UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-9114

MYLAN LABORATORIES INC.

(Exact name of registrant as specified in its charter)

Pennsylvania *(State of incorporation)*	**25-1211621** *(I.R.S. Employer Identification No.)*
1500 Corporate Drive **Canonsburg, Pennsylvania** *(Address of principal executive offices)*	**15317** *(Zip Code)*

(724) 514-1800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☑ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☑ Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at October 31, 2006
$0.50 par value	211,990,589

MYLAN LABORATORIES INC. AND SUBSIDIARIES

FORM 10-Q
For the Quarterly Period Ended
September 30, 2006

INDEX

MYLAN LABORATORIES INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Earnings

Period Ended September 30,	Three Months		Six Months	
	2006	2005	2006	2005
	(Unaudited; in thousands, except per share amounts)			
Revenues				
Net revenues	$ 357,766	$ 296,613	$ 706,555	$ 617,622
Other revenues	8,891	1,381	16,241	3,750
Total revenues	366,657	297,994	722,796	621,372
Cost of sales	170,567	154,763	338,506	310,307
Gross profit	196,090	143,231	384,290	311,065
Operating expenses:				
Research and development	22,696	28,253	43,921	53,432
Selling, general and administrative	50,348	56,995	100,173	128,084
Litigation settlements, net	(11,500)	—	(11,500)	12,000
Total operating expenses	61,544	85,248	132,594	193,516
Earnings from operations	134,546	57,983	251,696	117,549
Interest expense	10,441	8,942	20,801	8,942
Other (expense) income, net	(2,222)	4,347	7,362	9,903
Earnings before income taxes	121,883	53,388	238,257	118,510
Provision for income taxes	44,342	17,618	85,129	39,825
Net earnings	$ 77,541	$ 35,770	$ 153,128	$ 78,685
Earnings per common share:				
Basic	$ 0.37	$ 0.16	$ 0.73	$ 0.32
Diluted	$ 0.36	$ 0.16	$ 0.71	$ 0.31
Weighted average common shares outstanding:				
Basic	210,999	225,042	210,477	247,244
Diluted	215,077	229,259	214,934	251,261
Cash dividend declared per common share	$ 0.06	$ 0.06	$ 0.12	$ 0.12

See Notes to Condensed Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	September 30, 2006	March 31, 2006
	(Unaudited; in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 159,786	$ 150,124
Marketable securities	451,882	368,003
Accounts receivable, net	252,515	242,193
Inventories	303,267	279,008
Deferred income tax benefit	145,606	137,672
Prepaid expenses and other current assets	20,030	14,900
Total current assets	1,333,086	1,191,900
Property, plant and equipment, net	439,431	406,875
Intangible assets, net	96,153	105,595
Goodwill	102,579	102,579
Other assets	64,412	63,577
Total assets	$ 2,035,661	$ 1,870,526
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current liabilities:		
Trade accounts payable	$ 61,075	$ 76,859
Income taxes payable	18,565	12,963
Current portion of long-term obligations	1,586	4,336
Cash dividends payable	12,713	12,605
Other current liabilities	166,015	158,487
Total current liabilities	259,954	265,250
Deferred revenue	90,031	89,417
Long-term debt	687,000	685,188
Other long-term obligations	23,105	22,435
Deferred income tax liability	18,748	20,585
Total liabilities	1,078,838	1,082,875
Shareholders' equity		
Preferred stock	—	—
Common stock	155,471	154,575
Additional paid-in capital	461,321	418,954
Retained earnings	2,066,812	1,939,045
Accumulated other comprehensive earnings	2,264	2,450
	2,685,868	2,515,024
Less:		
Treasury stock at cost	1,729,045	1,727,373
Total shareholders' equity	956,823	787,651
Total liabilities and shareholders' equity	$ 2,035,661	$ 1,870,526

See Notes to Condensed Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Six Months Ended September 30,	
	2006	2005
	(Unaudited; in thousands)	
Cash flows from operating activities:		
Net earnings	$ 153,128	$ 78,685
Adjustments to reconcile net earnings to net cash provided from operating activities:		
Depreciation and amortization	23,887	23,928
Stock-based compensation expense	12,835	—
Net (income) loss from equity method investees	(5,038)	948
Change in estimated sales allowances	19,919	7,737
Restructuring provision	—	19,646
Deferred income tax benefit	(7,687)	(12,657)
Other non-cash items, net	7,313	6,456
Litigation settlements	(11,500)	12,000
Receipts from litigation settlements	13,508	2,000
Cash received from Somerset	5,500	—
Changes in operating assets and liabilities:		
Accounts receivable	(36,609)	61,383
Inventories	(24,259)	30,035
Trade accounts payable	(8,180)	(2,604)
Income taxes	7,319	(38,790)
Deferred revenue	(8,504)	—
Other operating assets and liabilities, net	14,552	6,311
Net cash provided by operating activities	156,184	195,078
Cash flows from investing activities:		
Capital expenditures	(49,798)	(51,313)
Purchase of marketable securities	(403,789)	(440,844)
Proceeds from sale of marketable securities	318,482	665,458
Other investing items, net	(896)	(1,704)
Net cash (used in) provided by investing activities	(136,001)	171,597
Cash flows from financing activities:		
Cash dividends paid	(25,253)	(24,262)
Payment of financing fees	(1,782)	(13,900)
Proceeds from long-term debt	187,000	775,000
Payments on long-term debt	(187,938)	—
Purchase of common stock	—	(1,081,011)
(Decrease) increase in outstanding checks in excess of cash in disbursement accounts	(7,605)	5,221
Tax benefit of stock-based compensation	3,353	—
Proceeds from exercise of stock options	21,704	16,635
Net cash used in financing activities	(10,521)	(322,317)
Net increase in cash and cash equivalents	9,662	44,358
Cash and cash equivalents — beginning of period	150,124	137,733
Cash and cash equivalents — end of period	$ 159,786	$ 182,091
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 78,122	$ 91,272
Interest	$ 21,788	$ —

See Notes to Condensed Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(unaudited; dollars in thousands, except per share amounts)

MYLAN LABORATORIES INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements — (Continued)

1. General

In the opinion of management, the accompanying unaudited condensed consolidated financial statements (interim financial statements) of Mylan Laboratories Inc. and subsidiaries ("Mylan" or "the Company") were prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q; therefore, as permitted under these rules, certain footnotes and other financial information included in audited financial statements were condensed or omitted. The interim financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the interim results of operations, financial position and cash flows for the periods presented.

These interim financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2006.

The interim results of operations for the three and six months ended September 30, 2006, and the interim cash flows for the six months ended September 30, 2006, are not necessarily indicative of the results to be expected for the full fiscal year or any other future period.

Certain prior year amounts were reclassified to conform to the current year presentation. Such reclassifications had no impact on reported net earnings, earnings per share or shareholders' equity.

2. Revenue Recognition and Accounts Receivable

Revenue is recognized for product sales upon shipment when title and risk of loss transfer to the Company's customers and when provisions for estimates, including discounts, rebates, price adjustments, returns, chargebacks and other promotional programs are reasonably determinable. No revisions were made to the methodology used in determining these provisions during the three and six month periods ended September 30, 2006. Accounts receivable are presented net of allowances relating to these provisions. Such allowances were $408,908 and $381,800 as of September 30, 2006 and March 31, 2006. Other current liabilities include $53,185 and $60,374 at September 30, 2006, and March 31, 2006, for certain rebates and other adjustments that are payable to indirect customers.

3. Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement 109* ("FIN 48"), which clarifies the accounting for uncertain tax positions. This Interpretation provides that the tax effects from an uncertain tax position be recognized in the Company's financial statements, only if the position is more likely than not of being sustained upon audit, based on the technical merits of the position. The provisions of FIN 48 will be effective for Mylan as of the beginning of fiscal 2008. The Company is currently evaluating the impact of adopting FIN 48 on its consolidated financial statements.

4. Pending Acquisition

On August 28, 2006, Mylan entered into a Share Purchase Agreement (the "Share Purchase Agreement") to acquire, through MP Laboratories (Mauritius) Ltd, its wholly-owned indirect subsidiary, approximately 51.5% of the outstanding share capital of Matrix Laboratories Limited ("Matrix"), a publicly traded Indian company. Matrix is engaged in the manufacture of active pharmaceutical ingredients ("APIs") and solid oral dosage forms and is based in Hyderabad, India. Pursuant to the Share Purchase Agreement, Mylan has agreed to pay a cash purchase price of 306 rupees per share (or approximately $6.58 per share at the August 28, 2006, exchange rate), for shares held by the selling shareholders, Mr. Prasad Nimmagadda, Prasad Nimmagadda-HUF, G2 Corporate Services Limited, India Newbridge Investments Limited ("Newbridge Investments"), India Newbridge Coinvestment

Limited (“Newbridge Coinvestment”), India Newbridge Partners FDI Limited (“Newbridge Partners” and, together with Newbridge Investments and Newbridge Coinvestment, the “Newbridge Selling Shareholders”), Maxwell (Mauritius) Pte. Limited and Spandana Foundation (collectively, the “Selling Shareholders”).

In accordance with applicable Indian law, the Company has also made a public announcement for an open offer to acquire up to an additional 20% of the outstanding shares of Matrix (the “Public Offer”) from Matrix’s shareholders (other than the Selling Shareholders). The price in the Public Offer will be 306 rupees per share, in accordance with applicable Indian regulations.

Mr. Prasad Nimmagadda, the Newbridge Selling Shareholders and Maxwell (Mauritius) Pte. Limited have agreed to use a portion of the proceeds from their sale of Matrix shares, approximately $164,000 in the aggregate, to acquire shares of Mylan common stock in a private sale at a price of $20.85 per share, which is conditioned upon the closing of the Share Purchase Agreement and other customary closing conditions. Assuming the open offer is fully subscribed, and taking into account the private sale of Mylan common stock, the net cash to be paid, excluding transaction costs, is expected to be approximately $572,000. The transaction will be funded using Mylan’s existing revolving credit facility and cash on hand.

Mylan and certain of the Selling Shareholders have entered into a Shareholders’ Agreement (the “Mylan Shareholders’ Agreement”) relating to their share ownership of Mylan, which agreement will be effective upon the closing of the private sale of the Mylan shares. The Mylan Shareholders’ Agreement requires registration of the Mylan shares, restricts transfer of the Mylan shares by Mr. Prasad Nimmagadda for a limited period of time, provides for the Company, using its reasonable best efforts, to nominate Mr. Prasad Nimmagadda to the Company’s Board of Directors for a certain period of time, and restricts Mr. Prasad Nimmagadda from competing with Matrix’s pharmaceutical business for a certain period of time.

The consummation of the acquisition of Matrix shares from the Selling Shareholders is subject to regulatory approval in India and other closing conditions. The consummation of the acquisition of shares in the Public Offer is also subject to regulatory approval in India. The parties anticipate that the transaction will be completed by the end of fiscal 2007. Matrix will remain a publicly traded company in India and will continue to operate on an independent basis.

In conjunction with this planned transaction, on August 26, 2006, the Company entered into a foreign exchange forward contract to purchase Indian rupees with U.S. dollars. The contract is contingent upon the close of the potential Matrix acquisition. The purpose of the forward contract is to mitigate the risk of foreign currency exposure related to the pending transaction.

The Company accounts for this instrument under the provisions of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (“SFAS 133”). This instrument does not qualify for hedge accounting treatment under SFAS 133 and therefore was required to be adjusted to fair value with the change in the fair value of the instrument recorded in current earnings. At September 30, 2006, the Company recorded a loss of $7,800 related to this deal contingent forward contract. This amount is included as other income (expense), net in the Condensed Consolidated Statement of Earnings for both periods ended September 30, 2006.

5. Stock Based Incentive Plan

Mylan’s shareholders approved the *Mylan Laboratories Inc. 2003 Long-Term Incentive Plan* on July 25, 2003, and approved certain amendments on July 28, 2006 (the “2003 Plan”). Under the 2003 Plan, 22,500,000 shares of common stock are reserved for issuance to key employees, consultants, independent contractors and non-employee directors of Mylan through a variety of incentive awards, including: stock options, stock appreciation rights, restricted shares and units, performance awards, other stock-based awards and short-term cash awards. Awards are granted at the market price of the shares underlying the options at the date of the grant and generally become exercisable over periods ranging from three to four years and generally expire in ten years.

The Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), effective April 1, 2006. SFAS 123R requires the recognition of the fair value of stock-based compensation in net earnings. Prior to April 1, 2006, the Company accounted for its stock options using the intrinsic value method of accounting provided under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, ("APB 25"), and related Interpretations, as permitted by SFAS No. 123, *Accounting for Share Based Compensation*, ("SFAS 123").

Mylan adopted the provisions of SFAS 123R, using the modified prospective transition method. Under this method, compensation expense recognized in the three and six month period ended September 30, 2006 of fiscal 2007 includes: (a) compensation cost for all share-based payments granted prior to April 1, 2006, but for which the requisite service period had not been completed as of April 1, 2006, based on the grant date fair value, estimated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all share-based payments granted subsequent to April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated.

The previously disclosed pro forma effects of recognizing the estimated fair value of stock-based employee compensation for the three and six months ended September 30, 2005, were as follows:

Period Ended September 30,	Three Months 2005	Six Months 2005
	(In thousands)	
Net earnings as reported	$ 35,770	$ 78,685
Add: Stock-based compensation expense included in reported net income, net of related tax effects	638	1,274
Deduct: Total compensation expense determined under the fair value based method for all stock awards, net of related tax effects	(1,438)	(2,045)
Pro forma net earnings	$ 34,970	$ 77,914
Earnings per share:		
Basic — as reported	$ 0.16	$ 0.32
Basic — pro forma	$ 0.15	$ 0.31
Diluted — as reported	$ 0.16	$ 0.31
Diluted — pro forma	$ 0.15	$ 0.31

Upon approval of the 2003 Plan, the *Mylan Laboratories Inc. 1997 Incentive Stock Option Plan* (the "1997 Plan") was frozen, and no further grants of stock options will be made under that plan. However, there are stock options outstanding from the 1997 Plan, expired plans and other plans assumed through acquisitions.

The following table summarizes stock option activity:

	Number of Shares Under Option	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2006	21,358,670	$ 15.16		
Options granted	438,400	22.46		
Options exercised	(1,791,101)	12.12		
Options forfeited	(577,278)	17.08		
Outstanding at September 30, 2006	19,428,691	$ 15.55	6.40	$ 90,965
Vested and expected to vest at September 30, 2006	19,124,433	$ 15.51	6.35	$ 90,356
Options exercisable at September 30, 2006	12,988,863	$ 14.10	5.57	$ 79,063

A summary of the status of the Company's nonvested restricted stock and restricted stock unit awards is presented below:

Restricted Stock Awards	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value
Nonvested at March 31, 2006	507,962	$ 24.69
Granted	199,161	23.27
Released	(472,500)	24.85
Forfeited	—	—
Nonvested at September 30, 2006	234,623	$ 23.12

Of the 199,161 awards granted in fiscal 2007, approximately 135,000 are performance based. The remaining awards vest ratably over three years.

As of September 30, 2006, the Company had $25,300 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 1.6 years. The total intrinsic value of options exercised during the three and six month periods ended September 30, 2006 was $10,216 and $13,971. The total fair value of all options which vested during the three and six month periods ended September 30, 2006, was $26,300 and $33,500.

As a result of the adoption of SFAS 123R, the Company recognized stock-based compensation expense of $6,029 and $12,835 for the three and six months ended September 30, 2006. The impact of recognizing the compensation expense related to SFAS 123R on basic and diluted earnings per share for the three and six months ended September 30, 2006, was $0.02 and $0.04.

With respect to options granted under the Company's stock-based compensation plan, the fair value of each option grant was estimated at the date of grant using the Black-Scholes option pricing model. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield and employee exercise behavior. Expected volatilities utilized in the model are based mainly on the historical volatility of the Company's stock price and other factors. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical

data. The expected lives of the grants are derived from historical and other factors. The assumptions used are as follows:

Period Ended September 30,	Six Months 2006
Volatility	36.0%
Risk-free interest rate	4.9%
Dividend yield	1.1%
Expected term of options (in years)	4.1
Forfeiture rate	3.0%
Weighted average grant date fair value per option	$ 7.17

6. Restructuring

On June 14, 2005, the Company announced that it was closing its branded subsidiary, Mylan Bertek Pharmaceuticals, Inc. ("Mylan Bertek"), and transferring the responsibility for marketing Mylan Bertek's products to other Mylan subsidiaries. In conjunction with this restructuring, the Company incurred restructuring charges of $9,443 and $19,646, pre-tax, during the three and six months ended September 30, 2005. Of this, $1,000 is included in research and development expense, with the remainder in selling, general and administrative expense. As of March 31, 2006, the Company's restructuring was complete.

7. Balance Sheet Components

Selected balance sheet components consist of the following:

	September 30, 2006	March 31, 2006
	(In thousands)	
Inventories:		
Raw materials	$ 129,759	$ 98,259
Work in process	46,230	36,073
Finished goods	127,278	144,676
	$ 303,267	$ 279,008
Property, plant and equipment:		
Land and improvements	$ 13,331	$ 10,639
Buildings and improvements	216,608	175,343
Machinery and equipment	307,381	287,202
Construction in progress	127,455	144,429
	664,775	617,613
Less: accumulated depreciation	225,344	210,738
	$ 439,431	$ 406,875
Other current liabilities:		
Payroll and employee benefit plan accruals	$ 40,949	$ 24,323
Accrued rebates	53,185	60,374
Royalties and product license fees	5,465	9,320
Deferred revenue	8,107	17,225
Legal and professional	30,526	30,074
Accrued interest	4,312	3,989
Other	23,471	13,182
	$ 166,015	$ 158,487

8. Earnings per Common Share

Basic earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period adjusted for the dilutive effect of stock options and restricted stock outstanding. The effect of dilutive stock options and restricted stock on the weighted average number of common shares outstanding was 4,078,000 and 4,217,000 for the three months ended September 30, 2006 and 2005, and 4,457,000 and 4,017,000 for the six months ended September 30, 2006 and 2005.

Options to purchase 2,167,000 and 5,402,000 shares of common stock were outstanding as of September 30, 2006 and 2005, but were not included in the computation of diluted earnings per share for the three months then ended because to do so would have been antidilutive.

9. Intangible Assets

Intangible assets consist of the following components:

	Weighted Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(In thousands)		
September 30, 2006				
Amortized intangible assets:				
Patents and technologies	20	$ 118,935	$ 57,945	$ 60,990
Product rights and licenses	12	102,006	74,287	27,719
Other	20	14,267	7,606	6,661
		$ 235,208	$ 139,838	95,370
Intangible assets no longer subject to amortization:				
Trademarks				783
				$ 96,153
March 31, 2006				
Amortized intangible assets:				
Patents and technologies	20	$ 118,935	$ 54,836	$ 64,099
Product rights and licenses	12	111,135	77,444	$ 33,691
Other	20	14,267	7,245	$ 7,022
		$ 244,337	$ 139,525	104,812
Intangible assets no longer subject to amortization:				
Trademarks				783
				$ 105,595

Amortization expense for the six months ended September 30, 2006, and 2005, was $6,703 and $7,385 and is expected to be $14,407, $13,637, $13,460, $12,411 and $11,259 for fiscal years 2007 through 2011, respectively.

10. Long-Term Debt

A summary of long-term debt is as follows:

	September 30 2006	March 31 2006
	(In thousands)	
Senior Notes(A)	$ 500,000	$ 500,000
Credit Facilities(B)	187,000	187,938
	687,000	687,938
Less: Current portion	—	2,750
Total long-term debt	$ 687,000	$ 685,188

(A) On July 21, 2005, the Company issued $500,000 in Senior Notes, which consisted of $150,000 of Senior Notes due August 15, 2010, and bearing interest at 5 3/4% per annum (the "2010 Restricted Notes") and $350,000 of Senior Notes due August 15, 2015, and bearing interest at 6 3/8% per annum (the "2015 Restricted Notes", and collectively the "Restricted Notes"). The Restricted Notes were exchanged on January 14, 2006, in accordance with a registration rights agreement in a transaction consummated on January 19, 2006. The form and terms of the registered notes ("the Notes") are identical in all material respects to the original notes.

Prior to maturity, the Company may, under certain circumstances, redeem the Notes in whole or in part at prices specified in the bond indenture governing the Notes. Upon a change of control (as defined in the indenture governing the Notes) of the Company, each holder of the Notes may require the Company to purchase all or a portion of such holder's Notes at 101% of the principal amount of such Notes, plus accrued and unpaid interest.

The Notes are senior unsecured obligations of the Company and rank junior to all of the Company's secured obligations. The Notes are guaranteed jointly and severally on a full and unconditional senior unsecured basis by all of the Company's wholly owned domestic subsidiaries except a captive insurance company, which is considered to be a minor subsidiary. Also, the assets and operations of Mylan Laboratories Inc. ("Mylan Labs"), the parent company, are not material, and, as such, condensed consolidating financial information for the parent and subsidiaries is not provided.

The Notes indenture contains covenants that, among other things, limit the ability of the Company to (a) incur additional secured indebtedness, (b) make investments or other restricted payments, (c) pay dividends on, redeem or repurchase the Company's capital stock, (d) engage in sale-leaseback transactions and (e) consolidate, merge or transfer all or substantially all of its assets. Certain of the covenants contained in the indenture will no longer be applicable or will be less restrictive if the Company achieves investment grade ratings as outlined in the indenture.

(B) On July 21, 2005, the Company entered into a $500,000 senior secured credit facility (the "Credit Facility"). The Credit Facility consisted of a $225,000 five-year revolving credit facility (the "Revolving Credit Facility"), which the Company intended to use for working capital and general corporate purposes, and a $275,000 five-year term loan (the "Term Loan").

On July 24, 2006, the Company completed the refinancing of its existing credit facility by entering into a credit agreement for a new five-year $700,000 senior unsecured revolving credit facility (the "New Facility"). Borrowings totaling $187,000 were made under the New Facility and, along with existing cash, were used to repay the Term Loan. At September 30, 2006 these borrowings bear interest at a rate equal to LIBOR plus 0.60% per annum, which equates to 5.98%. The spread over LIBOR for these borrowings will subsequently be adjusted based upon the Company's total leverage ratio as discussed below. The remaining unused portion of the New Facility is available for working capital and general corporate purposes, including acquisitions.

At the Company's option, additional loans under the New Facility will bear interest at either a rate equal to LIBOR plus an applicable margin of 0.60% or at a base rate, which is defined as the higher of the rate announced

publicly by the administrative agent, from time to time, as its prime rate or 0.5% above the federal funds rate. In the case of the applicable margin for advances based on LIBOR, the applicable margin may increase or decrease, within a range from 0.40% to 0.70%, based on the Company's total leverage ratio. In addition, the Company is required to pay a facility fee on average daily amount of the commitments (whether used or unused) of the New Facility at a rate, which ranges from 0.10% to 0.175%, based on the Company's total leverage ratio.

The Company's obligations under the New Facility are guaranteed on a senior unsecured basis by all of the Company's direct and indirect domestic subsidiaries, except a captive insurance company.

The New Facility includes covenants that (a) require the Company to maintain a minimum interest coverage ratio and a maximum total leverage ratio, (b) place limitations on the Company's subsidiaries' ability to incur debt, (c) place limitations on the Company's and the Company's subsidiaries' ability to grant liens, carry out mergers, consolidations and sales of all or substantially all of its assets and (d) place limitations on the Company's and the Company's subsidiaries' ability to pay dividends or make other restricted payments. The New Facility contains customary events of default, including nonpayment, misrepresentation, breach of covenants and bankruptcy.

All financing fees associated with the Company's borrowings are being amortized over the life of the related debt. The total unamortized amounts of $13,198 and $12,813 are included in other assets in the Condensed Consolidated Balance Sheets at September 30, 2006 and March 31, 2006.

At September 30, 2006 the fair value of the Notes was approximately $487,000. The New Facility's fair value approximated carrying value at September 30, 2006. At March 31, 2006, the carrying value of the Company's long-term debt approximated fair value.

Principal maturities of the Notes and the New Facility are as follows:

	(In thousands)
Fiscal	
2008	$ —
2009	—
2010	—
2011	150,000
2012	187,000
Thereafter	350,000
	$ 687,000

11. Comprehensive Earnings

Comprehensive earnings consist of the following:

Period Ended September 30,	Three Months		Six Months	
	2006	2005	2006	2005
	(In thousands)			
Net earnings	$ 77,541	$ 35,770	$ 153,128	$ 78,685
Other comprehensive earnings net of tax:				
Net unrealized (loss) gain on marketable securities	(18)	900	(916)	2,395
Reclassification for (gains) losses included in net earnings	(5)	123	730	108
	(23)	1,023	(186)	2,503
Comprehensive earnings	$ 77,518	$ 36,793	$ 152,942	$ 81,188

Accumulated other comprehensive earnings, as reflected on the balance sheet, is comprised solely of the net unrealized gain on marketable securities, net of deferred income taxes.

12. Common Stock

As of September 30, 2006, and March 31, 2006, there were 600,000,000 shares of common stock authorized with 310,941,352 and 309,150,251 shares issued. Treasury shares held as of September 30, 2006 and March 31, 2006 were 99,028,399, and 98,971,431.

On June 14, 2005, the Company announced a $1,250,000 share buyback, comprised of a modified "Dutch Auction" self-tender for up to $1,000,000 and a $250,000 follow-on share repurchase program. The "Dutch Auction" self-tender closed on July 21, 2005 at which time the Company announced that it accepted for payment an aggregate of 51,282,051 shares of its common stock at a purchase price of $19.50 per share. The follow-on repurchase was completed during fiscal 2006 through the purchase of 12,595,200 shares for approximately $250,000 on the open market.

13. Contingencies

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. An adverse outcome in any of these proceedings could have a material adverse effect on the Company's financial position and results of operations.

Omeprazole

In fiscal 2001, Mylan Pharmaceuticals Inc. ("MPI"), a wholly-owned subsidiary of Mylan Labs, filed an Abbreviated New Drug Application ("ANDA") seeking approval from the FDA to manufacture, market and sell omeprazole delayed-release capsules and made Paragraph IV certifications to several patents owned by AstraZeneca PLC ("AstraZeneca") that were listed in the FDA's "Orange Book." On September 8, 2000, AstraZeneca filed suit against MPI and Mylan Labs in the U.S. District Court for the Southern District of New York alleging infringement of several of AstraZeneca's patents. On May 29, 2003, the FDA approved MPI's ANDA for the 10 mg and 20 mg strengths of omeprazole delayed-release capsules, and, on August 4, 2003, Mylan Labs announced that MPI had commenced the sale of omeprazole 10 mg and 20 mg delayed-release capsules. AstraZeneca then amended the pending lawsuit to assert claims against Mylan Labs and MPI and filed a separate lawsuit against MPI's supplier, Esteve Quimica S.A. ("Esteve"), for unspecified money damages and a finding of willful infringement, which could result in treble damages, injunctive relief, attorneys' fees, costs of litigation and such further relief as the court deems just and proper. MPI has certain indemnity obligations to Esteve in connection with this litigation. MPI, Esteve and the other generic manufacturers who are co-defendants in the case filed motions for summary judgment of non-infringement and patent invalidity. On January 12, 2006, those motions were denied, and a non-jury trial regarding liability only commenced on April 3, 2006, and was completed on June 14, 2006.

Lorazepam and Clorazepate

On June 1, 2005, a jury verdict was rendered against Mylan Labs and MPI in the U.S. District Court for the District of Columbia ("D.C.") in the amount of approximately $12,000, which has been accrued for by the Company. The jury found Mylan willfully violated Massachusetts, Minnesota and Illinois state antitrust laws in connection with API supply agreements entered into between the Company and its API supplier and broker for two drugs, lorazepam and clorazepate, in 1997, and subsequent price increases on these drugs in 1998. In post-trial filings, the plaintiffs have requested that the verdict be trebled. Plaintiffs are also seeking an award of attorneys' fees, litigation costs and interest on the judgment in unspecified amounts. 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 claims relating to Mylan's 1998 price increases for lorazepam and clorazepate. The Company filed a motion for judgment as a matter of law, a motion for a new trial and a motion to reduce verdict, all of which remain pending before the court. If the Company's post-verdict motions are denied, the Company intends to appeal to the U.S. Court of Appeals for the D.C. Circuit.

