reviews the compensation and benefits programs for all executive officers on an annual basis. Recommendations and rationale of Mr. Keegan's and Ms. Lundquist's positions with Cambridgeport Bank and Port Financial, respectively, are taken into consideration during such review.

The Compensation Committee administers the 2000 Stock Option Plan and the 2000 Recognition and Retention Plan.

The committee strives to provide a compensation program that assures both the motivation and retention of the executive officers, proper alignment with the financial interests of Port Financial's stockholders, and competitiveness with the external marketplace. To this end, Port Financial and Cambridgeport Bank have retained a nationally recognized compensation consulting firm to assist with the review and recommendation process. In order to determine competitive practices regarding compensation, a group of companies with similar size and business mix to that of Cambridgeport Bank and Port Financial was compiled. The committee reviewed the compensation practices of the peer group in order to develop recommendations for Cambridgeport Bank's and Port Financial's executive officers.

Port Financial's and Cambridgeport Bank's compensation program for executive officers consists of: base salary, annual bonuses and long-term incentive awards. These elements are intended to provide an overall compensation package that is commensurate with Port Financial's and Cambridgeport Bank's financial resources, that is appropriate to assure that retention of experienced management personnel, and that will align their financial interests with those of Port Financial's shareholders.

Base Salaries

Salary levels recommended by the committee are intended to be competitive with salary levels of the companies in Cambridgeport Bank's and Port Financial's peer groups, commensurate with the executive officers' respective duties and responsibilities, and reflect the financial performance of Cambridgeport Bank and Port Financial.

Stock Options

Port Financial has implemented the 2000 Stock Option Plan under which the executive officers and directors may be eligible to receive awards. The Compensation Committee has determined stock option grants based on the financial performance achieved by Cambridgeport Bank, and the level of long-term incentive awards made by the companies in the peer group. As of the fiscal year ended December 31, 2002, 740,582 options were granted to the eligible employees or directors.

Recognition and Retention Plan

Port Financial has implemented the 2000 Recognition and Retention Plan under which the executive officers and directors are eligible to receive restricted stock awards. The Compensation Committee has determined restricted share awards based on the financial performance achieved by Cambridgeport Bank, and the level of long-term incentive awards made by the companies in the peer group. As of the fiscal year ended December 31, 2002, 292,891 awards were granted to directors, officers and employees.

Chief Executive Officer

The Compensation Committee recognizes the duties required of the Chairman and Chief Executive Officer of Port Financial Corp. as a public company.

Based on the foregoing criteria discussed above, for fiscal year ended December 31, 2002, Mr. Keegan's base salary was $392,000 and he was awarded a bonus of $390,100. He was also eligible to participate in the 2000 Stock Option Plan and the 2000 Recognition and Retention Plan. During fiscal 2002, Mr. Keegan was not awarded any additional options under the 2000 Stock Option Plan or shares under the 2000 Recognition and Retention Plan.

Compensation Committee of Port Financial Corp.

Paul R. Corcoran (Chairman)
Samuel C. Fleming
Robert D. Happ
Sandra J. Sucher

Compensation Committee Interlocks and Insider Participation.

During fiscal 2002, there were no interlocks between members of the compensation committee or executive officers of Port Financial and corporations with respect to which such persons are affiliated.

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Performance Graph

The following graph compares Port Financial's total cumulative shareholder return by an investor who invested $100.00 on April 11, 2000, the date following Port Financial's initial public offering, to December 31, 2002, to the total return by an investor who invested $100.00 in each of the Russell 2000 Index and the Nasdaq Bank Index for the same period.

	04/11/00	**12/31/00**	**12/31/01**	12/31/02
Port Financial Corp.	$ 100.00	$ 177.41	$ 264.43	$ 459.99
Nasdaq Bank	100.00	126.29	136.74	139.80
Russell 2000	100.00	90.56	92.81	73.80

Summary Compensation Table

The following table provides information about the compensation paid during the fiscal year ended December 31, 2002 to the Chief Executive Officer of Port Financial and Cambridgeport Bank and to the other most highly compensated executive officers of Port Financial and Cambridgeport Bank whose combined annual salary and bonus for 2002 was at least $100,000. These individuals are referred to as "named executive officers" in this proxy statement.

Summary Compensation Table

		Annual Compensation		Long Term Compensation			
				Awards		Payouts	
Name and Principal Positions with Port Financial	Year	Salary($)	Bonus($)(1)	Other Annual Compensation ($)(2)	Restricted Stock Awards ($)(3)	Options (#)(4)	LTIP Payouts ($)	All Other Compensation ($)(5)
James B. Keegan,	2002	392,000	390,100	-	-	-	-	252,920
Chairman of the	2001	387,750	197,000	-	-	-	-	132,590
Board and	2000	375,000	105,000	-	1,111,250	139,000	-	105,472
Chief Executive Officer								
Jane L. Lundquist,	2002	230,000	262,590	-	-	-	-	72,991
Director, President	2001	227,500	115,500	-	-	-	-	31,758
and	2000	220,000	62,000	-	603,250	80,000	-	21,844
Clerk								
Charles Jeffrey,	2002	157,000	158,600	-	-	-	-	56,061
Senior Vice	2001	155,250	79,000	-	-	-	-	25,078
President,	2000	150,000	42,500	-	238,125	44,000	-	21,241
Chief Financial Officer and Treasurer								

(1) Included in this figure is a one-time bonus paid in 2002 in lieu of salary increase for Mr. Keegan, Ms. Lundquist and Mr. Jeffrey equal to $24,000, $15,000 and $10,000, respectively.

(2) Port Financial Corp. provides its executive officers with non-cash benefits and perquisites, such as the use of employer-owned or leased automobiles. Port Financial Corp. believes that the aggregate value of these benefits for 2002 did not, in the case of any executive officer, exceed $50,000 or 10% of the

aggregate salary and annual bonus reported for him or her in the Summary Compensation Table.

(3) Pursuant to the Port Financial Corp. 2000 Recognition and Retention Plan, Mr. Keegan, Ms. Lundquist and Mr. Jeffrey were granted 70,000, 38,000 and 15,000 shares of restricted stock, respectively, effective October 18, 2000. These awards vest in 20% increments on January 23rd of each year. The first installment vested on January 23, 2002. Dividends attributed to such awards are distributed to participants from the custodial account holding shares under the Recognition and Retention Plan. The dollar amount shown is based on the fair market value of a share of common stock on October 18, 2000, which was $15.875 per share. Accelerated vesting occurs in the case of death or disability, retirement or a change in control.

(4) Represents shares of common stock as to which the named individual has the right to acquire beneficial ownership pursuant to the exercise of stock options. Such options were granted on October 18, 2000 pursuant to the Port Financial Corp. 2000 Stock Option Plan, and vest in 20% increments on October 18th of each year. The first installment vested on October 18, 2001.

(5) Includes the following components: (1) employer matching contributions to the Cambridgeport Bank 401(k) plan during 2002: Mr. Keegan, $10,000; Ms. Lundquist, $10,000; and Mr. Jeffrey, $10,000; (2) the premium cost for life insurance coverage provided by Cambridgeport Bank during 2002: Mr. Keegan, $3,210; Ms. Lundquist, $1,949; and Mr. Jeffrey, $0; (3) payments made to the ESOP Restoration Plan during 2002: Mr. Keegan, $148,173; Ms. Lundquist, $14,343; and Mr. Jeffrey, $22,005; (4) contributions made by Cambridgeport Bank to a supplemental benefit plan during 2002: Mr. Keegan, $70,164; Ms. Lundquist, $25,326; and Mr. Jeffrey, $2,683; and (5) contributions under the ESOP for 2002 representing the fair market value of the allocation: Mr. Keegan, $21,373; Ms. Lundquist, $21,373; and Mr. Jeffrey, $21,373.

EMPLOYMENT AGREEMENTS

Port Financial and Cambridgeport Bank jointly entered into employment agreements with Mr. Keegan to secure his services as Chairman and Chief Executive Officer of Cambridgeport Bank and Port Financial, Ms. Lundquist to secure her services as President of Cambridgeport Bank and Port Financial and Mr. Jeffrey to secure his services as Chief Financial Officer of Cambridgeport Bank and Port Financial. For purposes of Port Financial's obligations, the employment agreements have rolling three-year terms that began on November 1, 1999 in the case of Mr. Keegan and Ms. Lundquist and a rolling two-year term beginning on November 1, 2000 in the case of Mr. Jeffrey, which by decision of the executive or joint decision of Port Financial and Cambridgeport Bank may be converted to a fixed three-year term in the case of Mr. Keegan and Ms. Lundquist or a fixed two-year term in the case of Mr. Jeffrey. For purposes of Cambridgeport Bank's obligations, the employment agreements have fixed terms of three years which began on November 1, 1999 for Mr. Keegan and Ms. Lundquist and a fixed term of two years beginning on November 1, 2000 for Mr. Jeffrey and may be renewed annually after a review of the executive's performance. These agreements provide for minimum annual salaries of $375,000, and $220,000 and $150,000, respectively, discretionary cash bonuses, and participation on generally applicable terms and conditions in other compensation and fringe benefit plans. They also guarantee customary corporate indemnification and errors and omissions insurance coverage throughout the employment term and for six years after termination.

Port Financial and Cambridgeport Bank may terminate each executive's employment, and each executive may resign, at any time with or without cause. However, in the event of termination during the term without cause, Port Financial and Cambridgeport Bank will owe the executive severance benefits generally equal to the value of the cash compensation and fringe benefits that the executive would have received if he or she had continued working for an additional three years in the case of Mr. Keegan and Ms. Lundquist and an additional two years in the case of Mr. Jeffrey. The same severance benefits would be payable if the executive resigns during the term following: a loss of title, office or membership on the board of directors; material reduction in duties, functions or responsibilities; involuntary relocation of the executive's principal place of employment to a location over 25 miles in distance from

Cambridgeport Bank's principal office and over 25 miles from the executive's principal residence; or other material breach of contract by Port Financial or Cambridgeport Bank which is not cured within 30 days. For 60 days after a change in control, each executive may resign for any reason and collect severance benefits as if he or she had been discharged without cause. The employment agreements also provide uninsured death and disability benefits.

If Port Financial or Cambridgeport Bank experiences a change in ownership, a change in effective ownership or control or a change in the ownership of a substantial portion of their assets as contemplated by section 280G of the Internal Revenue Code, a portion of any severance payments under the employment agreements might constitute an "excess parachute payment" under current federal tax laws. Federal tax laws impose a 20% excise tax, payable by the executive, on excess parachute payments. Under the employment agreements, Cambridgeport Bank and Port Financial would reimburse the executive for the amount of this excise tax and would make an additional gross-up payment so that, after payment of the excise tax and all income and excise taxes imposed on the reimbursement and gross-up payments, the executive will retain approximately the same net-after tax amounts under the employment agreement that he or she would have retained if there were no 20% excise tax. The effect of this provision is that Cambridgeport Bank and Port Financial, rather than the executive, bears the financial cost of the excise tax. Neither Port Financial nor Cambridgeport Bank could claim a federal income tax deduction for an excess parachute payment, excise tax reimbursement payment or gross-up payment.

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BENEFIT PLANS

Pension Plans.

Mr. Keegan and Ms. Lundquist also are entitled to retirement benefits under the Cambridgeport Bank 1999 Nonqualified Pension Plan. Under this plan, each executive is entitled to a monthly retirement benefit equal to the greater of: (i) 25% of his or her highest monthly salary or (ii) 75% of his or her highest monthly salary, reduced by his or her monthly retirement benefit under the tax-qualified defined benefit pension plan and his or her monthly social security benefit. Under the plan, the executive's highest monthly salary is equal to the executive's average annual base salary for the three calendar years out of the five calendar years prior to retirement in which the executive's base salary is the highest, divided by twelve.

Until October 31, 2000, Cambridgeport Bank maintained a tax-qualified defined benefit pension plan for substantially all of its salaried employees. In connection with a restructuring of benefit programs following Port Financial's initial public offering, Cambridgeport Bank froze benefits under this plan and terminated it as of October 31, 2000. At October 31, 2000, the annual accrued benefits of Mr. Keegan, Ms. Lundquist and Mr. Jeffrey, expressed in the form of a single life annuity payable at age 65, were $48,624, $40,944 and $5,472, respectively. These benefits are not subject to an offset for Social Security benefits or any other benefit offset. Each participant, including our executive officers, has been given the right to receive a commercial annuity contract to provide for the future payment of their benefits or an immediate lump sum payment in lieu of future benefits. The amount if any lump sum payment that may be made to Mr. Keegan, Ms. Lundquist or Mr. Jeffrey will depend on prevailing interest rates and mortality tables at the time of payment.

Officers' Deferred Compensation Plan.

Port Financial maintains the Officers' Deferred Compensation Plan of Port Financial Corp., a non-qualified plan, in order to provide restorative payments to executives whose employer matching contributions under the 401(k) Plan are limited by legal limitations applicable to tax-qualified plans. The Officers' Deferred Compensation Plan also offers eligible executives the opportunity to defer the receipt of a portion of their income, stock option grants and restricted stock awards in a manner that defers the taxation of such income.

Employee Stock Ownership Plan.

This plan is a tax-qualified plan that covers substantially all employees who have at least one year of service and have attained age 21. The plan has purchased 595,425 shares as of December 31, 2002.

Port Financial has committed to lend this plan enough money to purchase 595,425 shares. Although contributions to this plan will be discretionary, Cambridgeport Bank intends to contribute enough money each year to make the required principal and interest payments on the loan from Port Financial. The loan is for a term of 30 years and calls for level annual payments of principal and interest. The plan has pledged the shares it purchases as collateral for the loan and holds them in a suspense account.

As of December 31, 2002, the plan has allocated 59,542 shares to participant accounts. The plan will allocate the shares released each year among the accounts of participants in proportion to their compensation for the year. For example, if a participant's compensation for a year represents 1% of the total compensation of all participants for the year, the plan would allocate to that participant 1% of the shares released for the year. Participants direct the voting of shares allocated to their accounts. Shares in the suspense account will usually be voted in a way that mirrors the votes which participants cast for shares in their individual accounts. This plan may purchase additional shares in the future, and may do so using borrowed funds, cash dividends, periodic employer contributions or other cash flow.

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ESOP Restoration Plan.

Port Financial has also established the ESOP Restoration Plan of Port Financial in order to provide payments to executives who are prevented from receiving the full benefits contemplated by the Employee Stock Ownership Plan benefit formula. The payments consist of payments in lieu of shares that cannot be allocated to participants under the Employee Stock Ownership Plan due to the legal limitations imposed on tax-qualified plans and, in the case of participants who retire before the repayment in full of the Employee Stock Ownership Plan loan, payments in lieu of the shares that would have been allocated if employment had continued through the full term of the loan.

Long-Term Incentive Plan.

