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ICN PHARMACEUTICALS INC  
Form 10-K/A  
June 29, 2001

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K/A

(AMENDMENT NO. 3)

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

FOR THE YEAR ENDED DECEMBER 31, 2000.

COMMISSION FILE NUMBER 1-11397

ICN PHARMACEUTICALS, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

33-0628076  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

3300 HYLAND AVENUE, COSTA MESA, CALIFORNIA  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

92626  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (714) 545-0100

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
COMMON STOCK, \$.01 PAR VALUE (INCLUDING ASSOCIATED PREFERRED STOCK PURCHASE RIGHTS)	NEW YORK STOCK EXCHANGE
9 1/4% SENIOR NOTES DUE 2005	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:  
NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the

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best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the Registrant's voting stock held by non-affiliates of the Registrant on March 12, 2001, was approximately \$1,870,154,941.

The number of outstanding shares of the Registrant's common stock as of March 12, 2001 was 80,236,646.

### DOCUMENTS INCORPORATED BY REFERENCE

NONE

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### EXPLANATORY NOTE

This Amendment No. 3 on Form 10-K/A to the Annual Report on Form 10-K of ICN Pharmaceuticals, Inc. filed on April 2, 2001 amends Item 7, Item 8 and Item 14 for the purpose of among other things amending certain disclosures in response to comments received from the Securities and Exchange Commission.

The amendment to Item 7 restates in its entirety the third paragraph under "Year Ended December 31, 2000 Compared to 1999" and restates in its entirety the eighth and ninth paragraph and adds the tenth paragraph under "Liquidity and Capital Resources." The amendment to Item 8 restates in its entirety the third to last paragraph of Note 6 and the third and fourth paragraphs of Note 12. Item 14 was amended to amend the description of Exhibits 10.8, 10.32 through 10.39 and Exhibit 21. In addition, the text of Exhibit 23 was revised. Other than these amendments, Items 7, 8 and 14 remain in the same form as initially filed.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS

Certain financial information for the Company's business segments is set

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forth below. This discussion should be read in conjunction with the consolidated financial statements of the Company included elsewhere in this document. For additional financial information by business segment, see Note 13 of Notes to Consolidated Financial Statements for the year ended December 31, 2000.

	REVENUE		
	2000	1999	1998
<b>REVENUES:</b>			
Pharmaceuticals			
North America.....	\$275,687	\$254,694	\$182,778
Western Europe.....	187,206	185,417	154,346
Latin America.....	127,485	100,325	85,351
Russia.....	106,271	91,648	163,691
Yugoslavia.....	--	--	141,740
Asia, Africa, Australia.....	45,133	54,131	48,649
Total Pharmaceuticals.....	741,782	686,215	776,555
Biomedicals.....	58,522	61,197	61,509
Total revenues.....	\$800,304	\$747,412	\$838,064
Product sales.....	\$645,190	\$638,475	\$800,639
Royalty revenues.....	155,114	108,937	37,425
Total revenues.....	\$800,304	\$747,412	\$838,064
Cost of product sales.....	\$262,818	\$256,146	\$353,600
Gross profit margin on product sales.....	59%	60%	56%

### YEAR ENDED DECEMBER 31, 2000 COMPARED TO 1999

**Royalty Revenues:** Royalty revenues represent amounts earned under the Company's Exclusive License and Supply Agreement (the "License Agreement") with Schering-Plough. Under the License Agreement, Schering-Plough licensed all oral forms of ribavirin for the treatment of chronic hepatitis C ("HCV") in combination with Schering-Plough's alpha interferon (the "Combination Therapy"). In 1998, Schering-Plough received approval from the United States Food and Drug Administration ("FDA") to market Rebetron(TM) Combination Therapy. Rebetron(TM) combines Rebetol(R) (ribavirin) Capsules and Intron(R)A (interferon alfa-2b, recombinant) Injection, for the treatment of HCV in patients with compensated liver disease. In May 1999, the European Union's ("EU") Commission of the European Communities granted marketing authorization to Schering-Plough to market Rebetol(R) (ribavirin) Capsules for use in combination with interferon alfa-2b injection (marketed as Intron(R)A in certain countries) for the treatment of both relapsed and previously untreated (naive) HCV patients. The Commission's approval resulted in a single Marketing Authorization with unified labeling was immediately valid in all 15 European Union-Member States. Schering-Plough commenced marketing Rebetol(R) in Germany (May 1999), the United Kingdom (July 1999), Italy (October 1999), France (May 2000) and Spain (May 2000). The Company anticipates that Schering-Plough will introduce Rebetol(R) in the other EU markets upon receiving pricing approvals, where necessary, from individual EU countries.

Royalty revenues for the year ended December 31, 2000 were \$155,114,000 compared to \$108,937,000 for 1999, an increase of 42%, reflective of additional sales of Rebetron(TM) by Schering-Plough resulting from the 1999 and 2000

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launches into certain European markets.

Schering-Plough has informed the Company that it believes royalties for the fourth quarter should not include royalties of approximately \$1,800,000 on products distributed as part of an indigent patient marketing program. It also informed the Company that amounts that had previously been paid under this program, which they estimate to be approximately \$11,900,000, should be returned to Schering-Plough. In raising the dispute, Schering-Plough has not clearly articulated a contractual basis for the nonpayment of royalties. Rather it has based its arguments on primarily moral or humanitarian grounds, essentially equitable arguments, indicating that they believe they should not have an obligation to pay royalties on product given to indigent patients. The Company has not been provided with appropriate information or documentation, and does not agree with such adjustment as the Agreement articulates those programs for which royalties would not be due. Should Schering-Plough successfully apply this adjustment retroactively, it could have an impact on the Company's results of operations. Further, if Schering-Plough were to apply the proposed adjustment to future royalty payments, royalties could be reduced in approximately the same proportion as the proposed historical adjustment.

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**Segment Revenues:** In the North America Pharmaceuticals segment, revenues for the year ended December 31, 2000 were \$275,687,000, compared to \$254,694,000 for 1999. The increase in revenue of \$20,993,000 (8%) was primarily the result of an increase of \$46,177,000 (42%) in royalty revenues from sales of Rebetol(R) (ribavirin) by Schering-Plough and sales price increases of \$12,066,000 (5%) partially offset by lower unit sales of \$37,288,000 (15%) primarily resulting from production and supply problems that affected Efudex(R) and Librax(R) and decreased sales of other ethical products.

In the Western Europe Pharmaceuticals segment, revenues for the year ended December 31, 2000 were \$187,206,000 compared to \$185,417,000 for 1999, an increase of \$1,789,000 (1%). In 2000, revenues include sales attributable to the Solco acquisition in the third quarter 2000 of \$7,036,000, product acquisitions (1999) of \$6,834,000 (4%) and the effect of an increase in sales prices of \$13,591,000 (7%), offset by the negative impact of the stronger US Dollar of \$27,324,000 (15%).

In the Latin America Pharmaceuticals segment, revenues for the year ended December 31, 2000 were \$127,485,000, compared to \$100,325,000 for 1999. The increase of \$27,160,000 (27%) primarily reflects increases in sales volume of \$17,128,000 (17%) including sales of Bedoyecta(R), an injectable vitamin B-12 supplement, Virazole(R) (ribavirin), from the launching of OTO ENI, ear drops for external infectious and inflammatory otitis for pediatric use, and from the launching of a new line of dermatological products including Microskin, MicroVITA and MicroKA.

In the Russia Pharmaceuticals segment, revenues for the year ended December 31, 2000 were \$106,271,000, compared with \$91,648,000 for 1999, an increase of \$14,623,000 (16%). The increase was primarily the result of the expansion of the Company's retail pharmacy business in 1999 of \$13,324,000 (15%).

In the Asia, Africa and Australia Pharmaceuticals segment ("AAA"), revenues for the year ended December 31, 2000 were \$45,133,000 compared to \$54,131,000 for 1999, a decrease of \$8,998,000 (17%). In 2000, revenues include sales attributable to the Solco acquisition in the third quarter of \$7,037,000. The decrease, after excluding the sales from Solco (\$16,035,000), is due to sales volume decrease of \$10,820,000 (21%) resulting from the shift by the Company to new distribution channels a year ago resulting in higher than normal sales in

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the second quarter of 1999, and the termination of a joint venture agreement in China of \$4,720,000 (8%).

In the Company's Biomedicals segment, revenues for the year ended December 31, 2000 were \$58,522,000 compared to \$61,197,000 for 1999, a decrease of \$2,675,000 (4%). The decrease is primarily due to lower sales volume in the Company's diagnostics and research product lines, partially offset by increased revenues from dosimetry services.

Gross Profit: Gross profit margin on product sales decreased to 59% for the year ended December 31, 2000, compared to 60% for 1999. The decrease in gross profit margin is primarily due to lower gross profit margin in AAA. The gross profit margin for AAA was 42% in 2000 compared to 54% in 1999, reflecting a higher cost of goods purchased from toll manufacturers, which were purchased from SKB and Roche in 1999 and a decrease in gross profit margin of 6% in 2000 related to the termination of a joint venture in China. The gross profit margin for all other regions was relatively the same for 2000 and 1999.

Selling, General and Administrative Expenses: Selling, general and administrative expenses were \$304,314,000 for the year ended December 31, 2000, compared to \$252,207,000 for 1999, an increase of \$52,107,000 (21%). In 1999, selling, general and administrative expenses included approximately \$11,981,000 of costs associated with an asset revaluation in the Hungarian business. Excluding the asset revaluation charge in 1999, selling, general and administrative expenses increased \$64,088,000. This increase is primarily due to a rise in selling and advertising expenses of \$28,184,000, an increase in corporate expenses, including compensation and legal expenses of \$13,825,000 primarily due to a \$9,250,000 reserve for potential legal

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settlements and all other related costs (see note 12 of Notes to the Consolidated Financial Statements), lease termination costs of approximately \$3,000,000 and 1999 non-recurring reductions of expense of \$6,131,000.

Research and Development: Research and development expenses for the year ended December 31, 2000 were \$18,769,000, compared to \$10,963,000 in 1999. The increase reflects the Company's expanded and intensified research and development efforts in 2000. Total research and development spending for 2000 was \$37 million, which included capital for new equipment and facilities, as well as accelerated research programs to focus on the pipeline and new product development.

Translation and Exchange Losses, Net: Translation and exchange losses, net were \$6,587,000 for the year ended December 31, 2000 compared to \$11,823,000 for 1999. In the year of 2000, translation losses principally consisted of translation losses of \$3,525,000 related to the net monetary asset position of the Company's Russian subsidiaries and transaction losses of \$3,062,000. In 1999, translation losses principally consisted of translation losses of \$6,738,000 related to the net monetary asset position of the Company's Russian subsidiaries and losses of \$2,650,000 in Hungary and Poland resulting from foreign-denominated debt.

Interest Income and Expense: Interest expense during the year ended December 31, 2000 increased \$4,413,000 compared to 1999, primarily due to interest on the \$125,000,000 principal amount 8 3/4% Senior Notes due 2008 issued in July 1999 partially offset by a reduction of debt during the second half of 1999 in the Company's subsidiaries in Hungary, Poland and Czech Republic. Interest income increased from \$8,894,000 in 1999 to \$12,542,000 in 2000 as a result of the increase in cash generated during the second half of 1999.

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Income Taxes: The Company's effective income tax rate for the year ended December 31, 2000 was 27% compared to 21% for 1999. The increase in the effective tax rate results from higher taxable income in 2000 and the effect of the losses in Hungary and China for which no tax benefit was recorded partially offset by the recognition, during the second quarter of 2000, of deferred tax assets through the reduction of the related valuation allowance for capital loss carryforwards amounting to \$12,250,000. During 1999, the Company reduced its valuation allowance for capital loss carryforwards by \$25,286,000. The Company has announced its intention to restructure the Company and divide the Company into three separate publicly traded companies. This restructuring will include the sale of stock of the two newly formed companies, which is expected to result in a net capital gain. The Company will be able to utilize its capital loss carryforwards to offset the gain generated on the sale of stock. Ultimate realization of the deferred tax asset is dependent upon the Company generating sufficient capital gains prior to the expiration of the capital loss carryforwards. Although realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized.

In Russia, the Company continues to benefit from special tax relief that benefits pharmaceutical companies. Under this relief approximately 75% of the income generated in Russia related to the manufacture and sale of prescription medicines is exempt from taxation. This reduces the statutory rate to approximately 8%. The continuing tax benefits in Russia are subject to potential changes in tax law that may be enacted in the future. Should these benefits be repealed, income generated in Russia would require the Company to provide taxes at the current statutory rate of 35%, which could have a material impact on the consolidated results of operation and cashflows of the Company.

### YEAR ENDED DECEMBER 31, 1999 COMPARED TO 1998

Royalty Revenues: Royalty revenues for 1999 were \$108,937,000 compared to \$37,425,000 for 1998. The 1999 royalty amount reflects increasing United States commercial sales of Rebetrone(TM) by Schering-Plough subsequent to receipt of initial FDA approval in June 1998, inception of commercial sales in the European Union and an increase in compassionate use sales, primarily in Western Europe.

Royalty revenues for 1998 also include a one-time payment of \$16,500,000 which the Company received from Schering-Plough for the settlement of past royalties due on physician initiated clinical trials and free product distributed by Schering-Plough (\$8,467,000), as reimbursement for expenses incurred by the Company in preparation for the launch of ribavirin capsules in the European Union (\$3,033,000) and a

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forgiveness of a \$5,000,000 obligation to Schering-Plough. In addition, the Company forfeited the right to co-market oral forms of ribavirin for the treatment of HCV in the European Union in exchange for an increase in worldwide royalty rates.