Pricing and Medicaid Litigation

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

Beginning in September 2003, Mylan Labs, MPI and/or UDL, together with many other pharmaceutical companies, have been named in a series of civil lawsuits filed by state AGs and municipal bodies within the state of New York alleging generally that the defendants defrauded the state Medicaid systems by allegedly reporting "Average Wholesale Prices" ("AWP") and/or "Wholesale Acquisition Costs" that exceeded the actual selling price of the defendants' prescription drugs. To date, Mylan Labs, MPI and/or UDL have been named as defendants in substantially similar civil lawsuits filed by the AGs of Alabama, California, Florida, Illinois, Kentucky, Massachusetts, Mississippi, Missouri, Hawaii, Alaska 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 an unspecified amount in money damages, civil penalties and/or treble damages, counsel fees and costs, and injunctive relief. In each of these matters, with the exception of the California, Florida, Missouri and Hawaii AG actions and the actions brought by various counties in New York, excluding the actions brought by Erie, Oswego and Schenectady counties, Mylan Labs, MPI and/or UDL have answered the respective complaints denying liability. Mylan Labs and its subsidiaries intend to defend each of these actions vigorously.

Department of Justice Medicaid Rebate Investigation

By letter dated January 12, 2005, MPI was notified by the U.S. Department of Justice of an investigation concerning MPI's calculations of Medicaid drug rebates. To the best of MPI's information, the investigation is ongoing. MPI is collecting information requested by the government and is cooperating fully with the government's investigation.

Modafinil Antitrust Litigation and FTC Inquiry

Beginning in April 2006, Mylan Labs, along with four other drug manufacturers, has been named in a series of civil lawsuits filed in the Eastern District of Pennsylvania by a variety of plaintiffs purportedly representing direct and indirect purchasers of the drug modafinil and one action brought by Apotex, Inc., a manufacturer of generic drugs seeking approval to market a generic modafinil product. These actions allege violations of federal and state laws in connection with the defendants' settlement of patent litigation relating to modafinil. These actions are in their preliminary stages, and with the exception of the action brought by Apotex, Inc., Mylan Labs has not yet been

required to respond to any complaint. Mylan Labs has filed a motion to dismiss the Apotex action, which is pending. Mylan Labs 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 Labs, MPI and Mylan Technologies, Inc. pertaining to the patent litigation and the settlement thereof. Mylan is collecting information requested by the government and is cooperating with the government's investigation.

Other Litigation

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

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

The following discussion and analysis addresses material changes in the results of operations and financial condition of Mylan Laboratories Inc. and Subsidiaries ("the Company", "Mylan" or "we") for the periods presented. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements, the related Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Results of Operations and Financial Condition included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2006, the unaudited interim Condensed Consolidated Financial Statements and related Notes included in Item 1 of this Report on Form 10-Q ("Form 10-Q") and the Company's other SEC filings and public disclosures.

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

Overview

Mylan's financial results for the three months ended September 30, 2006, included total revenues of $366.7 million, net earnings of $77.5 million and earnings per diluted share of $0.36. Comparatively, the three months ended September 30, 2005, included total revenues of $298.0 million, net earnings of $35.8 million and earnings per diluted share of $0.16. This represents an increase of 23% in total revenues, 117% in net earnings and 125% in earnings per diluted share when compared to the same prior year period. Included in earnings per share for the second quarter of fiscal 2007 is stock based compensation expense totaling $0.02 per share as a result of the Company's adoption of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), a mark to market loss on a foreign exchange forward contract of $0.02 per share and a gain of $0.03 per share related to the favorable settlement of certain litigation. Included in earnings per share in the second quarter of fiscal 2006 was $0.03 per share related to restructuring costs associated with the closure of Mylan's subsidiary, Mylan Bertek Pharmaceuticals Inc. ("Mylan Bertek").

For the six months ended September 30, 2006, Mylan reported total revenues of $722.8 million, net earnings of $153.1 million and earnings per diluted share of $0.71. For the first six months of fiscal 2006, total revenues were $621.4 million, net earnings were $78.7 million and earnings per diluted share were $0.31. This represents an increase of 16% in total revenues, 95% in net earnings and 129% in earnings per diluted share when compared to the prior period. Stock based compensation costs of $0.04 per share are included in the results for the six months ended September 30, 2006, as a result of the adoption of SFAS 123R, as is $0.02 per share of a mark to market loss on a foreign exchange forward contract and a gain of $0.03 per share related to the favorable settlement of certain litigation. Included in the prior year results are $0.03 per diluted share, with respect to a contingent legal liability related to previously-disclosed litigation in connection with the Company's lorazepam and clorazepate products, and $0.05 per diluted share of restructuring costs. A more detailed discussion of the Company's financial results of the three and six month periods ended September 30, 2006, can be found under the section titled "Results of Operations".

Significant developments which have occurred during the second quarter include:

- *Matrix Acquisition* — On August 28, 2006, Mylan announced that it will acquire up to 71.5% of the shares outstanding of Matrix Laboratories Limited ("Matrix"), a publicly traded Indian company, for 306 rupees per Matrix share. Under the terms of the transaction, Mylan will purchase 51.5% of Matrix's shares outstanding pursuant to an agreement with certain selling shareholders and will make an open offer to

acquire up to an additional 20% of the outstanding shares of Matrix. Assuming the open offer is fully subscribed, the total purchase price, excluding transaction costs, is expected to be approximately $736.0 million.

Mylan and Matrix together will have approximately 5,100 employees in 10 countries. Matrix will provide Mylan with a significant presence in important emerging pharmaceutical markets, including India, China and Africa, as well as a European footprint and distribution network through Matrix's Docpharma subsidiary. This transaction will combine Matrix's active pharmaceutical ingredient and drug development business with Mylan's expertise in finished dosage forms. The transaction will also expand Mylan's high-barrier-to-entry product capabilities, particularly in the area of anti-virals.

The consummation of the acquisition of Matrix shares is subject to regulatory approval in India and other closing conditions. The parties anticipate that the transaction will be completed by the end of fiscal 2007.

This transaction will be funded using Mylan's existing revolving credit facility and cash on hand. Approximately $164.0 million of the funds received by three of the selling shareholders will be used to purchase shares of Mylan common stock resulting in net cash to be paid of approximately $572.0M.

- *Refinancing of Credit Facility* — On July 24, 2006, the Company completed the refinancing of its Credit Facility by entering into a credit agreement for a new five-year $700.0 million senior unsecured revolving credit facility (the "New Facility"). Borrowings totaling $187.0 million were made under the New Facility and were used to repay an existing term loan. The remaining unused portion of the New Facility is available for working capital and general corporate purposes, including acquisitions.
- *Other Recent Developments* — Mylan notes the following developments related to the products listed below:
  - *Oxybutynin* — On September 6, 2006, the U.S. Court of Appeals for the Federal Circuit upheld a district court decision that Mylan's oxybutynin products do not infringe a patent for Ditropan XL® and that the patent was invalid. Mylan has received tentative approval and is currently awaiting final approval from the U.S. Food and Drug Administration ("FDA") for its Abbreviated New Drug Applications ("ANDAs") for the 5mg and 10mg strengths of oxybutynin. Oxybutynin is the generic version of Alza's Ditropan XL. Mylan is the first generic company to file an ANDA for these two strengths, and will therefore be eligible for 180-days of market exclusivity upon commercial launch. The 5mg and 10mg strengths represent more than 80% of the approximately $380 million in U.S. sales during the 12-month period ended June 30, 2006, according to IMS Health. The Company also entered into exclusive supply agreements with Ortho-McNeil Pharmaceuticals, Inc. and Alza Corporation, which would allow for Mylan to launch the 15mg strength of Ditropan XL under certain circumstances.
  - *Topiramate* — On September 11, 2006, Mylan received final approval from the FDA on its ANDA for topiramate tablets, 25mg, 100mg and 200mg. Topiramate tablets are the generic version of Ortho-McNeil's Topamax® Tablets, which had U.S. sales of approximately $1.37 billion for the three strengths listed above for the 12-month period ended June 30, 2006 according to IMS Health. Mylan also received tentative approval for the 50mg strength of Topiramate. The FDA has confirmed that Mylan was the first generic company to file on the 25mg, 100mg, and 200mg strengths of topiramate and is therefore eligible for 180 days of market exclusivity. The FDA has indicated that the exclusivity will begin to run from the earlier of the commercial launch of the Mylan product or a court decision from which no appeal can be taken. However Ortho-McNeil has been granted a preliminary injunction which effectively prohibits Mylan from launching its product until the earlier of a court decision with respect to all issues of validity and infringement, or patent expiration.
  - *Amlodipine Besylate* — On October 19, 2006, Mylan reported that the U.S. District Court for the Western District of Pennsylvania granted a motion to dismiss the '909 patent from the patent infringement litigation between Pfizer and Mylan concerning amlodipine besylate tablets thereby removing the '909 as a patent that Pfizer can assert against Mylan. The '909 patent was one of two patents covered in the litigation scheduled to begin on November 28, 2006. Amlodipine besylate tablets are the generic version of Pfizer's Norvasc® Tablets, which had U.S. sales of approximately $2.7 billion for the 12-month period

ended June 30, 2006, according to IMS Health. As previously announced, the FDA has granted Mylan final approval for its ANDA for amlodipine besylate tablets, 2.5mg (base), 5mg (base) and 10mg (base). The FDA also confirmed that Mylan was the first generic company to file on all strengths of Norvasc Tablets and is therefore eligible for 180 days of market exclusivity. The FDA has indicated that the exclusivity will begin to run from the earlier of the commercial launch of the Mylan product or a final court decision concerning the pending litigation between Pfizer and Mylan.

Results of Operations

Quarter Ended September 30, 2006, Compared to Quarter Ended September 30, 2005

Total Revenues and Gross Profit

Total revenues for the current quarter increased by 23% or $68.7 million to $366.7 million from $298.0 million in the same prior year period. This increase was driven by both increased volume and stable pricing. During the quarter fentanyl continued to be the only AB-rated generic alternative to Duragesic® on the market and accounted for approximately 20% of net sales. As a result of a continued shift from brand to generic, fentanyl contributed favorably to both pricing and volume.

Excluding fentanyl, Mylan's product portfolio realized overall stable pricing and volume. In total, doses shipped increased by 6% to approximately 3.5 billion.

Other revenue for the quarter ended September 30, 2006, consisted primarily of amounts recognized with respect to Apokyn®, which was sold in the prior year, with the remainder related to other business development activities.

Consolidated gross profit increased 37% or $52.9 million to $196.1 million and gross margins increased to 53.5% from 48.1%. A significant portion of gross profit was generated by fentanyl sales which contribute margins well in excess of most other products in our portfolio. Absent any changes to market dynamics or significant new competition for fentanyl, the Company expects the product to continue to be a significant contributor to sales and gross profit. As is the case in the generic industry, the entrance into the market of other generic competition generally has a negative impact on the volume and pricing of the affected products.

Operating Expenses

Research and development ("R&D") expenses for the current quarter decreased 20% or $5.6 million to $22.7 million from $28.3 million in the same prior year period. This decrease was due primarily to a decline in the number of ongoing R&D studies, including those with respect to nebivolol, which was outlicensed in the fourth quarter of fiscal 2006.

Selling, General and Administrative ("SG&A") expenses decreased by 12% or $6.6 million to $50.3 million from $56.9 million. This decrease is primarily the result of savings, mostly payroll and payroll related, as a result of the closure of Mylan Bertek in the prior year. Included in SG&A in the prior year was $8.6 million of restructuring costs, related to the Mylan Bertek closure. Partially offsetting these favorable items is $3.3 million in stock based compensation cost recognized as a result of the Company's adoption of SFAS 123R in the first quarter of fiscal 2007.

Litigation, net

The second quarter of fiscal 2007 included a gain of $11.5 million related to the favorable settlement of certain litigation.

Interest Expense

Interest expense related to the Company's outstanding borrowings was $10.4 million in the second quarter of fiscal 2007, which is an increase of $1.5 million from second quarter of fiscal 2006. The Company's borrowings were outstanding for the entire second quarter of fiscal 2007, compared to only a portion of the second quarter of

fiscal 2006. Included in interest expense is a commitment fee on the unused portion of the revolving credit facility and the amortization of debt issuance costs.

Other (Expense) Income, net

Other expense, net, was $2.2 million in the second quarter of fiscal 2007 compared to $4.3 million of income in the same prior year period. The change is primarily the result of an unfavorable, non-cash $7.8 million mark to market adjustment on a foreign currency forward contract related to the pending acquisition of Matrix. The purpose of the forward contract was to fix the exchange rate on the rupee denominated acquisition price that Mylan will be required to pay at the time of closing. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, this derivative instrument is marked to market each period with any change in the fair value reported in current earnings. As of October 31, 2006, exchange rates had fluctuated such that the mark to market fair value adjustment of this forward contract on such date would have been favorable.

Income Tax Expense

The Company's effective tax rate has increased in the current quarter to 36.4% from 33.0% in the same period of the prior year. This increase is due to higher pre-tax income, which results in higher state taxes, and fewer deductions for research and development when compared to fiscal 2006.

Six Months Ended September 30, 2006, Compared to Six Months Ended September 30, 2005

Total Revenues and Gross Profit

Total revenues for the six months ended September 30, 2006 increased by 16% or $101.4 million to $722.8 million from $621.4 million in the same prior year period.

Net revenues increased by $88.9 million to $706.6 million, which was the result of overall stable pricing as well as increased volume. Fentanyl continues to be the main driver behind these increases and has accounted for over 20% of net revenues through the first half of fiscal 2007.

Exclusive of fentanyl, the remaining product portfolio experienced both overall stable pricing and increased volume. In total, doses shipped for the six month period ended September 30, 2006 were approximately 6.9 billion, an increase of 11% over the same period of the prior year.

Other revenue for the six month period ended September 30, 2006, consisted primarily of amounts recognized with respect to Apokyn®, which was sold in the prior year, with the remainder related to other business development activities.

Consolidated gross profit increased 24% or $73.2 million to $384.3 million from $311.1 million, and gross margins increased to 53.2% from 50.1%. A significant portion of gross profit was comprised of fentanyl which contributes margins well in excess of most other products in our portfolio. Absent any changes to market dynamics or significant new competition for fentanyl, the Company expects the product to continue to be a significant contributor to sales and gross profit. As is the case in the generic industry, the entrance into the market of other generic competition generally has a negative impact on the volume and pricing of the affected products.

Operating Expenses

R&D expenses for the six months ended September 30, 2006 decreased 18% or $9.5 million to $43.9 million from $53.4 million in the same prior year period. This decrease was due primarily to a decline in the number of ongoing R&D studies, including those with respect to nebivolol, which was outlicensed in the prior year. Also included in R&D in the prior year was $1.0 million of restructuring costs.

SG&A expenses decreased by 22% or $27.8 million to $100.2 million from $128.0 million. This decrease was primarily the result of the restructuring charge of $18.6 million recorded in the prior period. This restructuring charge consisted primarily of employee termination and severance costs, mostly associated with the Mylan Bertek sales force, as well as asset write-downs and lease termination costs. Cost savings derived as a result of the restructuring accounted for the remaining decrease.

Litigation, net

The six months ended September 30, 2006, included a favorable settlement of litigation for $11.5 million. In the same period of the prior year, there was a charge recorded in the amount of $12.0 million for a contingent liability with respect to the Company's previously disclosed lorazepam and clorazepate product litigation.

Interest Expense

Interest expense for the six months ended September 30, 2006 totaled $20.8 million compared to $8.9 million for the same period of the prior year. The Company has had their financing outstanding for the entire first half of fiscal 2007, while it was only completed during the second quarter of fiscal 2006. Included in interest expense is a commitment fee on the unused portion of the revolving credit facility and the amortization of debt issuance costs.

Other (Expense) Income, net

Other income, net, was $7.4 million in the first half of fiscal 2007 compared to $9.9 million in the same prior year period. The change is primarily the result of an unfavorable, non-cash $7.8 million, mark to market adjustment on a foreign currency forward contract related to the pending acquisition of Matrix. The purpose of the forward contract was to fix the exchange rate on the rupee denominated acquisition price that Mylan will be required to pay at the time of closing. In accordance with SFAS 133, this derivative instrument is marked to market each period with any change in the fair value reported in current earnings. As of October 31, 2006, exchange rates had fluctuated such that the mark to market fair value adjustment of this forward contract would have been favorable. Partially, offsetting this adjustment was income related to our investment in Somerset Pharmaceuticals, Inc. ("Somerset"). We own a 50% equity interest in and account for this investment using the equity method of accounting. During the first quarter of fiscal 2007, Mylan received a cash payment from Somerset of approximately $5.5 million. The amount in excess of the carrying value of our investment in Somerset, approximately $5.0 million, was recorded as equity income.

Income Tax Expense

The Company's effective tax rate increased for the first half of fiscal 2007 to 35.7% from 33.6% in the same period of the prior year. This increase is due to higher pre-tax income, which results in higher state taxes, and fewer deductions for research and development when compared to fiscal 2006.

Liquidity and Capital Resources

The Company's primary source of liquidity continues to be cash flows from operating activities, which were $156.2 million for the six months ended September 30, 2006. Working capital as of September 30, 2006, was $1.1 billion compared to $926.7 million at March 31, 2006. This increase is primarily the result of increased receivables, due to the timing of cash collections and shipments, an increase in inventory due to aligning production to forecasted volumes, and an increase in marketable securities.

Cash used in investing activities for the six months ended September 30, 2006, was $136.0 million. Of the Company's $2.0 billion of total assets at September 30, 2006, $611.7 million was held in cash, cash equivalents and marketable securities. Investments in marketable securities consist of a variety of high credit quality debt securities, including U.S. government, state and local government and corporate obligations. These investments are highly liquid and available for working capital needs. As these instruments mature, the funds are generally reinvested in instruments with similar characteristics.

Capital expenditures during the six months ended September 30, 2006, were $49.8 million. These expenditures were incurred primarily with respect to the Company's previously announced planned expansions and the implementation of an integrated ERP system. The Company expects capital expenditures for fiscal 2007 to approximate $135.0 million.

Cash used in financing activities was $10.5 million for the six months ended September 30, 2006. As part of the refinancing of the Company's debt completed in July 2006, $187.0 million dollars was borrowed under the new credit facility and used along with existing cash to repay an existing term loan.

Also included in cash flows from financing activities are proceeds of $21.7 million from the exercise of stock options and cash dividends paid of $25.3 million. In the first quarter of fiscal 2006, the Board voted to double the amount of the quarterly dividend to 6.0 cents per share from 3.0 cents per share, effective with the dividend paid for the first quarter of fiscal 2006.

The Company is involved in various legal proceedings that are considered normal to its business (see Note 13 to Condensed Consolidated Financial Statements). While it is not feasible to predict the outcome of such proceedings, an adverse outcome in any of these proceedings could materially affect the Company's financial position and results of operations.

The Company is actively pursuing, and is currently involved in, joint projects related to the development, distribution and marketing of both generic and brand products. Many of these arrangements provide for payments by the Company upon the attainment of specified milestones. While these arrangements help to reduce the financial risk for unsuccessful projects, fulfillment of specified milestones or the occurrence of other obligations may result in fluctuations in cash flows.

The Company is continuously evaluating the potential acquisition of products, as well as companies, as a strategic part of its future growth. Consequently, the Company may utilize current cash reserves or incur additional indebtedness to finance any such acquisitions, which could impact future liquidity. On August 28, 2006, the Company announced that it will acquire up to 71.5% of the shares outstanding of Matrix, for 306 rupees per Matrix share, or approximately $736.0 million. Approximately $164.0 million of funds received by three of the selling shareholders will be used to purchase shares of Mylan common stock resulting in net cash to be paid of approximately $572.0 million. This transaction is expected to be funded through the credit facility and cash on hand.

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109* ("FIN 48"), which clarifies the accounting for uncertain tax positions. This Interpretation provides that the tax effects from an uncertain tax position be recognized in the Company's financial statements, only if the position is more likely than not of being sustained upon audit, based on the technical merits of the position. The provisions of FIN 48 will be effective for Mylan as of the beginning of fiscal 2008. The Company is currently evaluating the impact of adopting FIN 48 on our consolidated financial statements.

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

The Company is subject to market risk from changes in the market values of investments in its marketable debt securities, interest rate risk from changes in interest rates associated with its long term debt and foreign currency exchange rate risk as a result of its pending acquisition of up to 71.5% of the shares outstanding of Matrix. In addition to marketable debt and equity securities, investments are made in overnight deposits, money market funds and marketable securities with maturities of less than three months. These instruments are classified as cash equivalents for financial reporting purposes and have minimal or no interest rate risk due to their short-term nature.

The following table summarizes the investments in marketable debt and equity securities which subject the Company to market risk at September 30, 2006 and March 31, 2006:

	September 30, 2006	March 31, 2006
	(In thousands)	
Debt securities	$ 448,069	$ 362,458
Equity securities	3,813	5,545
	$ 451,882	$ 368,003

Marketable Debt Securities

The primary objectives for the marketable debt securities investment portfolio are liquidity and safety of principal. Investments are made to achieve the highest rate of return while retaining principal. Our investment

policy limits investments to certain types of instruments issued by institutions and government agencies with investment-grade credit ratings. At September 30, 2006, the Company had invested $448.1 million in marketable debt securities, of which $79.1 million will mature within one year and $369.0 million will mature after one year. The short duration to maturity creates minimal exposure to fluctuations in market values for investments that will mature within one year. However, a significant change in current interest rates could affect the market value of the remaining $369.0 million of marketable debt securities that mature after one year. A 5% change in the market value of the marketable debt securities that mature after one year would result in a $18.5 million change in marketable debt securities.

Long-Term Debt

On July 21, 2005, the Company issued $500.0 million in Senior Notes with fixed interest rates (which were exchanged for registered notes, as described previously) and, on July 24, 2006, entered into a five-year $700.0 million senior unsecured revolving credit facility (the "2006 Credit Facility"). Loans under the 2006 Credit Facility bear interest at a rate equal to either LIBOR plus an applicable margin of 0.60% or at a base rate, which is defined as the higher of the rate announced publicly by the administrative agent, from time to time, as its prime rate or 0.5% above the federal funds rate. In the case of the applicable margin for advances based on LIBOR, the applicable margin may increase or decrease, within a range from 0.40% to 0.70%, based on the Company's total leverage ratio. In addition, the Company is required to pay a facility fee on average daily amount of the commitments (whether used or unused) of the Credit Facility at a rate, which ranges from 0.10% to 0.175%, based on the Company's total leverage ratio. On July 24, 2006, the Company borrowed $187.0 million under the 2006 Credit Facility and used the proceeds to repay the aggregate principal amount outstanding under the Company's previous credit agreement, dated as of July 21, 2005 (the "Previous Credit Agreement"), among the Company, the lenders and other financial institutions party thereto and Merrill Lynch Capital Corporation, as administrative agent. The interest rate on the 2006 Credit Facility at September 30, 2006 was 5.98%.

Generally, the fair market value of fixed interest rate debt will decrease as interest rates rise and increase as interest rates fall. At September 30, 2006 the fair value of the Notes were approximately $487.0 million. The 2006 Credit Facility's fair value approximated carrying value at September 30, 2006. At March 31, 2006, the carrying value of our total long-term debt approximated fair value. A 10% change in interest rates on the 2006 Credit Facility would result in a change in interest expense of approximately $1.1 million per year.

Foreign Exchange Forward Contract

In conjunction with the planned acquisition of Matrix, on August 26, 2006, the Company entered into a foreign exchange forward contract to purchase Indian rupees with U.S. dollars. The contract is contingent upon the close of the potential acquisition. The purpose of the contract is to mitigate the risk of foreign currency exposure related to the pending transaction. The value of the foreign exchange contract fluctuates depending on the value of the U.S. dollar compared to the Indian rupee. At September 30, 2006, for every one percent change in the value of the U.S. dollar compared to the Indian rupee, the value of the foreign exchange contract will fluctuate by approximately $6.0 million. On September 30, 2006, the mark to market value of our foreign exchange contract resulted in a loss of $7.8 million. We expect the foreign exchange contract to be settled concurrent with our payment of the purchase price for Matrix upon closing of the transaction.

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

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2006. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. No change in the Company's internal control over financial reporting occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

For a description of the material pending legal proceedings to which the Company is a party, please see our Annual Report on Form 10-K for the year ended March 31, 2006. During the quarter ended September 30, 2006, there were no new material legal proceedings or material developments with respect to pending proceedings other than as described below. 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. An adverse outcome in any of these proceedings could have a material adverse effect on the Company's financial position and results of operations.

Omeprazole

In fiscal 2001, Mylan Pharmaceuticals Inc. ("MPI"), a wholly-owned subsidiary of Mylan Labs, filed an Abbreviated New Drug Application ("ANDA") seeking approval from the FDA to manufacture, market and sell omeprazole delayed-release capsules and made Paragraph IV certifications to several patents owned by AstraZeneca PLC ("AstraZeneca") that were listed in the FDA's "Orange Book." On September 8, 2000, AstraZeneca filed suit against MPI and Mylan Labs in the U.S. District Court for the Southern District of New York alleging infringement of several of AstraZeneca's patents. On May 29, 2003, the FDA approved MPI's ANDA for the 10 mg and 20 mg strengths of omeprazole delayed-release capsules, and, on August 4, 2003, Mylan Labs announced that MPI had commenced the sale of omeprazole 10 mg and 20 mg delayed-release capsules. AstraZeneca then amended the pending lawsuit to assert claims against Mylan Labs and MPI and filed a separate lawsuit against MPI's supplier, Esteve Quimica S.A. ("Esteve"), for unspecified money damages and a finding of willful infringement, which could result in treble damages, injunctive relief, attorneys' fees, costs of litigation and such further relief as the court deems just and proper. MPI has certain indemnity obligations to Esteve in connection with this litigation. MPI, Esteve and the other generic manufacturers who are co-defendants in the case filed motions for summary judgment of non-infringement and patent invalidity. On January 12, 2006, those motions were denied, and a non-jury trial regarding liability only commenced on April 3, 2006, and was completed on June 14, 2006.

Pricing and Medicaid Litigation

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

Beginning in September 2003, Mylan Labs, MPI and/or UDL, together with many other pharmaceutical companies, have been named in a series of civil lawsuits filed by state AGs and municipal bodies within the state of New York alleging generally that the defendants defrauded the state Medicaid systems by allegedly reporting "Average Wholesale Prices" ("AWP") and/or "Wholesale Acquisition Costs" that exceeded the actual selling price of the defendants' prescription drugs. To date, Mylan Labs, MPI and/or UDL have been named as defendants in substantially similar civil lawsuits filed by the AGs of Alabama, California, Florida, Illinois, Kentucky, Massachusetts, Mississippi, Missouri, Hawaii, Alaska 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 an unspecified amount in money damages, civil penalties and/or treble damages, counsel fees and costs, and injunctive relief. In each of these matters, with the exception of the California, Florida, Missouri and Hawaii AG actions and the actions brought by various counties in New York, excluding the actions brought by Erie, Oswego and Schenectady counties, Mylan Labs, MPI and/or UDL have answered the respective complaints denying liability. Mylan Labs and its subsidiaries intend to defend each of these actions vigorously.

Department of Justice Medicaid Rebate Investigation

By letter dated January 12, 2005, MPI was notified by the U.S. Department of Justice of an investigation concerning MPI's calculations of Medicaid drug rebates. To the best of MPI's information, the investigation is ongoing. MPI is collecting information requested by the government and is cooperating fully with the government's investigation.

Modafinil Antitrust Litigation and FTC Inquiry

Beginning in April 2006, Mylan Labs, along with four other drug manufacturers, has been named in a series of civil lawsuits filed in the Eastern District of Pennsylvania by a variety of plaintiffs purportedly representing direct and indirect purchasers of the drug modafinil and one action brought by Apotex, Inc., a manufacturer of generic drugs seeking approval to market a generic modafinil product. These actions allege violations of federal and state laws in connection with the defendants' settlement of patent litigation relating to modafinil. These actions are in their preliminary stages, and with the exception of the action brought by Apotex, Inc., Mylan Labs has not yet been required to respond to any complaint. Mylan Labs' has filed a motion to dismiss the Apotex action, which is pending. Mylan Labs 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 Labs, MPI and Mylan Technologies, Inc. pertaining to the patent litigation and the settlement thereof. Mylan is collecting information requested by the government and is cooperating with the government's investigation.

Other Litigation

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

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.

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 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 (usually brand) 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 the products that we are developing or licensing (including, without limitation, nebivolol) on a timely basis, if at all, which could adversely affect our product introduction plans, financial position and results of operations and could cause the market value of our common stock to decline.

FDA approval is required before any prescription drug product, including generic drug products, can be marketed. The process of obtaining FDA approval to manufacture and market new and generic pharmaceutical products is rigorous, time-consuming, costly and largely unpredictable. We, or a partner, may be unable to obtain requisite FDA approvals on a timely basis for new generic or brand products that we may develop, license or otherwise acquire. 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 FDA approval is denied or delayed we could be exposed to the risk of this inventory becoming obsolete. The timing and cost of obtaining FDA approvals could adversely affect our product introduction plans, financial position and results of operations and could cause the market value of our common stock to decline.