Port Financial has also implemented a long-term incentive plan which provides cash incentives to executives for the achievement of certain corporate performance goals. Awards under this plan are paid in three annual installments consisting of 50% in the first year and 25% in each of the two subsequent years with payment in full upon a change of control of Port Financial.

2000 Stock Option Plan.

The 2000 Port Financial Corp. Stock Option Plan was adopted by our Board of Directors and approved by our shareholders at a special meeting held on October 18, 2000. Article IX of the 2000 Port Financial Corp. Stock Option Plan ("Stock Option Plan") to allow for acceleration of vesting upon retirement of the option holder or a change in control of Port Financial, terms that are defined in the plans, was approved by our shareholders at our 2001 Annual Meeting. No additional options were granted to the named executive officers during the 2002 fiscal year.

The purpose of the Stock Option Plan is to encourage the retention of key employees and directors by facilitating their purchase of a stock interest in Port Financial. The Stock Option Plan is not subject to ERISA and is not a tax-qualified plan. Port Financial has reserved an aggregate of 744,282 shares of common stock for issuance upon the exercise of stock options granted under the plan.

Awards typically vest and become distributable at the rate of 20% per year, over a five year period, subject to automatic full vesting on the date of the Award holder's death, disability, retirement or upon a change in control of Port Financial. Port Financial may amend or terminate the Stock Option Plan, in whole or in part, at any time, subject to the requirements of all applicable laws.

The following table provides the value for "in-the-money" options, which represent the positive spread between the exercise price of any such existing stock options and the closing price per share of the common stock on December 31, 2002, the last trading day of the 2002 fiscal year, which was $44.62 per share.

2002Fiscal Year End Option/SAR Values(1)

Name	Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-end (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options/SARs at Fiscal Year-end ($) Exercisable/Unexercisable(2)
James B. Keegan	-	-	55,600/83,400	1,598,222/2,397,333
Jane L. Lundquist	4,000	98,500	22,800/48,000	655,386/1,379,760
Charles Jeffrey	1,200	49,440	16,400/26,400	471,418/758,868

(1) All options were granted on October 18, 2000, and vest at the rate of 20% per year beginning on October 18, 2001.

(2) The closing price per share of common stock on December 31, 2002, the last trading day of the 2002 fiscal year, was $44.62, and all options have an exercise price of $15.875 per share, which equals a spread of $28.745 per share.

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2000 Recognition and Retention Plan

. The Port Financial Corp. 2000 Recognition and Retention Plan was adopted by our Board of Directors and approved by our shareholders at a special meeting held on October 18, 2000. Article X of the 2000 Port Financial Corp. Recognition and Retention Plan ("RRP") to allow for acceleration of vesting upon retirement or change in control of Port Financial, terms which are defined in the plans, was approved by our shareholders at our 2001 Annual Meeting.

Similar to the Stock Option Plan, the RRP functions as a long-term incentive compensation program for eligible officers, employees and outside directors of Port Financial and Cambridgeport Bank. The RRP is not subject to ERISA and is not a tax-qualified plan. Port Financial pays all costs and expenses of administering the RRP.

The maximum number of restricted stock awards ("Awards") that may be granted under the RRP is 297,713 shares of common stock. Shares of common stock subject to an Award are held in a trust until the Award vests at which time the shares of common stock attributable to the portion of the Award that have vested are distributed to the Award holder. An Award recipient is entitled to exercise voting rights and receive cash dividends with respect to the shares of common stock subject to his Award, whether or not the underlying shares have vested.

Awards typically vest and become distributable at the rate of 20% per year, over a five year period, subject to automatic full vesting on the date of the Award holder's death, disability, retirement or upon a change in control of Port Financial.

Port Financial may amend or terminate the RRP, in whole or in part, at any time, subject to the requirements of all applicable laws.

LIMITATIONS ON FEDERAL TAX DEDUCTIONS FOR EXECUTIVE OFFICER COMPENSATION

As a private entity, Cambridgeport Bank had been subject to federal tax rules which permitted it to claim a federal income tax deduction for a reasonable allowance for salaries or other compensation for personal services actually rendered. Because Cambridgeport Bank is now a subsidiary of a public company, federal tax laws may limit this deduction in future years to $1.0 million each tax year for each executive officer named in the summary compensation table in Port Financial's proxy statement for that year. This limit will not apply to non-taxable compensation under various broad-based retirement and fringe benefit plans, to compensation that is "qualified performance-based compensation" under applicable law or to compensation that is paid in satisfaction of commitments that arose before the conversion. Port Financial and Cambridgeport Bank expect that the compensation committee will take this deduction limitation into account with other relevant factors in establishing future compensation levels of their executive officers and in setting the terms of compensation programs. Currently, none of our executive officers receive annual compensation expected to exceed this limit. However, there is no assurance that all compensation paid to our executive officers will be deductible for federal income tax purposes. To the extent that compensation paid to any executive officer is not deductible, the net after-tax cost of providing the compensation will be higher and the net after-tax earnings of Port Financial and Cambridgeport Bank will be reduced.

TRANSACTIONS WITH CERTAIN RELATED PERSONS

Cambridgeport Bank does not make loans to its executive officers. Loans to non-employee directors are made in the ordinary course of business and on the same terms and conditions as those of comparable transactions with the general public prevailing at the time, in accordance with our underwriting guidelines, and do not involve more than the normal risk of collectibility or present other unfavorable features.

Pursuant to a lease agreement, Cambridgeport Bank leases office space for one of its branch offices from 1280 Massachusetts Avenue LP, a retail and office property, which is 40 percent owned by THN Cambridge LP. This entity is 90.845% beneficially owned by Mr. Thomas H. Niles, a director of Port Financial and Cambridgeport Bank. During the fiscal year ended December 31, 2002, Cambridgeport Bank paid $230,415 to 1280 Massachusetts Avenue LP under the leasing agreement.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Port Financial's directors and executive officers, and persons who own more than 10% of Port Financial's common stock, to report to the SEC their initial ownership of Port Financial's common stock and any subsequent changes in that ownership. Specific due dates for these reports have been established by the SEC and Port Financial is required to disclose in this proxy statement any late filings or failures to file.

Based solely on its review of the copies of such reports furnished to Port Financial and written representations that no other reports were required during the fiscal year ended December 31, 2002, all Section 16(a) filing requirements applicable to Port Financial's executive officers and directors during fiscal 2002 were met.

INDEPENDENT AUDITORS

Effective May 10, 2002, the Audit Committee terminated the engagement of Arthur Andersen LLP ("Andersen") as independent public accountant of Port Financial. Effective as of and on May 28, 2002, based on the recommendation of the Audit Committee, the Board of Directors voted to engage KPMG LLP to serve as the independent auditors for Port Financial for the fiscal year ending December 31, 2002. The decision to change accountants was recommended and approved by the Audit Committee of the Board of Directors of Port Financial.

During the fiscal years ended December 31, 2002 and 2001 and subsequent interim periods, the financial statements of Port Financial did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles. Further, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure, which disagreements, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference in connection with their report to the subject matter of the disagreement.

A representative of KPMG LLP is expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if she or he so desires.

ADDITIONAL INFORMATION

Information About Shareholder Proposals

If you wish to submit proposals to be included in our proxy statement for the 2004 Annual Meeting of Shareholders, Port Financial must receive them on or before December 19, 2003, pursuant to the proxy soliciting regulations of the SEC. SEC rules contain standards as to what shareholder proposals are required to be in the proxy statement. All shareholder proposals for inclusion in Port Financial's proxy materials shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934, as amended, and as with any shareholder proposal (regardless of whether it is included in Port Financial's proxy materials), Port Financial's Articles of Organization and Bylaws, and Massachusetts law.

In addition, under Port Financial's Bylaws, if you wish to nominate a director or bring other business before an annual meeting (which is not included in the proxy statement for the 2003 Annual Meeting), the following criteria must be met: (i) you must be a shareholder of record; (ii) you must have given timely notice in writing to the Clerk of Port Financial; and (iii) your notice must contain specific information required in our Bylaws. To be considered timely for inclusion in our 2003 Annual Meeting, Port Financial must receive your advance written notice of business or nominations to the Board of Directors no later than 90 days preceding the anniversary date of this year's annual meeting. For example, if Port Financial holds this year's annual meeting on May 21, 2003, it must receive your advance notice of business or nomination no later than February 21, 2004.

By Order of the Board of Directors

/s/ Jane L. Lundquist

Jane L. Lundquist
Director, President and Clerk

Brighton, Massachusetts
April 18, 2003

To assure that your shares are represented at the annual meeting, please complete, sign, date and promptly return the accompanying proxy card in the postage-paid envelope provided.

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Port Financial Corp. REVOCABLE PROXY

This Proxy is solicited on behalf of the Board of Directors of Port Financial Corp.
for the Annual Meeting of Stockholders to be held on

May 21, 2003.

The undersigned stockholder of Port Financial Corp. hereby appoints Paul R. Corcoran, Jr. and Jane L. Lundquist, each of them, with full powers of substitution, to represent and to vote as proxy, as designated, all shares of common stock of Port Financial Corp. held of record by the undersigned on March 28, 2003, at the 2003 Annual Meeting of Stockholders of Port Financial Corp. (the "Annual Meeting") to be held at 9:00 a.m. Eastern Time, on May 21, 2003, or at any adjournment or postponement thereof, upon the matters described in the accompanying Notice of the Annual Meeting of Stockholders and Proxy Statement, dated April 18, 2003 and upon such other matters as may properly come before the Annual Meeting. The undersigned hereby revokes all prior proxies.

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. **If no direction is given, this Proxy will be voted "FOR" the election of the nominees listed in Item 1.**

PLEASE MARK, SIGN AND DATE THIS PROXY ON THE REVERSE SIDE
AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

The Board of Directors of Port Financial Corp. unanimously recommends a vote "FOR" the nominees named in Item 1.

I Will Attend Annual Meeting. [ ]

Please Mark Your Choice Like This
in Blue or Black Ink. **[X]**

ckground: transparent"> **4. Acquisition of the Remaining Interest in Matrix Laboratories Limited**

On March 26, 2009, the Company announced plans to buy the remaining public interest in Matrix Laboratories Limited (Matrix) from its minority shareholders pursuant to a voluntary delisting offer. At the time, the Company owned approximately 71.2% of Matrix through a wholly-owned subsidiary and controlled more than 76% of its voting rights. During the calendar year ended December 31, 2009, the Company completed the purchase of an additional portion of the remaining interest from minority shareholders of Matrix, bringing both the Company s total ownership and control to over 96%. During the six months ended June 30, 2010, Mylan completed the purchase of an additional portion of the remaining interest from minority shareholders of Matrix, for cash of approximately $5.0 million, bringing both the Company s total ownership and control to approximately 97%.

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MYLAN INC. AND SUBSIDIARIES

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

5. Stock-Based Incentive Plan

Mylan s shareholders have approved the *2003 Long-Term Incentive Plan* (as amended, the 2003 Plan). Under the 2003 Plan, 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. Stock option awards are granted at the fair value of the shares underlying the options at the date of the grant, generally become exercisable over periods ranging from three to four years, and generally expire in ten years. In the 2003 Plan, no more than 8,000,000 shares may be issued as restricted shares, restricted units, performance shares and other stock-based awards.

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

The following table summarizes stock option activity:

	Number of Shares Under Option	Weighted Average Exercise Price per Share
Outstanding at December 31, 2009	26,268,678	$ 15.22
Options granted	2,071,039	20.98
Options exercised	(2,575,185)	14.04
Options forfeited	(672,247)	14.65
Outstanding at June 30, 2010	25,092,285	$ 15.83
Vested and expected to vest at June 30, 2010	23,890,685	$ 15.86
Options exercisable at June 30, 2010	16,419,989	$ 15.92

As of June 30, 2010, options outstanding, options vested and expected to vest, and options exercisable had average remaining contractual terms of 5.88 years, 5.75 years and 4.42 years, respectively. Also at June 30, 2010, options outstanding, options vested and expected to vest and options exercisable had aggregate intrinsic values of $53.5 million, $50.5 million and $33.1 million, respectively.

A summary of the status of the Company s nonvested restricted stock and restricted stock unit awards as of June 30, 2010 and the changes during the six-month period ended June 30, 2010, are presented below:

	Number of Restricted	Weighted Average Grant-Date

	Stock Awards		Fair Value per Share
Nonvested at December 31, 2009	2,464,600	$	12.78
Granted	816,359		21.20
Released	(395,942)		12.07
Forfeited	(110,338)		12.53
Nonvested at June 30, 2010	2,774,679	$	15.38

As of June 30, 2010, the Company had $47.4 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 1.77 years. The total intrinsic value of stock-based awards exercised and restricted stock units converted during the six months ended June 30, 2010 and June 30, 2009 was $27.2 million and $7.4 million.

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MYLAN INC. AND SUBSIDIARIES

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

6. Balance Sheet Components

Selected balance sheet components consist of the following:

	June 30, 2010	December 31, 2009
	(In thousands)	
Inventories:		
Raw materials	$ 301,052	$ 287,128
Work in process	204,614	198,280
Finished goods	590,699	628,811
	$ 1,096,365	$ 1,114,219
Property, plant and equipment:		
Land and improvements	$ 68,052	$ 69,614
Buildings and improvements	622,933	625,303
Machinery and equipment	1,167,528	1,145,464
Construction in progress	108,854	118,410
	1,967,367	1,958,791
Less accumulated depreciation	875,693	836,143
	$ 1,091,674	$ 1,122,648
Other current liabilities:		
Payroll and employee benefit plan accruals	$ 139,534	$ 188,743
Accrued rebates	235,023	238,161
Fair value of financial instruments	43,646	66,420
Legal and professional accruals, including litigation reserves	240,108	218,813
Other	170,022	222,776
	$ 828,333	$ 934,913

7. Earnings per Common Share attributable to Mylan Inc.

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

With respect to the Company s convertible preferred stock, the Company considered the effect on diluted earnings per share of the preferred stock conversion feature using the if-converted method. The preferred stock is convertible into between 125,234,172 shares and 152,785,775 shares of the Company s common stock, subject to anti-dilution adjustments, depending on the average stock price of the Company s common stock over the 20 trading-day period ending on the third trading day prior to conversion. For the three and six months ended June 30, 2010 and June 30, 2009, the if-converted method is anti-dilutive; therefore, the preferred stock conversion is excluded from the computation of diluted earnings per share.