The Company recorded the entire amount of the one-time payment as revenue as well as the previously unamortized portion of the 1995 license revenue paid to the Company by Schering-Plough of \$3,689,000. At the time of the initial sale of the rights and technology to Schering-Plough in 1995, the Company maintained the rights to co-market in the European Union, was obligated under a supply and manufacturing agreement and participated on scientific advisory committees during the clinical trial process being conducted by Schering-Plough. In 1998, when the Company gave up the rights to co-market in the European Union in exchange for increased royalty rates, the Company no longer had any continuing obligations with respect to the transfer of the rights and technology to

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Schering-Plough.

**Segment Revenues:** The decrease in revenues for the Company's Pharmaceutical segments of \$90,340,000 (or 12%) for 1999 reflects the impact of the loss of the Yugoslavian operations (\$141,740,000 in 1998) and the decrease in revenues of \$72,043,000 in Russia, which was adversely impacted by the Russian economic situation. The decrease was partially offset by the increase in royalty revenues of \$71,512,000 and the increase in product sales from acquisitions in 1999 and 1998 of \$80,528,000.

In the North America Pharmaceuticals segment, revenues were \$254,694,000 for 1999, compared to \$182,778,000 for 1998, an increase of \$71,916,000 (or 39%). Revenues for 1999 reflect a \$71,460,000 increase in royalty revenues from sales of Rebetol(R) (ribavirin) by Schering-Plough Corporation ("Schering-Plough") and the increase in sales of \$12,993,000, resulting from the product acquisition from F. Hoffman-La Roche Ltd. ("Roche") in October 1998. In addition, product sales of Kinerase(R), which the Company introduced in March 1999, generated sales of \$10,062,000. The increase was partially offset by a decrease of \$11,327,000 in sales of the products obtained from Roche in 1997. During 1999, the Company began using published data, which reflects pharmaceutical sales data on sales made to distributors, including the buying trends of the distributors. The Company used this information in determining to decrease its selling and marketing efforts for these products, thus resulting in decreased sales. In addition, the decrease reflects a decline in units and revenues primarily from Virazole(R) and the Company's Bleach product line.

In the Western Europe Pharmaceuticals segment, revenues for 1999 were \$185,417,000 compared to \$154,346,000 for 1998. The increase of \$31,071,000 (or 20%) is primarily due to the Company's acquisition of the rights to certain products from Roche in October 1998, which generated additional sales of \$18,625,000. In addition, \$8,368,000 of the sales increase resulted from the inclusion of the full year results of ICN Czech Republic, which was acquired in June 1998.

In the Latin America Pharmaceuticals segment, revenues were \$100,325,000 for 1999 as compared to \$85,351,000 for 1998, an increase of \$14,974,000 (or 18%). The increase is primarily due to the product acquisitions in 1998 as well as continued growth in the base business. The acquisitions included products acquired from Roche in October 1998 and a portfolio of 32 dermatology products acquired from Laboratorio Pablo Cassara ("Cassara") effective March 1, 1998. The acquired products generated additional sales of \$8,167,000 over the 1998 period.

In the Russia Pharmaceuticals segment, revenues for 1999 were \$91,648,000 compared with \$163,691,000 for 1998, a decrease of \$72,043,000 (or 44%). The Company's Russian operations continue to be impacted by the Russian economic situation, which the Company believes has affected the liquidity and purchasing power of many of its Russian customers. In addition, the 77% decline in the value of the Russian ruble in relation to the United States dollar since June 1998 has reduced the dollar amount of the Company's Russian revenues. The Company has partially offset the effect of the exchange rate changes through price increases and improvement in its product mix.

In the Asia, Africa and Australia Pharmaceuticals segment, revenues for 1999 were \$54,131,000 compared to \$48,649,000 in 1998, an increase of \$5,482,000 (or 11%). The increase is primarily related to sales of products acquired from Roche and SmithKline Beecham plc. ("SKB") in 1998, which generated additional sales of \$10,125,000 in 1999. This increase was partially offset by order backlog resulting from

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temporary delays in shipments of certain products from contracted manufacturers and by lower revenues at Wuxi ICN Pharmaceuticals in China.

In the Company's Biomedicals segment, revenues for 1999 were \$61,197,000 compared to \$61,509,000 in 1998, a decrease of \$312,000. This decrease is primarily related to lower sales volume in the Company's diagnostic and radiochemical product lines, partially offset by increased revenues from radiation monitoring services.

**Gross Profit:** Gross profit margin on product sales increased to 60% for 1999 compared to 56% for 1998. The improvement in gross profit margin is primarily due to increased sales of the products acquired from Roche in 1998, which generally yield higher gross profit margins than were previously achieved by the Company's base business. The Company's gross profit margin for 1999 was also improved by the loss of the Company's Yugoslavian operations, which achieved a 43% gross profit margin for 1998. Gross profit margins in the North America Pharmaceuticals segment were 85% for 1999 compared to 82% in 1998, reflecting the effect of the acquired products. In the Western Europe Pharmaceuticals segment, the gross profit margins were 49% for 1999 compared to 53% for 1998. The decrease in margin over 1998 was the result of the decrease in gross profit margins in Hungary and Poland. The Company's operations in Hungary and Poland have reduced export sales to the Russian market, temporarily lowering operating efficiencies as the Company shifts its efforts toward European Union markets. The decrease in Western Europe was partially offset by the effect of the acquired Roche products, which generally yield higher gross profit margins. The overall gross margins for the Company's Russia Pharmaceuticals segment were 36% for 1999 compared to 42% for 1998. In 1999, gross profit margins in the Company's Russian operations continue to be affected by the decline in sales volume resulting from the devaluation of the ruble. While the Company has historically been able to set its prices for Russian markets without government approval, the ruble devaluation has reduced the purchasing power of Russian consumers, effectively restricting price increases to a level that does not fully offset the impact of the devaluation. In an effort to diminish the impact of the decline in gross profit margin, the Company has also improved its product mix for the Russian market to focus on higher-margin products.

**Selling, General and Administrative Expenses:** Selling, general and administrative expenses were \$252,207,000 for 1999, compared to \$291,776,000 for 1998, a decrease of \$39,569,000. The decrease primarily reflects the impact of the loss of the Company's Yugoslavian operations, which incurred expenses of \$24,844,000 during 1998. In the Company's Russian operations, selling, general and administrative expenses decreased by \$27,519,000 (excluding the effect of acquisitions), principally due to the 77% decline in the value of the ruble and the Company's cost-control efforts. The decrease in selling, general and administrative expenses also reflects an \$18,270,000 decline in corporate expenses related to a reduction of legal expenses and some non-recurring expenses recorded in 1998. These amounts were partially offset by additional costs resulting from acquisitions of business and product rights, which totaled \$19,182,000. The Company's selling, general and administrative expenses in 1999 also include approximately \$11,981,000 of additional costs associated with the Hungarian business.

**Amortization of Goodwill and Intangibles:** Amortization of goodwill and intangibles expenses were \$29,239,000 for 1999, compared to \$20,601,000 for 1998, an increase of \$8,638,000. The increase principally reflects the increase in the amortization of intangibles related to the products acquired from Roche in 1998.

**Research and Development:** Research and development expenditures for 1999 were \$10,963,000, compared to \$20,835,000 for the same period in 1998. The decrease reflects lower spending at the Company's facilities in the United States and Hungary, and the impact of the loss of the Company's Yugoslavian

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operations. In 1998, research and development at ICN Yugoslavia totaled \$3,141,000. Additionally, the Company slowed its spending as it evaluated its overall research strategy during 1999.

Translation and Exchange Losses, Net: Translation and exchange losses, net, were \$11,823,000 for the year ended December 31, 1999 compared to \$80,501,000 for the same period in 1998. In 1999, translation losses principally consisted of losses of \$6,738,000 related to the net monetary asset position of the Company's Russian subsidiaries and losses of \$2,650,000 in Hungary and Poland resulting from foreign-denominated debt, which was repaid in the second half of 1999. For the year ended December 31, 1998, the Company's

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translation and exchange losses principally reflect the August 1998 devaluation of the Russian ruble and ICN Yugoslavia's net monetary asset position.

Interest Income and Expense: For 1999, interest expense increased \$17,874,000 compared to the same period in 1998, primarily due to the additional interest expense resulting from the Company's 8 3/4% Senior Notes due 2008, issued in August 1998 and July 1999. Interest expense on the Senior Notes was partially offset by lower interest expense on obligations of the Company's subsidiaries which were repaid using a portion of the proceeds from the Senior Notes. The net increase in interest expense also reflects a decrease in the amount of interest cost capitalized related to certain construction projects. During 1998, the Company capitalized interest of \$3,540,000; no interest cost was capitalized in 1999. Interest income decreased to \$8,894,000 in 1999 from \$13,057,000 in 1998. In 1998, interest income included \$4,022,000 of interest earned at ICN Yugoslavia on its cash balances and accounts receivable.

Income Taxes: The Company's effective income tax rate for 1999 was 21% compared to 1% for 1998. The provision for income taxes increased as a result of the effect of higher 1999 taxable income in the United States, and the effect of the losses in Hungary and China for which no tax benefit was recorded. These increases in the effective tax rate were partially offset by higher 1999 taxable income in Puerto Rico and other jurisdictions taxed at rates lower than the U.S. Federal statutory rate of 35%. The provision for income taxes for 1999 includes a deferred tax benefit of \$25,286,000 resulting from the recognition of deferred tax assets through the reduction of the related valuation allowance.

ICN Hungary generated tax loss carryforwards in 1999 and in 1998. In 1998, the Company's Russian subsidiaries also generated deferred income tax assets, primarily related to bad debt reserves. Management believes that it is more likely than not that these future tax benefits will not be realized prior to expiration as a result of the seizure of ICN Yugoslavia and the economic crisis affecting Eastern Europe. Accordingly, the Company recorded a valuation allowance against these loss carryforwards and deferred income tax assets, resulting in no tax benefit being recorded in 1999 and 1998.

### LIQUIDITY AND CAPITAL RESOURCES

During 2000, cash provided by operating activities totaled \$181,684,000 compared to \$87,123,000 in 1999. Operating cash flows reflect the Company's net income of \$90,180,000 and net non-cash charges (including depreciation, minority interest, and foreign exchange gains and losses) of \$102,289,000, partially offset by working capital increases (after the effect of business acquisitions and currency translation adjustments) totaling approximately \$10,785,000. The working capital increases principally consist of a \$34,129,000 increase in inventories primarily due to bridging stocks required during the transfer of manufacturing to the Company's manufacturing facilities for products acquired in prior years.

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The Company evaluates the carrying value of its inventories at least quarterly, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Company expects to obtain for its products in their respective markets compared with historical cost, and the remaining shelf life of goods on hand. The Company also evaluates the collectibility of its receivables at least quarterly. The Company's methodology for establishing the allowance for bad debts varies with the regions in which it operates. With the exception of Russia, the allowance for bad debts is based upon specific identification of customer accounts and the Company's best estimate of the likelihood of potential loss, taking into account such factors as the financial condition and payment history of major customers. In Russia, the allowance for bad debts is based upon a combination of specific identification of customer account balances and an overall provision based upon anticipated developments and historical experience. In Russia, factors such as the economic crisis in August 1998 and the subsequent stabilization in the middle of 1999 were utilized in the analysis. Based upon this analysis, the Company recorded bad debt expense related to its Russian operations of \$1,824,000, \$8,129,000 and \$26,242,000 for the years ended December 31, 2000, 1999 and 1998, respectively. As of December 31, 2000 and 1999 the allowance for doubtful accounts for the Company's Russian subsidiaries was \$10,276,000 and \$9,142,000, respectively. As of December 31, 2000, the Company believes that adequate provision has been made for inventory obsolescence and for anticipated losses on uncollectible accounts receivable.

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Cash used in investing activities was \$90,795,000 for 2000 compared to \$50,360,000 for 1999. In 2000, the Company made acquisitions of license rights, product lines and businesses amounting to \$40,968,000 (net of acquired cash \$4,613,000) and made capital expenditures of \$49,330,000, principally representing an increase in the investment in research and development in North America and production equipment in Western Europe (including Poland, Hungary and the Czech Republic. In 1999, the Company incurred capital expenditures of \$44,083,000, principally representing the continuation of its plant expansion efforts and investment in information systems. The Company also used cash of \$23,588,000 (net of cash acquired of \$288,000) for acquisitions, including acquiring a chain of 88 pharmacies in Russia, the purchase of a pharmaceutical distributor in Hungary and acquired product rights in certain Western European markets. These amounts were partially offset by the decrease in restricted cash in the amount of \$15,144,000 which was required to collateralize the Company's obligation under certain letters of credit. After the Company settled its obligation in the fourth quarter of 1999, the restriction was removed.