The ANDA approval process often results in the FDA granting final approval to a number of ANDAs for a given product at the time a patent claim for a corresponding brand product or other market exclusivity expires. This often forces us to face immediate competition when we introduce a generic product into the market. Additionally, ANDA 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 brand products. New generic market entrants generally cause continued price and margin erosion over the generic product life cycle.

The Waxman-Hatch Act provides for a period of 180 days of generic marketing exclusivity for each ANDA applicant that is first to file an ANDA containing a certification of invalidity, non-infringement or unenforceability related to a patent listed with respect to a reference drug product, commonly referred to as a Paragraph IV certification. During this exclusivity period, which under certain circumstances may be required to be shared with other applicable ANDA sponsors with Paragraph IV certifications, the FDA cannot grant final approval to other ANDA sponsors holding applications for the same generic equivalent. If an ANDA containing a Paragraph IV certification is successful and the applicant is awarded exclusivity, it generally results in higher market share, net revenues and gross margin for that applicant. 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 financial position and results of operations, 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, 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 brand, 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:

- 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. Our new products may not achieve expected levels of market acceptance. 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. For example, on July 15, 2005, the FDA issued a Public Health Advisory regarding the safe use of transdermal fentanyl patches, a product we currently market, the loss of revenues of which could have a significant impact on our business. 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, financial position and results of operations, and the market value of our common stock could decline.

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

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

WE FACE VIGOROUS COMPETITION FROM OTHER PHARMACEUTICAL MANUFACTURERS THAT THREATENS THE COMMERCIAL ACCEPTANCE AND PRICING OF OUR PRODUCTS, 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 competitors may be able to develop products and processes competitive with or superior to our own for many reasons, including that they may have:

- proprietary processes or delivery systems;
- larger research and development and marketing staffs;
- larger production capabilities in a particular therapeutic area;
- more experience in preclinical testing and human clinical trials;
- more products; or
- more experience in developing new drugs and financial resources, particularly with regard to brand manufacturers.

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

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

The pharmaceutical industry is subject to regulation by various federal and state governmental authorities. For instance, we must comply with FDA requirements with respect to the manufacture, labeling, sale, distribution, marketing, advertising, promotion and development of pharmaceutical products. Failure to comply with FDA and other governmental regulations 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 FDA's review of

NDAs or ANDAs, enforcement actions, injunctions and criminal prosecution. Under certain circumstances, the FDA also has 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 addition to the new drug approval process, the FDA also regulates the facilities and operational procedures that we use to manufacture our products. We must register our facilities with the FDA. All products manufactured in those facilities must be made in a manner consistent with current good manufacturing practices ("cGMP"). Compliance with cGMP regulations requires substantial expenditures of time, money and effort in such areas as production and quality control to ensure full technical compliance. The FDA periodically inspects our manufacturing facilities for compliance. FDA approval to manufacture a drug is site-specific. Failure to comply with cGMP regulations at one of our manufacturing facilities could result in an enforcement action brought by the FDA which could include withholding the approval of NDAs, ANDAs or other product applications of that facility. If the FDA 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 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. 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 MEDICAID REBATE PROGRAM AND OTHER GOVERNMENTAL PURCHASING AND REBATE PROGRAMS ARE COMPLEX AND MAY INVOLVE SUBJECTIVE DECISIONS. 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 Medicaid reimbursement and rebates and other governmental programs are complex, and as discussed elsewhere in this Form 10-Q, we and other pharmaceutical companies are defendants in a number of suits filed by state attorneys general and have been notified of an investigation by the U.S. Department of Justice with respect to Medicaid reimbursement and rebates. Our calculations and methodologies are currently being reviewed internally and likewise are subject to review and challenge by the applicable governmental agencies, and it is possible that such reviews could result in material changes. In addition, 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, as also disclosed in this Form 10-Q, a number of state and federal government agencies are conducting investigations of manufacturers' reporting practices with respect to Average Wholesale Prices ("AWP"), in which they have suggested that reporting of inflated AWP has led to excessive payments for prescription drugs. We and numerous other pharmaceutical companies have been named as defendants in various actions relating to pharmaceutical pricing issues and whether allegedly improper actions by pharmaceutical manufacturers led to excessive payments by Medicare and/or Medicaid.

Any governmental agencies that have commenced, or may commence, an investigation of the Company could impose, based on a claim of violation of fraud and false claims laws or otherwise, civil and/or criminal sanctions, including fines, penalties and possible exclusion from federal health care programs (including Medicaid and Medicare). Some of the applicable laws may impose liability even in the absence of specific intent to defraud. Furthermore, should there be ambiguity with regard to how to properly calculate and report payments-and even in the absence of any such ambiguity-a governmental authority may take a position contrary to a position we have taken, and may impose civil and/or criminal sanctions. Any such penalties or sanctions could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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

Much of our development effort is focused on technically difficult-to-formulate products and/or products that require advanced manufacturing technology. We conduct research and development primarily to enable us to manufacture and market FDA-approved pharmaceuticals in accordance with FDA regulations. Typically, research expenses related to the development of innovative compounds and the filing of NDAs are significantly greater than those expenses associated with ANDAs. As we continue to develop new products, our research expenses will likely increase. Because of the inherent risk associated with research and development efforts in our industry, particularly with respect to new drugs (including, without limitation, nebivolol), our, or a partner's, research and development expenditures may not result in the successful introduction of FDA approved new pharmaceutical products. Also, after we submit an NDA or ANDA, the FDA may request that we conduct additional studies and as a result, we may be unable to reasonably determine the total research and development costs to develop a particular product. Finally, we cannot be certain that any investment made in developing products will be recovered, even if we are successful in commercialization. To the extent that we expend significant resources on research and development efforts and are not able, ultimately, to introduce successful new products as a result of those efforts, our business, financial position and results of operations may be materially adversely affected, and the market value of our common stock could decline.

A SIGNIFICANT PORTION OF OUR NET REVENUES ARE 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 are derived from sales to a limited number of customers. As such, a reduction in or loss of business with one customer, or if one customer were to experience difficulty in paying us on a timely basis, our business, financial position and results of operations could be materially adversely affected, and the market value of our common stock could decline.

THE USE OF LEGAL, REGULATORY AND LEGISLATIVE STRATEGIES BY COMPETITORS, BOTH BRAND AND GENERIC, INCLUDING "AUTHORIZED GENERICS" AND CITIZEN'S PETITIONS, AS WELL AS THE POTENTIAL IMPACT OF PROPOSED LEGISLATION, MAY INCREASE OUR COSTS ASSOCIATED WITH THE INTRODUCTION OR MARKETING OF OUR GENERIC PRODUCTS, COULD DELAY OR PREVENT SUCH INTRODUCTION AND/OR 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 brand and generic, often pursue strategies to prevent or delay competition from generic alternatives to brand 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, 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 in various states to limit the substitution of generic versions of brand pharmaceuticals;
- filing suits for patent infringement that automatically delay FDA 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 FDA approval;
- obtaining extensions of market exclusivity by conducting clinical trials of brand drugs in pediatric populations or by other potential methods as discussed below;
- persuading the FDA 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.

The Food and Drug Modernization Act of 1997 includes a pediatric exclusivity provision that may provide an additional six months of market exclusivity for indications of new or currently marketed drugs if certain agreed upon pediatric studies are completed by the applicant. Brand companies are utilizing this provision to extend periods of market exclusivity.

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

If proposals like these 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.

THE INDENTURE FOR OUR SENIOR NOTES AND OUR CREDIT FACILITY IMPOSE SIGNIFICANT OPERATING AND FINANCIAL RESTRICTIONS, WHICH MAY PREVENT US FROM CAPITALIZING ON BUSINESS OPPORTUNITIES AND TAKING SOME ACTIONS. 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.

The indenture for our Senior Notes and credit facility impose significant operating and financial restrictions on us. These restrictions will limit the ability of us and our subsidiaries to, among other things, incur additional indebtedness at our subsidiaries, make investments, sell assets, incur certain liens, enter into agreements restricting our subsidiaries' ability to pay dividends, or merge or consolidate. In addition, our senior credit facility 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.

OUR ABILITY TO SERVICE OUR DEBT AND MEET OUR CASH REQUIREMENTS DEPENDS ON MANY FACTORS, SOME OF WHICH ARE BEYOND OUR CONTROL. 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 ability to satisfy our obligations, including our Senior Notes and our credit facility, 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 are unable to generate sufficient cash flow, we may be required to: refinance all or a portion of our debt, including the notes and our senior credit facility; obtain additional financing in the future for acquisitions, working capital, capital expenditures and general corporate or other purposes; redirect a substantial portion of our cash flow to debt service, which as a result, might not be available for our operations or other purposes; sell some of our assets or operations; reduce or delay capital expenditures; or revise or delay our operations or strategic plans. If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot assure you that we would be able to take any of these actions, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our senior credit facility and the indenture governing the notes. The leverage resulting from our notes offering and our senior credit facility could have certain material adverse effects on us, including limiting our ability to obtain additional financing and reducing cash available for our operations and acquisitions. As a result, our ability to withstand competitive pressures may be decreased and, we may be more vulnerable to economic downturns, which in turn could reduce our flexibility in responding to changing business, regulatory and economic conditions. 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.

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

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

Additionally, we maintain safety stocks in our raw materials inventory, and in certain cases where we have listed only one supplier in our applications with the FDA, have received FDA 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 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.

The Company utilizes controlled substances in certain of its 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"). These regulations relate to the manufacture, shipment, storage, sale and use of controlled substances. The DEA limits 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 for procurement quota in order to obtain these substances. Any delay or refusal by the DEA in establishing our procurement quota for controlled substances could delay or stop our clinical trials or product launches, or could cause trade inventory disruptions for those products that have already been launched, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE USE SEVERAL MANUFACTURING FACILITIES TO MANUFACTURE OUR PRODUCTS. HOWEVER, A SIGNIFICANT NUMBER OF OUR PRODUCTS ARE PRODUCED AT ONE LOCATION. PRODUCTION AT THIS FACILITY 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.

Although we have other facilities, we produce a significant number of our products at our largest manufacturing facility. A significant disruption at that facility, 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.

We make a significant amount of our sales 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.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL AND OTHER PROPRIETARY PROPERTY IN AN EFFECTIVE MANNER, 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.

Although our brand products may have patent protection, this may not prevent other companies from developing functionally equivalent products or from challenging the validity or enforceability of our patents. If any patents we use in our business are found or even alleged to be non-infringed, invalid or not enforceable, we could experience an adverse effect on our ability to commercially promote our patented products. We could be required to enforce our patent or other intellectual property rights through litigation, which can be protracted and involve significant expense and an inherently uncertain outcome. Any negative outcome 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 INCLUDING BRAND 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 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 applicants that seek FDA 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 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.

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. The risk involved in doing so can be substantial because the remedies available to the owner of a patent for infringement include, among other things, damages measured by the profits lost by the patent owner and not 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 brand products generally realize a substantially higher profit margin than bioequivalent products. An adverse decision in a case such as this or in other similar litigation could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE MAY EXPERIENCE REDUCTIONS IN THE LEVELS OF REIMBURSEMENT FOR PHARMACEUTICAL PRODUCTS BY GOVERNMENTAL AUTHORITIES, HMOs OR OTHER THIRD-PARTY PAYERS. 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 and private health insurers and other organizations, such as HMOs, 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. 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.

LEGISLATIVE OR REGULATORY PROGRAMS THAT MAY INFLUENCE PRICES OF PRESCRIPTION DRUGS 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 or state laws and regulations may influence the prices of drugs and, therefore, could adversely affect the prices that we receive for our products. Programs in existence in certain states seek to set prices of all drugs sold within those states through the regulation and administration of the sale of prescription drugs. Expansion of these programs, in particular, state Medicaid programs, or changes required in the way in which Medicaid rebates are calculated under such programs, could adversely affect the price we receive for our products and could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

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 Medicaid and Medicare reimbursements, some of which are described in our periodic reports and involve claims for, or the possibility of fines and penalties involving, substantial amounts of money or for 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, the Company maintains commercial insurance to protect against and manage a portion of the risks involved in conducting its 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.

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 affected and the market value of our common stock could decline.

OUR ANNOUNCED (BUT NOT COMPLETED) ACQUISITION OF A CONTROLLING INTEREST IN MATRIX LABORATORIES INVOLVES A NUMBER OF INHERENT 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.

On August 28, 2006, we entered into an agreement to acquire up to 71.5% of Matrix's shares outstanding for 306 rupees per Matrix share (or approximately $6.58 per share at the August 28, 2006, exchange rate). The consummation of the acquisition requires the satisfaction of certain conditions that are beyond our control. Should the acquisition occur, the anticipated synergies and other benefits from the acquisition may not be achieved, and the strategic collaboration of the two businesses will involve challenges and costs, including ensuring compliance with Section 404 of the Sarbanes-Oxley Act of 2002, all of which could result in the costs of the acquisition exceeding its realized benefits. Furthermore, we cannot predict, among other things: the effect of any changes in customer and supplier relationships and customer purchasing patterns; changes in foreign currency exchange rates which could affect the fair value of our foreign exchange forward contract and the net assets to be acquired, the impact and effects of legal or regulatory proceedings, actions or changes; general market perception of the transaction; exposure to lawsuits and contingencies associated with the acquisition; our ability to retain key employees; and other uncertainties and matters beyond our control. We are also responsible for financial advisory, legal, accounting and other fees which must be paid even if the acquisition is not completed. Certain of the above factors could have a material adverse effect on our business, financial position and results of operations and could cause a decline in the market value of our common stock.

OUR ACQUISITION STRATEGIES IN GENERAL 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 continually seek to expand our product line through complementary or strategic acquisitions of other companies, products and assets, and through joint ventures, licensing agreements or other arrangements. Acquisitions, joint ventures and other business combinations involve various inherent risks, such as assessing accurately the values, strengths, weaknesses, contingent and other liabilities, regulatory compliance and potential profitability of acquisition or other transaction candidates. Other inherent risks include the potential loss of key personnel of an acquired business, our inability to achieve identified financial and operating synergies anticipated to result from an acquisition or other transaction and unanticipated changes in business and economic conditions affecting an acquisition or other transaction. International acquisitions, and other transactions, could also be affected by export controls, exchange rate fluctuations, domestic and foreign political conditions and the deterioration in domestic and foreign economic conditions.

We may be unable to realize synergies or other benefits expected to result from acquisitions, joint ventures and 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, market factors and the deterioration in domestic and global economic conditions could alter the anticipated benefits of any such transactions. These factors could 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.

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.

Because our success is largely dependent on the scientific nature of our business, it is imperative 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 all of 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.

RECENT DECISIONS BY THE FDA, CURRENT BRAND TACTICS AND OTHER FACTORS BEYOND OUR CONTROL HAVE PLACED OUR BUSINESS UNDER INCREASING PRESSURE, 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 believe that certain recent FDA rulings are contrary to multiple sections of the Federal Food, Drug, and Cosmetic Act and the Administrative Procedures Act, the FDA's published regulations and the legal precedent on point. These decisions call into question the rules of engagement in our industry and have added a level of unpredictability that may materially adversely affect our business and the generic industry as a whole. While we continue to challenge these recent decisions as well as current brand tactics that undermine congressional intent, we cannot guarantee that we will prevail or predict when or if these matters will be rectified. If they are not, our business, financial position and results of operations could suffer and the market value of our common stock could decline.

WE HAVE BEGUN THE IMPLEMENTATION OF AN ENTERPRISE RESOURCE PLANNING SYSTEM. AS WITH ANY IMPLEMENTATION OF A SIGNIFICANT NEW SYSTEM, 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 have begun the implementation of an enterprise resource planning ("ERP") system to enhance operating efficiencies and provide more effective management of our business operations. Implementations of 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 implementation, 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, including the Sarbanes-Oxley Act of 2002, new SEC regulations and the New York Stock Exchange rules. In particular, Section 404 of the Sarbanes-Oxley Act of 2002 requires management's annual review and evaluation of our internal control systems, and attestations as to the effectiveness of these systems 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 COULD LEAD TO A RESTATEMENT WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

The consolidated and condensed consolidated financial statements included in the periodic reports we file with the SEC are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities, revenues, expenses 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. Any such changes could result in corresponding changes to the amounts of assets (including goodwill and other intangible assets), 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.

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

The following provides a summary of votes cast for the proposals on which our shareholders voted at our Annual Meeting of Shareholders held on July 28, 2006.

Proposal No. 1 — Election of Nine Directors.

Nominee	For	Withheld
Milan Puskar	175,825,562	8,600,419
Robert J. Coury	179,066,726	5,359,255
Wendy Cameron	181,241,828	3,184,153
Neil Dimick, C.P.A.	181,192,106	3,233,875
Douglas J. Leech, C.P.A.	175,858,000	8,567,981
Joseph C. Maroon, M.D.	181,425,681	3,000,300
Rodney L. Piatt, C.P.A.	177,501,174	6,924,807
C.B. Todd	180,767,752	3,658,229
Randall L. Vanderveen, Ph.D.	181,403,204	3,022,777

Proposal No. 2 — Approval of an Amendment to the Company's 2003 Long-Term Incentive Plan.

For	Against	Abstain
167,654,805	14,452,474	2,318,491

Proposal No. 3 — Ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2007.

For	Against	Abstain
181,168,570	1,737,384	1,520,024

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 Form 10-Q for the quarterly period ended June 30, 2003, and incorporated herein by reference.
3.2	Bylaws of the registrant, as amended to date, filed as Exhibit 3.1 to the Report of Form 8-K filed on February 22, 2005, 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	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.
4.3	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.
10.1	Credit Agreement, dated as of July 24, 2006, among the registrant, the lenders party thereto, including Bank of Tokyo-Mitsubishi UFJ Trust Company, Citibank, N.A. and PNC Bank, National Association, as Co-Documentation Agents, Merrill Lynch Capital Corporation, as Syndication Agent, JPMorgan Chase, National Association, as Administrative Agent and J.P. Morgan Securities Inc., as Sole Bookrunner and Sole Lead Arranger, filed as Exhibit 99.1 to the Report on Form 8-K filed with the SEC on July 26, 2006, and incorporated herein by reference.
10.2	Share Purchase Agreement, dated as of August 28, 2006, by and among the registrant, MP Laboratories (Mauritius) Ltd, Prasad Nimmagadda, Prasad Nimmagadda-HUF, G2 Corporate Services Limited, India Newbridge Investments Limited, India Newbridge Partners FDI Limited, India Newbridge Coinvestment Limited, Maxwell (Mauritius) Pte. Limited and Spandana Foundation.
10.3	Shareholders Agreement, dated as of August 28, 2006, by and among the registrant, India Newbridge Investments Limited, India Newbridge Partners FDI Limited, India Newbridge Coinvestment Limited, Maxwell (Mauritius) Pte. Limited and Prasad Nimmagadda.
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q for the quarterly period ended September 30, 2006, to be signed on its behalf by the undersigned thereunto duly authorized.

Mylan Laboratories Inc.
(Registrant)

By: /s/ Robert J. Coury
Robert J. Coury
Vice Chairman and Chief Executive Officer

November 3, 2006

/s/ Edward J. Borkowski
Edward J. Borkowski
Chief Financial Officer
(Principal financial officer)

November 3, 2006

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

November 3, 2006

EXHIBIT INDEX

10.2	Share Purchase Agreement, dated as of August 28, 2006, by and among the registrant, MP Laboratories (Mauritius) Ltd, Prasad Nimmagadda, Prasad Nimmagadda-HUF, G2 Corporate Services Limited, India Newbridge Investments Limited, India Newbridge Partners FDI Limited, India Newbridge Coinvestment Limited, Maxwell (Mauritius) Pte. Limited and Spandana Foundation.
10.3	Shareholders Agreement, dated as of August 28, 2006, by and among the registrant, India Newbridge Investments Limited, India Newbridge Partners FDI Limited, India Newbridge Coinvestment Limited, Maxwell (Mauritius) Pte. Limited and Prasad Nimmagadda.
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 10.2

EXECUTION COPY

SHARE PURCHASE AGREEMENT

BY AND AMONG

MYLAN LABORATORIES INC.,

MP LABORATORIES (MAURITIUS) LTD.,

PRASAD NIMMAGADDA,

PRASAD NIMMAGADDA -HUF,

G2 CORPORATE SERVICES LIMITED,

INDIA NEWBRIDGE INVESTMENTS LIMITED,

INDIA NEWBRIDGE PARTNERS FDI LIMITED,

INDIA NEWBRIDGE COINVESTMENT LIMITED,

MAXWELL (MAURITIUS) PTE. LIMITED

AND

SPANDANA FOUNDATION

DATED AS OF AUGUST 28, 2006

TABLE OF CONTENTS

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT is made and entered into as of August 28, 2006, by and among each of the sellers named on Schedule I hereto (each a "**Seller**" and, collectively, the "**Sellers**"), Mylan Laboratories Inc., a Pennsylvania corporation ("**Parent**"), and MP Laboratories (Mauritius) Ltd., a Mauritius private company limited by shares and a wholly owned subsidiary of Parent ("**Purchaser**"). Sellers, Parent and Purchaser are hereinafter collectively referred to as the "**Parties**" and individually as a "**Party**."

WHEREAS, as of the date hereof, the issued and outstanding share capital of Matrix Laboratories Limited, a publicly listed company incorporated under the Companies Act, 1956, of India (the "**Company**"), is 153,778,825 equity shares, of which 153,755,325 equity shares of Rs. 2 each are fully paid-up (the "**Shares**");

WHEREAS, Sellers collectively hold 79,187,972 Shares, constituting 51.49% of the issued and paid-up share capital of the Company (the "**Sale Shares**");

WHEREAS, Sellers, Parent and Purchaser have determined to enter into this Agreement pursuant to which Purchaser has agreed to (and Parent has agreed to cause Purchaser to) purchase from Sellers, and each Seller has agreed, severally and not jointly, to sell to Purchaser, that number of Sale Shares set forth opposite such Seller's name on Schedule I hereto;

WHEREAS, in connection with the execution of this Agreement: (i) the Company, Sellers and certain other parties have entered into the Termination Agreements (as hereinafter defined), and (ii) India Newbridge Investments Limited, India Newbridge Partners FDI Limited, India Newbridge Coinvestment Limited, Maxwell (Mauritius) Pte. Ltd., Prasad Nimmagadda and Parent have entered into their respective Parent Share Purchase Agreements (as hereinafter defined);

WHEREAS, Sellers, Parent and Purchaser have agreed to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated by this Agreement; and

WHEREAS, in connection with the execution of this Agreement, Purchaser will conduct an "open offer" to the shareholders of the Company (other than Sellers) to acquire up to 20% or more of the Shares, as will be specified by Purchaser prior to the commencement of the "open offer," in accordance with the provisions of the Takeover Code (as hereinafter defined) (the "**Open Offer**").

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth in this Agreement, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the Parties intending to be legally bound hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms, when used in this Agreement, shall have the meanings assigned to them in this Section 1.1.

"**Action**" means any action, claim, complaint, investigation, petition, suit, arbitration or other proceeding, whether civil, administrative or criminal, at Law or in equity by or before any arbitral body of competent jurisdiction or Governmental Authority.

"**Affiliate**" means with respect to any Person, any other Person that directly or indirectly Controls or is Controlled by or is under common Control with the specified Person.

"**Agreement**" means this Share Purchase Agreement, as the same may be amended or supplemented, together with all Exhibits and Schedules attached hereto.

"**Amended Articles of Association**" means the articles of association of the Company to be amended after the Closing which will incorporate the relevant provisions of the Shareholders Agreement.

"**Articles of Association**" means the articles of association of the Company, as amended from time to time.

"**Assets**" means, with respect to any Person, all properties and assets, real and personal, tangible and intangible, of every type and description, whether owned or leased or otherwise possessed, used or held for use in such Person's business and Intangible Property.

"**Board of Directors**" means the board of directors of the Company.

"**Business Combination**" means (i) merger, consolidation, amalgamation, share exchange, recapitalization, restructuring, spin-off or similar transaction involving the Company or a material Subsidiary of the Company, (ii) any sale, distribution or other disposition of all or a substantial portion of the Assets of any Company Party, (iii) an acquisition by any Company Party of Control of any other entity, or (iv) an acquisition of or by any Company Party of all or a substantial portion of the Assets or share capital of any other entity.

"**Business Day**" means any day on which commercial banks are open for business except for Saturday, Sunday and national or public holidays in New York, New York; Hyderabad, India; and Mauritius.

"**Charter Documents**" means the documents by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs (including, but not limited to, certificate of incorporation, certificate of formation, memorandum of association, articles of association, partnership agreements, constitutional documents, by-laws or operating agreements).

"**Circular No. 16**" shall have the meaning set forth in Section 2.4(h).

"**Claim**" shall have the meaning set forth in Section 4.18.

"**Closing**" shall have the meaning set forth in Section 2.3.

"**Closing Account**" means, in respect of each Seller, the bank account established by such Seller for the purposes of this Agreement.

"**Closing Date**" means the date of the Closing.

"**Company**" shall have the meaning set forth in the recitals.

"**Company Contracts**" means any material Contract to which any Company Party is a party, or by which any Company Party or any of their Assets are bound including:

(i) Contracts (other than purchase orders for raw material placed by any Company Party in the ordinary course of its business) that individually involve or are reasonably expected to involve aggregate payments of more than Rs. 50,000,000 (or the equivalent in another currency);

(ii) Purchase orders for raw materials placed by any Company Party in the ordinary course of its business that individually involve or are reasonably expected to involve aggregate payments of more than Rs. 100,000,000 (or the equivalent in another currency);

(iii) Contracts that restrict or limit in any way the ability of any Company Party, or Contracts that will after the Closing restrict or limit in any way the ability of Purchaser, to conduct its business, to engage in certain businesses, to compete in any manner generally or in any specific geographic area, or oblige any Company Party, or Purchaser after the Closing, to present any business or other opportunity to any other Person;

(iv) Contracts which would be required to be reported in the Company's financial statements pursuant to the Statement of Accounting Standards (AS18) issued by the Council of the Institute of Chartered Accountants of India (other than employment Contracts and terms of employment of key management personnel who are not Sellers or Relatives (as defined by AS18) of Sellers and Contracts between or among any Company Parties);

(v) Contracts that evidence individually Indebtedness of any Company Party, including any loan, credit agreement, bond, note, debenture, letter of credit agreement, or similar instrument or agreement, in an amount exceeding Rs. 250,000,000 (or the equivalent in another currency) individually;

(vi) Contracts with any labor union or labor representative;

(vii) bonus, pension, profit-sharing, management, retirement, stock purchase, stock option or other deferred or incentive

compensation, death benefit, disability, severance, benefit plan, or similar plan, program or employee Contract for general manager level or above;

(viii) Contracts pursuant to which any Person has any right of first offer, right of first refusal, tag-along, drag-along or similar right with respect to any disposition or proposed disposition of any equity interests in any Company Party;

(ix) registration rights agreements (or similar agreements) entered into by any Company Party in favor of any Person;

(x) guarantees by any Company Party of the obligations, Indebtedness or Liabilities of any other Person (other than guarantees to any Company Party), in an amount exceeding Rs. 50,000,000 (or the equivalent in another currency) individually;

(xi) any Contract that restricts or limits the ability of any Company Party to pay any dividends or make any other distributions on, or to purchase, redeem or otherwise acquire any of its securities or that requires or may require the Company to take any such action;

(xii) any Contract under which the consequences of a default, termination or failure to obtain consent in respect of, would have a Material Adverse Effect;

(xiii) any Contract in respect of any actual or potential (A) (i) direct or indirect offer for sale of any equity securities or Rights of any Company Party, (ii) Business Combination or any liquidation, dissolution or similar transaction involving any Company Party, or (iii) other transaction by any Company Party the consummation of which would prevent or materially delay the Transactions or restrict or adversely impact Purchaser's rights in connection with holding the Sale Shares, or (B) direct or indirect acquisition or purchase of any equity securities or Rights of any Company Party or any tender offer or exchange offer for any equity securities or Rights of any Company Party by any Person or Persons;

(xiv) any Contracts (A) granting or obtaining any right to use any Intellectual Property (other than Contracts granting rights to use readily available commercial Software that is generally available on nondiscriminatory pricing terms) or (B) restricting any Company Party's rights, or permitting other Persons, to use or register any Intellectual Property;

(xv) any Contract pursuant to which any Company Party is required to, or obtains any rights to, undertake the development or commercialization of any pharmaceutical product, involving payments in excess of Rs. 50,000,000 (or the equivalent in another currency) individually;

(xvi) any Contract pursuant to which any Company Party has entered into a partnership or joint venture with any other Person (other than any Company Party);

(xvii) any Contract under which any Company Party is (A) a lessee of real property, (B) a lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by a third Person, (C) a lessor of real property, or (D) a lessor of any tangible personal property owned by any Company Party, in each case involving payments in excess of Rs. 5,000,000 (or the equivalent in another currency) per annum individually;

(xviii) any Contract which requires payments by any Company Party in excess of Rs. 50,000,000 (or the equivalent in another currency) per annum containing "change of control" or similar provisions;

(xix) any Contract requiring aggregate future payments or expenditures in excess of Rs. 50,000,000 (or the equivalent in another currency) and relating to cleanup, abatement, remediation or similar actions in connection with environmental Liabilities; and

(xx) any Contract containing covenants of any Company Party to indemnify or hold harmless another Person (other than another Company Party), unless such indemnification or hold harmless obligation to such Person, or group of Persons, as the case may be, is less than Rs. 50,000,000 (or the equivalent in another currency).