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MYLAN INC. AND SUBSIDIARIES

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In thousands, except per share amounts)			
Basic earnings attributable to Mylan Inc. common shareholders (numerator):				
Net earnings attributable to Mylan Inc. before preferred dividends	$ 86,228	$ 92,870	$ 182,084	$ 198,929
Less: Preferred dividends	34,759	34,759	69,518	69,518
Net earnings attributable to Mylan Inc. common shareholders	$ 51,469	$ 58,111	$ 112,566	$ 129,411
Shares (denominator):				
Weighted average shares outstanding	308,968	304,991	307,982	304,784
Basic earnings per common share attributable to Mylan Inc.	$ 0.17	$ 0.19	$ 0.37	$ 0.42
Diluted earnings attributable to Mylan Inc. common shareholders (numerator):				
Net earnings attributable to Mylan Inc. common shareholders	$ 51,469	$ 58,111	$ 112,566	$ 129,411
Add: Preferred dividends				
Earnings attributable to Mylan Inc. common shareholders and assumed conversions	$ 51,469	$ 58,111	$ 112,566	$ 129,411
Shares (denominator):				
Weighted average shares outstanding	308,968	304,991	307,982	304,784
Stock-based awards and warrants	5,439	1,265	5,195	975
Preferred stock conversion				
Total dilutive shares outstanding	314,407	306,256	313,177	305,759
Diluted earnings per common share attributable to Mylan Inc.	$ 0.16	$ 0.19	$ 0.36	$ 0.42

Additional stock options or restricted stock awards representing 3.9 million and 18.7 million shares were outstanding at June 30, 2010 and 2009, but were not included in the computation of diluted earnings per share because the effect

would be anti-dilutive.

During the six months ended June 30, 2010, the Company paid dividends of $69.5 million on the preferred stock. On July 19, 2010, 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 16, 2010, to the holders of preferred stock of record as of August 1, 2010. The preferred stock will automatically convert into common stock on November 15, 2010, and the last dividend payment is expected on that date.

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MYLAN INC. AND SUBSIDIARIES

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

8. Goodwill and Intangible Assets

A rollforward of goodwill from December 31, 2009 to June 30, 2010 is as follows:

	Generics Segment	Specialty Segment	Total
		(In thousands)	
Goodwill	$ 3,009,740	$ 706,507	$ 3,716,247
Accumulated impairment losses[1]		(385,000)	(385,000)
Balance at December 31, 2009	$ 3,009,740	$ 321,507	$ 3,331,247
Foreign currency translation	(200,112)		(200,112)
Balance at June 30, 2010	$ 2,809,628	$ 321,507	$ 3,131,135

[1] Represents the only impairment charge recognized by the Company under the currently effective accounting guidance.

Intangible assets consist of the following components:

	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
			(Dollars in thousands)	
June 30, 2010				
Amortized intangible assets:				
Patents and technologies	20	$ 122,926	$ 80,737	$ 42,189
Product rights and licenses	10	2,784,154	770,760	2,013,394
Other[1]	8	175,563	98,880	76,683
		$ 3,082,643	$ 950,377	$ 2,132,266
December 31, 2009				
Amortized intangible assets:				
Patents and technologies	20	$ 122,926	$ 77,717	$ 45,209
Product rights and licenses	10	2,902,045	657,050	2,244,995
Other[1]	8	170,426	75,782	94,644

	$ 3,195,397	$ 810,549	$ 2,384,848

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

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, 2010 and 2009 was $140.6 million and $133.4 million, and is expected to be $132.3 million for the remainder of 2010, and $259.2 million, $252.6 million, $246.9 million and $239.3 million for the years ended December 31, 2011 through 2014, respectively.

9. 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 foreign currency risk, interest rate risk and equity risk.

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MYLAN INC. AND SUBSIDIARIES

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

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

During the six months ended June 30, 2010, the Company executed a series of forward contracts to hedge foreign currency denominated sales from certain international subsidiaries. These contracts are designated as cash flow hedges to manage foreign currency risk and are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. Any changes in fair value are included in earnings or deferred through accumulated other comprehensive earnings (loss) (AOCE), depending on the nature and effectiveness of the offset.

As of June 30, 2010 and December 31, 2009, the Company had 679.2 million of borrowings under its senior credit agreement (the Senior Credit Agreement) that are designated as a hedge of its net investment in certain Euro-functional currency subsidiaries to manage foreign currency risk. The U.S. Dollar equivalent of such amount was $833.0 million at June 30, 2010 and $978.1 million at December 31, 2009. Borrowings designated as hedges of net investments are marked to market using the current spot exchange rate as of the end of the period, with gains and losses included in the foreign currency translation adjustment component of AOCE on the Condensed Consolidated 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. 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 terms of its Senior Credit Agreement. Derivative contracts designated as hedges to manage interest rate risk are measured at fair value and reported as current assets or current liabilities on the Condensed Consolidated Balance Sheets. Any changes in fair value are included in earnings or deferred through AOCE, depending on the nature and effectiveness of the offset.

In conjunction with the notes offering during the current quarter and the associated prepayment of term debt (see Note 10), the Company terminated certain interest rate swaps that had previously fixed the interest rate on a portion of the Company s variable-rate U.S. Tranche B Term Loans. As a result, during the current quarter, approximately $7.4 million that had previously been classified in AOCE was recognized into other (expense) income, net. As of June 30, 2010 and December 31, 2009, the total notional amount of the Company s floating-rate debt interest rate swaps was $1.2 billion and $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, 2010 is $37.9 million. The Company is not subject to any obligations to post collateral under derivative contracts.

The Company s most significant credit exposure arises from the convertible note hedge on its Cash Convertible Notes. At June 30, 2010, the convertible note hedge had a total fair value of $347.9 million, which reflects the maximum loss that would be incurred should the parties fail to perform according to the terms of the contract. The counterparties are

highly rated diversified financial institutions with both commercial and investment banking operations. The counterparties are required to post collateral against this obligation should they be downgraded below thresholds specified in the contract. Eligible collateral is comprised of a wide range of financial securities with a valuation discount percentage reflecting the associated risk.

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

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
Fair Values of Derivative Instruments

	Liability Derivatives			
	June 30, 2010		December 31, 2009	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Other current liabilities	$ 37,862	Other current liabilities	$ 62,607
Foreign currency forward contracts	Other current liabilities	2,575	Other current liabilities	
Foreign currency borrowings	Long-term debt	832,980	Long-term debt	978,059
Total		$ 873,417		$ 1,040,666

Derivatives Not Designated as Hedging Instruments
Fair Values of Derivative Instruments

	Asset Derivatives			
	June 30, 2010		December 31, 2009	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 2,823	Prepaid expenses and other current assets	$ 8,793
Purchased cash convertible note hedge	Other assets	347,900	Other assets	410,600
Total		$ 350,723		$ 419,393

	Liability Derivatives			
	June 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value

(In thousands)

Foreign currency forward contracts	Other current liabilities	$ 3,209	Other current liabilities	$ 5,694
Cash conversion feature of Cash Convertible Notes	Long-term debt	347,900	Long-term debt	410,600
Total		$ 351,109		$ 416,294

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MYLAN INC. AND SUBSIDIARIES

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

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

	Amount of Gain or (Loss) Recognized in AOCE (Net of Tax) on Derivative (Effective Portion)			
	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2010**	**2009**	**2010**	**2009**
Foreign currency forward contracts	$ (7,748)	$	$ (2,863)	$
Interest rate swaps	(971)	6,039	3,041	6,049
Total	$ (8,719)	$ 6,039	$ 178	$ 6,049

		Amount of Gain or (Loss) Reclassified from AOCE into Earnings (Effective Portion)			
		Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**Location of Gain or (Loss) Reclassified from AOCE into Earnings (Effective Portion)**	**2010**	**2009**	**2010**	**2009**
Foreign currency forward contracts	Net revenues	$ 468	$	$ 879	$
Interest rate swaps	Interest expense	(6,271)	(11,190)	(22,358)	(20,370)
Total		$ (5,803)	$ (11,190)	$ (21,479)	$ (20,370)

During the three and six months ended June 30, 2010, a gain of $1.2 million was recognized in other (expense) income, net, related to the foreign currency forward contracts for ineffectiveness. There was no gain or loss recognized into earnings on derivatives with cash flow hedging relationships for ineffectiveness during the three or six months ended June 30, 2009.

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

(In thousands)	Amount of Gain or (Loss) Recognized in AOCE (Net of Tax) on Derivative (Effective Portion)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Foreign currency borrowings	$ 53,394	$ (35,745)	$ 89,058	$ (2,450)
Total	$ 53,394	$ (35,745)	$ 89,058	$ (2,450)

There was no gain or loss recognized into earnings on derivatives with net investment hedging relationships during the three or six months ended June 30, 2010 or 2009.

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MYLAN INC. AND SUBSIDIARIES

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

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

(In thousands)	Location of Gain or (Loss) Recognized in Earnings on Derivatives	Amount of Gain or (Loss) Recognized in Earnings on Derivatives			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2010	2009	2010	2009
Foreign currency forward contracts	Other (expense) income, net	$ (8,210)	$ (10,462)	$ (23,151)	$ (2,542)
Cash conversion feature of Cash Convertible Notes	Other (expense) income, net	183,800	55,925	62,700	(22,425)
Purchased cash convertible note hedge	Other (expense) income, net	(183,800)	(55,925)	(62,700)	22,425
Total		$ (8,210)	$ (10,462)	$ (23,151)	$ (2,542)

Fair Value Measurement

Fair value is based on the price that would be received from the sale of an identical asset or paid to transfer an identical liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy has been established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

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

Financial assets and liabilities carried at fair value are classified in the tables below in one of the three categories described above:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets:				
Trading securities:				
Equity securities exchange traded funds	$ 1,577	$	$	$ 1,577
Total trading securities	$ 1,577	$	$	$ 1,577
Available-for-sale fixed income investments:				
U.S. Treasuries	$	$ 12,561	$	$ 12,561
Corporate bonds		3,738		3,738
Agency mortgage-backed securities		2,253		2,253
Other		3,039		3,039
Total available-for-sale fixed income investments	$	$ 21,591	$	$ 21,591
Available-for-sale equity securities:				
Biosciences industry	$ 623	$	$	$ 623
Total available-for-sale equity securities	$ 623	$	$	$ 623
Foreign exchange derivative assets	$	2,823	$	$ 2,823
Purchased cash convertible note hedge		347,900		347,900
Total assets at fair value[(1)]	$ 2,200	$ 372,314	$	$ 374,514
Financial Liabilities:				
Foreign exchange derivative liabilities	$	$ 5,784	$	$ 5,784
Interest rate swap derivative liabilities		37,862		37,862
Cash conversion feature of cash convertible notes		347,900		347,900
Total liabilities at fair value[(1)]	$	$ 391,546	$	$ 391,546

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

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Financial Assets:				
Available-for-sale fixed income investments	$	$ 26,485	$	$ 26,485
Available-for-sale equity securities	1,074			1,074
Foreign exchange derivative assets		8,793		8,793
Purchased cash convertible note hedge		410,600		410,600
Total assets at fair value[1]	$ 1,074	$ 445,878	$	$ 446,952
Financial Liabilities:				
Foreign exchange derivative liabilities	$	$ 5,694	$	$ 5,694
Interest rate swap derivative liabilities		62,607		62,607
Cash conversion feature of cash convertible notes		410,600		410,600
Total liabilities at fair value[1]	$	$ 478,901	$	$ 478,901

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

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

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

Available-for-sale fixed income investments valued at the quoted market price from broker or dealer quotations or transparent pricing sources at the reporting date.

Available-for-sale equity securities valued using quoted stock prices from the London Exchange at the reporting date and translated to U.S. Dollars at prevailing spot exchange rates.

Interest rate swap derivative assets and liabilities valued using the LIBOR/EURIBOR yield curves at the reporting date. Counterparties to these contracts are highly rated financial institutions, none of which experienced any significant downgrades during the six months ended June 30, 2010, 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, 2010 that would reduce the receivable amount owed, if any, to the Company.

Cash conversion feature of cash convertible notes and purchased convertible note hedge valued using quoted prices for the Company s cash convertible notes, its implied volatility and the quoted yield on the Company s other long-term debt at the reporting date. Counterparties to the purchased convertible note hedge are highly rated financial institutions, none of which experienced any significant downgrades during the six months ended June 30, 2010, that would reduce the receivable amount owed, if any, to the Company.

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

Although the Company has not elected the fair value option for financial assets and liabilities, any future transacted financial asset or liability will be evaluated for the fair value election.

10. Long-Term Debt

On May 19, 2010, the Company issued $550.0 million aggregate principal amount of 7.625% Senior Notes due 2017 (the 2017 Notes) and $700.0 million aggregate principal amount of 7.875% Senior Notes due 2020 (the 2020 Notes) in a private offering exempt from the registration requirements of the Securities Act of 1933 (the Securities Act) to qualified institutional buyers in accordance with Rule 144A and to persons outside of the United States pursuant to Regulation S under the Securities Act. The 2017 Notes and 2020 Notes are the Company s senior unsecured obligations and are guaranteed on a senior unsecured basis by certain of the Company s domestic subsidiaries.

The 2017 Notes bear interest at a rate of 7.625% per year, accruing from May 19, 2010. Interest on the 2017 Notes is payable semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2011. The 2017 Notes will mature on July 15, 2017, subject to earlier repurchase or redemption in accordance with the terms of the indenture. The 2020 Notes bear interest at a rate of 7.875% per year, accruing from May 19, 2010. Interest on the 2020 Notes is payable semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2011. The 2020 Notes will mature on July 15, 2020, subject to earlier repurchase or redemption in accordance with the terms of the indenture.

The Company may redeem some or all of the 2017 Notes at any time prior to July 15, 2014, and some or all of the 2020 Notes at any time prior to July 15, 2015, in each case at a price equal to 100% of the principal amount redeemed plus accrued and unpaid interest, if any, to the redemption date and an applicable make-whole premium set forth in the indenture. On or after July 15, 2014 in the case of the 2017 Notes, and on or after July 15, 2015 in the case of the 2020 Notes, the Company may redeem some or all of the 2017 Notes and 2020 Notes of such series at redemption prices set forth in the indenture, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to July 15, 2013, the Company may redeem up to 35% of the aggregate principal amount of either series of the 2017 Notes and 2020 Notes at a specified redemption price set forth in the indenture with the net cash proceeds of certain equity offerings. If the Company experiences certain change of control events, it must offer to repurchase the 2017 Notes and 2020 Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

The Company used $1.0 billion of the net proceeds of the 2017 Notes and 2020 Notes offering to repay a portion of the U.S. Tranche B Term Loans due under the terms of its Senior Credit Agreement.