Cash used in financing activities totaled \$112,765,000 during 2000, including payments on long-term debt of \$105,901,000 (including the repurchase of \$84,355,000 of the Company's outstanding 9 1/4% Senior Notes and \$12,830,000 of its outstanding 8 3/4% Senior Notes), payments of cash dividends on common stock of \$22,665,000, and payments on notes payable of \$7,911,000. These payments were offset by proceeds from the exercise of stock options of \$14,568,000, proceeds from the issuance of notes payable of \$5,724,000 and proceeds from long-term borrowings of \$3,420,000. During 1999, cash provided by financing activities totaled \$36,399,000 principally consisted of proceeds from long-term borrowings of \$145,490,000, including net proceeds of \$118,485,000 from a private placement of \$125,000,000 principal amount of its 8 3/4% Senior Notes due 2008. The Company used cash (including a portion of the proceeds of the 8 3/4% Senior Notes) for principal payments of \$87,632,000 on long-term debt and for payments of \$31,695,000 on notes payable. Other sources of cash also included \$42,000,000 from the sale to Schering-Plough of 2,041,498 shares of its common stock (as provided for under the terms of a Stock Purchase Agreement entered into with Schering-Plough in 1995) and proceeds from the exercise of

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employee stock options of \$12,894,000. These amounts were partially offset by the payment of dividends on common stock of \$21,017,000, the repurchase of 614,167 shares of common stock for \$15,304,000 under the Stock Repurchase Program authorized by the Company's Board of Directors in 1998 and the repurchase of the Company's Series D Preferred Stock in settlement of the remaining obligation to SKB.

The current economic environment in Russia continues to affect the Company's operating cash flows in Russia, some of the Company's Russian customers continue to experience liquidity shortages. The Company may need to invest additional working capital in Russia to sustain its operations, to provide increasing levels of working capital necessary to support renewed growth, and to fund the purchase or upgrading of facilities. The Company also has several preliminary acquisition prospects that may require significant funds through the year 2001. However, there can be no assurance that any such acquisitions will be consummated.

During 1999, the Company entered into certain option transactions which allowed the Company to establish a price range in which the Company had the option to repurchase its stock at a later date, without any immediate outlay of its cash resources. The Company entered into these option positions when the Company believed its stock to be undervalued, and anticipated that its stock price would appreciate. Under this program, the Company sold put options, which entitled the holder to sell the Company's stock to the Company at a specified price. At the same time, in a cashless transaction, the Company purchased call options, which entitled the Company to purchase its stock at a specified price from the same party. The put and call positions essentially established a price range within which the Company can repurchase its stock. If the stock price rises above the call option strike price, the repurchase of stock will be at a favorable price compared to the market price. Conversely, if the stock price falls below the put option strike price, the repurchase of stock is more costly than the market price. The put options and the corresponding call options expired in 2000. The Company, at its option, could make either a physical settlement, a cash settlement, or a net share settlement of its positions under the put and call options. The Company received 46,014 shares of its common stock and paid \$20,000 in cash to settle its positions under the put and call options.

Management believes that the Company's existing cash and cash equivalents and funds generated from operations will be sufficient to meet its operating requirements in the near term and to fund anticipated

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acquisitions, capital expenditures and increase research and development expenditures. The Company may also seek additional debt financing or issue additional equity securities to finance future acquisitions.

The Company has filed a registration statement with the Securities and Exchange Commission to sell no more than 20% of ICN's interest in Ribapharm Inc., a wholly owned subsidiary of the Company ("Ribapharm"), in an underwritten public offering. The Company intends to distribute the remaining interest in Ribapharm to the Company's stockholders on a tax-free basis as soon as possible after the completion of the Ribapharm public offering. The distribution will be subject to a ruling from the U.S. Internal Revenue Service (the "IRS"), compliance with all other legal and regulatory provisions, and the required approval by holders of the Company's outstanding debt. Upon completion of the initial public offering of Ribapharm, the Company will within sixty days seek a ruling from the IRS. One reason that Ribapharm may not undertake an initial public offering is if the Company has sufficient funds from other sources to refinance all of the Company's debt. The approximate proceeds to the Company from a Ribapharm public offering have not yet been determined. The Company

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expects to use any proceeds from a Ribapharm public offering to repurchase the Notes. Subject to market conditions, the Company is planning to complete the Ribapharm offering in 2001.

The Company intends to sell up to a 40% interest in ICN International AG ("ICN International") in an offering. The approximate proceeds to the Company from an ICN International offering have not yet been determined. The bulk of the shares are intended to be offered by ICN International, which will receive the net proceeds from such shares, however the Company may also offer a portion of the ICN International shares and in that event would receive a proportionate amount of the net proceeds. The net proceeds received by ICN International are intended to be used for acquisitions, sales and marketing, research and development, manufacturing facility improvements, and general corporate purposes. The net proceeds, if any, received by the Company are intended to be used to repay, in part, the Company's existing indebtedness. The Company intends to apply for listing of the shares of ICN International on the Budapest Stock Exchange and global depository receipts on the London Stock Exchange. The Company filed draft offering circulars with regulatory authorities in both London and Budapest in March 2001. Subject to market conditions and regulatory approvals the Company expects to complete the offering of ICN International in the third quarter of 2001.

The Company had revenue of \$800,304,000, net income of \$90,180,000 and operating cash flows of \$181,684,000 for the year ended December 31, 2000. Of these amounts, Ribapharm contributed revenue of \$154,818,000, net income \$81,983,000 and operating cash flows of \$83,549,000 and ICN International contributed revenue of \$338,757,000, net loss of \$952,000 and operating cash flow of \$26,172,000 for the year ended December 31, 2000.

The Company is currently self-insured with respect to product liability claims. While to date no material adverse claim for personal injury resulting from allegedly defective products has been successfully maintained against the Company, a substantial claim, if successful, could have a negative impact on the Company's liquidity and financial performance.

### FOREIGN OPERATIONS

Approximately 63%, 64%, and 76% of the Company's revenues for the years ended December 31, 2000, 1999 and 1998 were generated from operations outside the United States. All of the Company's foreign operations are subject to certain risks inherent in conducting business abroad, including possible nationalization or expropriation, price and currency exchange controls, fluctuations in the relative values of currencies, political instability and restrictive governmental actions. Changes in the relative values of currencies occur from time to time and may, in certain instances, materially affect the Company's results of operations. The effect of these risks remains difficult to predict. The Company does not currently provide any hedges on its foreign currency exposure and, in certain countries in which the Company operates, no effective hedging programs are available.

#### Russia

While the Russian economy continues to show improvement since the financial crisis that began in 1998, the economy continues to experience difficulties. In 1998, the ruble fell sharply from a rate of 6.3 rubles to \$1 to a rate of 20.7 rubles to \$1 at December 31, 1998. Throughout 1999 and 2000, the ruble continued to fluctuate, there is continued volatility in the debt and equity market, hyperinflation persists, confidence in the banking sector has yet to be restored and there continues to be general lack of liquidity in the economy. In addition, laws and regulations affecting businesses operating within Russia continue to evolve. Russia's return to economic stability is dependent to a large extent on the effectiveness of the measures taken by the government, decisions of

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international lending organizations, and other actions, including regulatory and political developments, which are beyond the Company's control.

At December 31, 2000, the ruble exchange rate was 28.2 rubles to \$1 as compared with the rate of 27.5 rubles to \$1 and 20.7 rubles to \$1 as of December 31, 1999 and 1998, respectively. As a result of the change in the ruble exchange rate, the Company recorded translation losses of \$3,525,000, \$6,738,000 and \$53,848,000, related to its Russian operations during 2000, 1999 and 1998, respectively. As of December 31, 2000, ICN Russia had a net monetary asset position of approximately \$12,423,000, which is subject to foreign exchange loss as further declines in the value of the ruble in relation to the dollar occur. Due to the fluctuation in the ruble exchange rate, the ultimate amount of any future translation and exchange loss the Company may incur cannot presently be determined and such loss may have a negative impact on the Company's results of operations. The Company's management continues to work to manage its net monetary exposure. However, there can be no assurance that such efforts will be successful.

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The Company's Russian subsidiaries periodically engage in barter transactions related to the sale of its products in exchange for raw materials, other finished goods and costs or services incurred in the conduct of its operations. For each of the periods ended December 31, 2000, 1999 and 1998, the Company's Russian subsidiaries recorded approximately \$3,000,000, \$8,000,000 and \$8,000,000, respectively, in revenue related to barter transactions.

The Company's collections on accounts receivable in Russia have been adversely affected by the Russian economic situation. Prior to the August 1998 devaluation of the ruble, the Company had favorable experience with the collection of receivables from its customers in the region. Subsequently, the Company has taken additional steps to ensure the creditworthiness of its customers and the collectibility of accounts receivable by tightening its credit policies in the region. These steps include a shortening of credit periods, suspension of sales to customers with past-due balances and discounts for cash sales. The adoption of these more restrictive credit policies contributed to the decline in sales in Russia for 1999 compared to 1998.

The Company believes that the economic and political environment in Russia has affected the pharmaceutical industry in the region. Many Russian companies, including many of the Company's customers, continue to experience liquidity problems as monetary policy has limited the money supply, and Russian companies often lack access to an effective banking system. As a result, many Russian companies have limited ability to pay their debts, which has led to a number of business failures in the region. In addition, the devaluation has reduced the purchasing power of Russian companies and consumers, thus increasing pressure on the Company and other producers to limit price increases in hard currency terms. As a result of the Russian economic situation, the Company recorded a charge in 1998 of \$42,289,000 among several of its operating segments, which is included in Eastern European charges (\$39,884,000) and cost of product sales (\$2,405,000) in the consolidated statements of income. The charge consisted of reserves of \$37,873,000 for losses on accounts receivable, the write-off of certain investments of \$2,011,000, and a reduction in the value of certain inventories of \$2,405,000.

### Yugoslavia

On February 6, 1999, the government of the Federal Republic of Yugoslavia, acting through the Federal Ministry of Health and/or the Ministry of Health of Serbia, seized control of the Company's 75% owned subsidiary, ICN Yugoslavia. This action, based on a decision by the Ministry for Economic and Property

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Transformation that was reached on November 26, 1998, effectively reduced the Company's equity ownership of ICN Yugoslavia from 75% to 35%. The Ministry of Economic and Property Transformation decision was based on a unilaterally imposed recalculation of the Company's original capital contribution to ICN Yugoslavia. Subsequent to the seizure, the Commercial Court of Belgrade issued an order stating that a change in control had occurred. These actions were taken, contrary to Yugoslavian law, without any notification to or representation by the Company. Since the change of control, representatives of the Company and ICN Yugoslavia's management have been denied any significant access to the premises and representation as to the management of ICN Yugoslavia.

Prior to the seizure, ICN Yugoslavia's operations were adversely affected by the April 1998 devaluation of the dinar, which resulted in foreign exchange losses of \$23,865,000 for the year. ICN Yugoslavia's domestic sales were adversely affected by the Company's previously announced suspension of sales to the Yugoslavian government. In addition, ICN Yugoslavia's export sales for the second half of 1998 were adversely affected by the Russian economic crisis. In the second and third quarters of 1998, the Yugoslavian government defaulted on its obligations to the Company on \$176,204,000 of accounts and notes receivable. As a result of the government's default and the suspension of sales to the government, the Company recorded a \$173,440,000 charge against earnings at ICN Yugoslavia in the second quarter of 1998. The charge is included in Eastern European charges (\$165,646,000), cost of product sales (\$3,667,000) and interest income (\$4,127,000) in the consolidated statements of income. The charge consists of \$151,204,000 reserve for losses on notes receivable (including accrued interest), reserves of \$7,757,000 for losses on accounts receivable from government-sponsored entities, and a \$14,479,000 write-down of the value of certain related investments and assets.

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The Company has commenced litigation in the United States District Court of the District of Columbia against the government of Yugoslavia and related agencies to recover damages and obtain injunctive relief. In addition, the government of Yugoslavia, through a related agency, filed an arbitration proceeding against the Company before the International Chamber of Commerce for damages related to the Company's acquisition of majority control of ICN Yugoslavia. The resolution of these matters may affect the status of certain compounds, which were contributed to ICN Yugoslavia by the Company, pursuant to the agreement that led to the formation of ICN Yugoslavia.

### ACQUIRED PRODUCTS

The majority of products acquired by the Company are mature products with no effective patents, either because of expirations or the absence of legal protections provided by the local governments in the respective markets. Under the Company's ownership, price increases and additional advertising and promotions were planned for selected products, as the Company believes that they were not marketed to their greatest potential. The Company believes that some of these products in specific markets have an adequate growth potential, and intends to develop a product strategy for each product.

The Company believes that these products will continue to generate significant sales even without patent protection because the trademarks under which they are marketed are well-established and enjoy substantial customer brand-loyalty. Moreover, the relatively small sales volumes and market sizes for some of these products pose significant barriers to entry of generic competition.

The Company estimated the remaining life of these products based on

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anticipated future profits assuming a constant profit margin for the remaining product cycle. It should be noted, however, any sales growth or increase in profitability attained by additional marketing efforts is expected to be relatively short-lived. After a temporary boost, these products will revert to their gradually declining trend in accordance with the product cycle model. The acquired products' historical operating results demonstrated their ability to earn substantial excess profits. Excess profits are directly related to their competitive advantage primarily attributable to the product quality and reputation. The useful life was defined as the number of years for the forecasted annual product sales to reach 50% of the cumulative historical amount through the date of acquisition. During the forecasted period, only gradual declines are expected due to the absence of immediate threats from competition of generic or/and alternative products. Based upon the Company's analysis, the useful lives of products acquired were estimated to be 18 years.

### INFLATION AND CHANGING PRICES

The effects of inflation are experienced by the Company through increases in the costs of labor, services and raw materials. The Company is subject to price control restrictions on its pharmaceutical products in the majority of countries in which it operates. While the Company attempts to raise selling prices in anticipation of inflation, the Company operates in some markets which have price controls that may limit its ability to raise prices in a timely fashion. Future sales and gross profit will be reduced if the Company is unable to obtain price increases commensurate with the levels of inflation.