"**Company Disclosure Schedule**" means the disclosure schedule of the Company referred to in, and delivered to Purchaser pursuant to, this Agreement and the Company Letter Agreement.

"**Company Letter Agreement**" means the letter agreement containing certain representations and warranties and covenants of the Company as qualified by the Company Disclosure Schedule, which letter agreement and Company Disclosure Schedule shall be deemed to form a part of this Agreement.

"**Company Parties**" means the Company and its Subsidiaries and "**Company Party**" means any one of them.

"**Contract**" means any binding contract, agreement, commitment, franchise, indenture, lease, purchase order, license, note, bond, mortgage, security, letter of intent, undertaking, promise, covenant or arrangement, whether oral or in writing.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management or policies of a Person (whether through the ownership of securities, partnership or other ownership interests) by contract or otherwise, including, without limitation, having the power to elect a majority of the board of directors or other governing body of such Person. "Controlling" and "Controlled" have correlative meanings.

"**Copyrights**" shall have the meaning set forth in the definition of "Intellectual Property."

"**Docpharma**" means Docpharma N.V., a private limited liability company organized under the laws of the Kingdom of Belgium and an indirect wholly owned subsidiary of the Company.

"**Employee Benefit Plan**" means any executive compensation, incentive bonus or other bonus, employee pension, profit-sharing, provident fund, gratuity payment, deferred compensation, savings, retirement, stock option, stock purchase, stock appreciation rights, employment, consulting, change in Control, severance, vacation pay, scholarships or reimbursements, sick leave, life, health, disability or accident insurance plan, corporate-owned or key-man life insurance, or other employee or retiree benefit or perquisite plan, program, arrangement, understanding, agreement or commitment, whether written or unwritten, formally established or established by custom or practice, including any multi-employer benefit plan or any employee benefit plan that any of the Company Parties maintains or contributes to, or has established (whether formally or by custom or practice) or has any obligation to contribute to, or has or may have any Liability (including any Liability arising out of an indemnification, hold harmless or similar agreement) for the benefit of any current or former director, officer, or employee of any Company Party.

"**Environmental, Health, and Safety Laws**" means any Laws, statutes, regulations, ordinances, Judgments or binding agreements with any Governmental Authority concerning pollution or protection of the environment, natural resources, public health and safety, or employee health and safety, including Laws relating to emissions, discharges, migration, releases, or threatened releases of Hazardous Materials into or through ambient air, surface water, ground water, or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of Hazardous Materials.

"**Exchange Act**" shall have the meaning set forth in Section 4.3(a).

"**Exclusivity Period**" shall have the meaning set forth in Section 4.6(b).

"**Existing Shareholders Agreements**" means the Shareholders Agreement by and among Matrix Laboratories Limited, India Newbridge Investments Limited, Prasad Nimmagadda, Prasad Nimmagadda-HUF, G2 Corporate Services Limited, All Time Formulations Limited, Mula Ravinder, Chava Satyanarayana and Chava Satyanarayana-HUF, dated April 15, 2004 and the Shareholders Agreement by and among Matrix Laboratories Limited, Maxwell Mauritius (Pte.) Limited, Prasad Nimmagadda, Prasad Nimmagadda-HUF, G2 Corporate Services Limited, All Time Formulations Limited, Mula Ravinder, Chava Satyanarayana and Chava Satyanarayana-HUF, dated April 15, 2004.

"**Extraordinary General Shareholders' Meeting**" means the extraordinary general meeting of the shareholders of the Company, which shall be held as promptly as practicable following the Closing for the purpose of approving the Amended Articles of Association.

"**Financial Statements**" means the audited consolidated financial statements of the Company as of and for the year ended March 31, 2006 and the unaudited consolidated

financial statements of the Company for the quarter ended June 30, 2006 and all other quarters completed more than 30 days prior to Closing (including the notes thereto), prepared in accordance with Indian GAAP, applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto).

"**GAAP**" means, with respect to any jurisdiction, generally accepted accounting principles as in effect from time to time in such jurisdiction, applied on a consistent basis over the relevant periods.

"**Governmental Authority**" means any multinational, national, federal, state, regional, community, provincial, county, municipal or local government, or any political subdivision of any of the foregoing, or any entity, authority, agency, ministry, commission, tribunal, arbitral body, court or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or quasi-governmental entity established to perform any of these functions.

"**Hazardous Materials**" means any chemical substance, including any pollutant, contaminant; chemical; raw material; intermediate, product or by-product; industrial, solid, toxic or hazardous substance, material or waste; petroleum or any fraction thereof; asbestos or asbestos-containing-material; nuclear or radioactive material; and polychlorinated biphenyls; including all substances, materials or wastes; which are now regulated, classified or considered to be hazardous, dangerous or toxic under any applicable Environmental, Health and Safety Law of any Governmental Authority with authority over any Company Party or their respective businesses, now or hereafter enacted, promulgated, or amended.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**ICC**" shall have the meaning set forth in Section 8.11(a).

"**Indebtedness**" means, with respect to any Person, whether recourse is to all or a portion of the Assets of such Person, and whether contingent or fixed (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (iii) all obligations, issued or assumed for deferred purchase price (whether created or arising under any conditional sale or other title retention agreement or otherwise), with respect to property, Assets or services acquired by such Person, (iv) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP applicable to such Person, recorded as capital leases, (v) all obligations of such Person under banker's acceptances, letters of credit, "documents against acceptance" or similar facilities, (vi) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of such Person, valued, in the case of redeemable preferred stock, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (vii) all interest rate swap agreements, or foreign currency exchange or other hedging agreements and (viii) direct or indirect guarantees of obligations of another Person with respect to any of the foregoing in any manner by such Person.

"**Indemnified Party**" shall have the meaning set forth in Section 4.18.

"**Indian Resident Sellers**" shall have the meaning set forth in Section 2.6(a).

"**Intangible Property**" means, with respect to any Person, all certificates of deposit, bank accounts, securities, partnership or other ownership interests, rights to receive money or property by assignment, future interests, claims and rights against third parties, accounts and notes receivables owned or held directly or beneficially by or on behalf of the account of such Person or any of its Subsidiaries, Licenses, Intellectual Property and any other intangible property of any nature of such Person or any of its Subsidiaries.

"**Intellectual Property**" shall mean all intellectual property and industrial property rights of any kind or nature, including all (i) U.S. and foreign patents, patent disclosures, including divisions, continuations, continuations-in-part, reissues, reexaminations, substitutions, and any extensions thereof (the "**Patents**"), (ii) U.S. and foreign trademarks, service marks, trade names, Internet domain names, logos, slogans, trade dress and other identifiers of the source of goods or services, together with the goodwill symbolized by any of the foregoing and all registrations and applications relating to the foregoing (the "**Trademarks**"), (iii) U.S. and foreign copyrights (the "**Copyrights**"), (iv) intellectual property rights in computer programs (whether in source code, object code, or other form), algorithms, databases, compilations and data, technology supporting the foregoing, and all documentation, including user manuals and training materials, related to any of the foregoing (the "**Software**"), and (v) confidential information, including such rights in inventions (whether or not reduced to practice), know how, customer lists, personal information, technical information, proprietary information, technologies, processes and formulae, and data, whether tangible or intangible, and whether stored, compiled, or memorialized physically, electronically, photographically, or otherwise (the "**Trade Secrets**"), and all applications and registrations for the foregoing.

"**Judgment**" means any judgment, writ, order, decree, award or injunction of or by any arbitrator, court, judge, justice or magistrate, including any bankruptcy court or judge and any order, ruling or action of or by any Governmental Authority.

"**Key Employees**" means the persons identified in Section 1.22 of the Company Disclosure Schedule.

"**Law**" means any law (including common law), treaty, statute, ordinance, code, rule, regulation, Judgment, injunction or determination of any Governmental Authority.

"**Liabilities**" means all Indebtedness and other liabilities (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether fixed or unliquidated, and whether due or to become due), including any such liability under Environmental, Health and Safety Laws and for Taxes.

"**Lien**" means any (i) mortgage, pledge, lien (statutory or other), encumbrance, hypothecation, charge, security interest, claim, option, right to acquire, adverse interest, infringement, assignment, deposit arrangement, deed of trust, easement, assessment, lease, adverse claim, levy, restriction, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease involving substantially the same economic effect as any

of the foregoing and the filing of any charge under Section 125 of the Companies Act, 1956 of India or comparable Law of any applicable jurisdiction), or (ii) preemptive right, option right, warrant, voting agreement, proxy, trust agreement, buy-sell agreement, drag-along agreement, right of first offer or first refusal or other Transfer restriction, redemption agreement, or similar right of third parties or a Contract to give or refrain from giving any of the foregoing, including any restriction on the transferability of the Sale Shares, imposed under Contract or under applicable Law.

"**Material Adverse Effect**" means any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results or could reasonably be expected to result in a material adverse change in or a material adverse effect on any of (i) the financial condition, Assets, Liabilities, results of operation or business of the Company Parties taken as a whole, or (ii) the ability of any of the Sellers or the Company Parties to perform their material obligations under any Transaction Document, provided, that Material Adverse Effect shall not include events, developments, circumstances, conditions, facts or occurrences, individually or in combination, resulting from (a) U.S., Asian or European general economic conditions, except to the extent the Company is disproportionately affected, (b) acts of war or terrorism generally affecting the economy, except to the extent the Company is disproportionately affected, (c) changes, after the date hereof, in GAAP or regulatory accounting requirements applicable to any Company Party, (d) any decline, but not the underlying reason for the decline, in the stock price or trading volume of the Shares, (e) general economic conditions affecting the Pharmaceutical Industry, except to the extent the Company is disproportionately affected or (f) the Company's relationship with its customers directly related to the announcement of the Transaction.

"**MChem Group**" means Xiamen MChem Pharma Group Limited, Xiamen MChem Laboratories Limited, Dafeng MChem Pharmaceutical Chemical Company Limited, MChem Research and Development Company Limited and Shanghai Fine Source Company Limited.

"**Merchant Banker Certificate**" means the certificate of the merchant banker certifying, as required by Regulation 23(6) of the Takeover Code, that Purchaser has fulfilled all of its obligations in respect of the Open Offer.

"**MX**" means Maxwell (Mauritius) Pte. Limited.

"**NB Agent**" shall have the meaning set forth in Section 8.12.

"**NB Parties**" means India Newbridge Investments Limited, India Newbridge Partners FDI Limited and India Newbridge Coinvestment Limited.

"**Non-Resident Sellers**" shall have the meaning set forth in Section 2.6(b).

"**Open Offer**" shall have the meaning set forth in the recitals.

"**Open Offer Documents**" shall mean all documents prepared in connection with the Open Offer.

"**Open Offer Closing Date**" means the last date on which shares of the Company may be tendered in the Open Offer.

"**Outside Date**" shall have the meaning set forth in Section 7.1(d).

"**Parent**" shall have the meaning set forth in the preamble.

"**Parent Share Purchase Agreements**" means the Parent Share Purchase Agreement by and between Parent and each of India Newbridge Investments Limited, India Newbridge Partners FDI, India Newbridge Coinvestment Limited, Maxwell (Mauritius) Pte. Limited and Prasad Nimmagadda, entered into concurrently with the date of this Agreement.

"**Parties**" and "**Party**" shall have the meaning set forth in the preamble.

"**Patents**" shall have the meaning set forth in the definition of "Intellectual Property."

"**Per Share Price**" shall have the meaning set forth in Section 2.2.

"**Permits**" means all permits, licenses, certificates of authority, orders and approvals of, and all filings, applications and registrations with, Governmental Authorities necessary for the conduct of the respective business operations of the Company Parties as presently conducted.

"**Person**" means any natural person, limited or unlimited liability company, corporation, partnership (whether limited or unlimited), proprietorship, Hindu undivided family, trust, union, association, Governmental Authority or any other entity that may be treated as a legal person established or existing under applicable Law.

"**Pharmaceutical Business**" means research, development, manufacturing, distribution, sales and marketing of branded and generic pharmaceutical products, including active pharmaceutical ingredients, as conducted by the Company Parties on the date hereof and the activities relating to biogenerics, antiretrovirals and finished dosage form products, as contemplated to be conducted by the Company Parties as of the date hereof.

"**PN Agent**" shall have the meaning set forth in Section 8.12.

"**PN Parties**" means Prasad Nimmagadda, Prasad Nimmagadda-HUF, G2 Corporate Services Limited, and Spandana Foundation.

"**Purchaser**" shall have the meaning set forth in the preamble.

"**Purchaser Disclosure Schedule**" means the disclosure schedule of Purchaser referred to in, and delivered to the Sellers pursuant to, this Agreement.

"**RBI**" means the Reserve Bank of India.

"**Regulatory Approvals**" means any and all certificates, permits, licenses, franchises, concessions, grants, consents, approvals, orders, registrations, authorizations, waivers, variances or clearances from, or filings or registrations with, any Governmental Authority.

"**Relative**," as to any natural Person, means any of such Person's parents, children, siblings, spouse, the parents and children of such Person's spouse, and the spouses of such Person's children.

"**Representative**" means, with respect to any Person, any officers, directors, limited or general partners or members, joint venture partners, employees, agents, attorneys, accountants, consultants, equity financing partners or financial advisors of such Person (or of such Person's successors or assigns) or other Person associated with, or acting on behalf of, such Person (or such Person's successors and assigns).

"**Required Regulatory Approvals**" shall have the meaning set forth in the Company Letter Agreement.

"**Requirement of Law**" means, as to any Person, the Charter Documents of such Person, and all Laws, Judgments or other determinations of an arbitrator, court or other Governmental Authority, applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Rights**" means, with respect to any Person, any subscription right, option, warrant, convertible or exchangeable security or other right, however denominated, to subscribe for, purchase or otherwise acquire any capital stock, other equity interest or other security of any class or series and of any issuer, with or without payment of additional consideration in cash or property, either immediately or upon the occurrence of a specified date or a specified event or the satisfaction or happening of any other condition or contingency.

"**Rupee**" and "**Rs**" means Rupee, the lawful currency of India.

"**Sale Consideration**" shall have the meaning set forth in Section 2.2.

"**Sale Shares**" shall have the meaning set forth in the recitals.

"**SEBI**" means the Securities and Exchange Board of India.

"**Seller Consideration**" shall have the meaning set forth in Section 2.2.

"**Seller Employment Agreements**" means, collectively, the (i) employment agreements to be amended and restated, or entered into at or prior to Closing, and effective as of the Closing Date, by and between the Company and each of Rajiv Malik, S. Srinivasan, Dr. Hari Babu, Sanjeev Sethi, and C. S. Muralidharan (ii) employment agreement to be entered into at or prior to Closing and effective as of the Closing Date, by Parent and Prasad Nimmagadda, and (iii) employment agreements to be entered into at or prior to Closing and effective as of the Closing Date by and between Docpharma and each of Stijn Van Rompay and Koen Fuertes.

"**Seller Share Number**" means, with respect to a Seller, the number of Sale Shares proposed to be sold by such Seller as set forth in Schedule I.

"**Sellers**" shall have the meaning set forth in the preamble.

"**Sellers Disclosure Schedule**" means the disclosure schedule of the Sellers referred to in, and delivered to Purchaser pursuant to, this Agreement.

"**Sellers' Agents**" shall have the meaning set forth in Section 8.12.

"**Shareholders Agreement**" means the agreement among PN, G2, Parent and Purchaser relating to the voting and Transfer of the Sale Shares and certain corporate governance matters of the Company effective as of the Closing Date, in substantially the form exchanged by the parties on the date hereto.

"**Shares**" shall have the meaning set forth in the recitals.

"**Software**" shall have the meaning set forth in the definition of "Intellectual Property."

"**Subsidiary**" means, when used with respect to any Person as of any time, any other Person that is, directly or indirectly through one or more intermediaries, Controlled by such first Person and where such first Person is the Company, shall mean the MChem Group and Concord Biotech Limited and any other entity of which more than 50% of the equity interests are owned by the Company and Astrix Laboratories Limited, but shall not include Fine Chemicals Corporation and its direct or indirect subsidiaries, Explora Laboratories, Matrix LifeSciences AG, Switzerland or any 50% or less owned direct or indirect subsidiary of the Company.

"**Supply Agreement**" means a supply agreement, to be entered by and among Parent, the Company and Docpharma in accordance with Section 4.17.

"**SWIFT**" means Society for World-wide Interbank Financial Telecommunications.

"**Takeover Code**" means the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

"**Tax**" means all taxes, fees, "cess" and other assessments of a similar nature, however denominated, including any interest, additions to tax or penalties that may become payable in respect thereof, imposed by any national, state, provincial, local or foreign government or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, worker's compensation, real property, personal property, sales, use, Transfer, registration, value added, alternative or add-on minimum, estimated, or other tax or any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"**Tax Return**" means any return, report or similar statement (including the attached schedules) required to be filed with respect to Taxes, including any information return, claim for refund, amended return, or declaration of estimated Taxes.

"**Termination Agreements**" means the agreements pursuant to which the Existing Shareholders Arrangements are terminated, entered into concurrently with the date of this Agreement, effective as of the Closing Date.

"**Trade Secrets**" shall have the meaning set forth in the definition of "Intellectual Property."

"**Trademarks**" shall have the meaning set forth in the definition of "Intellectual Property."

"**Transaction Documents**" means, as of the date hereof, this Agreement, the Company Letter Agreement, the Company Disclosure Schedule, the Shareholders Agreement, the Parent Share Purchase Agreements, the Parent Shareholders Agreement, the Termination Agreements and the Sellers Disclosure Schedule and, as of the Closing Date, means all of the foregoing and the Amended Articles of Association, the Seller Employment Agreements, the Supply Agreement, and each of the certificates delivered pursuant to Sections 2.4 and 2.5.

"**Transactions**" means any and all of the transactions contemplated by this Agreement or any of the other Transaction Documents.

"**Transfer**" means, any transfer, sale, assignment, exchange, pledge, hypothecation gift, issuance, distribution, foreclosure or other disposition of any kind, whether voluntary or by operation of Law or other involuntary means, directly or indirectly, for or without consideration.

"**Tribunal**" shall have the meaning set forth in Section 8.11(a).

"**U.S. GAAP Financial Statements**" means the audited consolidated financial statements of the Company and its Subsidiaries as of and for the years ended March 31, 2006 and March 31, 2005, respectively (including the notes thereto), prepared in accordance with U.S. GAAP, applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and the unaudited consolidated financial statements of the Company and its Subsidiaries for the quarter ended June 30, 2006 and, to the extent available, any subsequent quarters ending more than 45 days prior to the Closing Date.

ARTICLE II

PURCHASE AND SALE OF THE SHARES; RELATED TRANSACTIONS

Section 2.1 Purchase and Sale. Upon the terms and conditions of this Agreement, at the Closing each Seller, severally and not jointly, shall sell, convey, assign, transfer and deliver to Purchaser, and Purchaser shall purchase,

acquire and accept from each Seller, a number of Sale Shares equal to the Seller Share Number, free and clear of all Liens, and together with all right, title and interest as of the Closing Date.

Section 2.2 Sale Consideration. The consideration (the "**Sale Consideration**") for the purchase of each Sale Share from each Seller shall be an amount of Rs. 306 (Rupees three hundred and six) per Share in the case of the PN Parties and an amount in U.S. dollars per Share equal to the U.S. dollar equivalent of Rs. 306 per share based on the Rupee/U.S. Dollar reference rate, expressed as the amount of Rupee per one U.S. Dollar, for settlement on the Closing Date reported by the Reserve Bank of India which appears on the Reuters Screen RBIB Page at 2:30 p.m., Mumbai time, on the Closing Date in the case of the NB Parties and MX (the "**Per Share Price**"). The Sale Consideration shall be paid by Purchaser to Sellers in the respective amounts owing thereto by multiplying the Per Share Price by the Seller Share Number applicable to such Seller, as set forth in Schedule I hereto (in respect of each Seller, its "**Seller Consideration**"), without any set-off or deduction whatsoever, and in the manner set forth in Section 2.5 below.

Section 2.3 The Closing. The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of the Company in Hyderabad, India or at such other location as the Parties may mutually agree, at 10:00 a.m., Indian standard time, following the satisfaction or waiver, if permissible, of the conditions to Closing set forth in Article III (other than conditions which by their nature can be satisfied only at Closing), on such date as the Parties mutually agree, which shall be no earlier than the seventh day and no later than tenth day, or if such day is not a Business Day, the next following Business Day, after satisfaction or waiver, if permissible, of the conditions to Closing set forth in Article III (other than conditions which by their nature can be satisfied only at Closing), unless another date is agreed to in writing by the Parties.

Section 2.4 Deliveries by Sellers. At the Closing and subject to the terms and conditions hereof, Sellers shall deliver the following to Purchaser:

(a) the certificate provided in Section 3.1(a)(ii);

(b) a certificate duly executed by an authorized signatory of each Seller, attaching certified copies of the resolutions of the competent corporate body of such Seller, if applicable, approving the Transaction Documents to which it is a party, authorizing and approving the execution, delivery and performance (which performance shall be subject to any Required Regulatory Approvals or any corporate consents that are required to be obtained before the Closing Date, and any changes in Law following the Closing Date) of the Transaction Documents to which it is a party and the consummation of the Transactions which are required to be consummated by such Seller prior to the Closing Date;

(c) the U.S. GAAP Financial Statements, certified by the Chief Executive Officer and Chief Financial Officer of the Company;

(d) opinion of the Indian Counsel of the Company, in the form and substance satisfactory to Purchaser and covering the items set forth in Exhibit B;

(e) a letter from the Company confirming that (i) the representations and warranties of the Company contained in the Company Letter Agreement, made as if none of such representations or warranties contained any qualification or limitation as to "materiality" or "Material Adverse Effect," shall have been true and correct on the date of this Agreement, and on and as of the Closing Date as if made on and as of the Closing Date (except where such representation or warranty speaks by its terms to a different date, in which case it shall be true and correct as of such date), except where the failure of such representations and warranties to be true and correct as so made does not have and is not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect, and that (ii) the Company shall have performed and complied, in all material respects, with the covenents contained in the Company Letter Agreement;

(f) a certified copy of the resolutions of the Board of Directors passed pursuant to Section 2.7 hereof;

(g) a general release and discharge from each Seller, in mutually agreed form, entered into pursuant to Section 4.11 hereof;

(h) as regards the Indian Resident Sellers (as defined below), such documents and writings as are required to be given by the Indian Resident Sellers to the Purchaser for enclosing with Form FC-TRS as provided by RBI's Circular No. A.P. (DIR Series) Circular No. 16 dated 4 October 2004 ("**Circular No. 16**"); and

(i) all other documents, instruments, certificates and writings reasonably requested to be delivered by Sellers and mutually agreed between the Parties prior to the Closing, pursuant to this Agreement and the other Transaction Documents.

Section 2.5 Deliveries by Purchaser. At the Closing and subject to the terms and conditions hereof, Purchaser shall:

(a) make payment to each Seller of its Seller Consideration in immediately available funds by way of SWIFT Transfers or wire transfers in same-day funds to each such Seller's Closing Account, without set-off or deduction of any kind, which Seller Consideration shall be held by each Seller in trust for the Purchaser until the Sale Shares agreed to be sold by it to the Purchaser have been transferred to the Purchaser's depositary account as provided in Section 2.6;

(b) deliver to the Sellers' Agents the certificate provided for in Section 3.2(a)(ii);

(c) deliver to the Sellers' Agents a certificate duly executed by each of an officer of Parent and Purchaser attaching copies, certified by authorized officers as true and complete, of the resolutions of the board of directors of Parent and Purchaser approving the Transaction Documents to which they are a party, authorizing and approving the execution,

delivery and performance (which performance shall be subject to any Required Regulatory Approvals or corporate consents that are required to be obtained before the Closing Date, and any changes in Law following the Closing Date) of the Transaction Documents to which they are a party and the consummation of the Transactions which are required to be consummated by Parent and Purchaser prior to the Closing Date;

(d) deliver to the Sellers' Agents a copy of the Merchant Banker Certificate confirming that Purchaser has complied with all the conditions of the Open Offer; and

(e) deliver to the Sellers' Agents all other documents, instruments, certificates and writings reasonably requested to be delivered by Purchaser and mutually agreed between the Parties prior to the Closing, pursuant to this Agreement and the other Transaction Documents.

Section 2.6 Registration of Transfer.

(a) Closing of Sale Shares being sold by Prasad Nimmagadda, Prasad Nimmagadda-HUF, G2 Corporate Services Limited and Spandana Foundation (the "**Indian Resident Sellers**"):

At Closing:

(i) immediately upon Purchaser making payment of the Seller Consideration to each of the Indian Resident Sellers as provided in Section 2.5(a), the Purchaser shall, and each Seller shall assist the Purchaser to, expeditiously obtain each Indian Resident Seller's Authorized Dealer certification on Form FC-TRS as provided by Circular No. 16;

(ii) immediately upon obtaining such certification the Purchaser shall deliver the relevant certified Form FC-TRS to the Company and shall deliver to Wadia Ghandy & Co., Advocates & Solicitors of the Indian Resident Sellers, a certified true copy of the certified form FC-TRS along with a written confirmation that the Purchaser has paid the full Seller Consideration to each Indian Resident Seller;

(iii) immediately upon Wadia Ghandy & Co. receiving the confirmation and copy of the certified Form FC-TRS from the Purchaser, Wadia Ghandy & Co. shall deliver to the India Resident Sellers' depositary participants the delivery instruction slips delivered to Wadia Ghandy & Co. pursuant to Section 3.1(a)(xiii); and each Indian Resident Seller shall do such further acts, if any required, to cause its depository participant to transfer the relevant Sale Shares to Purchaser's depository account (details of which shall have been given by Purchaser to Sellers at least five Business Days prior to the Closing Date); and

(iv) upon confirmation by Purchaser's depository participant of the Transfer of the Sale Shares to Purchaser's account (which confirmation Purchaser shall endeavor to expeditiously obtain), Purchaser shall promptly inform the PN Agent that it has received such confirmation.

(b) Closing of Sale Shares being sold by India Newbridge Investments Limited, India Newbridge Partners FDI Limited, India Newbridge Coinvestment Limited and Maxwell (Mauritius) Pte. Limited (the "**Non-Resident Sellers**"):

At Closing:

(i) simultaneously with Purchaser making payment of the Seller Consideration to each of the Non- Resident Sellers as provided in Section 2.5(a), each Non-Resident Seller shall cause its depository participant to transfer the relevant Sale Shares to Purchaser's depository account (details of which shall have been given by Purchaser to Sellers at least five Business Days prior to the Closing Date); and

(ii) upon confirmation by Purchaser's depository participant of the Transfer of the Sale Shares to Purchaser's account (which Purchaser shall endeavor to expeditiously obtain), Purchaser shall promptly inform the relevant Seller's Agent that it has received such confirmation.

Section 2.7 Board Meeting. On the Closing Date Sellers shall cause the Company to hold meetings of the Board of Directors and pass resolutions approving:

(i) the appointment of up to 12 persons nominated by Purchaser at least five Business Day prior to the Closing, as additional directors on the Board of the Company in accordance with Law and the Articles of Association;

(ii) the resignations of all the directors of the Company; and

(iii) the appointment of Robert J. Coury, or such other person designated by Parent if Mr. Coury is unable to serve, as the Non-Executive Chairman and Prasad Nimmagadda as the Non-Executive Vice-Chairman of the Board.