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MYLAN INC. AND SUBSIDIARIES

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

A summary of long-term debt is as follows:

	June 30, 2010	December 31, 2009
	(In thousands)	
U.S. Tranche A Term Loans(A)	$ 156,250	$ 156,250
Euro Tranche A Term Loans(A)	214,874	252,299
U.S. Tranche B Term Loans(A)	1,453,760	2,453,760
Euro Tranche B Term Loans(A)	618,106	725,760
Senior Convertible Notes(B)	551,775	538,693
Cash Convertible Notes(C)	793,827	847,136
2017 Notes	550,000	
2020 Notes	700,000	
Other	15,954	17,437
	5,054,546	4,991,335
Less: Current portion	7,162	6,348
Total long-term debt	$ 5,047,384	$ 4,984,987

(A) All 2010 and 2011 mandatory principal payments due under the Senior Credit Agreement were prepaid during 2009. During the quarter ended June 30, 2010, the Company also prepaid $1.0 billion of the outstanding U.S. Tranche B Term Loans, using a portion of the net proceeds of the 2017 Notes and the 2020 Notes.

(B) At June 30, 2010, the $551.8 million of debt is net of a $48.2 million discount. At December 31, 2009, the $538.7 million debt is net of a $61.3 million discount.

(C) At June 30, 2010, the $793.8 million consists of $445.9 million of debt ($575.0 million face amount, net of $129.1 million discount) and the bifurcated conversion feature with a fair value of $347.9 million recorded as a liability within long-term debt in the Condensed Consolidated Balance Sheet at June 30, 2010. Additionally, the Company has purchased call options, which are recorded as assets at their fair value of $347.9 million within other assets in the Condensed Consolidated Balance Sheet at June 30, 2010. At December 31, 2009, the $847.1 million consisted of $436.5 million of debt ($575.0 million face amount, net of $138.5 million discount) and the bifurcated conversion feature with a fair value of $410.6 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 $410.6 million within other assets in the Condensed Consolidated Balance Sheet at December 31, 2009.

As of June 30, 2010, because the closing price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day in the June 30, 2010 period, was more than 130% of the applicable conversion reference price of $13.32 at June 30, 2010, the $575.0 million of Cash Convertible

Notes was currently convertible. Although the Company s experience is that convertible debentures are not normally converted by investors until close to their maturity date, it is possible that debentures could be converted prior to their maturity date if, for example, a holder perceives the market for the debentures to be weaker than the market for the common stock. Upon an investor s election to convert, the Company is required to pay the full conversion value in cash. The amount payable per $1,000 notional bond would be calculated as the product of (1) the conversion reference rate (currently 75.0751) and (2) the average Daily Volume Weighted Average Price per share of common stock for a specified period following the conversion date. Any payment above the principal amount is matched by a convertible note hedge.

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MYLAN INC. AND SUBSIDIARIES

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

Details of the interest rates in effect at June 30, 2010 and December 31, 2009, on the outstanding borrowings under the Term Loans are in the table below:

	Outstanding	June 30, 2010 Basis (In thousands)	Rate
U.S. Tranche A Term Loans	$ 156,250	LIBOR + 2.75%	3.13%
Euro Tranche A Term Loans	$ 214,874	EURIBO + 2.75%	3.22%
U.S. Tranche B Term Loans			
Swapped to Fixed Rate December 2010[1][2]	$ 500,000	Fixed	6.03%
Swapped to Fixed Rate March 2012[2]	500,000	Fixed	5.38%
Floating Rate	453,760	LIBOR + 3.25%	3.63%
Total U.S. Tranche B Term Loans	$ 1,453,760		
Euro Tranche B Term Loans			
Swapped to Fixed Rate March 2011[1]	$ 245,280	Fixed	5.38%
Floating Rate	372,826	EURIBO + 3.25%	3.72%
Total Euro Tranche B Term Loans	$ 618,106		

	Outstanding	December 31, 2009 Basis (In thousands)	Rate
U.S. Tranche A Term Loans	$ 156,250	LIBOR + 2.75%	3.00%
Euro Tranche A Term Loans	$ 252,299	EURIBO + 2.75%	3.19%
U.S. Tranche B Term Loans			
Swapped to Fixed Rate December 2010[1][2]	$ 500,000	Fixed	6.03%
Swapped to Fixed Rate March 2010[1]	500,000	Fixed	5.44%
Swapped to Fixed Rate December 2010[1]	1,000,000	Fixed	7.37%
Floating Rate	453,760	LIBOR + 3.25%	3.50%
Total U.S. Tranche B Term Loans	$ 2,453,760		
Euro Tranche B Term Loans			
Swapped to Fixed Rate March 2011[1]	$ 288,000	Fixed	5.38%
Floating Rate	437,760	EURIBO + 3.25%	3.83%
Total Euro Tranche B Term Loans	$ 725,760		

(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

At June 30, 2010 and December 31, 2009, the fair value of the Senior Convertible Notes was approximately $602.5 million and $612.8 million. At June 30, 2010 and December 31, 2009, the fair value of the Cash Convertible Notes was approximately $818.2 million and $879.8 million.

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MYLAN INC. AND SUBSIDIARIES

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

Mandatory minimum repayments remaining on the outstanding borrowings under the term loans and notes at June 30, 2010, excluding the discounts and conversion features, 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	2017 Notes	2020 Notes	Total
				(In thousands)					
10	$	$	$	$	$	$	$	$	$
11									
12	78,125	107,437		6,439	600,000				792,00
13	78,125	107,437		6,439					192,00
14			1,453,760	605,228					2,058,98
15						575,000			575,00
ereafter							550,000	700,000	1,250,00
tal	$ 156,250	$ 214,874	$ 1,453,760	$ 618,106	$ 600,000	$ 575,000	$ 550,000	$ 700,000	$ 4,867,99

11. Comprehensive (Loss) Earnings

Comprehensive (loss) earnings consists of the following:

	Three Months Ended June 30,			
	2010		2009	
	(In thousands)			
Net earnings		$ 86,933		$ 95,671
Other comprehensive (loss) earnings, net of tax, as applicable:				
Foreign currency translation adjustments		(263,935)		322,222
Change in unrecognized (losses) gains and prior service cost related to post-retirement plans		(1,765)		281
Net unrecognized (loss) gain on derivatives		(8,719)		6,039
Unrealized gains on available-for-sale securities				
Net unrealized gains on available-for-sale securities	98		226	
Less: Reclassification for gains included in net earnings	158	256	45	271
Total other comprehensive (loss) earnings, net of tax, as applicable:		(274,163)		328,813
Comprehensive (loss) earnings		(187,230)		424,484

Comprehensive earnings attributable to the noncontrolling interest	(705)	(2,962)
Comprehensive (loss) earnings attributable to Mylan Inc.	$ (187,935)	$ 421,522

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MYLAN INC. AND SUBSIDIARIES

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

	Six Months Ended June 30,			
	2010		2009	
	(In thousands)			
Net earnings		$ 181,203		$ 204,745
Other comprehensive (loss) earnings, net of tax, as applicable:				
Foreign currency translation adjustments		(333,332)		103,293
Change in unrecognized gains and prior service cost related to post-retirement plans		3,520		220
Net unrecognized gain on derivatives		178		6,049
Unrealized gains on available-for-sale securities				
Net unrealized gains on available-for-sale securities	313		378	
Less: Reclassification for gains included in net earnings	157	470	161	539
Total other comprehensive (loss) earnings, net of tax, as applicable:		(329,164)		110,101
Comprehensive (loss) earnings		(147,961)		314,846
Comprehensive loss (earnings) attributable to the noncontrolling interest		881		(5,865)
Comprehensive (loss) earnings attributable to Mylan Inc.		$ (147,080)		$ 308,981

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

	June 30, 2010	December 31, 2009
	(In thousands)	
Net unrealized gain on available-for-sale securities, net of tax	$ 1,345	$ 875
Net unrecognized gains (losses) and prior service cost related to post-retirement plans, net of tax	107	(3,413)
Net unrecognized losses on derivatives, net of tax	(39,103)	(39,281)
Foreign currency translation adjustment	(279,707)	53,626
Accumulated other comprehensive (loss) earnings	$ (317,358)	$ 11,807

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MYLAN INC. AND SUBSIDIARIES

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

12. Shareholders Equity

A summary of the change in shareholders equity for the six months ended June 30, 2010 and 2009 is as follows:

	Total Mylan Inc. Shareholders Equity	Noncontrolling Interest	Total
		(In thousands)	
December 31, 2009	$ 3,131,146	$ 14,052	$ 3,145,198
Net income (loss)	182,084	(881)	181,203
Other comprehensive loss	(329,164)		(329,164)
Dividends paid on preferred stock	(69,518)		(69,518)
Stock option activity	36,007		36,007
Stock compensation expense	15,617		15,617
Purchase of subsidiary shares from noncontrolling interest	(4,376)	(623)	(4,999)
Tax benefit of stock option plans	3,310		3,310
Other	1,578	(276)	1,302
June 30, 2010	$ 2,966,684	$ 12,272	$ 2,978,956
December 31, 2008	$ 2,757,733	$ 29,108	$ 2,786,841
Net income	198,929	5,816	204,745
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)
Purchase of subsidiary shares from noncontrolling interest		(19,299)	(19,299)
Other	(2,002)	561	(1,441)
June 30, 2009	$ 2,896,053	$ 16,235	$ 2,912,288

13. Segment Information

Mylan previously had three reportable segments, Generics , Specialty and Matrix. The Matrix Segment consisted of Matrix, which was previously a publicly traded company in India, in which Mylan held a 71.2% ownership stake. Following the acquisition of additional interests in Matrix and its related delisting from the Indian stock exchanges, Mylan has two reportable segments, Generics and Specialty. Mylan changed its segment disclosure to align with how the business is being managed after those changes. The former Matrix Segment is included within the Generics

Segment. Information for earlier periods has been recast.

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

The Company s chief operating decision maker evaluates the performance of its reportable segments based on total revenues and segment profitability. For the Generics and Specialty Segments, segment profitability represents segment gross profit less direct research and development expenses and direct selling, general and administrative expenses. Certain general and administrative and research and development expenses not allocated to the segments,

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as well as reserves for litigation settlements, 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, as well as any other significant special items, are included in Corporate/Other. Items below the earnings from operations line on the Company s Condensed Consolidated Statements of Operations are not presented by segment, since they are excluded from the measure of segment profitability reviewed by the Company s chief operating decision maker. The Company does not report depreciation expense, total assets and capital expenditures by segment, as such information is not used by the chief operating decision maker.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. 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.

	Generics Segment	Specialty Segment	Corporate / Other[1]	Consolidated
		(In thousands)		
Three Months Ended June 30, 2010				
Total revenues				
Third party	$ 1,242,655	$ 125,881	$	$ 1,368,536
Intersegment	1,502	17,216	(18,718)	
Total	$ 1,244,157	$ 143,097	$ (18,718)	$ 1,368,536
Segment profitability	$ 333,253	$ 35,315	$ (173,982)	$ 194,586

	Generics Segment	Specialty Segment	Corporate / Other[1]	Consolidated
Six Months Ended June 30, 2010				
Total revenues				
Third party	$ 2,450,516	$ 210,393	$	$ 2,660,909
Intersegment	31,921	33,730	(65,651)	
Total	$ 2,482,437	$ 244,123	$ (65,651)	$ 2,660,909
Segment profitability	$ 658,587	$ 55,119	$ (320,615)	$ 393,091

	Generics Segment	Specialty Segment	Corporate / Other[1]	Consolidated

Three Months Ended June 30, 2009				
Total revenues				
Third party	$ 1,144,201	$ 122,776	$	$ 1,266,977
Intersegment	1,804	7,090	(8,894)	
Total	$ 1,146,005	$ 129,866	$ (8,894)	$ 1,266,977
Segment profitability	$ 322,536	$ 29,794	$ (177,617)	$ 174,713

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

	Generics Segment	Specialty Segment	Corporate / Other[1]	Consolidated
Six Months Ended June 30, 2009				
Total revenues				
Third party	$ 2,274,721	$ 202,172	$	$ 2,476,893
Intersegment	18,228	11,420	(29,648)	
Total	$ 2,292,949	$ 213,592	$ (29,648)	$ 2,476,893
Segment profitability	$ 700,018	$ 31,695	$ (329,659)	$ 402,054

(1) Includes certain corporate general and administrative and research and development expenses; reserves for litigation settlements; certain intercompany transactions, including eliminations; amortization of intangible assets and certain purchase-accounting items; impairment charges; and other expenses not directly attributable to segments.

14. Restructuring

Included in other current liabilities in the Company s Condensed Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009 are restructuring reserves totaling $23.4 million and $39.3 million. Of these amounts, $16.5 million and $27.0 million, as of June 30, 2010 and December 31, 2009, relate to certain estimated exit costs associated with the acquisition of the former Merck Generics business, and the remainder of each balance 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, 2010, payments of $10.5 million were made against the reserve, of which $4.5 million was for severance costs and the remaining $6.0 million was for other exit costs. Of the remaining accrual, approximately $12.2 million relates to additional severance and related costs, $2.0 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, 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 certain businesses in markets outside of the U.S. Accordingly, the Company has recorded a reserve for such activities, of which approximately $6.9 million remains at June 30, 2010. During the six months ended June 30, 2010, the Company recorded restructuring charges of approximately $3.4 million, nearly all of which relates to severance and related costs. Spending during the six months, primarily related to severance, amounted to approximately $8.5 million.

15. Contingencies

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

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 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, results of operations and cash flows.

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

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MYLAN INC. AND SUBSIDIARIES

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

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

Pricing and Medicaid Litigation

Beginning in September 2003, Mylan, MPI and/or UDL Laboratories Inc. (UDL), together with many other pharmaceutical companies, have been named in civil lawsuits filed by state attorneys general (AGs) and municipal bodies within the state of New York alleging generally that the defendants defrauded the state Medicaid systems by allegedly reporting Average Wholesale Prices and/or Wholesale Acquisition Costs that exceeded the actual selling price of the defendants prescription drugs, causing state programs to overpay pharmacies and other providers. 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, treble or punitive damages, counsel fees and costs, equitable relief and/or injunctive relief. Certain of these cases may go to trial in 2010. Mylan and its subsidiaries have denied liability and intend to defend each of these actions vigorously. On January 27, 2010, in the New York Counties cases, the U.S. District Court for the District of Massachusetts granted the plaintiffs motion for partial summary judgment as to liability under New York Social Services Law § 145-b against Mylan and several other defendants. The District Court has not ruled on the

remaining issues of liability and damages. On February 8, 2010, Mylan, and a majority of the other defendants, filed a motion to amend the court s decision, requesting the court to certify a question of New York state law pertaining to the court s finding of requisite causation under the Social Services Law to the First Circuit Court of Appeals, so that the defendants could in turn request that the First Circuit

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Court of Appeals certify the question to the New York Court of Appeals. The District Court denied this motion on May 4, 2010.