The Russian government has instituted a process for establishing prices for pharmaceutical products, which may lead to price controls in the Russian market in the future. Currently, this process requires the Company to register the prices for certain of its products included on the government's list of "products important for health." The next procedure for registration includes the negotiation and approval of such prices between the Company and the relevant state bodies. The Company is currently working with all relevant state bodies to approve its prices and the Company is not presently able to determine the effect, if any, that this process may have on its results of operations. However, such developments could have a negative impact on the Company's results of operations and cash flows in Russia.

### EURO CONVERSION

On January 1, 1999, 11 of the 15 member countries of the European Union introduced the Euro. The conversion rates between the Euro and the participating nations' existing legacy currencies were fixed

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irrevocably as of January 1, 1999. Prior to full implementation of the new currency on January 1, 2002, there will be a transition period during which parties may, at their discretion, use either the legacy currencies or the Euro for financial transactions.

The Company expects its affected subsidiaries to continue to operate primarily in their respective legacy currencies for at least one more year. The majority of the Company's affected subsidiaries currently can accommodate transactions for customers or suppliers operating in either the legacy currency or the Euro. Action plans are currently being implemented which are expected to result in full compliance with all laws and regulations relating to the Euro conversion. Such plans include the adaptation of information technology and other systems to accommodate Euro-denominated transactions as well as the requirements of the transition period. The Company is also addressing the impact of the Euro on its currency exchange-rate risk, taxation, contracts, competition

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and pricing. While it is not possible to accurately predict the impact the Euro will have on the Company's business or on the economy in general, management currently does not anticipate that the Euro conversion will have a negative impact on the Company's market risk with respect to foreign exchange, its results of operations, or its financial condition.

### NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and becomes effective for the Company for the first quarter of 2001. The Company does not currently engage in any program of hedging and consequently the Company does not expect the adoption of SFAS No. 133 to have a material effect on the Company's consolidated financial position, cash flows, or results of operations.

In December 1999, the Securities and Exchange Commission (the "SEC") released Staff Accounting Bulletin ("SAB") No. 101, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The Company adopted the provisions of SAB 101 in the fourth quarter of 2000. Adoption of SAB 101 did not cause a material change in the Company's financial condition or results of operations.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's business and financial results are affected by fluctuations in world financial markets. The Company evaluates its exposure to such risks on an ongoing basis, and reviews its risk management policy to manage these risks to an acceptable level, based on management's judgment of the appropriate trade-off between risk, opportunity and costs. The Company does not hold any significant amount of market risk sensitive instruments whose value is subject to market price and currency risk.

In the normal course of business, the Company also faces risks that are either non-financial or non-quantifiable. Such risks principally include country risk, credit risk, and legal risk and are not discussed or quantified in the following analysis.

**Interest Rate Risk:** The Company currently does not hold financial instruments for trading or speculative purposes. The financial assets of the Company are not subject to significant interest rate risk due to their short duration. At December 31, 2000, the Company had \$10,862,000 of foreign denominated debt that would subject it to both interest and currency risk. The principal financial liabilities of the Company that are subject to interest rate risk are its fixed-rate long-term debt (principally its 8 3/4% Senior Notes due 2008 and its 9 1/4% Senior Notes due 2005) totaling approximately \$503,000,000. The Company does not use any derivatives or similar instruments to manage its interest rate risk. A 90 basis-point increase in interest rates (approximately 10% of the Company's weighted average interest rate on fixed-rate debt) affecting the Company's financial instruments would have an immaterial effect on the Company's 2000 pretax earnings. However, such a change would reduce the fair value of the Company's fixed-rate debt instruments by approximately \$22,500,000 as of December 31, 2000.

### THE "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION ACT OF 1995

This Annual Report on Form 10-K contains statements that constitute forward

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looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements appear in a number of places in this Annual Report on Form 10-K and include statements regarding, among other matters, the Company's growth opportunities, the Company's acquisition strategy, the Company's reorganization plans, regulatory matters pertaining to governmental approval of the marketing or manufacturing of certain of the Company's products and other factors affecting the Company's financial condition or results of operations. Stockholders are cautioned that any such forward looking statements are not guarantees of future performance and involve risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from the future results, performance or achievements, expressed or implied in such forward looking statements. Such factors are discussed in this Annual Report on Form 10-K and also include, without limitation, the Company's dependence on foreign operations (which are subject to certain risks inherent in conducting business abroad, including possible nationalization or expropriation, price and exchange control, limitations on foreign participation in local enterprises, health-care regulations and other restrictive governmental conditions); the risk of operations in Eastern Europe, Latin America, as well as Russia and China in light of the unstable economic, political and regulatory conditions in such regions; the risk of potential claims against certain of the Company's research compounds; the Company's ability to successfully develop and commercialize future products; the limited protection afforded by the patents relating to ribavirin, and possibly on future drugs, techniques, processes or products the Company may develop or acquire; the potential impact of the Euro currency; the Company's ability to continue its expansion plan and to integrate successfully any acquired companies; the results of lawsuits or the outcome of investigations pending against the Company; the Company's potential product liability exposure and lack of any insurance coverage thereof; government regulation of the pharmaceutical industry (including review and approval for new pharmaceutical products by the FDA in the United States and comparable agencies in other countries) and competition.

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### QUARTERLY FINANCIAL DATA (UNAUDITED)

Following is a summary of quarterly financial data for the years ended December 31, 2000 and 1999 (in thousands, except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	-----	-----	-----	-----
2000(1)				
Revenues.....	\$192,340	\$191,433	\$207,342	\$209,189
Gross profit on product sales.....	98,574	87,396	94,112	102,290
Income (loss) before extraordinary loss.....	27,399	31,093	36,609	(1,696)
Extraordinary loss, net of tax.....	--	--	--	3,225
Net income (loss).....	27,399	31,093	36,609	(4,921)
Basic earnings (loss) per share before extraordinary loss.....	.35	.39	.46	(.02)
Extraordinary loss.....	--	--	--	.04
Basic earnings (loss) per share -- net income (loss).....	.35	.39	.46	(.06)
Diluted earnings (loss) per share before extraordinary loss.....	.34	.38	.45	(.02)
Extraordinary loss.....	--	--	--	.04
Diluted earnings (loss) per share -- net income (loss).....	\$ .34	\$ .38	\$ .45	\$ (.06)

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1999 (2)				
Revenues.....	\$176,074	\$177,161	\$181,652	\$212,525
Gross profit on product sales.....	93,850	85,189	93,992	109,298
Net income.....	22,619	25,845	31,810	38,352
Basic earnings per share.....	.29	.33	.41	.49
Diluted earnings per share.....	\$ .28	\$ .32	\$ .39	\$ .47

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(1) The net loss before extraordinary loss in the fourth quarter of 2000 is primarily due to a decrease in royalty revenue caused by a temporary slowdown in royalty revenue and an adjustment to actual from management's estimate in the third quarter. In connection with the Grand Jury investigation and SEC litigation, the Company has recorded a reserve in the fourth quarter of \$9,250,000 to cover the potential combined settlement liability and all other related costs. Additionally, the Company had increased research and development costs and a higher effective tax rate in the fourth quarter of 2000.

For the fourth quarter of 2000, dilutive options did not have an effect on the computation of diluted loss per share since they were anti-dilutive.

(2) The increased revenue trend is substantially due to the increase in royalties and the Company's expansion program, partially offset by the Russian economic situation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE  
DECEMBER 31, 2000

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Financial statements:	
Consolidated balance sheets at December 31, 2000 and 1999.....	16
For the years ended December 31, 2000, 1999 and 1998:	
Consolidated statements of income.....	17
Consolidated statements of stockholders' equity.....	18
Consolidated statements of cash flows.....	19
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The other schedules have not been submitted because they are not applicable.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and  
Stockholders of ICN Pharmaceuticals, Inc.:

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In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of ICN Pharmaceuticals, Inc. (a Delaware corporation) and Subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion.

As discussed in Notes 2 and 14, effective November 26, 1998, the Company changed the method of accounting for ICN Yugoslavia, a previously consolidated subsidiary, and reduced the carrying value of the investment to its fair value.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Orange County, California  
 March 1, 2001, except for Note 12,  
 as to which the date is March 15, 2001

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### ICN PHARMACEUTICALS, INC.

#### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2000 AND 1999 (IN THOUSANDS, EXCEPT PER SHARE DATA)

##### ASSETS

	2000	1999
	-----	-----
Current Assets:		
Cash and cash equivalents.....	\$ 155,205	\$ 177,577
Restricted cash.....	380	414
Accounts receivable, net.....	225,639	231,902
Inventories, net.....	170,263	136,762
Prepaid expenses and other current assets.....	13,929	18,075
	-----	-----
Total current assets.....	565,416	564,730
Property, plant and equipment, net.....	367,229	332,360
Deferred income taxes, net.....	75,037	81,095
Other assets.....	32,300	37,625
Goodwill and intangibles, net.....	437,090	456,451

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	\$1,477,072	\$1,472,261
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade payables.....	\$ 61,741	\$ 65,195
Accrued liabilities.....	91,447	66,185
Notes payable.....	9	8,762
Current portion of long-term debt.....	898	312
Income taxes payable.....	4,682	168
	-----	-----
Total current liabilities.....	158,777	140,622
Long-term debt, less current portion.....	510,781	596,961
Deferred income and other liabilities.....	40,988	28,628
Minority interest.....	9,332	22,478
Commitments and contingencies		
Stockholders' Equity:		
Common stock, \$0.01 par value; 200,000 shares authorized; 80,197 (2000) and 78,950 (1999) shares outstanding (after deducting shares in treasury of 814 and 814, respectively).....	802	789
Additional capital.....	973,157	949,181
Accumulated deficit.....	(130,087)	(197,602)
Accumulated other comprehensive income.....	(86,678)	(68,796)
	-----	-----
Total stockholders' equity.....	757,194	683,572
	-----	-----
	\$1,477,072	\$1,472,261
	=====	=====

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

ICN PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2000	1999	1998
	-----	-----	-----
Revenues:			
Product sales.....	\$645,190	\$638,475	\$ 800,639
Royalties.....	155,114	108,937	37,425
	-----	-----	-----
Total revenues.....	800,304	747,412	838,064
	-----	-----	-----
Costs and expenses:			
Cost of product sales.....	262,818	256,146	353,600
Selling, general and administrative.....	304,314	252,207	291,776
Research and development.....	18,769	10,963	20,835
Amortization of goodwill and intangibles.....	30,448	29,239	20,601
Eastern European charges.....	--	--	440,820

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Total expenses.....	616,349	548,555	1,127,632
Income (loss) from operations.....	183,955	198,857	(289,568)
Translation and exchange losses, net.....	6,587	11,823	80,501
Interest income.....	(12,542)	(8,894)	(13,057)
Interest expense.....	60,356	55,943	38,069
Income (loss) before income taxes, minority interest and extraordinary loss.....	129,554	139,985	(395,081)
Provision for income taxes.....	37,683	28,996	1,983
Minority interest.....	(1,534)	(7,637)	(44,990)
Income (loss) before extraordinary loss.....	93,405	118,626	(352,074)
Extraordinary loss, net of income taxes.....	3,225	--	--
Net income.....	\$ 90,180	\$118,626	\$ (352,074)
Basic earnings per share:			
Income (loss) per share before extraordinary loss.....	\$ 1.18	\$ 1.52	\$ (4.78)
Extraordinary loss per share.....	0.04	--	--
Basic net income (loss) per share.....	\$ 1.14	\$ 1.52	\$ (4.78)
Diluted earnings per share:			
Income (loss) per share before extraordinary loss.....	\$ 1.14	\$ 1.45	\$ (4.78)
Extraordinary loss per share.....	0.04	--	--
Diluted net income (loss) per share.....	\$ 1.10	\$ 1.45	\$ (4.78)
Shares used in per share computation:			
Basic.....	79,395	77,833	73,637
Diluted.....	82,264	82,089	73,637

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

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ICN PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL CAPITAL	RETAIN EARNIN (ACCUMUL DEFICI
	SHARES	AMOUNT	SHARES	AMOUNT		
BALANCE AT DECEMBER 31, 1997.....	2	\$ 1	71,432	\$714	\$766,868	\$ 70,1
Comprehensive income:						
Net loss.....	--	--	--	--	--	(352,0
Foreign currency translation adjustments.....	--	--	--	--	--	