Section 2.8 Filing of Form No. 32. The Purchaser shall cause the Company to file a certified copy of Form No. 32 of the Companies (Central Government's) General Rules and Forms with the Registrar of Companies with respect to the appointment of the Purchaser Nominee Directors and the resignation of the existing directors of the Company pursuant to Section 2.7 hereof.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1 Conditions to Obligations of Purchaser

(a) The obligations of Purchaser to purchase and pay for the Sale Shares on the Closing Date and to consummate the other Transactions on the Closing Date are subject to

the satisfaction, or waiver in writing by Purchaser in its sole discretion, at or prior to the Closing, of the following conditions:

(i) the representations and warranties of the Sellers contained in this Agreement, made as if none of such representations or warranties contained any qualification or limitation as to "materiality" or "Material Adverse Effect," shall have been true and correct on the date of this Agreement, and on and as of the Closing Date as if made on and as of the Closing Date (except where such representation or warranty speaks by its terms to a different date, in which case it shall be true and correct as of such date), except where the failure of such representations and warranties to be true and correct as so made does not have and is not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect; each Seller shall have performed and complied, in all material respects, with all and shall not be in material breach or default under any, agreements, covenants, conditions or obligations contained in this Agreement that are required to be performed or complied with on or prior to the Closing Date;

(ii) each Seller shall have delivered to Purchaser a certificate of such Seller, dated the Closing Date, to the effect of the foregoing clause (i) above, with respect to itself only;

(iii) (A) no order or injunction shall have been issued by a Governmental Authority that restrains, restricts, enjoins, prevents, prohibits, or otherwise makes illegal the consummation of any of the transactions contemplated by this Agreement or that materially adversely affects Purchaser's ownership of the Sale Shares following the Closing; (B) no material action, suit, proceeding or investigation relating to this Transaction shall have been instituted by a Governmental Authority that Purchaser reasonably determines is likely to restrain, restrict, enjoin, prevent or prohibit, or otherwise make illegal any of the transactions contemplated by this Agreement or that is likely to materially adversely affect either Parent, Purchaser or the Company, or Purchaser's ownership of the Sale Shares following the Closing, provided, however, that the reasonable determination shall be that of both Parties if Sellers cause the Company Parties to provide the Purchaser with information within Sellers' or the relevant Company Parties' possession relating to such matter and reasonably co-operate with the Purchaser to obtain from the Governmental Authority such information as Purchaser shall reasonably request in order to determine whether such event is reasonably likely to occur; (C) no Law shall have been promulgated, adopted, enacted or entered into force or otherwise made effective by any Governmental Authority that has or would have such effect; and (D) no Law shall be reasonably likely to be promulgated, adopted, enacted or entered into force or otherwise be made effective by any Governmental Authority that would have such effect;

(iv) no Material Adverse Effect shall have occurred since the date of this Agreement and be continuing, or reasonably be likely to occur;

(v) the Required Regulatory Approvals set forth in Section 6.3 of the Purchaser Disclosure Schedule shall have been obtained;

(vi) Sellers shall have caused the Company to obtain the approvals, consents, waivers and releases set forth in Section 5.3 of the Company Disclosure Schedule, in each case in form and substance reasonably satisfactory to Purchaser, and no such approval, consent, waiver or release shall have been revoked;

(vii) the documents to be delivered under Section 2.4 shall have been delivered to Purchaser;

(viii) the U.S. GAAP Financial Statements and the unqualified audit reports of the independent auditors of the Company relating to the audited Financial Statements shall have been completed;

(ix) the Termination Agreements shall be in full force and effect;

(x) the Seller Employment Agreements with Prasad Nimmagadda, Rajiv Malik and Stijn Van Rompay and the Shareholders Agreement each shall have been executed and shall be in full force and effect;

(xi) all conditions to closing of each of the Parent Share Purchase Agreements (other than any Required Regulatory Approvals thereunder and other than conditions that by their nature can only be satisfied at the closing of such Transaction) shall have been satisfied;

(xii) the Merchant Banker Certificate confirming that Purchaser has complied with all the conditions of the Open Offer shall have been delivered to Purchaser; and

(xiii) each Indian Resident Seller shall deliver to Wadia Ghandy & Co., (with a copy being delivered to Luthra & Luthra Law Offices) completed and signed delivery instruction slips for transfer of the Indian Resident Seller's Sale Shares to the Purchaser pursuant to Section 2.6(a)(iii).

(b) Sellers agree that the conditions precedent set out in this Section 3.1 are for the benefit of Purchaser and Parent only, and may be waived in writing by Purchaser in its sole discretion.

Section 3.2 Conditions to Obligations of Sellers.

(a) The obligations of Sellers to sell the Sale Shares and to consummate the other Transactions on the Closing Date are subject to the satisfaction, or waiver in writing by the Sellers' Agents in their sole discretion, on or prior to the Closing Date, of the following conditions:

(i) the representations and warranties of Parent and Purchaser contained in this Agreement, made as if none of such representations or warranties contained any qualification or limitation as to "materiality," shall have been true and correct on the date of this Agreement, and on and as of the Closing Date as if made on and as of the Closing Date (except where such representation or warranty speaks by its terms to a different date, in which case it shall be true and correct as of such date), except where the failure of such representations and warranties to be true and correct as so made does not have and is not, individually or in the aggregate, reasonably likely to have a material adverse effect on the financial condition, Assets, Liabilities, results of operation or business of Parent and Purchaser taken as a whole or on the ability of Parent and Purchaser to perform their material obligations under any Transaction Document; Parent and Purchaser shall have performed and complied, in all material respects, with all and shall not be in material breach or default under any, agreements, covenants, conditions or obligations contained in this Agreement that are required to be performed or complied with on or prior to the Closing Date;

(ii) Parent and Purchaser shall have delivered to Sellers' Agent a certificate of Parent and Purchaser, as applicable, dated the Closing Date, to the effect of the foregoing clause (i) above;

(iii) (A) no order or injunction shall have been issued by a Governmental Authority that restrains, restricts, enjoins, prevents, prohibits, imposes substantial damages, costs or penalties or otherwise makes illegal the consummation of any of the transactions contemplated by this Agreement or that adversely affect Purchaser's ownership of the Sale Shares following the Closing; (B) no material action, suit, proceeding or investigation relating to this Transaction shall have been instituted by a Governmental Authority that the Parties reasonably determine is likely to restrain, restrict, enjoin, prevent or prohibit, or otherwise make illegal any of the transactions contemplated by this Agreement or that is likely to materially adversely affect Sellers; (C) no Law shall have been promulgated, adopted, enacted or entered into force or otherwise made effective by any Governmental Authority that has or would have such effect; and (D) no Law shall be reasonably likely to be promulgated, adopted, enacted or entered into force or otherwise be made effective by any Governmental Authority that would have such effect;

(iv) the Regulatory Approvals set forth in Section 6.3 of the Purchaser Disclosure Schedule shall have been obtained;

(v) Purchaser shall have obtained the approvals, waivers, consents and releases set forth in Section 6.4 of the Purchaser Disclosure Schedule, in each case in form and substance reasonably satisfactory to Sellers, and no such approval, consent, waiver or release shall have been revoked;

(vi) the documents to be delivered under Section 2.5 shall have been delivered to the Sellers; and

(vii) the Merchant Banker Certificate confirming that Purchaser has complied with all the conditions of the Open Offer shall have been delivered to Sellers.

(b) Purchaser agrees that the conditions precedent set out in this Section 3.2 are for the benefit of the Sellers only, and may be waived in writing by the Sellers' Agents in their sole discretion.

ARTICLE IV

COVENANTS

Section 4.1 Conduct of Business. Each Seller agrees that, during the period from the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with its terms, except (a) as expressly contemplated by this Agreement or the Transaction Documents, (b) as required by applicable Law, (c) as set forth in Section 4.1 of the Company Disclosure Schedule or (d) as consented to by Purchaser in writing (which consent shall not be unreasonably withheld, delayed or conditioned), each Seller shall use its reasonable best efforts to cause the Company to, and to cause the Company to cause each of its Subsidiaries to: (i) use its reasonable best efforts to maintain its existence in good standing under applicable Law, (ii) conduct its operations only in the ordinary and usual course of business consistent with past practice, (iii) use its reasonable best efforts to keep available the services of its current officers, material employees and management, (iv) use its reasonable best efforts to maintain and enforce all Company Intellectual Property (as such term is defined in the Company Letter Agreement), (v) use its reasonable best efforts to maintain its rights and franchises and preserve its current relationships with its customers, suppliers and others having business dealings with the Company to the end that its ongoing businesses shall not be impaired in any material respect at the Closing, (vi) use its reasonable best efforts to maintain its material real property and other material Assets in good repair, order and condition (subject to normal wear and tear) consistent with current needs, (vii) use its reasonable best efforts to replace in accordance with industry practices its inoperable, worn out or obsolete material Assets with Assets of similar quality consistent with past practices and current needs and (viii) pay all applicable material Taxes when due and payable unless such Taxes are being contested in good faith, and, subject to the foregoing, including the exceptions set forth in Section 4.1 of the Company Disclosure Schedule, shall use reasonable best efforts to procure that the Company shall not, and that the Company shall cause each of its Subsidiaries not to, directly or indirectly:

(a) amend or modify the Charter Documents of any Company Party (including the provisions of the Charter Documents relating to the composition or size of the Board of Directors, the rights granted to shareholders of the Company or the purposes of the Company);

(b) take any action or enter into any transactions that could reasonably be expected to result in a material change in the scope, nature and/or activities of the Company's business;

(c) commence, terminate or change any line of business of any Company Party;

(d) appoint, replace, remove or support the removal of the independent auditor of the Company;

(e) (i) issue or authorize the issuance of any Rights, or grant any options, warrants, or other rights to purchase or obtain any of its Rights, except to any employees below the general manager level in the ordinary course of business consistent with past practice under the Company Stock Plans set forth in Section 1.5(b) of the Company Disclosure Schedule, (ii) redeem, purchase or otherwise acquire any of its Rights, (iii) sell, pledge, grant, encumber or otherwise dispose of any of its Rights or (iv) or split, combine or otherwise reclassify any of its Rights;

(f) take any action in furtherance of any liquidation, bankruptcy, suspension of payments, assignment to creditors or similar matter, involving any Company Party;

(g) cancel, compromise or settle any material Action, or waive or release any material rights, of any Company Party;

(h) take any action that would result in any material changes to any Contract between any Company Party, on the one hand, and any of the Sellers, on the other hand, or enter into any such Contract;

(i) enter into any Contract or transaction which would be required to be reported in the Company's financial statements pursuant to the Statement of Accounting Standards (AS18) issued by the Council of the Institute of Chartered Accountants of India (other than employment Contracts and terms of employment of key management personnel who are not Sellers (as defined by AS18) and Contracts between or among any Company Parties), in the ordinary course consistent with past practice in an amount not to exceed Rs. 50,000,000;

(j) enter into any binding or non-binding commitment in respect of, or take any other action in furtherance of, any actual or proposed Business Combination of any kind;

(k) except as set forth in Section 4.1(k) of the Company Disclosure Schedule, incur any Indebtedness or issue any note, bond or other debt security or create, incur, assume, guarantee, endorse or otherwise as an accommodation become responsible for any Indebtedness or any capitalized lease obligation of any Person other than any Company Party, in an amount exceeding Rs. 250,000,000 (or the equivalent in another currency) in the aggregate;

(l) except as set forth in Section 4.1(l) of the Company Disclosure Schedule, sell, lease, mortgage, pledge, license, transfer or otherwise dispose of any material property rights (including Company Intellectual Property), material Assets or material rights of any Company Party;

(m) except in the ordinary course of business consistent with past practice, grant or acquire, agree to grant to or acquire from any Person, or dispose of or permit to lapse any rights to, any material Intellectual Property, or disclose or agree to disclose to any Person, other than representatives of Purchaser, any material Trade Secret;

(n) change the policies or practices of any Company Party with regard to the extension of discounts or credit to customers or collection of receivables from customers except in the ordinary course of business consistent with past practice;

(o) recruit any new employee at the vice-president level or above except to fill vacancies existing as of the date hereof;

(p) enter into any arrangement or agreement to sell or otherwise dispose of any marketing authorizations for pharmaceutical products of the Company Parties, which are currently distributed or will be distributed by the relevant Company Parties under their own brand names, or undertake any non-compete obligations, in each case except in the ordinary course of business consistent with past practice of the relevant Company Party;

(q) except as set forth in Section 4.1(q) of the Company Disclosure Schedule, declare, set aside or pay any dividend or distribution on or in respect of any of its Rights or the Rights of any Company Party, except for dividends recommended but undeclared and unpaid as of the date hereof;

(r) take any action that would result in the issuance of any equity securities or Rights of any Company Party, except for exercises of outstanding options pursuant to the Company Stock Plans under Section 1.5(b) of the Company Disclosure Schedule and except for grants to employees below the general manager level, in each case, in the ordinary course of business consistent with past practice;

(s) grant, impose or permit to exist any material Lien on any of its material Assets, other than in the ordinary course of business consistent with past practice;

(t) except as required by Law, Indian GAAP or GAAP in the jurisdiction of organization of the relevant Company Party, change the fiscal year of any Company Party, revalue any of the material Assets of any Company Party or make any changes to their accounting principles or practices, Indian GAAP or GAAP in the jurisdictions of organization of the relevant Company Party, or materially write up, write down or write off the book value of any Assets that are, individually or in the aggregate, material to the Company Party and its Subsidiaries taken as a whole, except in each case as required for the completion of the U.S. GAAP Financial Statements;

(u) (i) adopt, enter into, materially amend or terminate (or grant any material waiver or consent under) any broad-based or other material plan or arrangement that would constitute an Employee Benefit Plan had such plan or agreement existed on the date hereof, (ii) grant or agree to grant any increase in the wages, salary, bonus, or other compensation, remuneration or benefits of any employees of the Company Parties other than increases to employees at or below the general manager level in the ordinary course of business

consistent with past practice or (iii) take any action that would result in any change to Key Employees (including changes to the scope of responsibility of Key Employees);

(v) enter into any Contract that, had it been entered into prior to the date hereof, would be a Company Contract, or materially amend, materially modify, terminate, cancel, relinquish, materially waive or release (i) any existing Company Contract, (ii) any Contract that is, or had it been entered into prior to the date hereof would be, a Company Contract or (iii) any material insurance Contract (in each case other than an amendment or modification which would be beneficial to the relevant Company Party);

(w) take any action that would reasonably be expected to have a Material Adverse Effect;

(x) incur or commit to any capital expenditures or any obligations or Liabilities in connection therewith, other than (i) individual items of capital expenditure which have been committed to by the relevant Company Party with third parties prior to the date of this Agreement, (ii) capital expenditures and obligations and Liabilities in connection therewith contemplated by the Company's current capital expenditure budget set forth in Section 4.1(x) of the Company Disclosure Schedule, (iii) capital expenditures and obligations and Liabilities in connection therewith reasonably required in order to deal with emergency situations (in which case the Company shall promptly notify Purchaser), and (iv) other capital expenditures and obligations or Liabilities in connection therewith not set forth on Section 4.1(x) of the Company Disclosure Schedule incurred or committed to in the ordinary course of business consistent with past practice and which are not individually in excess of Rs. 100,000,000 (or the equivalent in another currency) or in the aggregate in excess of Rs. 300,000,000 (or the equivalent in an other currency);

(y) make any material Tax election or settle or compromise any material Liability for Taxes, change any annual Tax accounting period, change any method of Tax accounting (except as required by Law, Indian GAAP or GAAP in the jurisdiction of organization of the relevant Company Party), file any material amendment to any material Tax Return (other than an amendment which is beneficial to the relevant Company Party), enter into any closing agreement relating to any material Tax, surrender any right to claim a material Tax refund, or consent to any extension or waiver of the statute of limitations period applicable to any material Tax claim or assessment;

(z) modify, amend or terminate, or waive, release or assign any material rights or claims with respect to any confidentiality agreement to which the Company is a party;

(aa) except as set forth in Section 4.1(aa) of the Company Disclosure Schedule, convene a General Meeting for passing a resolution for performing any of the aforesaid acts; or

(bb) make any decision or take any action which would have the effect of any action listed in this Section 4.1 or result in any such action being taken.

Section 4.2 Extraordinary General Shareholders' Meeting. The Parties shall use their reasonable best efforts to cause the Company to (i) duly call, give notice of, convene

(no later than 7 Business Days prior to the Closing Date (or such other date that the Parties shall mutually agree upon) and hold an Extraordinary General Shareholders' Meeting in accordance with the Company's Articles of Association and applicable Law, to be held after the Closing Date, for the purpose of amending the Articles of Association as set forth in the Amended Articles of Association. Once the Extraordinary General Shareholders' Meeting has been called and noticed, the Parties shall not postpone or adjourn the Extraordinary General Shareholders' Meeting, other than if the anticipated Closing Date will be delayed, in order to schedule such meeting as soon as practicable following the Closing Date. The Parties shall take all actions necessary or advisable to secure the vote or consent of shareholders required by applicable Law to effect the actions contemplated by this Section 4.2.

Section 4.3 Completion of the U.S. GAAP Financial Statements; Internal Controls; Disclosure Controls.

(a) The Sellers shall use their best efforts to cause the Company to, as soon as practicable after the date of this Agreement and in any event prior to the Closing Date, (A) complete the U.S. GAAP Financial Statements and to provide its independent auditors all information reasonably requested by them in connection with preparation of their audit report on such U.S. GAAP Financial Statements. The Parties shall cooperate to develop and use their reasonable best efforts to implement: (i) a system of internal accounting controls sufficient to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Company's financial statements in conformity with U.S. GAAP, and (ii) "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) required in order for the Chief Executive Officer and Chief Financial Officer of Parent to engage in the review and evaluation process mandated by the Exchange Act and the rules promulgated thereunder with respect to the Company Parties.

(b) Sellers shall use their best efforts to cause the Company to promptly prepare and deliver to Parent and Purchaser prior to Closing the U.S. GAAP Financial Statements, certified by the Chief Executive Officer and the Chief Financial Officer of the Company.

Section 4.4 Regulatory Approvals; Filings and Authorizations. Purchaser and Parent hereby undertake, agree and covenant with Sellers that Purchaser and Parent shall use their reasonable best efforts to apply for and obtain, as soon as practicable after the date of this Agreement (and in any event prior to the Closing Date), the Required Regulatory Approvals.

Section 4.5 Performance Obligations. Parent and Purchaser shall, and Parent shall cause Purchaser to, and Sellers shall and shall use their reasonable best efforts to cause the Company to, comply with each Party's respective obligations under the Transaction Documents to which they are a party.

Section 4.6 Non-Solicitation.

(a) Each Seller shall, and shall use reasonable best efforts to cause the Company and to cause the Company to cause to the Company Parties to, immediately cease and terminate any existing solicitation, initiation, encouragement, activity, discussion or negotiation

with any Persons conducted heretofore by such Seller, the Company Parties or its or their respective Representatives with respect to any proposed, potential or contemplated acquisition or sale of the Sale Shares (or all of the outstanding equity of the Company or material Assets of the Company), or any other transaction the consummation of which would prevent or materially delay any of the Transactions.

(b) Each Seller hereby covenants and agrees that, except as contemplated by this Agreement, from the date hereof until the Closing Date (the "**Exclusivity Period**"), it shall not and shall use its reasonable best efforts to cause its Representatives not to, directly or indirectly, (i) solicit, initiate, participate in or encourage any inquiries, discussions, offers or proposals regarding a Transfer of any or all of the Sale Shares beneficially owned by such Seller (or all of the outstanding equity of the Company or any of the material Assets of the Company), (ii) provide nonpublic information to any Person or entity with respect to the Company Parties in connection with any such Transfer, (iii) continue, propose or enter into discussions or negotiations with respect to a Transfer of any or all of the Sale Shares beneficially owned by such Seller, (iv) offer to Transfer, Transfer or consent to any Transfer of, any or all of the Sale Shares beneficially owned by such Seller or any interest therein, except to one of the other Sellers (in which case such other Sellers' obligations would extend to such shares transferred to it), (v) enter into any Contract, option or other agreement or understanding with respect to any Transfer of any or all of such Sale Shares or any interest therein, (vi) grant any proxy, power-of-attorney or other authorization or consent in or with respect to such Sale Shares except to one of the other Sellers, or (vii) deposit such Sale Shares into a voting trust or enter into a voting agreement or arrangement with respect to such Sale Shares except with any other Seller.

(c) Each Seller shall immediately notify Purchaser of receipt by it or, to its knowledge, a Company Party of any offer or proposal or indication of interest relating to an acquisition of any or all Sale Shares (or all of the outstanding equity of the Company or any of the material Assets of the Company), or any inquiry or contact by any third party with respect thereto (which notice shall identify the Person making the proposal and the material terms thereof) that such Seller or its Affiliates or its or their respective Representatives may receive during the Exclusivity Period.

(d) In the event of a breach or a threatened breach of this Section 4.6, Purchaser shall be entitled to have recourse to any court in any jurisdiction for the purpose of interim relief and Sellers agree that damages may not be an appropriate and adequate remedy for a breach of this provision and Purchaser shall have the right to seek specific performance.

Section 4.7 Non-Competition. In consideration for the sale of his Sale Shares, for a period beginning on the Closing Date and ending on the later of (i) the third anniversary of the Closing Date, (ii) two years following the time at which Prasad Nimmagadda is no longer on the Board of Directors of the Company and (iii) two years following the date or which Prasad Nimmagadda is no longer an employee of the Company, Prasad Nimmagadda and any entity directly or indirectly Controlled by Prasad Nimmagadda, shall not directly or indirectly:

(a) engage in, continue in or carry on any Pharmaceutical Business, including owning any Controlling financial interest in any corporation, partnership, firm, entity or other form of business organization which is so engaged;

(b) consult with, advise or assist in any way, whether or not for consideration, any corporation, partnership, firm, entity or other form of business organization which engages or carries out any Pharmaceutical Business and is now or becomes a competitor of Parent or Purchaser or their respective Affiliates, in any aspect, including advertising or otherwise endorsing the products of any intermediary for any such competitor, loaning money or rendering any other form of financial assistance to or engaging in any form of business transaction on other than an arm's length basis with any such competitor; or

(c) engage in any practice the purpose or effect of which is to evade the provisions of this Section 4.7;

provided, however, that the foregoing shall not prohibit actions by Prasad Nimmagadda contemplated in this Agreement or the other Transaction Documents or the ownership of securities of corporations which are listed on a national securities exchange or traded in a national over-the-counter market in an amount which shall not exceed 5% of the outstanding shares of any such corporation. The Parties agree that the geographic scope of this covenant not to compete shall extend throughout the U.S., Europe and Asia, and the Parties acknowledge that such territory is reasonable in light of the respective businesses of Purchaser and its Affiliates. In the event that a court of competent jurisdiction determines that the provisions of this covenant not to compete are excessively broad as to duration, geographical scope or activity, it is expressly agreed that this covenant not to compete shall be construed so that the remaining provisions shall not be affected but shall remain in full force and effect, and any such over-broad provisions shall be deemed, without further action on the part of any Person, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable in such jurisdiction. For the avoidance of doubt, PN shall not be restricted from making investments in any businesses not in the Pharmaceutical Business.

Section 4.8 Antitrust Filings; Reasonable Best Efforts.

(a) Subject to the requirements of applicable antitrust Laws, Parent and Purchaser shall, and Sellers shall and shall use their reasonable best efforts to cause the Company to, as promptly as practicable after the date of this Agreement, (i) prepare and file or cause to be filed all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings, (iii) use their reasonable best efforts, in each case, to obtain all permits, consents, approvals and authorizations of all Governmental Authorities necessary to consummate the transactions contemplated by this Agreement or other Transaction Documents. Subject to the requirements of applicable antitrust Laws, Parent and Purchaser shall, and Sellers shall and shall use their reasonable best efforts to cause the Company to, use their respective commercially reasonable efforts to obtain all necessary consents, approvals and authorizations of all other parties necessary to consummate the transactions contemplated by this Agreement or required by the terms of any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, Contract, lease or other instrument to which Parent, Purchaser, Sellers and the Company Parties is or are a party or by which any of them is bound; provided, however, that no

note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, Contract, lease or other instrument shall be amended or modified to increase in any material respect the amount payable thereunder or to be otherwise more burdensome, or less favorable, in each case in any material respect, to the Company and its Subsidiaries considered as one enterprise in order to obtain any permit, consent, approval or authorization without first obtaining the written consent of Parent, which consent shall not be unreasonably withheld or delayed. Each party shall have the right to review and approve in advance all characterizations of the information relating to such party, and such approval shall not be unreasonably withheld or delayed; and each of Purchaser, Parent and the Sellers shall have the right to review and approve in advance all characterizations of the information relating to the transactions contemplated by this Agreement or any other Transaction Document, in each case which appear in any material filing made in connection with the transactions contemplated hereby. Parent, Purchaser and Sellers agree that they will consult with each other with respect to the obtaining of all such necessary Permits, consents, approvals and authorizations of all third parties and Governmental Authorities.

(b) Notwithstanding anything to the contrary in this Section 4.8, neither Parent nor the Company shall be required in order to resolve any objections asserted under antitrust Laws by any Governmental Authority with respect to the transactions contemplated by this Agreement to divest any of its businesses, product lines or Assets, or take or agree to take any other action or agree to any limitation or restriction.

Section 4.9 Access to Information; Confidentiality.

(a) Subject to the Parties' reasonable determination regarding limitations required by applicable Law or contractual arrangements, Sellers shall and shall use their reasonable best efforts to cause the Company to, and to cause the Company to cause the Company Subsidiaries and the officers, directors, employees and agents of the Company and the Company Subsidiaries, to, afford the officers, employees and agents of Parent and Purchaser, at their sole cost and risk, reasonable access at all reasonable times during normal business hours from the date hereof through the Closing Date to its officers, employees, agents, properties, facilities, books, records, Contracts and other Assets and shall furnish Parent and Purchaser all financial, operating and other data and information as Parent and Purchaser through their officers, employees or agents, may reasonably request. Subject to the Parties' reasonable determination regarding limitations required by applicable law or contractual arrangements, Parent and Purchaser, at their sole cost and risk, may make such due diligence investigations as Parent and Purchaser shall deem necessary or reasonable, upon reasonable notice to the Company and without disruption or damage to Company's operations or properties. Without limiting the foregoing, the Company Parties shall provide reasonable access with respect to information and personnel in connection with assessing and defending any action, suit, proceeding or investigations relating to the Transactions by any Governmental Authority, and use its reasonable best efforts to permit Parent to meaningfully participate in any proceedings, meetings or other communications relating thereto.

(b) From and after the date of this Agreement, unless required by applicable Law and except as contemplated by this Agreement, each Seller shall, and shall cause each of their respective Affiliates to, keep confidential all proprietary or nonpublic information regarding the Purchaser.

Section 4.10 No Solicitation, Resignations.

(a) Prasad Nimmagadda, either acting on behalf of himself or as "Karta" of his HUF, and G2 Corporate Services Limited shall not at any time prior to two (2) years from the Closing Date, directly or indirectly, solicit the employment or services of, or hire in any capacity (whether as an employee, consultant, independent contractor or otherwise), any employee of the Company Parties as of the date hereof without Purchaser's prior written consent, which consent shall not be unreasonably withheld or delayed. Sellers other than Prasad Nimmagadda, Prasad Nimmagadda-HUF and G2 Corporate Services Limited shall not at any time prior to two (2) years from the Closing Date, directly or indirectly, solicit the employment or services of, or hire in any capacity (whether as an employee, consultant, independent contractor or otherwise), any Key Employee without Purchaser's prior written consent, which consent shall not be unreasonably withheld or delayed. For purposes of this Section 4.10, the term "solicit the employment or services" shall not be deemed to include generalized searches for employees through media advertisements of general circulation, employment firms, open job fairs or otherwise provided that such searches are not focused or targeted on employees of the Company Parties.

(b) Sellers shall use reasonable best efforts to obtain the written resignations of each director of the Company Parties listed on Section 4.10(b) of the Company Disclosure Schedule, effective as of the Closing Date.

Section 4.11 Release of Company Obligations. The Sellers covenant and agree, on or prior to the Closing, to execute and deliver to the Company, for the benefit of the Company, a general release and discharge, in mutually agreed form, releasing and discharging the Company from any and all obligations, except for any rights for indemnification as a director or employee of a Company Party and except for any rights that Prasad Nimmagadda may have as an employee for all amounts accrued but unpaid pursuant to his existing employment agreement with the Company from the date hereof through Closing in an amount not to exceed $850,000 in the aggregate.

Section 4.12 Cooperation; Notification of Certain Matters. During the period from the date of this Agreement to the Closing, subject to applicable Law and contractual restrictions, the Parties shall confer on a regular basis with one another, confer on material operational matters, policies and practices with respect to the Company Parties, and promptly advise the other Parties orally and in writing of any change or event having, or which, insofar as can reasonably be expected, would have, individually or in the aggregate, a Material Adverse Effect, or which would cause or constitute a material breach of any of the representations, warranties or covenants of such Party contained herein or could reasonably be expected to result in the failure to satisfy the conditions precedent to be complied with or satisfied by such Party hereunder; provided, however, that any noncompliance with the foregoing shall not constitute the failure to be satisfied of a condition set forth in Article III or give rise to any right of termination under Article VII or any other right unless the underlying breach shall have given a right to such termination.