In May 2008, an amended complaint was filed in the U.S. District Court for the District of Massachusetts by a private 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 nationwide recovery of any and all alleged overpayment of the federal share under the Medicaid program, as well as treble damages and civil penalties. In February 2010, the Company reached an agreement in principle to settle this case (except for the claims related to the California federal share) and the Texas state action mentioned above. This settlement is contingent upon the execution of definitive settlement documents and court approval. The settlement would resolve a significant portion of the damages claims asserted against Mylan, MPI and UDL in the various pending pricing litigations. In addition, Mylan has reached agreement in principle to settle the Hawaii state action, which settlement is contingent upon the execution of definitive settlement documents. With regard to the remaining state actions, the Company continues to believe that it has meritorious defenses and will continue to vigorously defend itself in those actions. The Company has accrued $160 million in connection with the above-mentioned settlement in principle and the remaining state actions. The Company reviews the status of these actions on an ongoing basis, and from time to time, the Company may settle or otherwise resolve these matters on terms and conditions that management believes are in the best interests of the Company. There are no assurances that settlements can be reached on acceptable terms or that adverse judgments, if any, in the remaining litigation will not exceed the amounts reserved.

In addition, by letter dated January 12, 2005, MPI was notified by the U.S. Department of Justice of an investigation concerning calculations of Medicaid drug rebates. The investigation involved whether MPI and UDL may have violated the False Claims Act by classifying certain authorized generics as non-innovator rather than innovator drugs for purposes of Medicaid and other federal healthcare programs on sales from 2000 through 2004. MPI and UDL denied the government s allegations and denied that they engaged in any wrongful conduct. On October 19, 2009, a lawsuit, filed in March 2004 by a private relator, in which the federal government subsequently intervened, was unsealed by the U.S. District Court for the District of New Hampshire. That same day, MPI and UDL announced that they had entered into a settlement agreement with the federal government, relevant states and the relator for approximately $121.0 million, resolving both the lawsuit and the U.S. Department of Justice investigation. A stipulation of dismissal with prejudice has been filed with the court. The resolution of the matter did not include any admission or finding of wrongdoing on the part of either MPI or UDL. The Company has recovered approximately $50 million of the settlement amount based on overpayments resulting from adjusted net sales during the relevant timeframe.

Dey is a defendant currently in lawsuits brought by the state AGs of California, Illinois, Kentucky, Pennsylvania and Wisconsin, as well as three New York counties. Dey is also named as a defendant in several class actions brought by consumers and third-party payors. Dey has reached a settlement of these class actions, which has been preliminarily approved by the court. Additionally, a complaint was filed under seal by a plaintiff on behalf of the United States of America against Dey in August 1997. In August 2006, the Government filed its complaint-in-intervention and the case was unsealed in September 2006. Dey s motion for partial summary judgment in that case is pending, as is the

Government s cross-motion. The Government has asserted that Dey is jointly liable with a codefendant and seeks recovery of alleged overpayments, together with treble damages, civil penalties and equitable relief. These cases all generally allege that Dey falsely reported certain price information concerning certain drugs marketed by Dey, that Dey caused false claims to be made to Medicaid and to Medicare, and that Dey caused Medicaid and Medicare to make overpayments on those claims. Certain of these cases may go to trial in 2010. Dey intends to defend each of these actions vigorously. The Company has approximately $97.8 million recorded in other liabilities related to the

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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. As a result, the Company has recorded approximately $97.8 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, the Northern District of Ohio and a lawsuit originally filed in Tennessee state court 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. On March 29, 2010, the Court in the Eastern District of Pennsylvania denied the defendants motions to dismiss. 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. On July 1, 2010, the FTC issued a third party subpoena to Mylan requesting documents in connection with its lawsuit against Cephalon. Mylan is in the process of responding to the subpoena. Mylan is not named as a defendant in the FTC s lawsuit, although the complaint includes certain allegations pertaining to the Mylan/Cephalon settlement.

Digitek® 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. There are approximately 1,008 cases pending against Mylan, UDL and Actavis pertaining to the recall. Most of these cases have been transferred to the multi-district litigation proceedings pending in the U.S. District Court for the Southern District of West Virginia for pretrial proceedings. The remainder of these cases will likely be litigated in the state courts in which they were filed. Certain of these cases may go to trial in 2010. An adverse outcome in these lawsuits or the inability or denial of Actavis to pay on an indemnified claim could have a materially negative impact on the Company s financial position, results of operations or cash flows.

EU Commission Proceedings

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

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

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Matrix and Generics [U.K.] Ltd. received requests for information from the EU Commission in connection with this matter, and both companies have responded. By letters dated February 17, 2010, the EU Commission served additional requests for information on Matrix and Mylan S.A.S. The companies have responded to these requests.

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

On October 6, 2009, the Company received notice that the EU Commission was initiating an investigation pursuant to Article 20(4) of Regulation No. 1/2003 to explore possible infringement of Articles 81 and 82 EC by the Company and its affiliates. Mylan S.A.S., acting on behalf of its Mylan affiliates, has produced documents and other information in connection with the inquiry. The Company and Mylan S.A.S. received an additional request for information with the same case reference on December 18, 2009 and have responded to the questionnaire. An additional request was received on March 18, 2010. Mylan S.A.S. has responded to this request. Mylan is cooperating with the Commission in connection with the investigation. No statement of objections has been filed against Mylan in connection with the investigation.

Other Litigation

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

16. Subsequent Event

On July 14, 2010, the Company entered into an agreement to acquire Bioniche Pharma Holdings Limited (Bioniche Pharma), a privately held, global injectable pharmaceutical company, for $550.0 million in cash. Most of Bioniche Pharma s sales are derived in the U.S. commercial marketplace. The company manufactures and sells a diverse portfolio of products across several therapeutic areas for the hospital setting, including analgesics/anesthetics, orthopedics, oncology, and urology.

Mylan is not assuming any of Bioniche Pharma s outstanding debt or acquiring the company s cash as part of the transaction. Mylan expects to finance this transaction using a combination of cash on hand and available borrowings. The closing of this transaction is conditioned upon regulatory approvals and other customary closing conditions and is expected to occur within 60 days of signing the agreement.

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

The following discussion and analysis addresses material changes in the financial condition and results of operations 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 Financial Condition and Results of Operations included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009, 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 our 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 our market opportunities, strategies, competition and expected activities and expenditures, and at times may be identified by the use of words such as may , could , should , would , project , be anticipate , expect , plan , estimate , forecast , potential , intend , continue and variations of these words or c 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 over 15,500 people, Mylan has attained leading positions in key international markets through its wide array of dosage forms and delivery systems, significant manufacturing capacity, global scale and commitment to customer service. Through its Matrix Laboratories Limited (Matrix) subsidiary, Mylan controls one of the world s largest active pharmaceutical ingredient (API) manufacturers with respect to the number of drug master files filed with regulatory agencies. This relationship makes Mylan one of only two global generics companies with a comprehensive, vertically integrated supply chain.

Mylan previously had three reportable segments, Generics , Specialty and Matrix. The Matrix Segment consisted of Matrix, which was previously a publicly traded company in India, in which Mylan held a 71.2% ownership stake. Following the acquisition of additional interests in Matrix, beginning in 2009, and its related delisting from the Indian stock exchanges, Mylan now has two reportable segments, Generics and Specialty. Mylan revised its segment disclosure to align with how the business is being managed after those changes. The former Matrix Segment is included within the Generics Segment. Information for earlier periods has been recast.

Generics primarily develops, manufactures, sells and distributes generic or branded generic pharmaceutical products in tablet, capsule or transdermal patch form, as well as API. Specialty engages mainly in the manufacture and sale of branded specialty nebulized and injectable products. We also report in Corporate/Other certain research and development expenses, general and administrative expenses, litigation settlements, amortization of intangible assets and certain purchase-accounting items, impairment charges, and other items not directly attributable to the segments.

Issuance of Senior Notes

During the quarter ended June 30, 2010, we issued $550.0 million of 7.625% Senior Notes due 2017 (the 2017 Notes) and $700.0 million of 7.875% Senior Notes due 2020 (the 2020 Notes). These notes were issued in a private offering exempt from the registration requirements of the Securities Act of 1933 to qualified institutional buyers in accordance with Rule 144A and to persons outside of the United States pursuant to Regulation S under the Securities Act. The 2017 Notes and 2020 Notes are the Company s senior unsecured obligations and are guaranteed on a senior unsecured basis by certain of the Company s domestic subsidiaries.

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The 2017 Notes bear interest at a rate of 7.625% per year, accruing from May 19, 2010. Interest on the 2017 Notes is payable semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2011. The 2017 Notes will mature on July 15, 2017, subject to earlier repurchase or redemption in accordance with the terms of the indenture. The 2020 Notes bear interest at a rate of 7.875% per year, accruing from May 19, 2010. Interest on the 2020 Notes is payable semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2011. The 2020 Notes will mature on July 15, 2020, subject to earlier repurchase or redemption in accordance with the terms of the indenture.

The Company used $1.0 billion of the net proceeds of the 2017 Notes and 2020 Notes offering to repay a portion of the U.S. Tranche B Term Loans due under the terms of its senior credit agreement (Senior Credit Agreement).

Pending Acquisition of Bioniche Pharma Holdings Limited

On July 14, 2010, the Company entered into an agreement to acquire Bioniche Pharma Holdings Limited (Bioniche Pharma), a privately held, global injectable pharmaceutical company, for $550.0 million in cash. Most of Bioniche Pharma s sales are derived in the U.S. commercial marketplace. The company manufactures and sells a diverse portfolio of products across several therapeutic areas for the hospital setting, including analgesics/anesthetics, orthopedics, oncology, and urology.

Mylan is not assuming any of Bioniche Pharma s outstanding debt or acquiring the company s cash as part of the transaction. Mylan expects to finance this transaction using a combination of cash on hand and available borrowings. The closing of this transaction is conditioned upon regulatory approvals and other customary closing conditions and is expected to occur within 60 days of signing the agreement.

Financial Summary

For the three months ended June 30, 2010, Mylan reported total revenues of $1.37 billion compared to $1.27 billion for the three months ended June 30, 2009. This represents an increase in revenues of $101.6 million, or 8.0%. Consolidated gross profit for the current quarter was $541.9 million compared to $527.8 million in the comparable prior year period, an increase of $14.1 million, or 3%. For the current quarter, earnings from operations of $194.6 million were realized compared to $174.7 million for the three months ended June 30, 2009. The impact of foreign currency translation on consolidated sales for the current quarter was not significant.

The net earnings attributable to Mylan Inc. common shareholders for the three months ended June 30, 2010 were $51.5 million, which translates into earnings per diluted share of $0.16. In the same prior year period, the net earnings attributable to Mylan Inc. common shareholders were $58.1 million, which translates into earnings per diluted share of $0.19. A more detailed discussion of the company s financial statements can be found below in the section titled Results of Operations.

Included in the results for the three months ended June 30, 2010 and 2009 are the following items of note:

Three months ended June 30, 2010:

Amortization, primarily related to purchased intangible assets associated with acquisitions, of $71.3 million;

Interest of $13.5 million, primarily related to the accretion of the discounts on our convertible debt instruments;

Charges, related to the refinancing, of $15.0 million, primarily swap termination fees and the write-off of deferred financing costs included in other (expense) income, net;

Net unfavorable litigation charges of $12.1 million;

Additional costs, primarily restructuring, totaling $18.4 million; and

A tax effect of $53.1 million related to the above items and other taxes.

Three months ended June 30, 2009:

Amortization, primarily related to purchased intangible assets associated with acquisitions, of $70.1 million;

Interest of $10.7 million relating to the accretion of the discounts on our convertible debt instruments;

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Net favorable litigation of $0.6 million;

A charge of $18.0 million related to an up-front payment made with respect to the Company s execution of a co-development agreement;

A net gain of approximately $10.4 million on the termination of two joint ventures;

Additional costs, primarily restructuring, related to the integration of acquired entities, and other costs, totaling $11.0 million; and

A tax effect of $44.2 million related to the above items and other taxes.

Mylan s financial results for the six months ended June 30, 2010 include total revenues of $2.66 billion compared to $2.48 billion for the six months ended June 30, 2009, representing an increase of $184.0 million, or 7.4%. Translating total revenues for the six months ended June 30, 2010 at prior year exchange rates would have resulted in year-over-year growth, excluding the effect of foreign currency of approximately $120 million, or 5%. Consolidated gross profit for the six months ended June 30, 2010 was $1.06 billion compared to $1.05 billion in the same prior year period. For the six months ended June 30, 2010, earnings from operations of $393.1 million were realized compared to $402.1 million for the same prior year period.

The net earnings attributable to Mylan Inc. common shareholders for the six months ended June 30, 2010 were $112.6 million, which translates into earnings per diluted share of $0.36. In the same prior year period, net earnings attributable to Mylan Inc. common shareholders were $129.4 million, which translates into earnings per diluted share of $0.42. A more detailed discussion of the Company s financial statements can be found below in the section titled Results of Operations.

Included in the results for the six months ended June 30, 2010 and 2009 are the following items of note:

Six months ended June 30, 2010:

Amortization, primarily related to purchased intangible assets associated with acquisitions, of $143.0 million;

Interest of $24.4 million, primarily related to the accretion of discounts on our convertible debt instruments;

Net unfavorable litigation charges of $12.8 million;

Charges, related to the refinancing, of $15.0 million, primarily swap termination fees and the write-off of deferred financing costs included in other (expense) income, net;

Additional costs, primarily restructuring, totaling $30.5 million; and

A tax effect of $86.2 million related to the above items and other taxes.

Six months ended June 30, 2009:

Amortization, primarily related to purchased intangible assets associated with acquisitions, of $139.1 million;

Other revenues of approximately $28.5 million resulting from the cancellation of product development agreements for which the revenue had been previously deferred;

Interest of $20.9 million relating to the accretion of the discounts on our convertible debt instruments;

Net favorable litigation of $2.8 million;

A charge of $18.0 million related to an up-front payment made with respect to the Company s execution of a co-development agreement;

A net gain of approximately $10.4 million on the termination of two joint ventures;

Additional costs, primarily restructuring, related to the integration of acquired entities, and other costs, totaling $35.1 million; and

A tax effect of $72.4 million related to the above items and other taxes.

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Results of Operations

Three Months Ended June 30, 2010, Compared to Three Months Ended June 30, 2009

Total Revenues and Gross Profit

For the current quarter, Mylan reported total revenues of $1.37 billion compared to $1.27 billion in the comparable prior year period. Total revenues include both net revenues and other revenues from third parties. Third party net revenues for the current quarter were $1.36 billion compared to $1.26 billion for the same prior year period, representing an increase of $100.7 million, or 8%. The impact of foreign currency translation on consolidated sales for the current quarter was not significant.

Other third party revenues for the current quarter were $12.0 million compared to $11.2 million in the same prior year period, an increase of $0.8 million.