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Total comprehensive income....						
Exercise of stock options.....	--	--	634	6	6,777	
Stock compensation.....	--	--	319	3	5,304	
Issuance of preferred stock.....	1	--	--	--	23,000	
Issuance of common stock:						
In connection with acquisitions.....	--	--	2,884	29	93,530	
Conversion of debt.....	--	--	802	8	25,329	
Issuance of treasury stock.....	--	--	482	5	12,528	
Purchase of treasury stock.....	--	--	(200)	(2)	(4,448)	
Conversion of preferred shares.....	(2)	--	57	1	(1)	
Cash dividends.....	--	--	--	--	--	(13,100)
Stock dividends on preferred stock....	--	--	1	--	69	(100)
	--	--	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1998.....	1	1	76,411	764	928,956	(295,200)
Comprehensive income:						
Net income.....	--	--	--	--	--	118,600
Foreign currency translation adjustments.....	--	--	--	--	--	--
Total comprehensive income....						
Exercise of stock options.....	--	--	1,148	11	12,883	
Tax benefit of stock options exercised.....	--	--	--	--	5,173	
Stock compensation.....	--	--	(53)	--	2,043	
Settlement related to acquisition contingency.....	(1)	(1)	--	--	(28,312)	
Issuance of common stock:						
In connection with license agreement.....	--	--	2,041	20	41,980	
In connection with acquisitions.....	--	--	17	--	1,756	
Purchase of treasury stock.....	--	--	(614)	(6)	(15,298)	
Cash dividends.....	--	--	--	--	--	(21,000)
	--	--	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1999.....	--	--	78,950	789	949,181	(197,600)
Comprehensive income:						
Net income.....	--	--	--	--	--	90,100
Foreign currency translation adjustments.....	--	--	--	--	--	--
Total comprehensive income....						
Exercise of stock options.....	--	--	1,193	12	14,556	
Tax benefit of stock options exercised.....	--	--	--	--	2,721	
Stock compensation.....	--	--	(25)	--	1,720	
Redemption of common stock.....	--	--	(46)	--	(20)	
Issuance of common stock in connection with acquisitions.....	--	--	125	1	4,999	
Cash dividends.....	--	--	--	--	--	(22,600)
	--	--	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2000.....	--	\$--	80,197	\$802	\$973,157	\$(130,000)
	==	===	=====	=====	=====	=====

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

ICN PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

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(IN THOUSANDS)

	2000	1999	1998
<b>Cash flows from operating activities:</b>			
Net income (loss).....	\$ 90,180	\$118,626	\$ (352,074)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	64,540	65,502	51,096
Eastern European charges.....	--	--	451,019
Provision for losses on accounts receivable.....	9,303	2,291	7,559
Provision for inventory obsolescence.....	8,561	5,880	602
Translation and exchange losses, net.....	6,587	11,823	80,501
Deferred income.....	--	(4,983)	(6,112)
Loss on sale of assets.....	1,223	882	100
Deferred income taxes.....	8,051	(1,112)	(8,223)
Other non-cash losses.....	2,333	4,016	3,314
Minority interest.....	(1,534)	(7,637)	(44,990)
Extraordinary loss.....	3,225	--	--
Change in assets and liabilities, net of effects of acquisitions:			
Accounts and notes receivable.....	3,755	(66,927)	(160,345)
Inventories.....	(34,129)	(13,236)	(29,075)
Prepaid expenses and other assets.....	2,909	(6,497)	(22,290)
Trade payables and accrued liabilities.....	5,856	(24,601)	38,912
Income taxes payable.....	6,907	(60)	2,555
Other liabilities.....	3,917	3,156	(2,925)
	181,684	87,123	9,624
<b>Cash flows from investing activities:</b>			
Proceeds from sale of marketable securities.....	--	--	22,958
Proceeds from sale of assets.....	2,707	2,167	1,202
Increase (decrease) in restricted cash.....	34	15,144	(15,009)
Cash acquired in connection with acquisitions.....	4,613	288	1,111
Capital expenditures.....	(49,330)	(44,083)	(110,281)
Acquisition of license rights, product lines and businesses.....	(45,581)	(23,876)	(172,926)
Termination of joint venture.....	(3,238)	--	--
Loss of Yugoslavian cash balance.....	--	--	(22,101)
	(90,795)	(50,360)	(295,046)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt.....	3,420	145,490	225,082
Proceeds from issuance of notes payable.....	5,724	19,976	26,720
Proceeds from exercise of stock options.....	14,568	12,894	6,783
Proceeds from issuance of common stock.....	--	42,000	4,299
Payments on long-term debt.....	(105,901)	(87,632)	(27,381)
Payments on notes payable.....	(7,911)	(31,695)	(27,965)
Dividends paid.....	(22,665)	(21,017)	(17,069)
Purchase of treasury stock.....	--	(15,304)	(4,450)
Repurchase of preferred stock.....	--	(28,313)	--
	(112,765)	36,399	186,019
Effect of exchange rate changes on cash and cash equivalents.....	(496)	(506)	(5,572)

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Net (decrease) increase in cash and cash equivalents.....	(22,372)	72,656	(104,975)
Cash and cash equivalents at beginning of year.....	177,577	104,921	209,896
Cash and cash equivalents at end of year.....	\$ 155,205	\$177,577	\$ 104,921
	=====	=====	=====

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

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### ICN PHARMACEUTICALS, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2000

#### 1. ORGANIZATION AND BACKGROUND

ICN Pharmaceuticals, Inc. and Subsidiaries (the "Company") was formed in November 1994, as a result of the merger of ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc., Viratek, Inc. and ICN Biomedicals, Inc. ("Biomedicals"), in a transaction accounted for using the purchase method of accounting (the "Merger"). The Company is a global research based pharmaceutical company that develops, manufactures, distributes and sells pharmaceutical, research and diagnostic products.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation:** The accompanying consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. Investments in 20% through 50% owned affiliated companies are included under the equity method where the Company exercises significant influence over operating and financial affairs. Investments in less than 20% owned companies are recorded at the lower of cost or fair value. The accompanying consolidated financial statements reflect the elimination of all significant intercompany account balances and transactions.

Effective November 26, 1998, the Company's equity ownership of ICN Yugoslavia was effectively reduced from 75% to 35% based upon a decision by the Yugoslavian Ministry of Economic and Property Transformation. Additionally, representatives of the Company and ICN Yugoslavia's management have been denied any significant access to the premises and representation as to the management of ICN Yugoslavia. As a result, the Company had and continues to have no effective control over the operating and financial affairs of ICN Yugoslavia. Accordingly, the Company deconsolidated the financial statements of ICN Yugoslavia as of November 26, 1998, and reduced the carrying value of its investment to fair value, estimated to be zero. The Company accounts for its ongoing investment in ICN Yugoslavia under the cost method. The Company did not recognize any revenues or expenses related to its investment in Yugoslavia in 2000 or 1999. See Note 14.

**Cash and Cash Equivalents:** Cash equivalents include repurchase agreements, certificates of deposit, money market funds, and municipal debt securities which have maturities of three months or less. For purposes of the consolidated statements of cash flows, the Company considers highly-liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The carrying amount of these assets approximates fair value due to the short-term maturity of these instruments. At December 31, 2000 and 1999, cash equivalents totaled \$119,861,000 and \$159,544,000, respectively.

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**Marketable Securities:** The Company classifies its investments as available for sale. Changes in market values are reflected as unrealized gains and losses, calculated on the specific identification method, in stockholders' equity. In 1998, upon the exchange and redemption of the Company's Bio Capital Holdings 5 1/2% Swiss Franc Exchangeable Certificates (the "New Certificates"), marketable securities previously held in trust for the payment of the New Certificates became available to the Company and were sold, resulting in a gain of \$1,993,000.

**Allowance for Doubtful Accounts:** The Company evaluates the collectibility of its receivables at least quarterly, based upon various factors including the financial condition and payment history of major customers, an overall review of collections experience on other accounts and economic factors or events expected to affect the Company's future collections experience.

**Inventories:** Inventories, which include material, direct labor and factory overhead, are stated at the lower of cost or market. Cost is determined on a first-in, first-out ("FIFO") basis. The Company evaluates the carrying value of its inventories at least quarterly, taking into account such factors as historical and anticipated future sales compared with quantities on hand, the price the Company expects to obtain for its products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

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ICN PHARMACEUTICALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

**Property, Plant and Equipment:** Property, plant and equipment is stated at cost. The Company primarily uses the straight-line method for depreciating property, plant and equipment over their estimated useful lives. Buildings and related improvements are depreciated from 7 - 50 years, machinery and equipment from 3 - 30 years, furniture and fixtures from 3 - 15 years and leasehold improvements and capital leases are amortized over their useful lives, limited to the life of the related lease.

The Company follows the policy of capitalizing expenditures that materially increase the lives of the related assets and charges maintenance and repairs to expense. Upon sale or retirement, the costs and related accumulated depreciation or amortization are eliminated from the respective accounts and the resulting gain or loss is included in income.

**Goodwill and Intangibles:** The difference between the purchase price and the fair value of net assets acquired at the date of acquisition is included in the accompanying consolidated balance sheets as goodwill and intangibles. Intangible assets also include acquired product rights. Goodwill and intangibles amortization periods range from 10 to 20 years depending upon the nature of the business or product acquired. The Company periodically evaluates the carrying value of goodwill and intangibles including the related amortization periods. In evaluating goodwill, the Company determines whether there has been an impairment and the amount thereof, if any, by comparing the undiscounted future operating income of the acquired business with the carrying value of the goodwill. In evaluating acquired product rights and other intangible assets, the Company determines whether there has been impairment by comparing the anticipated undiscounted future operating income of the product line with its carrying value. If the undiscounted operating income is less than the carrying value, the amount of the impairment, if any, will be determined by comparing the carrying value of each intangible asset with its fair value. Fair value is generally based on a discounted cash flows analysis. Based on its review, the Company does not believe that any impairment of its goodwill and intangibles has occurred.

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As of December 31, 2000 and 1999, goodwill and intangibles included the following:

	2000	1999	AMORTIZATION PERIODS
	-----	-----	-----
	(IN THOUSANDS)		
Goodwill.....	\$ 80,849	\$ 73,943	10 - 20 years
Acquired product rights.....	440,760	436,380	15 - 18 years
Other intangible assets.....	12,508	13,952	10 - 18 years
	-----	-----	
Accumulated amortization.....	534,117	524,275	
	(97,027)	(67,824)	
	-----	-----	
	\$437,090	\$456,451	
	=====	=====	

**Revenue Recognition:** Revenues and related cost of product sales are recorded at the time of shipment or as services are performed, provided that collection of the revenue is reasonably assured. The Company earns royalty revenue as a result of the sale of product rights and technologies to third parties. Royalty revenue is earned at the time the products subject to the royalty are sold by the third party.

In December 1999, the Securities and Exchange Commission (the "SEC") released Staff Accounting Bulletin ("SAB") No. 101, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The Company adopted the provisions of SAB 101 in the fourth quarter of 2000. Adoption of SAB 101 did not cause a material change in the Company's financial condition or results of operations.

**Barter Transactions:** The Company periodically engages in barter transactions, primarily in Russia, related to the sale of its products in exchange for raw materials, other finished goods and costs of services incurred in the conduct of its operations. The Company accounts for these transactions in accordance with

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ICN PHARMACEUTICALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

APB No. 29 "Accounting for Nonmonetary Transactions", whereby the cost of the assets or service acquired is based upon the fair value of the asset surrendered or received whichever is more clearly evident. For each of the periods ended December 31, 2000, 1999 and 1998, the Company's Russian subsidiaries recorded approximately \$3,000,000, \$8,000,000 and \$8,000,000, respectively, in revenue related to barter transactions.

**Foreign Currency Translation:** The assets and liabilities of the Company's foreign operations, except those in highly inflationary economies, are translated at end of period exchange rates. Revenues and expenses are translated at the average exchange rates prevailing during the period. The effects of unrealized exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated in stockholders' equity. The monetary assets and liabilities of foreign subsidiaries in highly inflationary

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economies are remeasured into U.S. dollars at end of period exchange rates and non-monetary assets and liabilities at historical exchange rates. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, Foreign Currency Translation, the Company has included in earnings all foreign exchange gains and losses arising from foreign currency transactions and the effects of foreign exchange rate fluctuations on subsidiaries operating in highly inflationary economies. Recorded losses from foreign exchange transactions amounted to \$3,062,000, \$5,085,000 and \$2,788,000 for 2000, 1999 and 1998, respectively. Recorded losses from foreign exchange translation amounted to \$3,525,000, \$6,738,000 and \$77,713,000 for 2000, 1999 and 1998, respectively.

**Income Taxes:** Income taxes are calculated in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or tax returns. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized. In estimating future tax consequences, SFAS No. 109 generally considers all expected future events other than an enactment of changes in tax laws or rates.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Comprehensive Income:** The Company has adopted the provisions of SFAS No. 130, Reporting Comprehensive Income. Comprehensive income includes such items as foreign currency translation adjustments and unrealized holding gains and losses on available-for-sale securities and is presented as a component of stockholders' equity.

The balance of accumulated other comprehensive income at December 31, 2000 and 1999 consists of accumulated foreign currency translation adjustments. None of the components of other comprehensive income have been recorded net of any tax provision or benefit as the Company does not expect to realize any significant tax benefit or expense from these items.

**Per Share Information:** Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of shares outstanding. In computing diluted earnings per share, the weighted-average number of shares outstanding is adjusted to reflect the effect of potentially dilutive securities including options, warrants, and convertible debt or preferred stock, and income available to common stockholders is adjusted to reflect any changes in income or loss that would result from the issuance of the dilutive common shares.

The Company's Board of Directors declared a quarterly cash distribution of \$.0725 per share for each fiscal quarter of 2000. During 1999, the Company's Board of Directors declared a quarterly cash distribution of

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Directors declared a quarterly cash dividend or distribution of \$0.06 per share for each fiscal quarter.

**Stock-Based Compensation:** The Company has adopted the disclosure only provisions of SFAS No. 123 for stock options issued to employees. Compensation cost for stock-based compensation issued to employees has been measured using the intrinsic value method provided by Accounting Principles Board No. 25.

**Reclassifications:** Certain prior year items have been reclassified to conform with the current year presentation, with no effect on previously reported net income or stockholders' equity.