Section 4.13 Further Assurances. Each of the Parties agrees to use its reasonable best efforts promptly to take or cause to be taken all actions and promptly do or cause

to be done all things necessary, proper or advisable under applicable Law to consummate and make effective the Transactions in accordance with the Transaction Documents. Without limiting the foregoing, (a) each of the Parties will use its reasonable best efforts to make or cause to be made all filings with respect to, and to obtain, all Regulatory Approvals necessary in order to permit the consummation of the Transactions and (b) the Sellers shall use their reasonable best efforts and to cause the Company Parties to provide information to the Purchaser relating to such Seller or the Company Parties required for the Open Offer Documents (which information shall be true and correct in all material respects). Nothing in this Agreement shall require the Parties to take any action other than in accordance with applicable Law.

Section 4.14 Fees and Expenses. Except as otherwise provided in this Agreement, all fees and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the Party incurring such fees or expenses, whether or not such transactions are consummated.

Section 4.15 Compliance. Purchaser and Parent shall comply with the provision of the Takeover Code, including making and completing the Open Offer in a timely manner following the execution of this Agreement and in accordance with the provisions of the Takeover Code. Without limiting the generality of the foregoing, Parent's or Purchaser's Open Offer shall not be permitted to have a minimum tender condition.

Section 4.16 Directors Indemnification; Insurance.

(a) In the event of any threatened or actual claim, action, suit, proceeding or investigation, whether civil, criminal or administrative (a "**Claim**"), including any such Claim in which any individual who is now, or has been at any time prior to the date of this Agreement, or who becomes prior to the Closing Date, a director or officer of any Company Party or who is or was serving at the request of such Company Party as a director or officer of another person (the "**Indemnified Parties**"), is, or is threatened to be, made a party based in whole or in part on, or arising in whole or in part out of, or pertaining to, (i) the fact that he is or was a director or officer of such Company Party prior to the Closing Date or (ii) this Agreement or any of the other Transaction Documents, whether asserted or arising before or after the Closing Date, the Parties shall cooperate and use their best efforts to defend against and respond thereto. All rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Closing Date now existing in favor of any Indemnified Party shall survive the Closing Date and shall continue in full force and effect in accordance with their terms, and shall not be amended, repealed or otherwise modified after the Closing Date in any manner that would adversely affect the rights thereunder of such individuals for acts or omissions occurring at or prior to the Closing Date. Without limiting the foregoing, in the event that any Claim is brought against any Indemnified Party (whether arising prior to or after the Closing Date), (x) Parent shall have the right after the Closing Date to assume or direct a Company Party to assume the defense thereof with legal counsel of Parent's choosing, and Parent or such Company Party, as applicable, shall not be liable to such Indemnified Party for any legal expenses of other counsel or any expenses subsequently incurred by such Indemnified Party in connection with the defense thereof; provided, however, that such Indemnified Party may employ counsel of its own choosing, and Parent or such Company Party, as applicable, shall advance to such Indemnified Party reasonable legal expenses of such counsel, if such

Indemnified Party would have separate legal defenses available to it; (y) the Indemnified Party shall cooperate with Parent or such Company Party, as applicable, in the defense of any such matter; and (z) Parent or such Company Party, as applicable, shall not be liable for any settlement of any claim effected without its written consent (which consent shall not be unreasonably withheld or delayed).

(b) Parent and Purchaser shall cause each Company Party, to the fullest extent permitted by applicable Law, to indemnify, defend and hold harmless, and provide advancement of expenses to, each Indemnified Party against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement of or in connection with any Claim based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director, officer or employee of such Company Party, and pertaining to any matter existing or occurring, or any acts or omissions occurring, at or prior to the Closing Date, whether asserted or claimed prior to, or at or after, the Closing Date (including matters, acts or omissions occurring in connection with the approval of this Agreement and the consummation of the transactions contemplated hereby) or taken at the request of such Company Party.

(c) Parent and Purchaser shall cause the individuals serving as officers and directors of any Company Party immediately prior to Closing to be covered for a period of six (6) years from Closing by the directors' and officers' liability insurance policy maintained by Parent or the relevant Company Party (provided, that Parent or the relevant Company Party may substitute therefor policies of at least the same coverage and amounts containing terms and conditions that are not less advantageous than such policy) in each case, to the extent such liability insurance can be maintained or obtained at a cost equal to or less than 300% of the cost of such policy as of the date hereof with respect to acts or omissions occurring prior to Closing that were committed by such officers and directors in their capacity as such.

(d) The provisions of this Section 4.16 shall survive Closing and are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

Section 4.17 Ancillary Agreements. Parent shall, and Sellers shall use their reasonable best efforts to cause the Company to, and to cause the Company to cause Docpharma to, negotiate in good faith and use its respective reasonable best efforts to enter into the Supply Agreement (with effect only in the event that the Open Offer closes, but the transactions contemplated hereunder do not close), within 45 days after the date hereof. The Parties shall enter into the other Transaction Documents to be signed at Closing to which they are parties as of or prior to Closing; provided that the Parties shall not be obligated to enter into Seller Employment Agreements with S. Srinivasan, Sanjeev Sethi, Dr. Hari Babu and C.S. Muralidharan to the extent that, after using reasonable best efforts to do so, the other parties to such agreement are unwilling to sign such agreements.

Section 4.18 Existing Shareholders Agreements. Sellers agree to enforce all their respective rights and to comply with all the obligations under the Existing Shareholders Agreements that are reasonably necessary to comply with the covenants set forth in this Agreement.

Section 4.19 Certain Company Actions. Sellers shall use their reasonable best efforts to cause the Company to amend, as promptly as practicable after the date hereof, all provisions of the Company's existing employment agreement with Rajiv Malik, as well as any authorization of the Company Board of Directors and/or any power of attorney authorizing Mr. Malik to bind the Company, in each case to restrict Mr. Malik from taking any action that could result in the Sellers or the Company breaching any of the covenants under the Share Purchase Agreement or the Company Letter Agreement. If Mr. Malik believes it is prudent to take any such action, he or the Company shall obtain the prior written consent (not to be unreasonably withheld) of Parent before taking any such action.

ARTICLE V

SELLER REPRESENTATIONS AND WARRANTIES

Each Seller, severally and not jointly and, for the purposes of Section 5.8 only, Prasad Nimmagadda severally hereby represents and warrants to, and covenants and agrees with, Purchaser as of the date hereof, and after giving effect to all of the Transactions being contemplated on the Closing Date, as of the Closing Date (except where such representation or warranty speaks by its terms to a different date in which it shall be true and correct in all material respects as of such date) with the same force and effect as if made at and as of such time, as follows:

Section 5.1 Authority. Such Seller has full power and authority, and Prasad Nimmagadda represents that he has the requisite legal capacity, to execute and deliver this Agreement and each other Transaction Document executed or to be executed by it and to perform its obligations hereunder and thereunder. This Agreement has been duly and validly executed and delivered by such Seller and constitutes a legal, valid and binding obligation of such Seller enforceable against it in accordance with its terms, except that such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting the rights and remedies of creditors. Except as set forth in Section 5.1 of the Sellers Disclosure Schedule, there is no beneficiary or holder of a voting trust certificate or other interest of any trust of which such Seller is a trustee, or any party to any other agreement or arrangement, whose consent is required for the execution and delivery of this Agreement or the consummation by such Seller of the Transactions.

Section 5.2 Capital Stock; Ownership; No Liens; No Claims.

(a) Such Seller is the owner of the Sale Shares set forth opposite its or his name on Schedule I hereto. Such Seller has sole voting power, sole power of disposition and the sole power to agree to all of the matters set forth in this Agreement, in each case with respect to all of such Sale Shares, with no limitations, qualifications or restrictions on such rights other than pursuant to the Existing Shareholders Agreements, subject to applicable securities Laws and the terms of the Transaction Documents.

(b) Except as set forth in Section 5.2(b) of the Sellers Disclosure Schedule, all of the Sale Shares held by such Seller are fully paid and beneficially owned by it free and clear from all Liens, and such Seller has full right, power and authority to sell, Transfer,

convey and deliver to Purchaser good, valid and marketable title to such number of Sale Shares set out opposite its name in Schedule I hereto in accordance with the terms of this Agreement.

(c) The Sale Shares held by such Seller are not the subject matter of any claim, action, suit, investigation or other proceeding or Judgment or subject to any prohibition, injunction or restriction on sale under any decree or order of any Governmental Authority.

Section 5.3 No Conflict or Violation. None of the execution and delivery by such Seller of this Agreement or any other Transaction Document to which such Seller is a party, the consummation of the transactions contemplated by this Agreement or such Transaction Document(s) or compliance by such Seller with any of the provisions hereof or thereof will (a) assuming all Required Regulatory Approvals have been obtained or made, violate any applicable Law to which such Seller is subject, (b) require any consent, notice or approval under, conflict with, result in a breach of or constitute a default under any material Contract, agreement or instrument to which such Seller is a party, or under such Seller's Charter Documents, if such Seller is a legal entity, or (c) result in the creation of any Lien (other than any Lien in favor of Purchaser) upon any of the Sale Shares, except in each case as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. Except as set forth in Section 5.3 of the Sellers Disclosure Schedule and except in respect of filings to be made under the Foreign Exchange Management Act, 1999 or the regulations made thereunder or under the rules and regulations made by the SEBI, no consent, waiver, approval, order, permit or authorization or declaration or filing with, or notification to, any Person or Governmental Authority is required on the part of any Seller in connection with the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement or the compliance by such Seller with any of the provisions hereof, except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

Section 5.4 Outstanding Obligations.

Such Seller has not entered into or undertaken or admitted or accepted for or on behalf of the Company any agreement, Contract, deed, instrument, transaction, commitment, obligation or Liability which is singly or in the aggregate material to the business and operations of the Company and its Subsidiaries taken as a whole which has not been duly disclosed to, if required by Law or the Charter Documents of the Company, or approved or ratified by the Board of Directors of the Company.

Section 5.5 Legal Proceedings. Except as set forth in Section 5.5 of the Sellers Disclosure Schedule, there are no, and since January 1, 2003, have not been any Actions pending or, to the knowledge of Sellers, threatened against such Seller which (i) could reasonably be expected to result in a Material Adverse Effect or (ii) challenge the validity or enforceability of this Agreement or seek to enjoin or prohibit consummation of, or seek other equitable relief with respect to, the transactions contemplated by this Agreement. No Seller is subject to any Judgment, decree, injunction or order of any Governmental Authority that constitutes a Material Adverse Effect.

Section 5.6 Brokers' Fees.

Except as set forth in Section 5.6 of the Sellers Disclosure Schedule, no broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee, expense or commission in connection with this Agreement or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of such Seller for which any of the Company Parties or Purchaser has or will have any Liability.

Section 5.7 Absence of Certain Interests of Related Parties.

(a) Such Seller (i) does not own or have any proprietary, financial or other interest, direct or indirect, in whole or in part, in any material Intellectual Property or any other material Asset or property which any Company Party owns, possesses or uses in its business as now or proposed to be conducted, or is not involved in any business arrangement or relationship with any Company Party which is material to the business and operations of the Company Parties taken as a whole, or (ii) is not indebted to any Company Party, and no Company Party is indebted or has any other Liability to any such Person.

(b) There is no Indebtedness or other Liabilities (not disclosed in the Financial Statements or, as of the Closing, the U.S. GAAP Financial Statements) owed by any Company Party to such Seller.

Section 5.8 Company Representations and Warranties. To Prasad Nimmagadda's actual knowledge, the representations and warranties made by the Company in the Company Letter Agreement were true and correct on and as of the date on which they were made and shall be true and correct on and as of the Closing Date except where the failure to be true and correct would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. For purposes of this Section 5.8, the term "actual knowledge" means the actual knowledge of Prasad Nimmagadda personally and shall not imply that Prasad Nimmagadda has conducted any independent inquiry or investigation with respect to the facts or absence thereof to which such actual knowledge relates.

Section 5.9 Compliance with Laws. Such Seller has complied with all applicable Laws in all material respects in connection with the Transactions.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER

As of the date hereof and as of the Closing Date, Parent and Purchaser hereby represent and warrant to Sellers as follows:

Section 6.1 Organization. Parent and Purchaser are duly organized, validly existing and in good standing as legal entities under the Laws of the respective jurisdiction of their organization.

Section 6.2 Authority. Parent and Purchaser have the full power and authority to execute and deliver this Agreement and each other Transaction Document executed or to be executed by it and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the performance by Parent and Purchaser of their respective

obligations under this Agreement have been duly and validly authorized by all necessary corporate action on the part of Parent and Purchaser. This Agreement has been duly and validly executed and delivered by Parent and Purchaser and constitutes a legal, valid and binding obligation of Parent and Purchaser enforceable against Parent and Purchaser in accordance with its terms, except that such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting the rights and remedies of creditors.

Section 6.3 Regulatory Approvals. No Regulatory Approvals are required in connection with the execution, delivery and performance of this Agreement by Parent and Purchaser, except as set forth in Section 6.3 of the Purchaser Disclosure Schedule.

Section 6.4 Consents and Approvals; No Violations. None of the execution and delivery by Parent and Purchaser of this Agreement or any other Transaction Document to which Parent or Purchaser is a party, the consummation of the transactions contemplated by this Agreement or such Transaction Document(s) or compliance by Parent or Purchaser with any of the provisions hereof or thereof will (i) assuming all Required Regulatory Approvals have been obtained or made, violate any applicable Law to which Parent or Purchaser is subject, (ii) require any consent, notice or approval under, conflict with, result in a breach of or constitute a default under any material Contract, agreement or instrument to which Parent or Purchaser is a party, except in each case as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, or (iii) requires any consent under, or conflict with, Charter Documents of Parent. Except as set forth in Section 6.4 of the Purchaser Disclosure Schedule and except in respect of filings to be made under the Foreign Exchange Management Act, 1999 or the regulations made thereunder or under the rules and regulations made by the SEBI, no consent, waiver, approval, order, permit or authorization or declaration or filing with, or notification to, any Person or Governmental Authority is required on the part of Parent or Purchaser in connection with the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement or the compliance by Parent or Purchaser with any of the provisions hereof, except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

Section 6.5 Legal Proceedings. There are no, and since January 1, 2003, have not been any Actions pending or, to the knowledge of Parent or Purchaser, threatened against Parent or Purchaser which challenge the validity or enforceability of this Agreement or seek to enjoin or prohibit consummation of, or seek other equitable relief with respect to, the transactions contemplated by this Agreement. Neither Parent nor Purchaser is subject to any Judgment, decree, injunction or order of any Governmental Authority, which would materially impair or delay Purchaser's ability to consummate the transactions contemplated by this Agreement.

Section 6.6 Financial Advisors and Brokers. Purchaser has not employed any Person who is or would be entitled to make any claim for any broker's, finder's or similar fee or commission against the Sellers or any Company Party.

Section 6.7 Financing. Purchaser has or, on or prior to the Closing Date, will have the funds required to make payment of the Sale Consideration and the full consideration necessary to consummate the other Transactions.

Section 6.8 Ownership of Purchaser. Purchaser is and as of the Closing will be an indirect wholly owned subsidiary of Parent.

Section 6.9 Investments in India. Neither Parent nor Purchaser nor any of their Affiliates is or was party to any joint-venture or similar business arrangement in India in the same business operated by the Company through any investment in shares, interests, rights, Indebtedness or through any other Contract or arrangement.

Section 6.10 Compliance with the Law. Parent and Purchaser have complied in all material respects with all applicable Laws in connection with the Transaction.

ARTICLE VII

TERMINATION

Section 7.1 Termination. Subject to Section 7.2 hereof, this Agreement may be terminated, and the transactions contemplated hereby abandoned by notice in writing:

(a) by Purchaser and the Sellers' Agents, if Purchaser and the Seller's Agents so mutually agree in writing;

(b) by Purchaser, if there has been a breach on the part of Sellers of their representations, warranties, covenants or other obligations set forth in the Transaction Documents such that it would give rise to a failure of a condition to Closing set forth in Section 3.1; provided, however, that if such breach or misrepresentation is susceptible to cure, Sellers shall have thirty (30) days after receipt of notice from Purchaser of its intention to terminate this Agreement pursuant to this Section 7.1 in which to cure such breach or misrepresentation before Purchaser may so terminate this Agreement;

(c) by any Sellers' Agent, if there has been a breach on the part of Parent or Purchaser of its representations, warranties, covenants or other obligations set forth in the Transaction Documents such that it would give rise to a failure of condition to Closing set forth in Section 3.2; provided, however, that if such breach or misrepresentation is susceptible to cure, Purchaser shall have thirty (30) days after receipt of notice from the Sellers' Agent of its intention to terminate this Agreement pursuant to this Section 7.1 in which to cure such breach or misrepresentation before the Sellers' Agent may so terminate this Agreement;

(d) by the written notice of either Seller or Purchaser to the other if the Closing shall not have occurred on or before March 31, 2007 (the "**Outside Date**"); provided, however, that the right to terminate this Agreement under this Section 7.1(d) shall not be available to any party if the failure of such party to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

(e) by any Party if a Governmental Authority of competent jurisdiction shall have issued an order, decree or ruling or taken any other action (including the failure to have taken an action), in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, which order, decree, ruling or other action is final and non-appealable or there shall be any Law that makes the consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited, provided; however, that the right to terminate the Agreement under this Section 7.1(e) shall not be available to any Party who has not used its reasonable best efforts to resist, resolve or lift, as applicable, (as contemplated by Section 4.8) any such order, decree, ruling or other action; or

(f) by Purchaser, if there shall have been a Material Adverse Effect.

Section 7.2 Effect of Termination. If this Agreement is terminated in accordance with Section 7.1 or the Closing fails to occur for any reason and the transactions contemplated hereby are not consummated, this Agreement shall become null and void and shall be of no further force and effect except that (i) the terms and provisions of this Section 7.2, Section 4.9(b), the first sentence of Section 4.17 and Article VIII shall remain in full force and effect and (ii) all filings, applications and other submissions made pursuant to this Agreement, to the extent practicable, shall be withdrawn from the agency or other Person to which they were made or appropriately amended to reflect the termination of the transactions contemplated hereby; provided, however, that, nothing contained in this Section 7.2(a) shall relieve any party from liability for any intentional or willful breach of this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Non-Survival of Representations and Warranties. None of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Closing Date, except for (i) those covenants or agreements of the Parties in the Agreement which by their terms contemplate performance after the Closing Date, which shall survive until fully performed, and (ii) the representation and warranties contained in Section 5.8, which shall survive the Closing until the later of (x) one (1) year from the date hereof and (y) two months following the completion of the audit of the Company's financial statements for the fiscal year ending March 31, 2007, but no later than October 31, 2007. Except with respect to the representations and warranties contained in Section 5.8, the sole remedy for the breach of any of the representations or warranties given by a Party under this Agreement shall be the right of Sellers (if the breach is made by Parent or Purchaser) or of Purchaser (if the breach is made by any Seller) to terminate this Agreement or not to close the transactions hereunder and under the other Transaction Documents.

Notwithstanding any other provision of this Agreement, in no event will Prasad Nimmagadda be liable for breach of any representation or warranty contained in Section 5.8 (i) to the extent any information that, from the context presented, was reasonably apparent to be related to such breach, was provided to Parent or Purchaser in writing prior to Closing and (ii) for any amounts

in excess of (x) $80 million minus (y) any amounts paid or to be paid under Section 4.5 of the Matrix Shareholders Agreement in the aggregate for all such liability.

Section 8.2 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally, when sent by confirmed cable, telecopy, telegram or facsimile, when sent by overnight courier service or when mailed by certified or registered mail, return receipt requested, with postage prepaid to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

If to PN Parties:

Mr. Prasad Nimmagadda
Plot No. D-19, Gayatri Arcade,
Vikrampuri, Kharkhana
Secunderabad 500 009 India
Attn: Mr. Prasad Nimmagadda
Fax: +91 90 663 366 01

If to NB Parties:

India Newbridge Investments Limited
301 Commerce Street, Suite 330
Fort Worth, TX 76102 U.S.A.
Attn: Jeffrey D. Ekberg
Fax: (817) 850-4084

If to Maxwell (Mauritius) Pte. Limited:

Maxwell (Mauritius) Pte. Limited
c/o Temasek Holdings
06-18 Tower the Atrium
Orchard 60B Orchard Road
Singapore
Attn: Tan Suan Swee
Fax: +65 6829 6199

with a copy (which shall not constitute notice) to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attn: Daniel S. Sternberg
David I. Gottlieb
Fax: (212) 225-3999

If to Parent or Purchaser:

Mylan Laboratories Inc.
1500 Corporate Drive
Canonsburg, Pennsylvania 15317
Attn: Chief Executive Officer
Fax: (724) 514-1870

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attn: Eric L. Cochran
Marie L. Gibson
Fax: (212) 735-2000

and a copy (which shall not constitute notice) to:

Luthra & Luthra
704-706 Embassy Centre, Nariman Point, Mumbai – 400 021
Attn: Mohit Saraf
Fax: + 91 22 6630 3700

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, facsimile transmission, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient.

Section 8.3 Interpretation. This Agreement is to be interpreted in accordance with the following rules of construction:

(a) All definitions of terms apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(b) The words “include,” “includes” and “including” are deemed to be followed by the phrase “without limitation.” The words “herein,” “hereof,” “hereto” and “hereunder” and words of similar import refer to this Agreement (including all Exhibits and Schedules hereto) in its entirety and are not limited to any part hereof unless the context shall otherwise require. The word “or” is not exclusive and means “and/or.”

(c) All references in this Agreement to Articles, Sections, subsections, Schedules and Exhibits are, respectively, references to Articles, Sections and subsections of, and Schedules and Exhibits attached to, this Agreement, unless otherwise specified.

(d) All references to any Transaction Document are to such document as amended, modified or supplemented from time to time in accordance with its terms. All references to any other agreement or instrument or any Requirement of Law, License or similar item are to it as amended and supplemented from time to time (and, in the case of a Law, to any corresponding provisions of successor Laws), unless otherwise specified.

(e) Any reference in this Agreement to a "day" or number of "days" (without the explicit qualification "Business") is a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice may be taken or given on the next Business Day.

(f) In the case of any time, period or date referred to in any provision of this Agreement, time shall be of the essence.

(g) Any reference in this Agreement to "Rs." means Rupees or its equivalent in any other currency.

(h) References to "dollars" or "$" are to U.S. dollars.

(i) References to the "employees" shall be deemed to include independent contractors holding managerial positions at Docpharma or its Subsidiaries.

(j) The Parties and their respective legal counsel have participated in the drafting of this Agreement, and this Agreement will be construed simply and according to its fair meaning and without any presumption or prejudice for or against any Party.

(k) The table of contents, section headings and bold face type contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 8.4 Publicity. Except as required by Law or by obligations pursuant to any listing agreement with any stock exchange on which any securities of the Company are listed or quoted or any requirement of SEBI or any other Governmental Authority, none of the Parties (nor any of their respective Affiliates) shall, without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed, make any public announcement or issue any press release with respect to the Transactions. Prior to making any public disclosure required by applicable Law or pursuant to any listing agreement with or the requirement of any stock exchange on which any securities of the Company are listed or quoted or any requirement of SEBI or any other Governmental Authority, the disclosing party shall consult with the other Parties, to the extent feasible, as to the content and timing of such public announcement or press release with respect to the Transactions. Unless otherwise agreed in writing by the other Parties, no Party shall, directly or indirectly, disclose or permit the disclosure of, the content of this Agreement or the other Transaction Documents or any of the terms or conditions regarding the Transactions, except (i) to Representatives of Purchaser or Parent in connection with the Transactions, (ii) to financial institutions, banks and sources of equity whose consent or financing must be obtained for the Transactions, (iii) as may already be in the public domain other than as a result of a breach of this Section 8.4 by any Party and (iv) as

may be compelled in a judicial, regulatory or administrative proceeding or as otherwise required by Law or by a Governmental Authority (in which case the disclosing party shall notify the other Parties in writing promptly thereof).

Section 8.5 Amendment; Waiver. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Parties. No waiver shall be effective hereunder unless contained in a writing signed by the Party sought to be charged with such waiver. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising, or single or partial exercise of any right, power or remedy by any Party, and no course of dealing between the Parties, shall constitute a waiver of any such right, power or remedy. No waiver by a Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 8.6 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns and is for the sole benefit of the Parties and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer upon any Person other than the Parties or their respective successors and permitted assigns any rights, benefits, remedies, obligations or Liabilities under or by reason of this Agreement. No assignment of this Agreement or of any rights or obligations hereunder may be made by any Party (by operation of Law or otherwise) without the prior written consent of the other Parties (which consent shall not be unreasonably withheld), and any attempted assignment without the required consents shall be void. Notwithstanding the foregoing, Purchaser may, after informing the Sellers in writing, (i) assign this Agreement, in whole or in part, to any of its Affiliates and (ii) collaterally assign its rights under this Agreement to any Person providing financing related to the transactions contemplated hereby, but in no event shall any such assignment pursuant to this clause (i) and (ii) release Parent or Purchaser from its obligations hereunder.

Section 8.7 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision outside of the jurisdiction of such court or to Persons or circumstances other than those as to which it has been held invalid, void or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

Section 8.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to constitute one and the same agreement. In addition to any other lawful means of execution or delivery, this Agreement may be executed by facsimile signatures and may be delivered by the exchange of counterparts of signature pages by means of telecopier transmission.

Section 8.9 Governing Law. This Agreement shall be governed by, and construed in accordance with the substantive the Laws of the State of New York, regardless of the Laws that might otherwise govern under applicable principles of conflict of Laws thereof.

Section 8.10 Specific Performance. Without prejudice to the right of the Parties to pursue other rights in respect of a breach of obligation hereunder, the Parties specifically acknowledge that monetary damages may not be an adequate remedy for violations of this Agreement, and that any Party shall be entitled to equitable relief, including injunctive relief and specific performance, in addition to any other remedies at Law or in equity that it may have, to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable Law and to the extent the party seeking such relief would be entitled on the merits to obtain such relief, each Party waives any objection to the imposition of such relief.

Section 8.11 Arbitration.

(a) Any controversy, claim or dispute arising out of or relating to or in connection with this Agreement, including a dispute regarding the breach, termination, enforceability or validity hereof shall be finally resolved by binding arbitration in London before a panel of three arbitrators. The arbitration shall be administered by the International Chamber of Commerce (the "**ICC**") under its Rules of Arbitration in effect at the time of the arbitration (the "**Rules**"), except as they may be modified herein by agreement of the Parties. The arbitration shall be conducted and the award shall be issued in the English language. Purchaser on the one hand, and the Sellers Agents, on the other hand, shall each nominate one arbitrator in accordance with the Rules. The two party-nominated arbitrators shall nominate a third arbitrator, who shall chair the arbitral tribunal, within thirty (30) days of the confirmation of the appointment of the second arbitrator. At the request of any Party, any arbitrator not timely appointed shall be appointed by the ICC International Court of Arbitration within thirty (30) days of the date of the request. An arbitral tribunal constituted in accordance with this Section 8.11 shall be referred to as a "**Tribunal**." The award of the Tribunal shall be final and binding upon the Parties, and shall not be subject to any appeal or review, except in accordance with the Rules and the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958.

(b) Any Party shall have the right to have recourse to and shall be bound by the Pre-Arbitral Referee Procedure of the ICC in accordance with the Rules for a Pre-Arbitral Referee Procedure. Without prejudice to such provisional remedies as may be available under the Pre-Arbitral Referee Procedure, the Tribunal shall have full authority to award damages for the failure of any Party to respect the Tribunal's orders granting the same relief as the Pre-Arbitral Referee Procedure.

(c) There shall be limited documentary discovery consistent with the expedited nature of arbitration. The Tribunal shall have the authority to award any remedy of relief in accordance with the terms of the Agreement and the Laws of the State of New York including, without limitation, provisional or permanent injunctive relief and specific performance of any obligation created hereunder, except that the Tribunal shall not be empowered to award indirect, consequential, punitive, multiple or exemplary damages, and the Parties hereby waive any right to such damages. Judgment upon the award rendered may be entered in any court having jurisdiction over any of the Parties or any of their assets.

(d) Each of the Parties hereby submits unconditionally to the non-exclusive jurisdiction of the state and federal courts of the State of New York for purposes of (i)

enforcing the agreement to arbitrate pursuant to this Section 8.11, (ii) seeking provisional or ancillary remedies and relief in aid of arbitration and (iii) entry of Judgment upon any arbitral award made pursuant hereto, and waives any objection to the venue of any proceeding in any such court or that any such court provides an inconvenient forum and consents to the service of process upon it in connection with any proceeding instituted under this Section 8.11 in the same manner as provided for the giving of notice hereunder.