Gross profit for the three months ended June 30, 2010 was $541.9 million, and gross margins were 39.6%. For the three months ended June 30, 2009, gross profit was $527.8 million, and gross margins were 41.7%. Gross profit for the current quarter is impacted by certain purchase accounting related items recorded during the three months ended June 30, 2010, of approximately $71.3 million, which consisted primarily of amortization related to purchased intangible assets associated with acquisitions. Excluding such items, gross margins would have been approximately 44.8%. Prior year gross profit is also impacted by similar purchase accounting related items in the amount of $70.1 million. Excluding such items, gross margins in the prior year would have been approximately 47.2%.

The decrease in gross margins, excluding the items noted above, can generally be attributed to the impact of the timing of significant product launches. During 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 and even more so in periods of market exclusivity, as was the case with divalproex ER, or in periods of limited generic competition.

Generics Segment

For the current quarter, Generics third party net revenues were $1.23 billion compared to $1.13 billion in the comparable prior year period, an increase of $98.4 million, or 8.7%. Translating Generics third party net revenues for the current quarter at prior year comparative period exchange rates would have resulted in year-over-year growth, excluding the effect of foreign currency of approximately $96 million, or 8%. The impact of foreign currency was not significant as the unfavorable impact of the Euro devaluation was almost fully offset by the strengthening of the Indian Rupee, Japanese Yen, Australian Dollar and Canadian Dollar against the U.S. Dollar. Generics sales are primarily in or from the U.S. and Canada (collectively North America), Europe, Middle East and Africa (collectively, EMEA) and India, Australia, Japan, and New Zealand (collectively, Asia Pacific).

Third party net revenues from North America were $588.8 million for the current quarter, compared to $525.5 million for the comparable prior year period, representing an increase of $63.3 million, or 12.0%. However, excluding the effect of foreign currency, calculated as described above, the increase was approximately $59 million, or 11%. New products launched in the U.S. and Canada contributed sales of $91.9 million. Additionally, volume on certain existing products increased primarily as a result of Mylan s ability to remain a source of stable supply as certain competitors experienced regulatory and supply issues. Partially offsetting these increases was unfavorable pricing on certain other existing products, including divalproex ER. Additional generic competition on divalproex ER entered the market in August 2009. As such, sales of divalproex ER in the current quarter were significantly lower than the comparable

prior year quarter.

Fentanyl, our AB-rated generic alternative to Duragesic®, continued to contribute to both net revenues 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.

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Third party net revenues from EMEA were $378.6 million for the three-month period ended June 30, 2010, compared to $392.7 million for the comparable prior year period, a decrease of $14.1 million, or 3.6%. However, foreign currency translation had a negative impact on sales for the current quarter, reflecting the weakening of the Euro against the U.S. Dollar. Translating current quarter third party net revenues from EMEA at prior year exchange rates would have resulted in year-over-year growth excluding the effect of foreign currency of approximately $11 million, or 3%. This increase was driven by new product launches in several markets totaling approximately $30.7 million, as well as favorable market dynamics in certain countries, including, most significantly, Italy, partially offset by unfavorable pricing in other European markets.

In Italy, third party sales almost doubled on a constant currency basis, driven by successful new product launches and increased market penetration, which resulted in increased volume, as well as certain regulatory changes that positively affected pricing in the generics market.

In Spain, excluding the effect of foreign currency, new product launches more than offset the impact of certain recent regulatory actions that had a negative impact on pricing across the portfolio. In France, however, competitive pressure resulted in lower pricing which more than offset the favorable contribution from new products and increased sales of existing products, and resulted in a net decrease in third party local currency sales.

Certain markets in which we do 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 below, 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.

A number of markets in which we operate have implemented or may implement tender systems for generic pharmaceuticals in an effort to lower prices. Generally speaking, tender systems can have an unfavorable impact on revenue and profitability. 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. While certain of our subsidiaries, including those in the U.K. and the Netherlands, have benefited from recent tenders, sales in Germany continue to be negatively affected by the implementation of tender systems in that country.

In Asia Pacific, third party net revenues were $265.1 million for the three-month period ended June 30, 2010, compared to $215.9 million for the comparable prior year period, an increase of $49.2 million, or 22.8%. However, excluding the effect of foreign currency, calculated as described above, the increase was approximately $27 million, or 12%. This increase is primarily driven by higher third party sales in India and Japan.

In India, the increase in third party net revenues is due to double-digit growth, excluding the effect of foreign currency, in sales of both anti-retroviral (ARV) finished dosage form (FDF) generic products, which are used in the treatment of HIV/AIDS and API. In addition to third party sales, the Asia Pacific region also supplies both FDF generic products and API to Mylan subsidiaries in conjunction with Mylan s vertical integration strategy. Intercompany revenues recognized by the Asia Pacific region were $33.9 million for the three months ended June 30, 2010, compared to $10.0 million in the comparable prior year period. These intercompany sales eliminate within and, therefore, are not included in Generics or consolidated net revenues.

Specialty Segment

For the current quarter, Specialty reported third party net revenues of $124.0 million, an increase of $2.3 million, or 1.9%, over the comparable prior year period of $121.7 million. The most significant contributor to Specialty Segment revenues continues to be the EpiPen® Auto-injector, which is used in the treatment of severe allergic reactions. Globally, the EpiPen Auto-injector is the number one epinephrine auto-injector for the treatment of severe allergic reactions with world-wide market share of approximately 91%. In the U.S., the EpiPen Auto-injector is the number one prescribed treatment for severe allergic reactions with market share of approximately 96%.

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Intercompany sales by Specialty totaled $17.2 million in the current quarter compared to $7.1 million in the same prior year period. The increase is due to the fact that, beginning in 2010, certain generic products previously sold to third parties by Specialty are now sold to Mylan subsidiaries in North America who, in turn, sell the products to third parties. Excluding the sale of such products from 2009 third party net revenues would have resulted in an increase in third party net revenues in the current quarter of $17.6 million or 14.0%.

Operating Expenses

Research and development (R&D) expense for the three months ended June 30, 2010 was $66.8 million, compared to $74.0 million in the same prior year period, a decrease of $7.2 million. This decrease was primarily the result of a charge of $18.0 million in the prior year related to an up-front payment made with respect to the Company s execution of a co-development agreement. Excluding this item, R&D expense increased, primarily in Generics, as a result of increased product development activity.

Selling, general and administrative (SG&A) expense for the current quarter was $268.4 million, compared to $279.7 million for the same prior year period, a decrease of $11.3 million. This decrease is the result of charges, recorded in the prior year, with respect to certain restructuring initiatives, and the subsequent cost savings that have resulted.

Interest Expense

Interest expense for the three months ended June 30, 2010, totaled $78.4 million, compared to $78.2 million for the three months ended June 30, 2009. In March 2009, we pre-paid all of our required 2010 principal payments on our term debt, and in December 2009, we pre-paid all of our required 2011 principal payments on our term debt. The effect of the pre-payments was offset by the effect of the debt offering in the current period. Included in interest expense for the current quarter and the comparable prior year period are $11.4 million and $10.7 million of accretion of the discounts on our convertible debt instruments.

Other (Expense) Income, net

Other (expense) income, net, was expense of $15.2 million in the current quarter compared to income of $25.3 million in the comparable prior year period. Included in the current quarter are charges associated with the termination of certain interest rate swaps totaling $7.4 million and the write-off of previously deferred financing fees of $7.6 million, in conjunction with the debt offering during the quarter. In the prior year quarter, other (expense) income consisted primarily of 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.

Income Tax Expense

We recorded income tax expense of $14.0 million in the current quarter compared to $26.2 million in the prior year quarter. The decrease in tax expense is driven by a decrease in taxable income, as well as a decrease in the effective tax rate. The effective rate for the current year quarter was 13.9%, versus 21.4% in the comparable prior year period. The decrease in the effective rate was largely due to reductions in certain tax reserves stemming from statutory and other changes.

Six Months Ended June 30, 2010, Compared to Six Months Ended June 30, 2009

Total Revenues and Gross Profit

For the current six-month period, Mylan reported total revenues of $2.66 billion compared to $2.48 billion in the comparable prior year period. Total revenues include both net revenues and other revenues from third parties. Third party net revenues for the current six months were $2.63 billion compared to $2.42 billion for the same prior year period, representing an increase of $210.5 million, or 8.7%. Sales were favorably impacted by the effect of foreign currency translation, primarily reflecting stronger functional currencies in certain of Mylan s subsidiaries, primarily those in Australia, Japan, India and Canada, compared to the U.S. Dollar. The impact of foreign currency

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translation related to the Euro was insignificant between the two comparative periods. Translating current year third party net revenues at prior year exchange rates would have resulted in year-over-year growth excluding foreign currency of approximately $146 million, or 6%.

Other revenues from third parties for the six months ended June 30, 2010 were $26.3 million compared to $52.7 million in the same prior year period, a decrease of $26.5 million, or 50.2%. During the six months ended June 30, 2009, within Generics, we recognized $26.0 million of incremental revenue resulting from the cancellation of product development agreements for which the revenue had been previously deferred. There was no such revenue recognized during the current year period.

Gross profit for the six months ended June 30, 2010 was $1.06 billion, and gross margins were 39.8%. For the six months ended June 30, 2009, gross profit was $1.05 billion, and gross margins were 42.5%. 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, 2010, of approximately $143.0 million, which consisted primarily of amortization related to purchased intangible assets associated with acquisitions. Excluding such items, gross margins would have been approximately 45.1%. Prior year gross profit is also impacted by similar purchase accounting related items in the amount of $139.1 million. Excluding such items, gross margins in the prior year would have been approximately 48.1%.

The decrease in gross margins, excluding the items noted above, can generally be attributed to the impact of the timing of significant product launches. During the first quarter of 2009, Mylan launched divalproex ER. Products generally contribute most significantly to gross margin at the time of their launch and even more so in periods of market exclusivity, as was the case with divalproex ER, or in periods of limited generic competition.

Generics Segment

For the six months ended June 30, 2010, Generics reported third party net revenues of $2.43 billion, compared to $2.22 billion in the comparable prior year period, an increase of $204.8 million, or 9.2%. Excluding the effect of foreign currency, calculated as described above, the increase was approximately $141 million, or 6%.

Third party net revenues from North America were $1.14 billion for the six-month period, compared to $1.07 billion for the comparable prior year period, representing an increase of $66.3 million, or 6.2%. Excluding the effect of foreign currency, calculated as described above, the increase was approximately $55 million, or 5%. This increase was driven by sales contributed from new products in the U.S. and Canada in the amount of $148.5 million, and increased revenues on certain products as a result of Mylan s ability to remain a source of stable supply as certain competitors experienced regulatory and supply issues. Partially offsetting these increases were decreases in certain other existing products, such as divalproex ER. Additional generic competition on divalproex ER entered the market in August 2009. As such, sales of divalproex ER in the current year were significantly lower than in the prior year.

Fentanyl, our AB-rated generic alternative to Duragesic®, continued to contribute to both net revenues 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.

Third party net revenues from EMEA were $785.5 million for the six-month period ended June 30, 2010, compared to $746.4 million for the comparable prior year period, an increase of $39.1 million, or 5.2%. The increase in EMEA third party net revenues was driven by new product launches in several European markets, which totaled approximately $61.1 million, as well as favorable market dynamics in certain countries, particularly Italy and the

U.K., partially offset by unfavorable pricing. The impact of foreign currency translation on EMEA sales for the current six-month period was not significant.

In Italy, the increase in third party sales was driven by successful new product launches and increased market penetration, which resulted in increased volume, as well as certain regulatory changes that positively affected pricing in the generics market.

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In the U.K., prior year third party sales were negatively impacted by excess supply in the market at that time. Since the second quarter of 2009, these supply issues have been resolved, which led to the increases in revenue in the current year. Also contributing to the increase in U.K. sales in the current year was a successful bid on a recent government tender.

While the U.K. benefitted from its recent tender, sales in Germany continue to be negatively affected by the implementation of tender systems in that country. Current year to date revenues were negatively impacted by the price reductions as a result of these tenders, as well as general pricing pressure on its non-tender business and the loss of exclusivity on certain Statutory Health Insurance contracts.

In Spain, excluding the effect of foreign currency, new product launches more than offset the impact of certain recent regulatory actions that had a negative impact on pricing across the portfolio.

In France, competitive pricing pressures drove a decrease in third party sales in the current year versus the prior year comparable period. The impact on pricing more than offset increases due to new product launches and increased sales of existing products.

Certain markets in which we do 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.

In Asia Pacific, third party net revenues were $501.2 million for the six-month period ended June 30, 2010, compared to $401.8 million for the comparable prior year period, an increase of $99.4 million, or 24.7%. However, excluding the effect of foreign currency, calculated as described above, the increase was approximately $47 million, or 12%. This increase is primarily driven by higher third party sales from India and Japan.

In India, the increase in third party net revenues is due to double-digit growth, excluding the effect of foreign currency, in sales of both ARV FDF generic products and API. In addition to third party sales, the Asia Pacific region also supplies both FDF generic products and API to Mylan subsidiaries in conjunction with Mylan s vertical integration strategy. Intercompany revenues recognized by the Asia Pacific region were $64.0 million for the six months ended June 30, 2010, compared to $20.2 million in the comparable prior year period. These intercompany sales eliminate within and, therefore, are not included in Generics or consolidated net revenues.

Specialty Segment

For the six months ended June 30, 2010, Specialty reported third party net revenues of $206.7 million, an increase of $5.7 million, or 2.8% over the comparable prior year period of $201.0 million. The most significant contributor to Specialty revenues continues to be the EpiPen® Auto-injector, which is used in the treatment of severe allergic reactions. Globally, the EpiPen Auto-injector is the number one epinephrine auto-injector for the treatment of severe allergic reactions with world-wide market share of approximately 91%. In the U.S., the EpiPen Auto-injector is the number one prescribed treatment for severe allergic reactions with market share of approximately 96%.

Intercompany sales of product by Specialty totaled $33.7 million in the current six-month period compared to $11.4 million in the same prior year period. As in the quarter, the increase is due to the fact that, beginning in 2010, certain generic products previously sold to third parties by Specialty are now sold to Mylan subsidiaries in North America who, in turn, sell the products to third parties. Excluding the sale of such products from 2009 third party net revenues would have resulted in an increase in third party net revenues in the current year of $39.4 million or

18.7%.

In addition to the continued strong sales of the EpiPen Auto-injector, the increase in third-party sales was driven by increased sales of Perforomist® Solution, Dey s maintenance therapy for patients with moderate to severe chronic obstructive pulmonary disease.

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Operating Expenses

R&D expense for the six months ended June 30, 2010 was $128.1 million, compared to $132.9 million in the same prior year period, a decrease of $4.8 million. This decrease is primarily the result of an up-front payment of $18.0 million made in the prior year, related to our execution of a co-development agreement, offset partially by increases in certain other R&D costs and an unfavorable effect of foreign exchange.