### 3. ACQUISITIONS

On July 1, 2000, the Company acquired 100% ownership of the Swiss pharmaceuticals company Solco Basel AG for \$30,368,000, of which \$25,156,000 was paid in cash (\$4,026,000 of cash was received as part of the Solco assets) and the balance in 125,000 shares of the Company's common stock. Goodwill of \$2,821,000 was recorded in connection with the acquisition and is being amortized over a 20 year estimated useful life. Under the terms of the Company's agreement with the sellers, the Company has guaranteed a per share price initially at CHF 64 (\$40.00 as of December 31, 2000), increasing at a rate of 4% per annum through June 30, 2002. If the holders of the shares sell any of the shares prior to June 30, 2002, the Company is entitled to one-half of any proceeds realized in excess of the guaranteed price. If the market price of the Company's common stock is below the guaranteed price at the end of the guarantee period, the Company will be required to satisfy the aggregate guarantee amount by payment in cash. The aggregate guaranteed value of the shares held by the sellers exceeds the market value by approximately \$1,386,000. This acquisition was accounted for as a purchase and is not material to the financial position or results of operations of the Company. The initial purchase of the Solco acquisition is based upon current estimates. The Company will make final purchase price allocations based upon final values for certain long-lived assets. As a result, the final purchase price allocation may differ from the presented estimates.

During 2000, the Company acquired various other businesses for a total of \$4,075,000 in cash. These acquisitions were accounted for as purchases and are not material to the financial position or results of operations of the Company. The Company acquired an additional 6.47% interest in its subsidiary in Poland for \$3,194,000 in cash, which increased the Company's ownership to 97.73% and an additional 25% interest in a subsidiary in Hungary for \$3,186,000 in cash, which increased the Company's ownership to 91.3%.

**Product Acquisitions --** In 2000, the Company acquired the rights to certain products for the total consideration of \$9,383,000. None of the above product acquisitions are material to the financial results of the Company.

### 4. RELATED PARTY TRANSACTIONS

In June 1996, the Company made a short-term loan to the Chairman and CEO in the amount of \$3,500,000 for personal legal obligations. During August 1996, this amount was repaid to the Company. In connection with this transaction, the Company guaranteed \$3,600,000 of demand debt of the Chairman with a third party bank, which is renewable by the Chairman annually until repaid. In addition to the guarantee, the Company deposited \$3,600,000 with this bank as collateral to the Chairman's debt, which will remain in place until such time as the Chairman repays his obligation to the bank. This deposit is recorded as a long-term asset on the consolidated balance sheet. The Company is not aware of the time frame in which the Chairman expects to repay this obligation. Interest paid by the Company on behalf of the Chairman was charged to the Chairman as compensation expense and amounted to \$160,916, \$163,166 and \$181,901 for the years ended

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December 31, 2000, 1999 and 1998. The Company recognized interest income on the bank deposit of \$124,330, \$126,097 and \$134,151 for the years ended December 31, 2000, 1999 and 1998. The Chairman has

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ICN PHARMACEUTICALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

provided collateral to the Company's guarantee in the form of a right to the proceeds of the exercise of options to acquire 150,000 shares with an exercise price of \$15.17 and the rights to a \$4,000,000 life insurance policy provided by the Company. In the event of any default on the debt to the bank, the Company has recourse that is limited to the collateral described above. Both the transaction and the sufficiency of the collateral for the guarantee were approved by the Board of Directors.

#### 5. CONCENTRATIONS OF CREDIT RISK

The Company is exposed to concentrations of credit risk related to its cash deposits and marketable securities. The Company places its cash and cash equivalents with respected financial institutions and limits the amount of credit exposure to any one financial institution. The Company's cash and cash equivalents and restricted cash include \$120,000,000 and \$160,000,000, at December 31, 2000 and 1999, respectively, held in time deposits, money market funds, and municipal debt securities through approximately ten major financial institutions. The Company is also exposed to credit risk on its accounts receivable balances in Russia as a result of the current economic situation. The Russian accounts receivable balances at December 31, 2000 and 1999 are \$15,414,000 and \$22,772,000, which is net of the allowances for doubtful accounts of \$10,276,000 and \$9,142,000, respectively.

#### 6. INCOME TAXES

Pretax income (loss) from continuing operations before minority interest and extraordinary loss for each of the years ended December 31, consists of the following (in thousands):

	2000	1999	1998
	-----	-----	-----
Domestic.....	\$ 85,826	\$ 96,270	\$(252,597)
Foreign.....	43,728	43,715	(142,484)
	-----	-----	-----
	\$129,554	\$139,985	\$(395,081)
	=====	=====	=====

The income tax (benefit) provision for each of the years ended December 31, consists of the following (in thousands):

	2000	1999	1998
	-----	-----	-----
Current			
Federal.....	\$ 1,159	\$ 6,206	\$ --

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State.....	2,563	674	640
Foreign.....	16,642	15,469	9,566
	-----	-----	-----
	20,364	22,349	10,206
Deferred			
Federal.....	16,298	8,779	(11,409)
State.....	(165)	1,199	--
Foreign.....	1,186	(3,331)	3,186
	-----	-----	-----
	17,319	6,647	(8,223)
	-----	-----	-----
	\$37,683	\$28,996	\$ 1,983
	=====	=====	=====

The current federal tax provision has not been reduced for the tax benefit associated with the exercise of employee stock options. The 2000 and 1999 tax benefit of \$2,721,000 and \$5,173,000, respectively, were credited directly to additional capital and the 1998 tax benefit amount of \$5,845,000 has been included in the valuation allowance.

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ICN PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2000

The primary components of the Company's net deferred tax asset at December 31, 2000 and 1999 are as follows (in thousands):

	2000	1999
	-----	-----
Deferred tax assets:		
NOL carryforwards.....	\$ 54,568	\$ 73,719
Capital loss carryforward.....	25,458	25,458
Inventory and other reserves.....	3,934	8,809
Tax credit carryforwards.....	2,581	1,544
Other.....	9,925	8,191
Valuation allowance.....	(21,429)	(36,626)
	-----	-----
Total deferred tax asset.....	75,037	81,095
	-----	-----
Deferred tax liabilities:		
Foreign fixed assets, intangibles, and other.....	(13,028)	(7,697)
Intangibles.....	(2,992)	(1,813)
	-----	-----
Total deferred tax liability.....	(16,020)	(9,510)
	-----	-----
Net deferred tax asset.....	\$ 59,017	\$ 71,585
	=====	=====

In connection with the Merger, the Company acquired approximately \$226,000,000 of net operating loss carryforwards ("NOLs"). Included in the total acquired NOLs were \$191,000,000 of domestic NOLs and \$35,000,000 of foreign NOLs. Internal Revenue Service Code Section 382 imposes an annual limitation on the availability of domestic NOLs that can be used to reduce taxable income after certain substantial ownership changes of a corporation.

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At December 31, 2000, the Company has domestic and foreign NOLs of approximately \$130,626,000 and \$41,508,000, respectively, and a capital loss carryforward of \$72,736,000. The Company's NOLs begin to expire in the year 2005 and the majority of capital loss carryforward expires in the year 2008.

In 2000, the valuation allowance primarily relates to foreign net operating losses, primarily in Hungary, and a \$12,548,000 tax benefit from the exercise of stock options included in the NOL carryforward. In 1999, the valuation allowance primarily relates to the deduction for the write-off of ICN Yugoslavia and a \$12,548,000 tax benefit from the exercise of stock options included in the NOL carryforward. Ultimate realization of the deferred tax assets is dependent upon the Company generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that the net deferred tax assets will be realized. The amount of the deferred tax assets considered realizable, however, could be reduced in the future if estimates of future taxable income during the carryforward period are reduced.

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### ICN PHARMACEUTICALS, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

The Company's effective tax rate differs from the applicable U.S. statutory federal income tax rate due to the following:

	2000	1999	1998
	----	----	----
Statutory rate.....	35%	35%	(35)%
Foreign source income taxed at other effective rates:			
Yugoslavia.....	--	--	15
Russia.....	5	1	3
Hungary.....	1	5	--
China.....	1	1	--
Latin America and Puerto Rico.....	(5)	(5)	--
Other Countries.....	--	--	(1)
Change in valuation allowance.....	(12)	(18)	5
Basis difference in Yugoslavia.....	--	--	14
Other, net.....	4	2	--
	---	---	---
Effective rate.....	29%	21%	1%
	===	===	===

In Russia, the Company continues to benefit from special tax relief that benefits pharmaceutical companies. Under this relief approximately 75% of the income generated in Russia related to the manufacture and sale of prescription medicines is exempt from taxation. This reduces the statutory rate to approximately 8%. The continuing tax benefits in Russia are subject to potential changes in tax law that may be enacted in the future. Should these benefits be repealed, income generated in Russia would require the Company to provide taxes at the current statutory rate of 35%.

In Hungary, the Company benefited from a tax holiday, which expired on December 31, 1998.

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In 1998, the Company received the benefit of certain favorable tax laws in Yugoslavia that resulted in income taxes at a rate lower than the 25% Yugoslavian statutory rate.

In 2000 and 1999, the provision for income taxes includes deferred tax benefits of \$16,284,000 and \$25,286,000, respectively, resulting from the recognition of certain deferred tax assets through the reduction of the valuation allowance, primarily related to the capital loss carryforward. The Company has announced its intention to reorganize into three separately held public companies which management expects will result in a net capital gain allowing utilization of the capital loss carryforward. In addition to the reorganization, management is pursuing other tax planning strategies designed to facilitate the use of its capital loss carryforwards prior to their expiration.

The Company is aware of audits being conducted by various tax authorities. At this time the Company does not feel that they will result in material adjustments.

During 2000, no U.S. income or foreign withholding taxes were provided on the undistributed earnings of the Company's foreign subsidiaries with the exception of the Company's Panamanian subsidiary, Alpha Pharmaceuticals, since management intends to reinvest those undistributed earnings in the foreign operations. Included in consolidated retained earnings at December 31, 2000, is approximately \$227,000,000 of accumulated earnings of foreign operations that would be subject to U.S. income or foreign withholding taxes, if and when repatriated.

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### ICN PHARMACEUTICALS, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

#### 7. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	2000	1999	1998
	-----	-----	-----
Income:			
Net income (loss).....	\$90,180	\$118,626	\$(352,074)
Dividends and accretion on preferred stock.....	--	--	(34)
	-----	-----	-----
Numerator for basic earnings per share -- income available to common stockholders.....	90,180	118,626	(352,108)
Effect of dilutive securities:			
Other dilutive securities.....	5	(5)	--
	-----	-----	-----
Numerator for diluted earnings per share --income available to common stockholders after assumed conversions.....	\$90,185	\$118,621	\$(352,108)
	=====	=====	=====
Shares:			
Denominator for basic earnings per share -- weighted-average shares outstanding.....	79,395	77,833	73,637

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Effect of dilutive securities:			
Employee stock options.....	2,755	2,680	--
Series D Convertible Preferred Stock.....	--	599	--
Other dilutive securities.....	114	977	--
	-----	-----	-----
Dilutive potential common shares.....	2,869	4,256	--
	-----	-----	-----
Denominator for diluted earnings per share -- adjusted weighted-average shares and assumed conversions.....			
	82,264	82,089	73,637
	=====	=====	=====
Basic earnings per share:			
Income (loss) per share before extraordinary loss.....	\$ 1.18	\$ 1.52	\$ (4.78)
Extraordinary loss per share.....	0.04	--	--
	-----	-----	-----
Basic net income (loss) per share.....	\$ 1.14	\$ 1.52	\$ (4.78)
	=====	=====	=====
Diluted earnings per share:			
Income (loss) per share before extraordinary loss.....	\$ 1.14	\$ 1.45	\$ (4.78)
Extraordinary loss per share.....	0.04	--	--
	-----	-----	-----
Diluted net income (loss) per share.....	\$ 1.10	\$ 1.45	\$ (4.78)
	=====	=====	=====

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ICN PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2000

8. DETAIL OF CERTAIN ACCOUNTS

	2000	1999
	-----	-----
	(IN THOUSANDS)	
Accounts receivable, net:		
Trade accounts receivable.....	\$ 190,386	\$206,766
Royalties receivable.....	39,741	34,725
Other receivables.....	15,372	16,958
	-----	-----
	245,499	258,449
Allowance for doubtful accounts.....	(19,860)	(26,547)
	-----	-----
	\$ 225,639	\$231,902
	=====	=====
Inventories, net:		
Raw materials and supplies.....	\$ 61,623	\$ 32,683
Work-in-process.....	22,701	12,610
Finished goods.....	103,932	99,429
	-----	-----
	188,256	144,722
Allowance for inventory obsolescence.....	(17,993)	(7,960)
	-----	-----
	\$ 170,263	\$136,762
	=====	=====

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Property, plant and equipment, net:		
Land.....	\$ 16,154	\$ 18,869
Buildings.....	163,453	146,402
Machinery and equipment.....	222,693	184,230
Furniture and fixtures.....	23,196	20,588
Leasehold improvements.....	6,610	5,964
	-----	-----
	432,106	376,053
Accumulated depreciation and amortization.....	(104,157)	(77,122)
Construction in progress.....	39,280	33,429
	-----	-----
	\$ 367,229	\$332,360
	=====	=====

At December 31, 2000, construction in progress includes costs incurred to date for the construction of a new research and development facility in North America and other plant expansion projects. At December 31, 1999 construction in progress includes costs incurred for the construction of a new pharmaceutical factory at the Company's Rzeszow, Poland facility and other plant expansion projects.