(e) Each of the Parties participating in an arbitration pursuant to the terms of this Agreement shall, subject to the award of the Tribunal, pay an equal share of the arbitrators' fees and expenses and the fees and expenses of the ICC. The Tribunal shall have the power to award recovery of all costs (including reasonable attorneys' fees, administrative fees, arbitrators' fees and expenses) to the prevailing Party.

(f) In order to facilitate the comprehensive resolution of related disputes, all claims between any of the Parties that arise under or in connection with this Agreement and/or any other Transaction Document may be brought in a single arbitration. Upon the request of any Party to such arbitration, the arbitral tribunal for such proceeding shall consolidate any arbitration proceeding instituted under this Agreement and/or any other Transaction Document with any other arbitration proceeding instituted under this Agreement and/or any other Transaction Document, if such tribunal determines that (i) there are issues of fact or law common to the proceedings so that a consolidated proceeding would be more efficient than separate proceedings and (ii) no Party would be unduly prejudiced as a result of such consolidation through undue delay or otherwise. In the event of different rulings on this question by the Tribunal constituted hereunder and another arbitral tribunal constituted under this Agreement and/or any other Transaction Document, the ruling of the tribunal constituted first in time shall control. Such tribunal shall serve as the tribunal for any consolidated arbitration, unless any Party objects within twenty (20) days of receipt of the order of consolidation, in which case the ICC International Court of Arbitration shall select three (3) new arbitrators for the consolidated arbitration. Any such order of consolidation issued by such tribunal shall be final and binding upon the parties to the arbitrations. The parties to such arbitrations waive any right they have to appeal or to seek interpretation, revision or annulment of such order of consolidation under the Rules or in any court. The Parties agree that upon receipt of such an order of consolidation, they will promptly dismiss any arbitration brought under this Section 8.11 or any other Transaction Document, the subject of which has been consolidated into another arbitral proceeding under this Section 8.11.

(g) The Parties hereby agree to exclude the applicability of Part I of the Indian Arbitration and Conciliation Act, 1996.

Section 8.12 Sellers' Agent. NB Parties hereby appoint India Newbridge Investments Limited (who may be replaced by the written consent of each of NB Parties with prior notice to Purchaser) (the "**NB Agent**"), and the PN Parties hereby appoint Prasad Nimmagadda (who may be replaced by the written consent of each of the PN Parties with prior notice to Purchaser) (the "**PN Agent**," and, together with the NB Agent and MX, the "**Sellers' Agents**") as its respective sole representative and attorney-in-fact with power to sign, on its respective behalf, all modifications, amendments, consents, notices and waivers related to this Agreement and the other Transaction Documents, and to act on behalf of it and as the

representative with respect to any matter set forth or related to this Agreement or the other Transaction Documents. Any action of any Sellers' Agent shall be evidenced in writing. Subject to the first sentence of this Section 8.12, the appointments and grants of authority and power are coupled with an interest in, and are in consideration of, the mutual covenants made herein. The actions and decisions of each Sellers' Agent are hereby affirmed, ratified, confirmed and approved by its relevant appointing Seller in all respects. Purchaser shall be entitled to rely exclusively upon any communications or writings given or executed by the relevant Sellers' Agent and shall not be liable in any manner whatsoever for any action taken or not taken in reliance upon the actions taken or not taken or communications or writings given or executed by such Sellers' Agent.

Section 8.13 Entire Agreement. This Agreement (together with the other Transaction Documents and the Exhibits and Schedules hereto) constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the Parties with respect to such subject matter hereof; provided, however, that this Agreement shall not supersede the terms and provisions of the Confidentiality Agreement, which shall survive and remain in effect until expiration or termination thereof in accordance with its respective term and this Agreement.

Section 8.14 No Joint and Several Liability. The obligations of the Sellers set forth in this Agreement are individual to each Seller and are not joint and several, and no liability shall be attributed to any particular Seller for the breach of any provision of this Agreement by another Seller.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Share Purchase Agreement to be duly executed as of date first above written.

MYLAN LABORATORIES INC.

By: /s/ Robert J. Coury
Name: Robert J. Coury
Title: Vice Chairman and CEO

MP LABORATORIES (MAURITIUS) LIMITED

By: /s/ Edward J. Borkowski
Name: Edward J. Borkowski
Title: Director

PRASAD NIMMAGADDA

/s/ Prasad Nimmagadda

PRASAD NIMMAGADDA-HUF

By: Prasad Nimmagadda
Name: Prasad Nimmagadda
Title: Karta

G2 CORPORATE SERVICES LIMITED

By: Prasad Nimmagadda
Name: Prasad Nimmagadda
Title: Authorized Signatory

INDIA NEWBRIDGE INVESTMENTS LIMITED

By: /s/ Jeffrey D. Ekberg
Name: Jeffrey D. Ekberg
Title: Director

INDIA NEWBRIDGE PARTNERS FDI LIMITED

By: /s/ Jeffrey D. Ekberg
Name: Jeffrey D. Ekberg
Title: Director

INDIA NEWBRIDGE COINVESTMENT LIMITED

By: /s/ Jeffrey D. Ekberg
Name: Jeffrey D. Ekberg
Title: Director

MAXWELL (MAURITIUS) PTE LIMITED

By: /s/ Tan Suan Swee
Name: Tan Suan Swee
Title: Director

SPANDANA FOUNDATION

By: /s/ Prasad Nimmagadda
Name: Prasad Nimmagadda
Title: Authorized Signatory

SCHEDULE I

List of Sellers[1]

Seller	Number of Sale Shares	Pro Rata Percentage of Shares Outstanding
PRASAD NIMMAGADDA	12,770,010	8.304%
PRASAD NIMMAGADDA-HUF	600,000	0.390%
G2 CORPORATE SERVICES LIMITED	5,222,182	3.396%
INDIA NEWBRIDGE COINVESTMENT LIMITED	7,666,670	4.986%
INDIA NEWBRIDGE PARTNERS FDI LIMITED	4,600,000	2.991%
INDIA NEWBRIDGE INVESTMENTS LIMITED	26,664,550	17.340%
MAXWELL (MAURITIUS) PTE. LIMITED	19,664,560	12.788%
SPANDANA FOUNDATION	2,000,000	1.300%
TOTAL	79,187,972	51.495%

1 Prasad Nimmagadda may transfer Sale Shares among Prasad Nimmagadda – HUF and G2 Corporate Services, Limited, provided that the total number of Sale Shares and Percentage of Shares Outstanding remains unchanged in total, so long as Mr. Prasad obtains the prior written consent of Parent, not to be unreasonably withheld.

EXHIBIT A

Form of Opinion of the Outside Indian Counsel to the Company

On the basis of appropriate and customary assumptions and qualifications, the legal opinion(s) to be delivered at Closing will address each of the following matters (capitalized terms shall have the meaning given to them in the Share Purchase Agreement):

1. Due organization and valid existence of the Company under the Laws of India.

2. The Company has full corporate power to execute and deliver each of the Transactions Documents to which it is a party.

3. The Company has taken all appropriate and necessary corporate actions to approve the Transactions.

4. The execution, delivery and performance of the Company Letter Agreement by the Company, and the consummation of the Transactions to which the Company is a party, will not conflict with any provision of the Company's Articles of Association.

Exhibit 10.3

EXECUTION COPY

SHAREHOLDERS AGREEMENT

BY AND AMONG

INDIA NEWBRIDGE INVESTMENTS LIMITED,

INDIA NEWBRIDGE COINVESTMENT LIMITED,

INDIA NEWBRIDGE PARTNERS FDI LIMITED,

MAXWELL (MAURITIUS) PTE. LTD.,

PRASAD NIMMAGADDA

AND

MYLAN LABORATORIES INC.

DATED AS OF AUGUST 28, 2006

TABLE OF CONTENTS

SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT is made and entered into as of August 28, 2006, by and among Mylan Laboratories Inc., a Pennsylvania corporation (the "**Company**"), India Newbridge Investments Limited, India Newbridge Coinvestment Limited, and India Newbridge Partners FDI Limited, each a private company incorporated under the laws of the Republic of Mauritius (together "**NB**"), Maxwell (Mauritius) Pte. Ltd., a private company incorporated under the laws of the Republic of Mauritius ("**MX**") and Prasad Nimmagadda, an individual residing in India ("**PN**" and, together with NB and MX, the "**Shareholders**"). The Company and the Shareholders are hereinafter collectively referred to as the "**Parties**" and, as appropriate, individually as a "**Party**". Capitalized terms, unless otherwise defined, shall have the meanings assigned to them in Section 1.

WHEREAS, the Company and the Shareholders are parties to certain Share Purchase Agreements, each dated as of August 28, 2006, by and between the Company and each of PN, NB, and MX (the "**Share Purchase Agreements**"), pursuant to which NB, MX and PN each has agreed to purchase from the Company a certain number of shares of the Company's Common Stock, upon the terms and subject to the conditions set forth therein.

WHEREAS, the Company and the Shareholders deem it in their best interest to set forth their agreement regarding certain matters relating to the corporate governance of the Company and to place certain restrictions on, and to provide for the disposition of, that certain number of shares of Common Stock acquired by the Shareholders pursuant to the Share Purchase Agreements, and desire to enter into this Agreement to effectuate those purposes.

In consideration of the mutual covenants and agreements herein contained and other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

Section 1. Certain Definitions.

For purposes of this Agreement, the following terms, when used in this Agreement, shall have the meanings assigned to them in this Section 1. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Share Purchase Agreement.

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly Controls or is Controlled by or is under common control with the specified Person.

"**Agreement**" means this Shareholders Agreement, including all amendments, modifications and supplements and any exhibits or schedules to any of the foregoing, and shall refer to this Shareholders Agreement as the same may be in effect at the time such reference becomes operative.

"**Business Day**" means any day on which commercial banks are open for business, except a Saturday, Sunday or legal holiday on which banking institutions in New York, New York are authorized or obligated by Law or executive order to close.

"**Closing Date**" means the closing date of the relevant Share Purchase Agreement.

"**Common Stock**" means common stock, par value $0.50 per share, of the Company.

"**Company**" has the meaning set forth in the preamble.

"**Company Board"** means the Board of Directors of the Company.

"**Company Director"** means a member of the Company Board.

"**Control**" (including, with correlative meanings, the terms "Controlling" and "Controlled") means the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management or policies of a Person (whether through the ownership of securities, partnership or other ownership interests), by contract or otherwise, including, without limitation, having the power to elect a majority of the board of directors or other governing body of such Person.

"**Delay Period**" has the meaning set forth in Section 2.

"**Disposition**" (including, with correlative meanings, the terms "Dispose", "Disposed", "Disposal" and "Disposing") means any transfer, sale, assignment, exchange, pledge, hypothecation, gift, issuance, distribution, foreclosure or other disposition of any kind, voluntary or by operation of Law or other involuntary means, directly or indirectly, for or without consideration.

"**Effective Period**" has the meaning set forth in Section 2.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Governmental Authority**" means any federal, state, provincial, county, municipal or local government, or any political subdivision of any of the foregoing, or any entity, authority, agency, ministry, commission, tribunal, arbitral body, court or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or quasi-governmental entity established to perform any of these functions.

"**ICC**" has the meaning set forth in Section 11(l)(i).

"**Initial PN Lock-Up Period**" has the meaning set forth in Section 8(b)(i).

"Judgment" means any judgment, writ, order, decree, award or injunction of or by any arbitrator, court, judge, justice or magistrate, including any bankruptcy court or judge, and any order or ruling or action of or by any Governmental Authority.

"Law" means any law (including common law), treaty, statute, ordinance, code, rule, regulation, Judgment, injunction, or determination of any Governmental Authority.

"**Liability**" has the meaning set forth in Section 5(a).

"**Matrix Closing Date**" means the date of the closing of the Matrix share purchase agreement entered into (among others) by the Company and the Shareholders.

"**MX**" has the meaning set forth in the preamble.

"**MX Shares**" means the shares of Common Stock issued to MX pursuant to the relevant Share Purchase Agreement.

"**MX Shareholder**" means MX or any Affiliate of MX or limited partner of MX to whom registration rights are transferred in accordance with Section 7 of this Agreement.

"**NB**" has the meaning set forth in the preamble.

"**NB Shares**" means the shares of Common Stock issued to NB pursuant to the relevant Share Purchase Agreement.

"**NB Shareholder**" means NB or any Affiliate of NB or limited partner of NB to whom registration rights are transferred in accordance with Section 7 of this Agreement.

"**NYSE**" means the New York Stock Exchange, Inc.

"**Person**" means any natural person, limited or unlimited liability company, corporation, partnership (whether limited or unlimited), proprietorship, Hindu undivided family, trust, union, association, Governmental Authority or any other entity that may be treated as a legal person established or existing under applicable Law.

"**Pharmaceutical Business**" means research, development, manufacturing, distribution, sales and marketing of branded and generic pharmaceutical products, including active pharmaceutical ingredients, as conducted by the Company Parties on the date hereof and the activities relating to biogenerics, antiretrovirals and finished dosage form products, as contemplated to be conducted by the Company Parties as of the date hereof.

"**PN**" has the meaning set forth in the preamble.

"**PN Shares**" means the shares of Common Stock issued or to be issued to PN pursuant to the relevant Share Purchase Agreement.

"**PN Shareholder**" means PN or any Affiliate of PN to whom registration rights are transferred in accordance with Section 7 of this Agreement.

"**Prospectus**" means the prospectus or prospectuses forming a part of, or deemed to form a part of, or included in, or deemed included in, any Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Common Stock covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus or prospectuses.

"**Registrable Common Stock**" means (i) any shares of Common Stock issued to the Shareholders pursuant to the Share Purchase Agreements, (ii) any other security into or for which the Common Stock referred to in clause (i) has been converted, substituted or exchanged, and (iii) any security issued or issuable with respect thereto upon any stock dividend or stock split or in connection with a combination of shares, reclassification, recapitalization, merger, consolidation or other reorganization or otherwise.

"**Registration Statement**" means any registration statement of the Company filed with, or to be filed with, the SEC under the rules and regulations promulgated under the Securities Act that covers any of the Registrable Common Stock pursuant to the provisions of this Agreement, including the related Prospectus, amendments and supplements to such Registration Statement, including post-effective amendments, and all exhibits and all materials incorporated by reference in such Registration Statement.

"**Rule 144**" means Rule 144 promulgated by the SEC pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC as a replacement thereto having substantially the same effect as such rule.

"**Rule 415**" means Rule 415 promulgated by the SEC pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC as a replacement thereto having substantially the same effect as such rule.

"**Rules**" has the meaning set forth in Section 11(l)(i).

"**SEC**" means the United States Securities and Exchange Commission.

"**Second PN Lock-Up Period**" has the meaning set forth in Section 8(b)(ii).

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Share Purchase Agreements**" has the meaning set forth in the preamble.

"**Shelf Registration Statement**" has the meaning set forth in Section 2.

"**Shareholders**" has the meaning set forth in the preamble.

"**Suspension Notice**" has the meaning set forth in Section 3(d).

"**Suspension Period**" has the meaning set forth in Section 3(d).

"**Tribunal**" has the meaning set forth in Section 11(l)(i).

Section 2. Shelf Registration Statement.

(a) As promptly as practicable after the Closing Date, the Company shall use its reasonable best efforts to file either (i) a registration statement on Form S-3 or such other form under the Securities Act then available to the Company providing for the resale pursuant to Rule 415 from time to time by such Shareholders of the Registrable Common Stock or (ii) a

prospectus supplement covering the Registrable Common Stock, provided, in the case of clause (ii), that the Company has previously filed and there remains effective a shelf registration statement on Form S-3 or such other form under the Securities Act then available to the Company that permits the Shareholders to sell shares of Registrable Common Stock without the filing of a new registration statement. Such registration statement referred to in clauses (i) and (ii) above, including the Prospectus, amendments and supplements to the shelf registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such shelf registration statement or Prospectus, is hereinafter referred to as the "**Shelf Registration Statement**." The Company shall use its reasonable best efforts to cause the Shelf Registration Statement to be declared effective by the SEC or to become effective as promptly as practicable following such filing in the case of clause (i); provided, however, that the Company may upon giving prompt written notice of such action to the Shareholders postpone the filing or the effectiveness of the Shelf Registration Statement, or the filing of the prospectus referred to in clause (ii) above, if, based on the good faith judgment of the Company Board, such postponement is necessary in order to avoid premature disclosure of a matter the Company Board has determined would not be in the best interest of the Company to be disclosed at such time (a "**Delay Period**"); and provided further, that the Company shall not invoke such Delay Period (A) more than once during any six-month period, (B) for a period exceeding forty-five (45) days on any one occasion or (C) for a period exceeding sixty (60) days in any twelve-month period. Except as previously disclosed to the Shareholders, the Company has no knowledge of any circumstance that would reasonably be expected as of the date hereof to cause it to invoke such Delay Period pursuant to this Section 2.

(b) The Company shall maintain the effectiveness of the Shelf Registration Statement until the earliest to occur of the date (i) on which all shares of Registrable Common Stock have been sold pursuant to the Shelf Registration Statement or sold, transferred or otherwise Disposed of pursuant to Rule 144, (ii) on which all shares of Registrable Common Stock not held by Affiliates of the Company are eligible for sale without registration under the Securities Act pursuant to subparagraph (k) of Rule 144 and all shares of Registrable Common Stock held by Affiliates of the Company have been sold pursuant to Rule 144 or otherwise disposed of, or (iii) on which such shares of Registrable Common Stock shall cease to be outstanding; provided that, in the case of PN, the Company shall maintain the effectiveness of the Shelf Registration Statement for a period of 30 months from the applicable Closing Date or such additional time period as is mutually agreed upon by PN and the Company (the "**Effective Period**"). The plan of distribution contained in the Shelf Registration Statement (or related Prospectus supplement) shall be substantially in the form attached hereto as Exhibit A.

Section 3. Procedures.

(a) In connection with the registration and sale of Registrable Common Stock pursuant to this Agreement, during the Effective Period, the Company shall use its reasonable best efforts to effect the registration and the sale of such Registrable Common Stock in accordance with the Shareholders' intended methods of Disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(i) prepare and file with the SEC, as applicable, (A) a Registration Statement with respect to such Registrable Common Stock and use its reasonable best efforts to cause such Registration Statement to become effective or (B) within fifteen (15) Business Days of receipt of a written request from the Shareholders, the prospectus supplement contemplated in Section 2(b) hereof; and before filing a Registration Statement or Prospectus or any amendments or supplements thereto (including any prospectus supplement for a shelf takedown but not including any report filed or furnished pursuant to the Exchange Act and the rules and regulations promulgated thereunder), furnish to each Shareholder copies of all such documents proposed to be filed, and the Shareholders shall have the opportunity to review and comment thereon, and the Company will make such changes and additions thereto as reasonably requested by the Shareholders within two (2) Business Days after receipt thereof prior to filing any Registration Statement or amendment thereto or any Prospectus or any supplement thereto, unless the Company reasonably objects to such changes and additions;

(ii) prepare and file with the SEC such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for the Effective Period, and, in the case of the Shelf Registration Statement, prepare such Prospectus supplements containing such disclosures as may be reasonably requested by the Shareholders in connection with each shelf takedown;

(iii) furnish to each Shareholder such number of copies of such Registration Statement, each amendment and supplement thereto, each Prospectus (including each preliminary Prospectus and Prospectus supplement) and such other documents as the Shareholders may reasonably request in order to facilitate the Disposition of the Registrable Common Stock, provided, however, that the Company shall have no such obligation to furnish copies of a final prospectus if the conditions of Rule 172(c) under the Securities Act are satisfied by the Company;

(iv) use its reasonable best efforts to register or qualify, not later than the effective date of any filed Registration Statement, such Registrable Common Stock under the securities or blue sky laws of such jurisdictions (domestic or foreign) as the Shareholders reasonably request in writing and do any and all other acts and things that may be reasonably necessary or advisable to enable the Shareholders to consummate the Disposition in such jurisdictions of the Registrable Common Stock; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph (iv), (B) subject itself to taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction;

(v) notify the Shareholders at any time when a Prospectus relating thereto is required to be delivered or made available under the Securities Act, of the occurrence of any event as a result of which any Prospectus contains an untrue

statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading, and the Company shall prepare forthwith a supplement or amendment to such Prospectus so that, as thereafter supplemented and/or amended, such Prospectus shall not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading;

(vi) make available for inspection by the Shareholders and any attorney, accountant or other agent retained by the Shareholders, all financial and other records, pertinent corporate documents and properties of the Company, and use its reasonable best efforts to cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by the Shareholders' attorneys, accountants or agents to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act in connection with such Registration Statement; provided, however, that each Person receiving such information shall agree to take such actions as are reasonably necessary to protect the confidentiality of such information if requested by the Company;

(vii) use its reasonable best efforts to cause all such Registrable Common Stock to be listed on each securities exchange on which securities of the same class issued by the Company are then listed or, if no such similar securities are then listed, on the NYSE or another national securities exchange selected by the Company;

(viii) provide a transfer agent and registrar for all such Registrable Common Stock not later than the effective date of such Registration Statement;

(ix) make generally available to the Shareholders a consolidated earnings statement (which need not be audited) for the twelve (12) months beginning after the effective date of a Registration Statement as soon as reasonably practicable after the end of such period, which earnings statement shall satisfy the requirements of an earnings statement under Section 11(a) of the Securities Act;

(x) obtain a comfort letter from the Company's independent public accountants dated within five (5) Business Days prior to the effective date of the Registration Statement or date of the Prospectus supplement in customary form and covering such matters of the type customarily covered by such comfort letters;

(xi) obtain an opinion of counsel dated the effective date of the Registration Statement or date of the Prospectus supplement in customary form and covering such matters of the type customarily covered by such opinions of counsel.

(xii) promptly notify the Shareholders:

(1) when the Registration Statement, any pre-effective amendment, the Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement has been filed (but not including any report filed or furnished pursuant to the Exchange Act) and, with respect to the Registration Statement or any post-effective amendment, when the same has become effective;

(2) of any written request by the SEC for amendments or supplements to the Registration Statement or any Prospectus or of any inquiry by the SEC relating to the Registration Statement or the Company's status as a well-known seasoned issuer;

(3) of the notification to the Company by the SEC of its initiation of any proceeding with respect to the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement; and

(4) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Common Stock for sale under the applicable securities or blue sky laws of any jurisdiction.

(b) During the Effective Period, the Company shall make available to the Shareholders (i) as soon as reasonably practicable after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of each Registration Statement and any amendments thereto, each preliminary Prospectus and any amendments or supplements thereto, each letter written by or on behalf of the Company to the SEC or the staff of the SEC (or other Governmental Authority or self-regulatory body or other body having jurisdiction, including any domestic or foreign securities exchange), and each item of correspondence from the SEC or the staff of the SEC (or other Governmental Authority or self-regulatory body or other body having jurisdiction, including any domestic or foreign securities exchange), in each case relating to such Registration Statement and (ii) such number of copies of each Prospectus, including a preliminary Prospectus, and all amendments and supplements thereto and such other documents as the Shareholders may reasonably request in order to facilitate the Disposition of the Registrable Common Stock. The Company will, as soon as reasonably practicable, notify the Shareholders of the effectiveness of each Registration Statement or any post-effective amendment or the filing of any supplement or amendment to such Shelf Registration Statement or of any Prospectus supplement. The Company will as soon as reasonably practicable respond to any and all comments received from the SEC, with a view towards causing each Registration Statement or any amendment thereto to be declared effective by the SEC or become effective as soon as reasonably practicable and shall file an acceleration request, if necessary, as soon as reasonably practicable following the resolution or clearance of all SEC comments or, if applicable, following notification by the SEC that any such Registration Statement or any amendment thereto will not be subject to review, if applicable.

(c) The Company may require the Shareholders to furnish to the Company any information regarding the Shareholders and the distribution of such securities as the Company reasonably determines, based on the advice of counsel, is required to be included in any Registration Statement.

(d) The Shareholders agree that, upon notice from the Company of the happening of any event as a result of which the Prospectus included (or deemed included) in such Registration Statement contains an untrue statement of a material fact or omits any material fact necessary to make the statements therein not misleading (a "**Suspension Notice**"), the Shareholders will forthwith discontinue Disposition of Registrable Common Stock pursuant to such Registration Statement for a reasonable length of time until the Shareholders are advised in writing by the Company that the use of the Prospectus may be resumed and is furnished with a supplemented or amended Prospectus as contemplated by Section 3(a) hereof (a "**Suspension Period**"). In any event, the Company shall not be entitled to deliver more than a total of two (2) Suspension Notices or more than the number of notice of Delay Periods permitted pursuant to Section 2(a), provided, that the Suspension Periods under this Section 3(d) and any Delay Periods, as provided under Section 2(a), shall in the aggregate not exceed 135 days. The Company shall immediately notify the Shareholders upon termination of any Delay Period or Suspension Period, and amend or supplement the Shelf Registration Statement, if necessary, so it does not contain any untrue statement or omission and furnish to the Shareholders such number of copies of such Shelf Registration Statement as so amended or supplemented as the Shareholders may reasonably request.

(e) The Company shall not permit any officer, director, broker or any other person acting on behalf of the Company to use any free writing prospectus (as defined in Rule 405 under the Securities Act) in connection with any Registration Statement covering Registrable Common Stock, without the prior written consent of the Shareholders.

(f) The Shareholders shall not use any free writing prospectus (as defined in Rule 405 under the Securities Act) in connection with any Registration Statement covering Registrable Common Stock, without the prior written consent of the Company.

Section 4. Registration Expenses.

(a) The Company shall pay (to the fullest extent permissible by law) all of the expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation (i) all registration and filing fees, and any other fees and expenses associated with filings required to be made with the SEC, the NYSE or any other Governmental Authority or listing authority, (ii) all fees and expenses in connection with compliance with securities or "blue sky" laws, (iii) all translating, printing, duplicating, word processing, messenger, telephone, facsimile and delivery expenses (including expenses of printing certificates for the Registrable Common Stock in a form eligible for deposit with The Depository Trust Company or other similar depository institution and of printing prospectuses), (iv) all reasonable fees and disbursements of counsel for the Company and the Shareholders (which fees and disbursements for counsel for all Shareholders shall not exceed $25,000 per takedown, and $100,000 in the aggregate) and all accountants and other Persons retained by the Company (including the expenses of any special audit and cold comfort letter required by or incident to

such performance), and (v) all fees and expenses similar, equivalent or analogous to those set forth in the preceding sub-clauses (i) through (v) (but not including any commissions or transfer taxes, if any, attributable to the sale of Registrable Common Stock). In addition, in all cases the Company shall pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which they are to be listed.

(b) The obligation of the Company to bear the expenses described in Section 4(a) shall apply irrespective of whether any sales of Registrable Securities ultimately take place.

Section 5. Indemnification.

(a) The Company agrees to indemnify and hold harmless the Shareholders, their partners, directors, officers, Affiliates, agents and representatives and each Person who controls (within the meaning of Section 15 of the Securities Act) the Shareholders from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) (each, a "**Liability**" and collectively, "**Liabilities**"), arising out of or based upon any untrue, or allegedly untrue, statement of a material fact contained in any Registration Statement or Prospectus or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading under the circumstances such statements were made, except insofar as such Liability (i) arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission contained in such Registration Statement or Prospectus in reliance and in conformity with information concerning the Shareholders furnished in writing to the Company by the Shareholders expressly for use therein, (ii) arises out of or is based upon offers or sales effected by the Shareholders "by means of" (as defined in Securities Act Rule 159A) a "free writing prospectus" (as defined in Securities Act Rule 405) that was not authorized in writing by the Company or (iii) was caused by a Shareholder's failure to deliver or make available to such Shareholder's immediate purchaser a copy of the Registration Statement or Prospectus or any amendments or supplements thereto (if the same was required by applicable Law to be delivered or made available); provided, however, the obligations of the Company pursuant to this Section 5 shall not apply to amounts paid in settlement of any such claims, losses, damages or liabilities (or actions in respect thereof) if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed).