SG&A expense for the six months ended June 30, 2010 was $524.1 million, compared to $521.3 million for the same prior year period, an increase of $2.8 million. This increase is due to the effect of foreign exchange. Excluding this effect, SG&A decreased mainly due to fewer restructuring costs in the current year and the cost savings realized by previously implemented restructuring programs.

Interest Expense

Interest expense for the six months ended June 30, 2010, totaled $152.4 million, compared to $163.2 million for the six months ended June 30, 2009. In March 2009, we pre-paid all of our required 2010 principal payments on our term debt, and in December 2009, we pre-paid all of our required 2011 principal payments on our term debt, which, along with lower overall interest rates, drove the decrease in interest expense, which was partially offset by the effect of the debt offering in the current period. Included in interest expense for the current six months and the comparable prior year period are $22.4 million and $20.9 million of accretion of the discounts on our convertible debt instruments.

Other (Expense) Income, net

Other (expense) income, net was expense of $14.1 million in the current six-month period compared to income of $29.5 million in the comparable prior year period. Included in the current year are charges associated with the termination of certain interest rate swaps totaling $7.4 million and the write-off of previously deferred financing fees of $7.6 million, in conjunction with the debt offering during the current period. The prior year period includes 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.

Income Tax Expense

We recorded income tax expense of $45.3 million in the six months ended June 30, 2010 compared to $63.6 million in the comparable prior year period. The decrease in tax expense is driven by a decrease in taxable income, as well as a decrease in the effective tax rate. The effective rate for the current year period was 20.0%, versus 23.7% in the comparable prior year period. The decrease in the effective rate was largely due to the utilization of certain foreign tax credits.

Liquidity and Capital Resources

Our primary source of liquidity is cash provided by operations, which was $359.1 million for the six months ended June 30, 2010. Included in this amount is approximately $98.8 million representing a tax refund received in the first quarter. We believe that cash provided by operating activities will continue to allow us to meet our needs for working capital, capital expenditures, interest and principal payments on debt obligations, preferred stock dividend payments and other cash needs over the next several years. Nevertheless, our ability to satisfy our working capital requirements and debt service obligations, or fund planned capital expenditures, will substantially depend upon our future operating performance (which will be affected by prevailing economic conditions), and financial, business and other factors, some of which are beyond our control. During the six months ended June 30, 2010, changes in operating assets and liabilities resulted in a net cash outflow of $117.7 million, primarily due to the timing of the collection of cash receipts

from our customers.

Cash used in investing activities for the six months ended June 30, 2010 was $54.4 million, consisting primarily of capital expenditures. Capital expenditures were $53.3 million, and were made primarily for equipment,

including a portion related to our previously announced planned expansions and integration plans. Capital expenditures for the year 2010 are expected to be approximately $250.0 million.

Cash provided by financing activities was $172.2 million for the six months ended June 30, 2010. In May of 2010, we completed a private placement of $550.0 million aggregate principal amount of 7.625% Senior Notes due 2017 and $700.0 million aggregate principal amount of 7.875% Senior Notes due 2020. We used $1.0 billion of the net proceeds from the private placement to repay a portion of our outstanding term loans. Additionally, we paid cash dividends of $69.5 million on our 6.5% mandatory convertible preferred stock. The preferred stock will automatically convert into common stock on November 15, 2010, and the last dividend payment is expected on that date.

As of June 30, 2010, because the closing price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day in the June 30, 2010 period was more than 130% of the applicable conversion reference price of $13.32 at June 30, 2010, the $575.0 million of Cash Convertible Notes were currently convertible. Although the Company s experience is that convertible debentures are not normally converted by investors until close to their maturity date, it is possible that debentures could be converted prior to their maturity date if, for example, a holder perceives the market for the debentures to be weaker than the market for the common stock. Upon an investor s election to convert, the Company is required to pay the full conversion value in cash. The amount payable per $1,000 notional bond would be calculated as the product of (1) the conversion reference rate and (2) the average Daily Volume Weighted Average Price per share of common stock for a specified period following the conversion date. Any payment above the principal amount is matched by a convertible note hedge.

We are involved in various legal proceedings that are considered normal to our business. While it is not possible to predict the outcome of such proceedings, an adverse outcome in any of these proceedings could materially affect our 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. The inability or denial of Merck KGaA to pay on an indemnified claim could have a material adverse effect on our financial position, results of operations or cash flows.

Our Condensed Consolidated Balance Sheet as of June 30, 2010 includes restructuring reserves of $23.4 million. Spending against this balance, which consists primarily of severance and related costs and costs associated with the previously announced rationalization and optimization of our global manufacturing and research and development platforms, is expected to occur over the next two years, with the majority in 2010.

On July 19, 2010, 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 16, 2010, to the holders of preferred stock of record as of August 1, 2010.

We are actively pursuing, and are 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 by us 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.

We are continuously evaluating the potential acquisition of products, as well as companies, as a strategic part of our future growth. Consequently, we 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, we review our operations including the evaluation of potential divestitures of products and businesses as part of our future strategy. Any divestitures could impact future liquidity. In July 2010, we entered into an agreement to acquire Bioniche Pharma, a privately held, global injectable pharmaceutical company, for $550.0 million in cash. Though the transaction remains

subject to customary closing conditions, we believe Bioniche Pharma will provide Mylan not only an immediate entry into the North American injectables market but also a platform for future growth opportunities.

At June 30, 2010 and December 31, 2009, we had $83.2 million and $77.5 million, respectively, outstanding under existing letters of credit. Additionally, as of June 30, 2010, we had $46.7 million available under the $100.0 million subfacility on our Senior Credit Agreement for the issuance of letters of credit.

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Mandatory minimum repayments remaining on the outstanding borrowings under the term loans and notes at June 30, 2010, excluding the discounts and conversion features, 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	2017 Notes	2020 Notes	Total
				(In thousands)					
10	$	$	$	$	$	$	$	$	$
11									
12	78,125	107,437		6,439	600,000				792,00
13	78,125	107,437		6,439					192,00
14			1,453,760	605,228					2,058,98
15						575,000			575,00
ereafter							550,000	700,000	1,250,00
tal	$ 156,250	$ 214,874	$ 1,453,760	$ 618,106	$ 600,000	$ 575,000	$ 550,000	$ 700,000	$ 4,867,99

The Senior Credit Agreement contains customary affirmative covenants for facilities of this type, including covenants pertaining to the delivery of financial statements, notices of default and certain other information, maintenance of business and insurance, collateral matters and compliance with laws, as well as customary negative covenants for facilities of this type, including limitations on the incurrence of indebtedness and liens, mergers and certain other fundamental changes, investments and loans, acquisitions, transactions with affiliates, dispositions of assets, payments of dividends and other restricted payments, prepayments or amendments to the terms of specified indebtedness and changes in lines of business. The Senior Credit Agreement contains financial covenants requiring maintenance of a minimum interest coverage ratio and a senior leverage ratio, both of which are defined within the agreement. We have been compliant with the financial covenants during the six months ended June 30, 2010.

Recent Accounting Pronouncements

In October 2009, the FASB issued revised accounting guidance for multiple-deliverable revenue arrangements. The amended guidance requires that consideration received be allocated at the inception of the arrangement to all deliverables using the relative selling price method and provides for expanded disclosures related to such arrangements. It is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

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.

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

An evaluation was performed under the supervision and with the participation of the Company s management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of June 30, 2010. Based upon that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that the Company s disclosure controls and procedures were effective.

Management has not identified any changes in the Company s internal control over financial reporting that occurred during the quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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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 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, results of operations and cash flows.

Lorazepam and Clorazepate

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

Pricing and Medicaid Litigation

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

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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, treble or punitive damages, counsel fees and costs, equitable relief and/or injunctive relief. Certain of these cases may go to trial in 2010. Mylan and its subsidiaries have denied liability and intend to defend each of these actions vigorously. On January 27, 2010, in the New York Counties cases, the U.S. District Court for the District of Massachusetts granted the plaintiffs motion for partial summary judgment as to liability under New York Social Services Law § 145-b against Mylan and several other defendants. The District Court has not ruled on the remaining issues of liability and damages. On February 8, 2010, Mylan, and a majority of the other defendants, filed a motion to amend the court s decision, requesting the court to certify a question of New York state law pertaining to the court s finding of requisite causation under the Social Services Law to the First Circuit Court of Appeals, so that the defendants could in turn request that the First Circuit Court of Appeals certify the question to the New York Court of Appeals. The District Court denied this motion on May 4, 2010.

In May 2008, an amended complaint was filed in the U.S. District Court for the District of Massachusetts by a private 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 nationwide recovery of any and all alleged overpayment of the federal share under the Medicaid program, as well as treble damages and civil penalties. In February 2010, the Company reached an agreement in principle to settle this case (except for the claims related to the California federal share) and the Texas state action mentioned above. This settlement is contingent upon the execution of definitive settlement documents and court approval. The settlement would resolve a significant portion of the damages claims asserted against Mylan, MPI and UDL in the various pending pricing litigations. In addition, Mylan has reached agreement in principle to settle the Hawaii state action, which settlement is contingent upon the execution of definitive settlement documents. With regard to the remaining state actions, the Company continues to believe that it has meritorious defenses and will continue to vigorously defend itself in those actions. The Company has accrued $160 million in connection with the above-mentioned settlement in principle and the remaining state actions. The Company reviews the status of these actions on an ongoing basis, and from time to time, the Company may settle or otherwise resolve these matters on terms and conditions that management believes are in the best interests of the Company. There are no assurances that settlements can be reached on acceptable terms or that adverse judgments, if any, in the remaining litigation will not exceed the amounts reserved.

In addition, by letter dated January 12, 2005, MPI was notified by the U.S. Department of Justice of an investigation concerning calculations of Medicaid drug rebates. The investigation involved whether MPI and UDL may have violated the False Claims Act by classifying certain authorized generics as non-innovator rather than innovator drugs for purposes of Medicaid and other federal healthcare programs on sales from 2000 through 2004. MPI and UDL denied the government s allegations and denied that they engaged in any wrongful conduct. On October 19, 2009, a lawsuit, filed in March 2004 by a private relator, in which the federal government subsequently intervened, was unsealed by the U.S. District Court for the District of New Hampshire. That same day, MPI and UDL announced that they had entered into a settlement agreement with the federal government, relevant states and the relator for approximately $121.0 million, resolving both the lawsuit and the U.S. Department of Justice investigation. A stipulation of dismissal with prejudice has been filed with the court. The resolution of the matter did not include any admission or finding of wrongdoing on the part of either MPI or UDL. The Company has recovered approximately $50 million of the settlement amount based on overpayments resulting from adjusted net sales during the relevant timeframe.

Dey is a defendant currently in lawsuits brought by the state AGs of California, Illinois, Kentucky, Pennsylvania and Wisconsin, as well as three New York counties. Dey is also named as a defendant in several class actions brought by consumers and third-party payors. Dey has reached a settlement of these class actions, which has been preliminarily approved by the court. Additionally, a complaint was filed under seal by a plaintiff on

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behalf of the United States of America against Dey in August 1997. In August 2006, the Government filed its complaint-in-intervention and the case was unsealed in September 2006. Dey s motion for partial summary judgment in that case is pending, as is the Government s cross-motion. The Government has asserted that Dey is jointly liable with a codefendant and seeks recovery of alleged overpayments, together with treble damages, civil penalties and equitable relief. These cases all generally allege that Dey falsely reported certain price information concerning certain drugs marketed by Dey, that Dey caused false claims to be made to Medicaid and to Medicare, and that Dey caused Medicaid and Medicare to make overpayments on those claims. Certain of these cases may go to trial in 2010. Dey intends to defend each of these actions vigorously. The Company has approximately $97.8 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. As a result, the Company has recorded approximately $97.8 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, the Northern District of Ohio and a lawsuit originally filed in Tennessee state court 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. On March 29, 2010, the Court in the Eastern District of Pennsylvania denied the defendants motions to dismiss. 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. On July 1, 2010, the FTC issued a third party subpoena to Mylan requesting documents in connection with its lawsuit against Cephalon. Mylan is in the process of responding to the subpoena. Mylan is not named as a defendant in the FTC s lawsuit, although the complaint includes certain allegations pertaining to the Mylan/Cephalon settlement.

Digitek® 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. There are approximately 1,008 cases pending against Mylan, UDL and Actavis pertaining to the recall. Most of these cases have been transferred to the multi-district litigation proceedings pending in the U.S. District Court for the Southern District of West Virginia for pretrial proceedings. The remainder of these cases will likely be litigated in the state courts in which they were filed. Certain of these cases may go to trial in 2010. An adverse outcome in these lawsuits or the inability or denial of Actavis to pay on an indemnified claim could have a materially negative impact on the Company s financial position, results of operations or cash flows.

EU Commission Proceedings

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

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Matrix and four other companies, each of which entered into agreements with Servier relating to the product perindopril. Matrix is cooperating with the EU Commission in connection with the investigation. The EU Commission stated that the initiation of proceedings does not imply that the Commission has conclusive proof of an infringement but merely signifies that the Commission will deal with the case as a matter of priority. No statement of objections has been filed against Matrix in connection with its investigation. On August 5, 2009, Matrix and Generics [U.K.] Ltd. received requests for information from the EU Commission in connection with this matter, and both companies have responded. By letters dated February 17, 2010, the EU Commission served additional requests for information on Matrix and Mylan S.A.S. The companies have responded to these requests.

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

On October 6, 2009, the Company received notice that the EU Commission was initiating an investigation pursuant to Article 20(4) of Regulation No. 1/2003 to explore possible infringement of Articles 81 and 82 EC by the Company and its affiliates. Mylan S.A.S., acting on behalf of its Mylan affiliates, has produced documents and other information in connection with the inquiry. The Company and Mylan S.A.S. received an additional request for information with the same case reference on December 18, 2009 and have responded to the questionnaire. An additional request was received on March 18, 2010. Mylan S.A.S. has responded to this request. Mylan is cooperating with the Commission in connection with the investigation. No statement of objections has been filed against Mylan in connection with the investigation.

Other Litigation

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

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.

Over the past few years, the global economy has undergone a period of unprecedented volatility, and the economic environment may continue to be less favorable than that of past 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.

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OUR INTEGRATION OF ACQUIRED BUSINESSES 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.

There are a number of operational risks associated with the integration of acquired businesses, including Bioniche Pharma (upon completion). These risks include, but are not limited to, difficulties in achieving identified financial and operating synergies, cost savings, revenue synergies and growth opportunities; difficulties in consolidating information technology platforms, business applications and corporate infrastructure; our substantial indebtedness and assumed liabilities; challenges in operating in other markets outside of the U.S. that are new to us; and the 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 HAVE GROWN AT A VERY RAPID PACE. OUR INABILITY TO PROPERLY MANAGE OR SUPPORT THIS GROWTH MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We have grown very rapidly over the past few years, through our acquisitions of the former Merck Generics business and Matrix, and we have recently announced the planned acquisition of Bioniche Pharma. 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 FOOTPRINT 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.