Accrued liabilities:		
Payroll and related items.....	\$18,425	\$13,397
Interest.....	10,738	14,287
Legal and professional fees.....	11,969	5,234
Other.....	50,315	33,267
	-----	-----
	\$91,447	\$66,185
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2000

9. DEBT

Long-term debt consists of the following (in thousands):

	2000	1999
	-----	-----
9 1/4% Senior Notes due 2005.....	\$190,645	\$275,000
8 3/4% Senior Notes due 2008 (net of unamortized discount of \$5,943).....	306,227	318,415
U.S. mortgage with fixed interest rate of 8.9%, interest and principal payable monthly through 2022.....	3,033	3,081
Mortgages in Swiss francs with an interest rate of LIBOR + 1.5% (4.9% at December 31, 2000); interest and principal payable semi-annually through 2030.....	10,862	--
Other.....	912	777
	-----	-----
	511,679	597,273

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Less current portion.....	898	312
	-----	-----
Total long-term debt.....	\$510,781	\$596,961
	=====	=====

In July 1999 and August 1998, the Company completed private placements of \$125,000,000 and \$200,000,000 principal amount, respectively, of its 8 3/4% Senior Notes due 2008 (the "8 3/4% Senior Notes"). Net proceeds to the Company, after discounts and costs of issuance, were \$118,485,000 and \$190,821,000, respectively. The 8 3/4% Senior Notes are non-callable; however, pursuant to the bond's Indenture these notes are redeemable at the Company's option prior to November 15, 2001. The Indenture provides for the Company to redeem up to \$70.0 million aggregate principal amount of the notes from the net proceeds of a public equity offering for a price equal to 108.75% plus accrued and unpaid interest. In connection with the private placement, the Company granted the purchasers of the 8 3/4% Senior Notes registration rights relating to the exchange offer and shelf registration rights. The Company used a portion of the proceeds from the 1999 issuance for principal payments of long-term debt and short-term borrowings.

In August 1997, the Company completed an underwritten public offering of \$275,000,000 of its 9 1/4% Senior Notes Due 2005 (the "9 1/4% Senior Notes") for net proceeds of \$265,646,000. The 9 1/4% Senior Notes are redeemable in cash at the option of the Company, in whole or in part, on or after August 15, 2001, at specified redemption prices.

The 8 3/4% Senior Notes and the 9 1/4% Senior Notes (together, the "Senior Notes") each are general unsecured obligations of the Company which rank pari passu in right of payment with all other unsecured senior indebtedness, and are senior to all subordinated indebtedness of the Company. Upon a change of control (as defined in the related indentures), the Company will be required to offer to repurchase the Senior Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued interest thereon to the date of repurchase. Interest on the Senior Notes is payable semi-annually. The indentures governing the Senior Notes include certain covenants which may restrict the incurrence of additional indebtedness, the payment of dividends and other restricted payments, the creation of certain liens, the sale of assets, or the Company's ability to consolidate or merge with another entity, subject to qualifications and exceptions.

During 2000, the Company repurchased \$84,355,000 of its outstanding 9 1/4% Senior Notes for \$89,880,000 cash and \$12,830,000 of its outstanding 8 3/4% Senior Notes for \$12,515,000 cash. The repurchase generated an extraordinary loss on early extinguishment of debt of \$3,225,000 (\$.04 per share), net of an income tax benefit of \$1,737,000.

During 1998, \$Fr. 37,670,000 principal amount of the New Certificates was exchanged for an aggregate of approximately 802,000 shares of the Company's common stock and the remainder of the New Certificates

were redeemed for cash. Upon the exchange and redemption of the New Certificates, Danish bonds held in trust for the payment of the New Certificates, having a market value of approximately \$22,958,000, became available to the Company and were sold. The exchange increased stockholders'

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equity by \$25,337,000 and reduced long-term debt and accrued interest by \$4,680,000.

The Company has mortgages totaling \$13,895,000 payable in U.S. dollars and Swiss francs, collateralized by certain real property of the Company having a net book value of \$15,310,000 at December 31, 2000.

Aggregate annual maturities of long-term debt are as follows (in thousands):

2001.....	\$	898
2002.....		554
2003.....		515
2004.....		480
2005.....		191,131
Thereafter.....		318,101
		-----
Total.....	\$	511,679
		=====

The estimated fair value of the Company's debt, based on quoted market prices or on current interest rates for similar obligations with like maturities, was approximately \$527,072,000 and \$585,108,000 compared to its carrying value of \$511,679,000 and \$597,273,000 at December 31, 2000 and 1999, respectively.

The Company has short and long-term lines of credit aggregating \$12,851,000 under which no borrowings were outstanding at December 31, 2000. The lines of credit provide for short-term borrowings and bear interest at variable rates based upon LIBOR (approximately 3.4% at December 31, 2000) or other indices.

### 10. PREFERRED STOCK

In connection with the acquisition of rights to certain products from SmithKline Beecham plc ("SKB") in 1998, the Company issued 821 shares of its Series D Convertible Preferred Stock to SKB. Each share of the Series D Convertible Preferred Stock was initially convertible into 750 shares of the Company's common stock (together, the "SKB Shares"), subject to certain antidilution adjustments, and had a liquidation preference of \$28,000 per share. Except under certain circumstances, SKB agreed not to sell the SKB Shares until November 4, 1999, unless the market price of the Company's common stock exceeded \$50.00 per common share. In connection with the issuance of the SKB shares, the Company guaranteed SKB a price initially at \$37.37 per common share, increasing at a monthly rate of \$0.43 per share for twenty months. The Company agreed to pay SKB an additional amount in cash (or, under certain circumstances, in shares of common stock) to the extent proceeds received by SKB from the sale of the SKB Shares during the guarantee period ending in December 1999 and the then market value of the unsold SKB Shares did not provide SKB with an average value of \$46.00 per common share (including any dividend paid on the SKB Shares). In December 1999, the Company satisfied its obligation to SKB by repurchasing the 821 shares of Series D Convertible Preferred Stock for \$28,313,000 in cash.

### 11. COMMON STOCK

During 2000, the Board of Directors and the stockholders each approved the Company's Amended and Restated 1998 Stock Option Plan (the "Stock Option Plan"). The Stock Option Plan, as amended, provides for the granting of options to purchase a maximum of 11,604,000 shares (including 3,000,000 shares authorized in 1998) of the Company's common stock to key employees, officers, directors,

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consultants and advisors of the Company. Options granted under the Stock Option Plan must have an option price not less than 85% of the fair market value of the Company's common stock at the date of the grant, and a term not

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ICN PHARMACEUTICALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

exceeding 10 years. Options vest ratably over a four year period from the date of the grant. Under the Stock Option Plan each nonemployee director is granted 15,000 options on each April 18.

The Company has adopted the disclosure only provisions of SFAS No. 123. Accordingly, no compensation cost has been recognized for options granted under the Stock Option Plan. Had compensation cost for the Company's Stock Option Plan been determined based on the fair value at the grant date for awards in 2000, 1999 and 1998 consistent with the provisions of SFAS No. 123, the Company's net income (loss) and earnings (loss) per share would have been the unaudited pro forma amounts indicated below (in thousands, except per share data):

	2000 -----	1999 -----	1998 -----
Net income (loss).....	\$81,643	\$109,876	\$(359,757)
Earnings (loss) per share -- basic.....	1.03	1.41	(4.89)
Earnings (loss) per share -- diluted.....	0.99	1.34	(4.89)

The pro forma amounts were estimated using the Black-Scholes option-pricing model with the following assumptions:

	2000 -----	1999 -----	1998 -----
Weighted-average life (years).....	4.8	4.4	5.0
Volatility.....	55%	54%	56%
Expected dividend per share.....	\$ 0.36	\$ 0.36	\$ 0.36
Risk-free interest rate.....	5.80%	5.40%	5.15%
Weighted-average fair value of options granted.....	\$12.91	\$12.51	\$19.54

The following table sets forth information relating to stock option plans during the years ended December 31, 2000, 1999 and 1998 (in thousands, except per share data):

	NUMBER OF SHARES -----	WEIGHTED AVERAGE EXERCISE PRICE -----
Shares under option, December 31, 1997.....	8,920	\$12.68
Granted.....	2,211	42.75
Exercised.....	(634)	10.94
Canceled.....	(144)	14.96

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Shares under option, December 31, 1998.....	10,353	18.97
Granted.....	1,451	25.66
Exercised.....	(1,148)	11.10
Canceled.....	(288)	24.52
-----		
Shares under option, December 31, 1999.....	10,368	20.59
Granted.....	571	25.05
Exercised.....	(1,193)	12.21
Canceled.....	(586)	31.00
-----		
Shares under option, December 31, 2000.....	9,160	\$21.25
=====		
Exercisable at December 31, 1998.....	6,841	\$13.43
=====		
Exercisable at December 31, 1999.....	6,962	\$16.10
=====		
Exercisable at December 31, 2000.....	6,903	\$18.36
=====		
Options available for grant at December 31, 1999.....	270	
=====		
Options available for grant at December 31, 2000.....	4,034	
=====		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2000

The schedule below reflects the number of outstanding and exercisable options as of December 31, 2000 segregated by price range (in thousands, except per share data):

RANGE OF EXERCISE PRICES	OUTSTANDING		EXERCISABLE		
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING LIFE (YEARS)
\$ 5.11 to \$13.67	3,534	\$10.95	3,494	\$10.91	3.72
\$13.92 to \$26.88	3,613	\$20.01	2,336	\$18.21	5.22
\$27.25 to \$46.25	2,013	\$41.58	1,073	\$42.95	7.35
	-----		-----		
	9,160		6,903		
	=====		=====		

During 1998, the Company extended by one year the term of options to purchase an aggregate of 304,000 shares of common stock which are held by four employees, including the Chairman and CEO and a director. The Company recorded compensation expense of \$2,909,000 related to these options.

Stock Repurchase Plan: In 1998, the Company's Board of Directors authorized two stock repurchase programs. The first repurchase program authorized the Company to repurchase up to \$10,000,000 of its outstanding common stock. The

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second authorized the Company to initiate a long-term repurchase program that allows the Company to repurchase up to 3,000,000 shares of its common stock. In executing the repurchase programs, the Company is limited by certain covenants contained in the indentures relating to the Company's Senior Notes. In the indentures, the Company is permitted to repurchase up to \$10,000,000 of its common stock under the first program; however, repurchases under the second program will only be permitted as the Company generates cumulative net income, as provided for in the indentures. In 1998, the Company repurchased an aggregate of 200,000 shares of its common stock for \$4,450,000. In March 1999, the Company repurchased additional shares of 223,967 of its common stock for \$5,550,000, completing its first stock repurchase program. In December 1999, the Company repurchased additional shares of 390,200 of its common stock for \$9,754,000, initiating the second stock repurchase program.

During 1999, the Company sold certain put options to an independent third party; the proceeds were used to purchase call options from the same party in a private placement transaction not requiring any net cash outlay at the time. The put options and the corresponding call options expired from August 2000 through December 2000. The Company, at its option, could make a physical settlement, a cash settlement, or a net share settlement of its positions under the put options and the call options. The Company received 46,014 shares of its common stock and paid \$20,000 in cash to settle its positions under the put options and the call options.

**Stockholder Rights Plan:** The Company has adopted a Stockholder Rights Plan to protect stockholders' rights in the event of a proposed or actual acquisition of 15% or more of the outstanding shares of the Company's common stock. As part of this plan, each share of the Company's common stock carries a right to purchase one one-hundredth ( 1/100) of a share of Series A Preferred Stock (the "Rights"), par value \$0.01 per share, of the Company at a price of \$125 per one one-hundredth of a share, subject to adjustment, which becomes exercisable only upon the occurrence of certain events. The Rights are subject to redemption at the option of the Board of Directors at a price of \$0.01 per right until the occurrence of certain events. The Rights expire on November 1, 2004.

**Long-term Incentive Plan:** The Company has a long-term incentive plan, which provides for the issuance of shares of the Company's common stock to senior executives. Shares issued under the long-term incentive plan are restricted and vest over a four-year period. In 2000 and 1999, no shares were issued under the plan. In 1998, approximately 319,000 shares of the Company's common stock having a value of \$10,466,000 were

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ICN PHARMACEUTICALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

issued under this plan. Compensation expense for the value of the common shares issued is being recognized over the vesting period and is credited to additional capital. During 2000, 1999 and 1998, the Company recorded an other non-cash charge relating to the compensation expense of \$2,333,000, \$2,737,000 and \$2,398,000, respectively. As of December 31, 2000, the unamortized compensation cost related to the restricted shares was \$2,528,000. The amount expected to be recognized in 2001 and 2002, assuming that all current participants in the long-term incentive plan remain in the plan through the vesting period, is \$2,333,000 and \$195,000, respectively.

**Contingently Issuable Shares:** Effective October 1, 1998, the Company issued 2,883,871 shares of its common stock to Roche as part of the consideration for the rights to four pharmaceutical products. Under the terms of the agreement

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with Roche, the Company guaranteed to Roche a per share price initially at \$31.00, increasing at a rate of 6% per annum through December 31, 2000. Should Roche sell any of the shares prior to December 31, 2000, the Company is entitled to one-half of any proceeds realized by Roche in excess of the guaranteed price. On February 28, 2001, the Company issued 92,975 shares of its common stock valued at approximately \$2,723,000 in settlement of the guarantee.