(b) The Shareholders agree severally and not jointly to indemnify and hold harmless the Company, its directors, officers, Affiliates, agents and representatives, and each Person who controls the Company (within the meaning of Section 15 of the Securities Act) to the same extent as the foregoing indemnity from the Company to the Shareholders, but only (i) if such statement or alleged statement or omission or alleged omission was made solely in reliance upon and in conformity with information with respect to the Shareholders furnished in writing to the Company by the Shareholders expressly for use in such Registration Statement or Prospectus or (ii) for any Liability which arises out of or is based upon offers or sales by the Shareholders "by means of" (as defined in Securities Act Rule 159A) a "free writing prospectus" (as defined in Securities Act Rule 405) that was not authorized in writing by the Company; provided, however,

that (x) each Shareholder shall not be liable pursuant to this Section 5 for any amounts in excess of the net proceeds received by such Shareholder from the sale of Common Stock owned by such Shareholders through registration pursuant to this Agreement and (y) the obligations of the Shareholders pursuant to this Section 5 shall not apply to amounts paid in settlement of any such claims, losses, damages or liabilities (or actions in respect thereof) if such settlement is effected without the consent of the Shareholders (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) Any Person entitled to indemnification pursuant to this Section 5 shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel (in addition to any local counsel) for each of the PN Shareholders, the NB Shareholders, and the MX Shareholders indemnified by such indemnifying party with respect to such claim. Failure to give prompt written notice shall not release the indemnifying party from its obligations hereunder except to the extent the indemnifying party is materially prejudiced by such failure to give notice. An indemnifying party will not, without the prior written consent of the indemnified parties (such consent not to be unreasonably withheld, delayed or conditioned), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim). For the avoidance of doubt, the indemnified parties will continue to be entitled to indemnification pursuant to this Section 5 in the event that such settlement, compromise or consent does not include an unconditional release of such indemnified party from all liability arising out of such claim.

(d) The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of securities by such indemnified party to another Person.

(e) If the indemnification provided for pursuant to this Section 5 is due in accordance with the terms hereof, but is held by a court of competent jurisdiction to be unavailable or unenforceable in respect of any losses, claims, damages, liabilities or expenses referred to herein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified Person as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that result in such losses, claims, damages, liabilities or expenses as well as any other relevant equitable considerations. The relative fault of the indemnifying party on the one hand and of the indemnified party on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement

of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party, and by such party's relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. In no event shall an individual Shareholder be liable for any amounts in excess of the net proceeds received by such Shareholder from the sale of Common Stock owned by such Shareholder pursuant to this Agreement.

Section 6. Rule 144.

The Company covenants that it will, at its own expense, file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder, and it will take such further action as the Shareholders may reasonably request to make available adequate current public information with respect to the Company meeting the current public information requirements of Rule 144(c) under the Securities Act, to the extent required to enable the Shareholders to sell Registrable Common Stock without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time or (b) any similar rule or regulation hereafter adopted by the SEC. Upon the request of the Shareholders, the Company will deliver to the Shareholders a written statement as to whether it has complied with such information requirements and, if not, the specifics thereof.

Section 7. Transfer of Registration Rights.

The Shareholders may not transfer or assign all or any portion of their then remaining rights under this Agreement (except by operation of Law pursuant to a merger or similar business combination) without the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed); provided, however, that the Shareholders may assign their rights and obligations hereunder (in whole or in part) to a 100% owned (directly or indirectly) Affiliate of such Shareholder or a limited partner of such Shareholder provided such Affiliate or limited partner agrees in writing with the Company to be bound by this Agreement as fully as if it were an initial signatory hereto, and any such transferee may thereafter make corresponding assignments in accordance with this proviso but only to other 100% owned (directly or indirectly) Affiliates or limited partners of the Shareholders. For purposes of clarity, any assignee permitted by the preceding sentence must remain a 100% owned (directly or indirectly) Affiliate of the Shareholder or limited partner of the Shareholder. In the event any shares of Registrable Common Stock are transferred to one or more 100% (directly or indirectly) owned Affiliates or limited partners in a manner permitted by this Agreement, the Shareholders shall notify the Company in writing of a single Person that shall be the authorized representative to receive notices and take all actions on behalf of the Shareholders and/or their respective permitted 100% owned (directly or indirectly) Affiliate assignees or limited partners. The Company shall file a supplement to the Registration Statement or Prospectus for the purpose of naming additional PN Shareholders, MX Shareholders and NB Shareholders; provided that the Company shall not be required to file more than six (6) supplements to the Registration Statement or Prospectus per 12 month period for the purpose of naming such additional Shareholders.

Section 8. Restrictions on Transferability.

(a) NB Shares; MX Shares. Notwithstanding anything to the contrary contained in this Agreement or the Share Purchase Agreements, NB and MX shall not be restricted in any way from Disposing of all or any portion of the NB Shares and the MX Shares, respectively, except as provided by applicable securities laws.

(b) PN Shares. Notwithstanding anything to the contrary contained in this Agreement or the Share Purchase Agreements:

(i) for a period of one (1) year following the Matrix Closing Date (the "**Initial PN Lock-Up Period**"), PN shall not, except with the prior written consent of the Company (A) directly or indirectly Dispose, or offer or agree to Dispose, of any PN Shares, (B) enter into a transaction which would have the same effect, or (C) enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any PN Shares, whether any such aforementioned transaction is to be settled by delivery of any PN Shares or other securities, in cash or otherwise;

(ii) for a period of one (1) year following the expiration of the Initial PN Lock-Up Period (the "**Second PN Lock-Up Period**"), PN shall not, except with the prior written consent of the Company, (A) directly or indirectly Dispose, or offer or agree to Dispose, of more than 599,520 of the PN Shares (together with any transactions entered into pursuant to clauses (B) and (C)), (B) enter into a transaction which would have the same effect, or (C) enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of more than 599,520 of the PN Shares (together with any transactions entered into pursuant to clauses (A) and (B)), whether any such aforementioned transaction is to be settled by delivery of any PN Shares or other securities, in cash or otherwise; and

(iii) following the expiration of the Second PN Lock-Up Period, PN shall not be restricted in any way from Disposing of all or any portion of any remaining PN Shares, except as provided by applicable securities laws.

Notwithstanding the foregoing, PN may transfer his shares through inheritance in the event of his death so long as his heirs abide by the terms and obligations of PN under this Agreement.

(c) To the full extent of its powers under applicable Law, the Company shall refrain from taking any action that would or could be viewed as recognizing or acknowledging any Disposition of Common Stock in violation of the terms and conditions of this Agreement or the Share Purchase Agreements.

Section 9. Corporate Governance; Non-Competition.

(a) As soon as practicable following the Closing Date under the Share Purchase Agreement with PN, the Company shall use its reasonable best efforts to cause PN to be

appointed as a Company Director. The Company shall use its reasonable best efforts to cause PN to be nominated or renominated to the Company Board, as the case may be, at the first two elections of Company Directors following the Closing, so long as PN owns at least 599,520 shares of Common Stock.

(b) In consideration for entering into the Transactions with the Company, PN, for a period beginning on the Matrix Closing Date and ending on the later of (i) the third anniversary of the Matrix Closing Date, (ii) two years following the time at which PN is no longer on the board of directors of the Company and (iii) two years following the date or which PN is no longer an employee of the Company, PN and any entity directly or indirectly Controlled by PN, shall not directly or indirectly:

(i) engage in, continue in or carry on any Pharmaceutical Business, including owning any Controlling financial interest in any corporation, partnership, firm, entity or other form of business organization which is so engaged;

(ii) consult with, advise or assist in any way, whether or not for consideration, any corporation, partnership, firm, entity or other form of business organization which engages or carries out any Pharmaceutical Business and is now or becomes a competitor of the Company or their respective Affiliates, in any aspect, including advertising or otherwise endorsing the products of any intermediary for any such competitor, loaning money or rendering any other form of financial assistance to or engaging in any form of business transaction on other than an arm's length basis with any such competitor; or

(iii) engage in any practice the purpose or effect of which is to evade the provisions of this Section 9(b);

provided, however, that the foregoing shall not prohibit actions by PN contemplated in this Agreement or the other Transaction Documents or the ownership of securities of corporations which are listed on a national securities exchange or traded in a national over-the-counter market in an amount which shall not exceed 5% of the outstanding shares of any such corporation. The Company and PN agree that the geographic scope of this covenant not to compete shall extend throughout the U.S., Europe and Asia, and the Parties acknowledge that such territory is reasonable in light of the respective businesses of the Company and its Affiliates. In the event that a court of competent jurisdiction determines that the provisions of this covenant not to compete are excessively broad as to duration, geographical scope or activity, it is expressly agreed that this covenant not to compete shall be construed so that the remaining provisions shall not be affected but shall remain in full force and effect, and any such over-broad provisions shall be deemed, without further action on the part of any Person, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable in such jurisdiction. For the avoidance of doubt, PN shall not be restricted from making investments in any businesses not in the Pharmaceutical Business.

Section 10. Term, Termination.

This Agreement shall become effective immediately following the first Closing under a Share Purchase Agreement and shall automatically terminate and be of no further force or effect with respect to any Shareholder, without any further action on the part of any of the parties, upon the date on which such Shareholder or any of their Affiliates ceases to own any Company Stock.

Section 11. Miscellaneous.

(a) Representations and Warranties. Each of the Parties hereby represents and warrants to and for the benefit of the other Parties as follows:

(i) it (if such Party is a legal entity) is duly organized, validly existing and in good standing as a legal entity under the laws of the respective jurisdiction of its organization;

(ii) it has full power and authority, and PN has the requisite legal capacity, to execute and deliver this Agreement executed or to be executed by it and to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by each of the Parties and constitutes a legal, valid and binding obligation of each Party enforceable against it in accordance with its terms. There is no beneficiary or holder of a voting trust certificate or other interest of any trust of which such Party is a trustee, or any party to any other agreement or arrangement, whose consent is required for the execution and delivery of this Agreement or the consummation by such Party of the transactions contemplated hereby;

(iii) none of the execution and delivery by such Party of this Agreement, the consummation of the transactions contemplated by this Agreement or compliance by such Party with any of the provisions hereof will conflict with, result in a breach of or constitute a default under any contract, charter document (if such Party is a legal entity), agreement or instrument to which it is a party; and

(iv) no consent, waiver, approval, order, permit or authorization or declaration or filing with, or notification to, any Person or Governmental Authority is required on the part of such Party in connection with the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement or the compliance by such Party with any of the provisions hereof.

(b) Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally, when sent by confirmed cable, telecopy, telegram or facsimile, when sent by overnight courier service or when mailed by certified or registered mail, return receipt requested, with postage prepaid to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

If to the Company:

Mylan Laboratories Inc.
1500 Corporate Drive
Canonsburg, Pennsylvania 15317
Attn: Chief Legal Officer
Fax: (724) 514-1870

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Attn: Eric L. Cochran
Marie L. Gibson
Fax: (212) 735-2000

If to NB:

India Newbridge Investments Limited
301 Commerce Street, Suite 330
Fort Worth, TX 76102 U.S.A.
Attn: Jeffrey D. Ekberg
Fax: (817) 850-4084

with a copy (which shall not constitute notice) to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attn: Daniel S. Sternberg
David I. Gottlieb
Fax: (212) 225-3999

If to MX:

Maxwell (Mauritius) Pte. Limited
c/o Temasek Holdings
06-18 Tower the Atrium
Orchard 60B Orchard Road
Singapore
Attn: Tan Suan Swee
Fax: +65 6829 6199

with a copy (which shall not constitute notice) to:

Cleary Gottlieb Steen & Hamilton LLP

One Liberty Plaza
New York, New York 10006
Attn: Daniel S. Sternberg
David I. Gottlieb
Fax: (212) 225-3999

If to PN:

Mr. Prasad Nimmagadda
Plot No. D-19, Gayatri Arcade,
Vikrampuri,
Kharkhana
Secunderabad - 500 009, India
Fax: +91 90 663 366 01

with a copy (which shall not constitute notice) to:

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attn: Daniel S. Sternberg
David I. Gottlieb
Fax: (212) 225-3999

If to a transferee Shareholder, to the address of such transferee Shareholder set forth in the transfer documentation provided to the Company.

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, facsimile transmission, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient.

(c) Fees and Expenses. Except as otherwise expressly provided in this Agreement, each Party shall bear its respective costs and expenses (including investment advisory and legal fees and expenses) incurred in connection with the preparation, negotiation and execution of this Agreement and the transactions contemplated hereby, including all fees and expenses of agents, representatives, counsel and accountants.

(d) Publicity. Except as required by Law or by obligations pursuant to any listing agreement with any stock exchange on which any securities of the Company are listed or quoted or any requirement of any other Governmental Authority, none of the Parties (nor any of their respective Affiliates) shall, without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed, make any public announcement or issue any press release with respect to the transactions contemplated in this Agreement. Prior to making any public disclosure required by applicable Law or pursuant to any listing agreement with or the requirement of any stock exchange on which any securities of the Company are listed or quoted or

any requirement of any other Governmental Authority, the disclosing Party shall consult with the other Parties, to the extent feasible, as to the content and timing of such public announcement or press release with respect to the transactions contemplated in this Agreement. Unless otherwise agreed in writing by the other Parties, no Party shall, directly or indirectly, disclose or permit the disclosure of, the content of this Agreement or the other Transaction Documents or any of the terms or conditions regarding the transactions contemplated herein and therein, except (a) to representatives of the Shareholders or the Company in connection with such transactions, (b) to financial institutions, banks and sources of equity whose consent or financing will be obtained for the Transactions, (c) as may already be in the public domain other than as a result of a breach of this Section 11(d) by any Party and (d) as may be compelled in a judicial or administrative proceeding or as otherwise required by Law (in which case the disclosing Party shall notify the other Parties in writing promptly thereof).

(e) Amendment; Waiver. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Parties. No waiver shall be effective hereunder unless contained in a writing signed by the Party sought to be charged with such waiver. Except as otherwise expressly provided herein, no failure to exercise, delay in exercising, or single or partial exercise of any right, power or remedy by any Party, and no course of dealing between the Parties, shall constitute a waiver of any such right, power or remedy. No waiver by a Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(f) Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns and is for the sole benefit of the Parties and their respective successors and permitted assigns. If the outstanding Common Stock is converted into or exchanged or substituted for other securities issued by any other Person, as a condition to the effectiveness of the merger, consolidation, reclassification, share exchange or other transaction pursuant to which such conversion, exchange, substitution or other transaction takes place, such other Person shall automatically become bound hereby with respect to such other securities constituting Registrable securities and, if requested by the Shareholders or a permitted transferee, shall further evidence such obligation by executing and delivering to the Shareholders and such transferee a written agreement to such effect in form and substance satisfactory to the Shareholders. Nothing in this Agreement, expressed or implied, is intended to confer upon any Person other than the Parties or their respective successors and permitted assigns any rights, benefits, remedies, obligations or liabilities under or by reason of this Agreement. No assignment of this Agreement or of any rights or obligations hereunder may be made by any Party (by operation of Law or otherwise) without the prior written consent of the other Parties (which consent shall not be unreasonably withheld, conditioned, or delayed), and any attempted assignment without the required consents shall be void. Notwithstanding the foregoing, the Shareholders may, after informing the Company in writing, assign this Agreement, in whole or in part, to any of their Affiliates or limited partners, but in no event shall any such assignment release the Shareholders from their obligations hereunder.

(h) Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is held by a court of competent jurisdiction to be invalid, void or

unenforceable, the remaining provisions hereof, or the application of such provision outside of the jurisdiction of such court or to Persons or circumstances other than those as to which it has been held invalid, void or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to constitute one and the same agreement. In addition to any other lawful means of execution or delivery, this Agreement may be executed by facsimile signatures and may be delivered by the exchange of counterparts of signature pages by means of telecopier transmission.

(j) Governing Law. This Agreement shall be governed by, and construed in accordance with the substantive the Laws of the State of New York, regardless of the Laws that might otherwise govern under applicable principles of conflict of Laws thereof.

(k) Specific Performance. Without prejudice to the right of the Parties to pursue other rights in respect of a breach of obligation hereunder, the Parties specifically acknowledge that monetary damages may not be an adequate remedy for violations of this Agreement, and that any Party shall be entitled to equitable relief, including injunctive relief and specific performance, in addition to any other remedies at Law or in equity that it may have, to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable Law and to the extent the party seeking such relief would be entitled on the merits to obtain such relief, each Party waives any objection to the imposition of such relief.

(l) Arbitration.

(i) Any controversy, claim or dispute arising out of or relating to or in connection with this Agreement, including a dispute regarding the breach, termination, enforceability or validity hereof shall be finally resolved by binding arbitration in London before a panel of three arbitrators. The arbitration shall be administered by the International Chamber of Commerce (the "**ICC**") under its Rules of Arbitration in effect at the time of the arbitration (the "**Rules**"), except as they may be modified herein by agreement of the Parties. The arbitration shall be conducted and the award shall be issued in the English language. The Company on the one hand, and the Shareholders, on the other hand, shall each nominate one arbitrator in accordance with the Rules. The two party-nominated arbitrators shall nominate a third arbitrator, who shall chair the arbitral tribunal, within thirty (30) days of the confirmation of the appointment of the second arbitrator. At the request of any Party, any arbitrator not timely appointed shall be appointed by the ICC International Court of Arbitration within thirty (30) days of the date of the request. An arbitral tribunal constituted in accordance with this Section 11(l) shall be referred to as a "**Tribunal**". The award of the Tribunal shall be final and binding upon the Parties, and shall not be subject to any appeal or review, except in accordance with the Rules and the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958.

(ii) Any Party shall have the right to have recourse to and shall be bound by the Pre-Arbitral Referee Procedure of the ICC in accordance with the Rules for a Pre-Arbitral Referee Procedure. Without prejudice to such provisional

remedies as may be available under the Pre-Arbitral Referee Procedure, the Tribunal shall have full authority to award damages for the failure of any Party to respect the Tribunal's orders granting the same relief as the Pre-Arbitral Referee Procedure.

(iii) There shall be limited documentary discovery consistent with the expedited nature of arbitration. The Tribunal shall have the authority to award any remedy of relief in accordance with the terms of the Agreement and the Law of the State of New York including, without limitation, provisional or permanent injunctive relief and specific performance of any obligation created hereunder, except that the Tribunal shall not be empowered to award indirect, consequential, punitive, multiple or exemplary damages, and the Parties hereby waive any right to such damages. Judgment upon the award rendered may be entered in any court having jurisdiction over any of the Parties or any of their assets.

(iv) Each of the Parties hereby submits unconditionally to the non-exclusive jurisdiction of the state and federal courts of the State of New York for purposes of (i) enforcing the agreement to arbitrate pursuant to this Section 12(l), (ii) seeking provisional or ancillary remedies and relief in aid of arbitration and (iii) entry of Judgment upon any arbitral award made pursuant hereto, and waives any objection to the venue of any proceeding in any such court or that any such court provides an inconvenient forum and consents to the service of process upon it in connection with any proceeding instituted under this Section 11(l) in the same manner as provided for the giving of notice hereunder.

(v) Each of the Parties participating in an arbitration pursuant to the terms of this Agreement shall, subject to the award of the Tribunal, pay an equal share of the arbitrators' fees and expenses and the fees and expenses of the ICC. The Tribunal shall have the power to award recovery of all costs (including reasonable attorneys' fees, administrative fees, arbitrators' fees and expenses) to the prevailing Party.

(vi) The Parties hereby agree to exclude the applicability of Part I of the Arbitration and Conciliation Act, 1996 to arbitration under this Section 11(l).

(vii) In order to facilitate the comprehensive resolution of related disputes, all claims between any of the Parties that arise under or in connection with this Agreement and/or any other Transaction Document may be brought in a single arbitration. Upon the request of any Party to such arbitration, the arbitral tribunal for such proceeding shall consolidate any arbitration proceeding instituted under this Agreement and/or any other Transaction Document with any other arbitration proceeding instituted under this Agreement and/or any other Transaction Document, if such tribunal determines that (i) there are issues of fact or law common to the proceedings so that a consolidated proceeding would be more efficient than separate proceedings and (ii) no Party would be unduly prejudiced as a result of such consolidation through undue delay or otherwise. In the event of different rulings on this question by the Tribunal constituted

hereunder and another arbitral tribunal constituted under this Agreement and/or any other Transaction Document, the ruling of the tribunal constituted first in time shall control. Such tribunal shall serve as the tribunal for any consolidated arbitration, unless any Party objects within twenty (20) days of receipt of the order of consolidation, in which case the ICC International Court of Arbitration shall select three (3) new arbitrators for the consolidated arbitration. Any such order of consolidation issued by such tribunal shall be final and binding upon the parties to the arbitrations. The parties to such arbitrations waive any right they have to appeal or to seek interpretation, revision or annulment of such order of consolidation under the Rules or in any court. The Parties agree that upon receipt of such an order of consolidation, they will promptly dismiss any arbitration brought under this Section 11(l) or any other Transaction Document, the subject of which has been consolidated into another arbitral proceeding under this Section 12(l).

(m) Interpretation. This Agreement is to be interpreted in accordance with the following rules of construction:

(i) All definitions of terms apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

(ii) The words “include,” “includes” and “including” are deemed to be followed by the phrase “without limitation.” The words “herein”, “hereto”, “hereof’, and “hereunder” and words of similar import refer to this Agreement in its entirety and are not limited to any part hereof unless the context shall otherwise require. The word “or” is not exclusive and means “and/or.”

(iii) All references in this Agreement to Articles, Sections and subsections are, respectively, references to Articles, Sections and subsections of this Agreement, unless otherwise specified.

(iv) All references to any Transaction Document are to such document as amended, modified or supplemented from time to time in accordance with its terms. All references to any other agreement or instrument or any requirement of Law, license or similar item are to it as amended and supplemented from time to time (and, in the case of a Law, to any corresponding provisions of successor Laws), unless otherwise specified.

(v) Any reference in this Agreement to a “day” or number of “days” (without the explicit qualification “business”) is a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a business Day, then such action or notice may be taken or given on the next business Day.

(vi) In the case of any time, period or date referred to in any provision of this Agreement, time shall be of the essence.

(vii) Any reference in this Agreement to "Rs." means Rupees, the lawful currency of India, or its equivalent in any other currency.

(viii) References to "dollars" or "$" are to U.S. dollars.

(ix) The Parties and their respective legal counsel have participated in the drafting of this Agreement, and this Agreement will be construed simply and according to its fair meaning and without any presumption or prejudice for or against any Party.

(x) The table of contents, section headings and bold face type contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(n) Entire Agreement. This Agreement (together with the other Transaction Documents) constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Shareholders Agreement has been duly executed by each of the parties hereto as of the date first written above.

Mylan Laboratories Inc.

By: /s/ Robert J. Coury
Name: Robert J. Coury
Title: Vice Chairman and CEO

Prasad Nimmagadda

By: /s/ Prasad Nimmagadda

India Newbridge Investments Limited

By: /s/ Jeffrey D. Ekberg
Name: Jeffrey D. Ekberg
Title: Director

India Newbridge Coinvestment Limited

By: /s/ Jeffrey D. Ekberg
Name: Jeffrey D. Ekberg
Title: Director

India Newbridge Partners FDI Limited

By: /s/ Jeffrey D. Ekberg
Name: Jeffrey D. Ekberg
Title: Director

Maxwell (Mauritius) Pte. Ltd.

By: /s/ Tan Suan Swee
Name: Tan Suan Swee
Title: Director

EXHIBIT A

Plan of Distribution

_____ is registering the shares of common stock covered by this prospectus for the selling shareholder. As used in this prospectus, "selling shareholder" includes the donees, transferees, pledgees or others who may later hold the selling shareholder's interests. Pursuant to a Shareholders Agreement, dated as of [first Closing Date], _____ agreed to register the common stock owned by the selling shareholder and to indemnify the selling shareholder against certain liabilities related to the selling of the common stock, including liabilities arising under the Securities Act. Under the Shareholders Agreement, _____ also agreed to pay the costs and fees of registering the shares of common stock; however, the selling shareholder will pay any brokerage commissions relating to the sale of the shares of common stock.

The selling shareholder may sell the common stock being offered hereby in one or more of the following ways at various times:

- directly to investors; or
- through agents to the public or to investors.

The selling shareholder may offer its shares of common stock in one or more offerings pursuant to one or more prospectus supplements, if required by applicable law, and any such prospectus supplement will set forth the terms of the relevant offering to the extent required. To the extent the shares of common stock offered pursuant to a prospectus supplement remain unsold, the selling shareholder may offer those shares of common stock on different terms pursuant to another prospectus supplement.

The selling shareholder will act independently of _____ in making decisions with respect to the timing, manner and size of each sale. The selling shareholder may sell the common stock in transactions:

- on the New York Stock Exchange or any other national securities exchange or quotation system on which the common stock may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on these exchanges or services or in the over-the-counter market; or
- through the writing and exercise of options, whether these options are listed on any options exchange or otherwise.

The securities may be sold:

- at fixed prices;

- at market prices prevailing at the time of sale;
- at prices related to the prevailing market prices;
- at varying prices determined at the time of sale; or
- at negotiated prices.

A distribution of the common stock by the selling shareholder may also be effected through the issuance by the selling shareholder or others of derivative securities, including without limitation, warrants, exchangeable securities, forward delivery contracts and the writing of options.

In addition, the selling shareholder may sell some or all of the shares of common stock covered by this prospectus through:

- a block trade in which a broker-dealer will attempt to sell as agent, but may position or resell a portion of the block, as principal, in order to facilitate the transaction;
- purchases by a broker-dealer, as principal, and resale by the broker-dealer for its account;
- ordinary brokerage transactions and transactions in which a broker solicits purchasers; or
- privately negotiated transactions.

The selling shareholder may also enter into hedging transactions. For example, the selling shareholder may:

- enter into transactions with a broker-dealer or affiliate thereof in connection with which such broker-dealer or affiliate will engage in short sales of the common stock pursuant to this prospectus, in which case such broker-dealer or affiliate may use shares of common stock received from the selling shareholder to close out its short positions;
- sell common stock short itself and redeliver such shares to close out its short positions;
- enter into option or other types of transactions that require the selling shareholder to deliver common stock to a broker-dealer or an affiliate thereof, who will then resell or transfer the common stock under this prospectus; or
- loan or pledge the common stock to a broker-dealer or an affiliate thereof, who may sell the loaned shares or, in an event of default in the case of a pledge, sell the pledged shares pursuant to this prospectus.

In addition, _____ may enter into derivative or hedging transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated

transactions. In connection with such a transaction, the third parties may sell securities covered by and pursuant to this prospectus and an applicable prospectus supplement. If so, the third party may use securities borrowed from _____ or others to settle such sales and may use securities received from _____ to close out any related short positions. _____ may also loan or pledge securities covered by this prospectus and an applicable prospectus supplement to third parties, who may sell the loaned securities or, in an event of default in the case of a pledge, sell the pledged securities pursuant to this prospectus and the applicable prospectus supplement.

The applicable prospectus supplement will set forth the terms of the offering of the common stock covered by this prospectus, including:

- the name or names of any dealers or agents and the amounts of securities purchased by each of them, if any; and
- the public offering price of the common stock and the proceeds to the selling shareholder and any discounts, commissions or concessions or other items constituting compensation allowed, reallowed or paid to dealers or agents, if any.

Any public offering price and any discounts, commissions, concessions or other items constituting compensation allowed or reallowed or paid to dealers or agents may be changed from time to time.

The selling shareholder may negotiate and pay broker-dealers' commissions, discounts or concessions for their services. Broker-dealers engaged by the selling shareholder may allow other broker-dealers to participate in resales. The selling shareholder and any broker-dealers involved in the sale or resale of the common stock may qualify as "underwriters" within the meaning of Section 2(a)(11) of the Securities Act. In addition, the broker-dealers' commissions, discounts or concessions may qualify as underwriters' compensation under the Securities Act. If the selling shareholder qualifies as an "underwriter," it will be subject to the prospectus delivery requirements of Section 5(b)(2) of the Securities Act.

In addition to selling its common stock under this prospectus, the selling shareholder may:

- agree to indemnify any broker-dealer or agent against certain liabilities related to the selling of the common stock, including liabilities arising under the Securities Act;
- transfer its common stock in other ways not involving market makers or established trading markets, including directly by gift, distribution, or other transfer;
- sell its common stock under Rule 144 of the Securities Act rather than under this prospectus, if the transaction meets the requirements of Rule 144; or
- sell its common stock by any other legally available means.

Exhibit 31.1

Certification of CEO Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert J. Coury, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mylan Laboratories Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period[s] presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert J. Coury
Robert J. Coury
Chief Executive Officer

Date: November 3, 2006

Exhibit 31.2

Certification of CFO Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Edward J. Borkowski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mylan Laboratories Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period[s] presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Edward J. Borkowski
Edward J. Borkowski
Chief Financial Officer

Date: November 3, 2006

Exhibit 32

CERTIFICATION of CEO and CFO PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Mylan Laboratories Inc. (the "Company") for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert J. Coury
Robert J. Coury
Chief Executive Officer

Date: November 3, 2006

/s/ Edward J. Borkowski
Edward J. Borkowski
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished in accordance with Securities and Exchange Commission Release No. 34-47551 and shall not be considered filed as part of the Form 10-Q.