Our operations extend to numerous countries outside the U.S. 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;

- 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;

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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. Any 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.

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 UNCERTAINTIES CREATE RISKS WHICH 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 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, and within the countries themselves. Rioting, 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 the market for Matrix s products. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, Matrix might not be able to continue its operations. We generally do not have insurance for losses and interruptions caused by terrorist attacks, military conflicts and wars. These risks could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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

A significant portion of our revenues, indebtedness and our costs are denominated in foreign currencies, including the Australian Dollar, the British Pound, the Canadian Dollar, the Euro, the Indian Rupee and the Japanese Yen. We

report our financial results in U.S. Dollars. Our results of operations and, in some cases, cash flows, could be adversely affected by certain movements in exchange rates. From time to time, we may implement currency hedges intended to reduce our exposure to changes in foreign currency exchange rates. However, our hedging strategies may not be successful, and any of our unhedged foreign exchange payments will continue to be subject to market fluctuations. These risks could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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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.

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

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

Before any prescription drug product, including generic drug products, can be marketed, marketing authorization approval is required by the relevant regulatory authorities and/or national regulatory agencies (for example the Food and Drug Administration (FDA) in the U.S. and the European Medicines Agency (EMA) in the EU). The process of obtaining regulatory approval to manufacture and market new and generic pharmaceutical products is rigorous, time consuming, costly and largely unpredictable. Outside the U.S., 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 U.S. 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.

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

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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 U.S., 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 abbreviated new drug application (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 European Medicines Agency 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 other jurisdictions outside the U.S., 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.

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. We also partner with third parties to develop products. Typically, research expenses related to the development of innovative compounds and the filing of marketing authorization applications for innovative compounds (such NDAs in the U.S.) 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 U.S. and abridged applications in Europe). As we and our partners 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

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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.

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.

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.

THE ILLEGAL DISTRIBUTION AND SALE BY THIRD PARTIES OF COUNTERFEIT VERSIONS OF OUR PRODUCTS OR OF STOLEN PRODUCTS COULD HAVE A NEGATIVE IMPACT ON OUR REPUTATION AND 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 drug supply has been increasingly challenged by the vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in a growing number of markets and over the Internet. The World Health Organization estimates that more than 10% of medications being sold globally are counterfeit.

Third parties may illegally distribute and sell counterfeit versions of our products, which do not meet the rigorous manufacturing and testing standards that our products undergo. Counterfeit products are frequently unsafe

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or ineffective, and can be potentially life-threatening. Counterfeit medicines may contain harmful substances, the wrong dose of the API or no API at all. However, to distributors and users, counterfeit products may be visually indistinguishable from the authentic version.

Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product. It is possible that adverse events caused by unsafe counterfeit products will mistakenly be attributed to the authentic product. In addition, thefts of inventory at warehouses, plants or while in-transit which are not properly stored and which are sold through unauthorized channels could adversely impact patient safety, our reputation and our business.

Public loss of confidence in the integrity of pharmaceutical products as a result of counterfeiting or theft 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.

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 U.S. 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.

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;

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larger production capabilities in a particular therapeutic area;

more experience in preclinical testing and human clinical trials;

more products; or

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

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

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;

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 U.S., 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 a new drug application 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 U.S., 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.

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

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

There may also be situations where the Company uses its business judgment and decides to market and sell products, notwithstanding the fact that allegations of patent infringement(s) have not been finally resolved by the courts (i.e., an at-risk launch situation). The risk involved in doing so can be substantial because the remedies available to the owner of a patent for infringement may include, among other things, damages measured by the profits lost by the patent owner and not necessarily by the profits earned by the infringer. In the case of a willful infringement, the definition of which is subjective, such damages may be trebled. Moreover, because of the discount pricing typically involved with bioequivalent products, patented branded products generally realize a substantially 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.

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

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

limited patent life, or the loss of patent protection;

competition from generic products;

reductions in reimbursement rates by third-party payors;

importation by consumers;

product liability;

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

unpredictability with regard to establishing a market.

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

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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 from time to time 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.

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.

WE DEPEND TO A LARGE EXTENT 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 COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO 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 U.S. 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

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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.

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.

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

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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 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. 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

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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.

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 U.S., 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 U.S., third-party payers increasingly challenge the pricing of pharmaceutical products. This trend and other trends toward the growth of HMOs, managed health care and legislative health care reform create significant uncertainties regarding the future levels of reimbursement for pharmaceutical products. Further, any reimbursement may be reduced in the future, perhaps to the point that market demand for our products declines. Such a decline could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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

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

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

Current or future federal, state or foreign laws and regulations may influence the prices of drugs and, therefore, could adversely affect the prices that we receive for our products. For example, programs in existence in certain states in the

U.S. 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

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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.

Several countries in which we operate have implemented, or plan to implement, government mandated price reductions, including but not limited to Spain, Portugal, Italy, Australia, Japan and Canada. When such price cuts occur, pharmaceutical companies have generally experienced significant declines in revenues and profitability and uncertainties continue to exist within the market. Such price reductions could have an adverse effect on our business, and as uncertainties are resolved or if other countries in which we operate enact similar measures, they could have a further material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

HEALTHCARE REFORM LEGISLATION 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 recent years, there have been numerous initiatives on the federal and state levels for comprehensive reforms affecting the payment for, the availability of and reimbursement for healthcare services in the U.S., and it is likely that federal and state legislatures and health agencies will continue to focus on health care reform in the future. The Patient Protection and Affordable Care Act (H.R. 3590; Public Law 111-148) (PPACA) and The Health Care and Education and Reconciliation Act of 2010 (H.R. 4872), which amends the PPACA (collectively the Health Reform Laws), were signed into law in March 2010. While the Health Reform Laws may increase the number of patients who have insurance coverage for our products, they also include provisions such as the assessment of a pharmaceutical manufacturer fee and an increase in the amount of rebates that manufacturers pay for coverage of their drugs by Medicaid programs.

We are unable to predict the future course of federal or state healthcare legislation. The Health Reform Laws and further changes in the law or regulatory framework that reduce our revenues or increase our costs could also have a material adverse effect on our business, financial condition and results of operations and cash flows, and could cause the market value of our common stock to decline.

Additionally, we encounter similar regulatory and legislative issues in most other countries. In the EU and some other international markets, the government provides health care at low cost to consumers and regulates pharmaceutical prices, patient eligibility or reimbursement levels to control costs for the government-sponsored health care system. This international system of price regulations may lead to inconsistent prices. Within the EU and in other countries, the availability of our products in some markets at lower prices undermines our sales in some markets with higher prices. Additionally, certain countries set prices by reference to the prices in other countries where our products are marketed. Thus, our inability to secure adequate prices in a particular country may also impair our ability to obtain acceptable prices in existing and potential new markets, and may create the opportunity for third party cross border trade.

If significant additional reforms are made to the U.S. healthcare system, or to the healthcare systems of other markets in which we operate, those reforms 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

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reimbursements, some of which are described in our periodic reports, that involve claims for, or the possibility of fines and penalties involving substantial amounts of money or other relief. If any of these legal proceedings or inquiries were to result in an adverse outcome, the impact could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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

In addition, in limited circumstances, entities we acquired in the acquisition of the former Merck Generics business are party to litigation 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, 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.

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.

UNANTICIPATED CHANGES IN OUR TAX PROVISIONS OR EXPOSURE TO ADDITIONAL INCOME TAX LIABILITIES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. The final determination of any tax audits or related litigation could be materially different from our historical income tax provisions and accruals. Additionally, changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in the valuation of deferred tax assets and liabilities, the results of audits and the examination of previously filed tax returns by taxing authorities and continuing assessments of our tax exposures could impact our tax liabilities and affect our income tax expense, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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

In February 2010, the Obama administration released its fiscal year 2011 budget, which reintroduced, in somewhat modified form, several proposals originally proposed in May 2009 to change U.S. income tax rules, including proposals for U.S. international tax reform. The proposals would, among other things, limit the use of foreign tax credits to reduce residual U.S. income tax on non-U.S. source income and defer the deduction of interest attributable to non-U.S. source income of foreign subsidiaries. Each of these proposals would be effective only for taxable years beginning after December 31, 2010. We cannot determine whether these proposals will be enacted into law or what, if any, changes will be made to such proposals prior to their being enacted into law. If enacted, and depending on its precise terms, such legislation could materially increase our overall effective income tax rate and income tax expense. This could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

The Tax Extenders Act of 2009 includes legislation which would extend, for one year, 49 expiring tax provisions. On May 20, 2010, a new tax extenders bill, the American Jobs and Tax Loophole Closing Act of 2010, was introduced. This bill was passed by the House on May 28, 2010 and is now pending action in the Senate. The total impact to the Company of an extension of these expiring tax provisions is currently unknown due to the potential impact of revenue offsets, which may be included in the final version of this legislation, if enacted. If enacted, and depending on its precise terms, such legislation could materially increase our overall effective income tax rate and income tax expense. This could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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 COULD LEAD TO ADVERSE CONSEQUENCES THAT 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 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;

restricting us from exploiting business opportunities;

increasing our cost of borrowings; and

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

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Our ability to service our indebtedness will depend on our future operating performance and financial results, which will be subject, in part, to factors beyond our control, including interest rates and general economic, financial and business conditions. 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 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 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, SENIOR UNSECURED NOTES, OTHER OUTSTANDING INDEBTEDNESS 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, senior unsecured notes, other outstanding indebtedness and any additional indebtedness we incur in the future impose, or may impose, significant operating and financial restrictions on us. These restrictions limit our ability to, among other things, incur additional indebtedness, make investments, pay certain dividends, prepay other indebtedness, sell assets, incur certain liens, enter into agreements with our affiliates or restricting our subsidiaries ability to pay dividends, merge or consolidate. In addition, our Senior Credit Agreement requires us to maintain specified financial ratios. We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities. A breach of any of these covenants or our inability to maintain the required financial ratios could result in a default under the related indebtedness. If a default occurs, the relevant lenders could elect to declare our indebtedness, together with accrued interest and other fees, to be immediately due and payable. These factors could have a material adverse effect on our business, financial

position and results of operations and could cause the market value of our common stock to decline.

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

Under applicable accounting rules, the cash conversion feature that is a term of the Cash Convertible Notes must be recorded as a liability on our balance sheet and periodically marked to fair value. If our stock price increases, the liability associated with the cash conversion feature would increase and, because this liability must be periodically marked to fair value on our balance sheet, the total amount of indebtedness related to the notes that is shown on our balance sheet would also increase. This could have adverse effects on us, including under our existing and any future debt agreements. For example, our senior credit facilities contain covenants that restrict our ability to incur debt, make capital expenditures, pay dividends and make investments if, among other things, our leverage ratio, exceeds certain levels. In addition, the interest rate we pay under our senior credit facilities increases if our leverage ratio increases. Because the leverage ratio under our senior credit facilities is calculated based on a definition of total indebtedness as defined under accounting principles generally accepted in the United States of America (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.

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

We may be unable to realize synergies or other benefits, including tax, expected to result from any acquisitions, including Bioniche Pharma, 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, or 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.

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.

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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.

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 U.S. such changes include the Sarbanes-Oxley Act of 2002, Securities and Exchange Commission (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.

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 OR CHARGES, INCLUDING IMPAIRMENT CHARGES, 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 GAAP. The preparation of financial statements in accordance with GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues, expenses 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.

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Furthermore, although we have recorded reserves for lawsuits based on estimates of probable future costs, such lawsuits could result in substantial further costs. 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 liabilities, revenues, expenses 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.

In addition, a significant amount of our total assets are related to acquired intangible assets and goodwill. Such assets require impairment testing periodically and/or under certain circumstances. Impairment testing requires the use of significant estimates, judgments and assumptions, which involve inherent uncertainty. Any future changes to estimates, judgments and assumptions used in impairment testing could lead to impairment charges, 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.

ITEM 5. ***OTHER INFORMATION***

None.

ITEM 6. ***EXHIBITS***

3.1	Amended and Restated Articles of Incorporation of the registrant, as amended to date, filed as Exhibit 3.1 to the Report on Form 10-Q for the quarter ended June 30, 2009, and incorporated herein by reference.
3.2	Bylaws of the registrant, as amended to date, filed as Exhibit 3.2 to the Report on Form 10-Q for the quarter ended June 30, 2009, and incorporated herein by reference.
4.1(a)	Rights Agreement dated as of August 22, 1996, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on September 3, 1996, and incorporated herein by reference.
4.1(b)	Amendment to Rights Agreement dated as of November 8, 1999, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 1 to Form 8-A/A filed with the SEC on March 31, 2000, and incorporated herein by reference.
4.1(c)	Amendment No. 2 to Rights Agreement dated as of August 13, 2004, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on August 16, 2004, and incorporated herein by reference.
4.1(d)	Amendment No. 3 to Rights Agreement dated as of September 8, 2004, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on September 9, 2004, and incorporated herein by reference.
4.1(e)	Amendment No. 4 to Rights Agreement dated as of December 2, 2004, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on December 3, 2004, and incorporated herein by reference.
4.1(f)	Amendment No. 5 to Rights Agreement dated as of December 19, 2005, between the registrant and American Stock Transfer & Trust Company, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on December 19, 2005, and incorporated herein by reference.
4.2(a)	Indenture, dated as of July 21, 2005, between the registrant and The Bank of New York, as trustee, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on July 27, 2005, and incorporated herein by reference.
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.

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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.
4.5	Indenture, dated as of May 19, 2010, among the registrant, the guarantors named therein and The Bank of New York Mellon as trustee, filed as Exhibit 4.1 to the Report on Form 8-K filed with the SEC on May 19, 2010, and incorporated herein by reference.
10.1	Purchase Agreement, dated as of May 12, 2010, among the registrant, the guarantors named therein and Goldman, Sachs & Co., as representative of the several purchasers named therein.
10.2	Share Purchase Agreement, dated as of July 14, 2010, by and among Mylan Inc., Mylan Luxembourg L3 S.C.S., Bioniche Pharma Holdings Limited, the shareholders party thereto and the optionholders party thereto, filed as Exhibit 2.1 to the Report on Form 8-K filed with the SEC on July 16, 2010, and incorporated herein by reference.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURES

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

Mylan Inc.
(Registrant)

By: /s/ Robert J. Coury

Robert J. Coury
Chairman and Chief Executive Officer
(Principal Executive Officer)

July 29, 2010

/s/ John D. Sheehan

John D. Sheehan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

July 29, 2010

/s/ Daniel C. Rizzo, Jr.

Daniel C. Rizzo, Jr.
Senior Vice President, Chief Accounting Officer and
Corporate Controller
(Principal Accounting Officer)

July 29, 2010

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EXHIBIT INDEX

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