Other: During 1999, the Company sold 2,041,498 shares of its common stock to Schering-Plough for \$42,000,000. The sale was pursuant to the terms of a Stock Purchase Agreement made between the Company and Schering-Plough in 1995. See Note 16.

### 12. COMMITMENTS AND CONTINGENCIES

On August 11, 1999, the United States Securities and Exchange Commission filed a complaint in the United States District Court for the Central District of California captioned Securities and Exchange Commission v. ICN Pharmaceuticals, Inc., Milan Panic, Nils O. Johannesson, and David C. Watt, Civil Action No. SACV 99-1016 DOC (ANx) (the "SEC Complaint"). The SEC Complaint alleges that the Company and the individual named defendants made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading and engaged in acts, practices, and courses of business which operated as a fraud and deceit upon other persons in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The SEC Complaint concerns the status and disposition of the Company's 1994 New Drug Application for Virazole as a monotherapy treatment for Hepatitis C (the "NDA"). The SEC Complaint seeks injunctive relief, unspecified civil penalties, and an order barring Mr. Panic from acting as an officer or director of any publicly-traded company. A pre-trial schedule has been set which requires the submission of summary judgment motions in late 2002, the end of discovery by March 17, 2003, and the commencement of trial on May 6, 2003. The Company and the SEC are engaged in discussions in an effort to determine whether the litigation can be resolved by settlement agreement.

Beginning in 1996, the Company received subpoenas from a Grand Jury in the United States District Court for the Central District of California requesting the production of documents covering a broad range of matters over various time periods. The Company understood that the Company, Mr. Panic, two current senior executive officers, a former senior officer, a current employee, and a former employee of the Company were targets of the investigation. The Company also understood that a senior executive officer and a director were subjects of the investigation. The United States Attorney for the Central District of California (the "Office") advised counsel for the Company that the areas of its investigation included disclosures made and not made concerning the 1994 Hepatitis C monotherapy NDA to the public and other third parties; stock sales for the benefit of Mr. Panic following receipt on November 28, 1994 of a letter from the FDA informing the Company that the 1994 Hepatitis C monotherapy NDA had been found not approvable; possible violations of the economic embargo imposed by the United States upon the Federal Republic of Yugoslavia, based upon alleged sales by the Company and Mr. Panic of stock belonging to Company employees; and, with respect to

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filings. The Company has cooperated, and continues to cooperate, in the Grand Jury investigation. A number of current and former officers and employees of the Company were interviewed by the government in connection with the investigation. The Office had issued subpoenas requiring various current and former officers and employees of the Company to testify before the Grand Jury. Certain current and former officers and employees testified before the Grand Jury beginning in July 1998.

On March 15, 2001, the Company was notified by the Office that a decision had been made to decline prosecution of all of the individual targets and subjects of the Grand Jury investigation. At the same time, the Company was also notified that the United States Attorney had authorized the Office to seek an indictment of the Company based upon alleged false and misleading misrepresentations concerning the 1994 hepatitis C monotherapy NDA. The Company and the Office are engaged in discussions in an effort to determine whether the matter can be settled by plea bargain, which could include a plea by the Company to one felony count.

In connection with the Grand Jury investigation and SEC litigation, the Company has recorded a reserve in the fourth quarter of 2000 of \$9,250,000 to cover the potential combined settlement liability and all other related costs. The Company's estimate of the fourth quarter reserve was based upon the nature and amounts noted during settlement discussions with the SEC and the Office. The Company believes that additional loss in settling these matters, based upon discussions to date, is not reasonably possible. There can, of course, be no assurance that the Grand Jury investigation will be settled by plea agreement or that the SEC litigation will be settled by mutual agreement or what the amount of any settlement may ultimately be. In the event that a settlement of either matter is not reached, the Company will vigorously defend any litigation.

On or about February 9, 1999, the Company commenced an action in the United States District Court for the District of Columbia ("District Court") against the Federal Republic of Yugoslavia ("FRY"), the Republic of Serbia ("ROS"), and the State Health Fund of Serbia ("State Fund") seeking damages in the amount of at least \$500,000,000 and declaratory relief arising out of the FRY and ROS's seizure of the Company's majority ownership interest in ICN Yugoslavia and the failure of the ROS and State Fund to pay ICN Yugoslavia for goods sold and delivered. On or about March 9, 1999, the State Fund commenced an arbitration against the Company before the International Chamber of Commerce ("ICC") for unquantified damages due to alleged breaches of the agreement pursuant to which the Company acquired its majority ownership interest in ICN Yugoslavia, and for unspecified injunctive relief. The Company, in turn, counterclaimed against the State Fund, and commenced an arbitration against the FRY and the ROS in the ICC arising out of the seizure of ICN Yugoslavia and the failure to pay for goods sold and delivered, seeking damages and other relief. The District Court stayed the action (while retaining jurisdiction) so that issues of jurisdiction by and among the parties could be resolved at the ICC. On February 23, 2001, the Arbitration panel issued decisions holding that: (i) the State Fund is a proper party to the ICC arbitration; (ii) the issue of jurisdiction over the ROS in the ICC arbitration will be joined to the merits of the case and decided in conjunction therewith; and (iii) there is no jurisdiction over the FRY in the ICC arbitration. The Company intends to prosecute vigorously its claims against the FRY, the ROS, and the State Fund, and to defend against the State Fund's claims against the Company, which the Company believes to be meritless and filed solely as a response to the action filed earlier by the Company in the District Court.

The Company is a party to other pending lawsuits or subject to a number of threatened lawsuits. While the ultimate outcome of pending and threatened lawsuits and the Grand Jury investigation cannot be predicted with certainty, and an unfavorable outcome could have a negative impact on the Company, at this time in the opinion of management, the ultimate resolution of these matters will

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not have a material effect on the Company's consolidated financial position, results of operations or liquidity.

**Product Liability Insurance:** The Company is currently self-insured with respect to product liability claims and could be exposed to possible claims for personal injury resulting from allegedly defective products. While to date no material adverse claim for personal injury resulting from allegedly defective products has

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ICN PHARMACEUTICALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

been successfully maintained against the Company, a substantial claim, if successful, could have a negative impact on the results of operations and cash flows of the Company.

**Benefits Plans:** The Company has a defined contribution plan that provides all U.S. employees the opportunity to defer a portion of their compensation for payout at a subsequent date. The Company can voluntarily make matching contributions on behalf of participating and eligible employees. The Company's expense related to such defined contribution plan was not material in 2000, 1999 and 1998.

**Other:** Milan Panic, the Company's Chairman of the Board and Chief Executive Officer, is employed under a contract expiring December 31, 2002 that provides for, among other things, certain health and retirement benefits. The contract is automatically extended at the end of each term for successive one year periods unless either the Company or Mr. Panic terminates the contract upon six months prior written notice. Mr. Panic, at his option, may provide consulting services upon his retirement and will be entitled, when serving as a consultant, to participate in the Company's medical and dental plans. The consulting fee shall not at any time exceed the annual compensation as adjusted, paid to Mr. Panic. Upon Mr. Panic's retirement, the consulting fee shall not be subject to further cost-of-living adjustments.

The Company has employment agreements with eleven key executives which contain "change in control" benefits. Upon a "change in control" of the Company as defined in the contract, the employee shall receive severance benefits equal to three times salary or for the chairman five times salary and other benefits. As of December 31, 2000, the Company's obligation, assuming a change in control had occurred would be \$26,330,000 for all employment contracts.

#### 13. BUSINESS SEGMENTS AND GEOGRAPHIC DATA

The Company is a global, research-based pharmaceutical company that develops, manufactures, distributes and sells pharmaceutical, research, and diagnostic products. The Company is organized and operates in the Pharmaceuticals group and the Biomedicals group. The Pharmaceuticals group produces and markets a variety of pharmaceutical products worldwide and derives royalty revenues from sales of certain of its products by a third party under a license agreement. The Biomedicals group markets research products and related services, immunodiagnostic reagents and instrumentation, and provides radiation monitoring services.

In 2000, the principal markets for the Company's pharmaceutical products were North America, Western Europe (including Poland, Hungary and the Czech Republic), Russia and Latin America, which represented approximately 34%, 23%, 13% and 16%, respectively, of the Company's revenues for the year. Approximately

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63%, 64%, and 76% of the Company's revenues for the years ended December 31, 2000, 1999 and 1998, respectively, were generated from operations outside the United States. The Company's foreign operations are subject to certain risks inherent in conducting business abroad, including possible nationalization or expropriation, price and exchange controls, limitations on foreign participation in local enterprises, health-care regulation, and other restrictive governmental actions.

Changes in the relative values of currencies take place from time to time and may materially affect the Company's results of operations. Their effects on the Company's future operations are not predictable. The Company does not currently provide any hedges on its foreign currency exposure and, in certain countries in which the Company operates, no effective hedging programs are available.

In 1998, the Company adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which requires reporting certain financial information according to the "management approach." This approach requires reporting information regarding operating segments on the basis used internally by management to evaluate segment performance. SFAS 131 also requires disclosures about products and services, geographic areas and major customers.

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### ICN PHARMACEUTICALS, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

The Company is organized into business units on the basis of geographic region. In applying SFAS 131, these business units have been aggregated into seven reportable segments based on similar long-term economic characteristics. The accounting policies of the segments are the same as those described in Note 2. The Company evaluates segment performance based on income from operations, which excludes intersegment sales as well as interest income and expense and foreign exchange gains and losses. The Company allocates amortization on the product rights acquired from Roche and SKB among the segments where the related revenues are reported; the unamortized cost of such acquired product rights is included in assets of the North America Pharmaceuticals segment.

The tables below present information about reported segments and geographic data for the years ended December 31, 2000, 1999, and 1998 (in thousands):

	REVENUES			OPERATING INCOME (LOSS)		
	2000	1999	1998	2000	1999	1998
Pharmaceuticals						
North America.....	\$275,687	\$254,694	\$182,778	\$203,031	\$172,391	\$ 100,
Western Europe.....	187,206	185,417	154,346	16,404	15,633	11,
Latin America.....	127,485	100,325	85,351	41,951	34,859	26,
Russia.....	106,271	91,648	163,691	(3,856)	9,005	9,
Yugoslavia.....	--	--	141,740	--	--	(140,
Asia, Africa, Australia.....	45,133	54,131	48,649	(500)	13,682	10,
Total Pharmaceuticals.....	741,782	686,215	776,555	257,030	245,570	17,
Biomedicals.....	58,522	61,197	61,509	3,379	6,416	5,
Consolidated revenues and segment						

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operating income.....	\$800,304	\$747,412	\$838,064	260,409	251,986	23,
	=====	=====	=====			
Corporate expenses.....				76,454	53,129	312,
Interest income.....				(12,542)	(8,894)	(13,
Interest expense.....				60,356	55,943	38,
Translation and exchange losses, net.....				6,587	11,823	80,
				-----	-----	-----
Income (loss) before income taxes, minority interest and extraordinary loss.....				\$129,554	\$139,985	\$(395,
				=====	=====	=====

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ICN PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2000

Operating income for 2000 and 1999 did not include any revenues or expenses related to the Company's investment in ICN Yugoslavia. Operating income (loss) for 1998 includes the Eastern European charges totaling \$440,820,000. These charges are included in Yugoslavia Pharmaceuticals (\$173,508,000), Russia Pharmaceuticals (\$11,770,000), Western Europe Pharmaceuticals (\$15,659,000), North America Pharmaceuticals (\$3,150,000), and Biomedicals (\$647,000). In addition, Eastern European charges of \$236,086,000 (principally the write-off of the Company's investment in ICN Yugoslavia) are included in Corporate expenses.

	DEPRECIATION AND AMORTIZATION			CAPITAL EXPENDITURES (1)		
	2000	1999	1998	2000	1999	1998
	-----	-----	-----	-----	-----	-----
Pharmaceuticals						
North America.....	\$16,657	\$16,042	\$13,609	\$ 5,789	\$ 8,088	\$ 2,42
Western Europe.....	19,602	15,603	10,993	10,763	10,111	22,08
Latin America.....	5,230	8,381	5,563	2,968	3,198	2,36
Russia.....	4,845	4,544	104	7,028	12,636	41,80
Yugoslavia.....	--	--	3,720	--	--	22,47
Asia, Africa, Australia.....	4,699	5,398	5,488	172	103	1
	-----	-----	-----	-----	-----	-----
Total Pharmaceuticals.....	51,033	49,968	39,477	26,720	34,136	91,16
Biomedicals.....	5,530	7,302	4,669	2,366	2,379	3,01
Corporate.....	7,977	8,232	6,950	20,244	9,124	16,10
	-----	-----	-----	-----	-----	-----
	\$64,540	\$65,502	\$51,096	\$49,330	\$45,639	\$110,28
	=====	=====	=====	=====	=====	=====

(1) Includes noncash capital expenditures of \$1,556 for 1999.

ASSETS

-----  
2000                      1999                      1998

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Pharmaceuticals			
North America.....	\$ 518,033	\$ 516,231	\$ 519,920
Western Europe.....	271,914	218,577	226,436
Latin America.....	127,031	100,118	66,486
Russia.....	169,032	174,838	154,424
Asia, Africa, Australia.....	82,206	98,402	79,274
Total Pharmaceuticals.....	1,168,216	1,108,166	1,046,540
Biomedicals.....	61,938	67,692	76,671
Corporate.....	246,918	296,403	233,185
	\$1,477,072	\$1,472,261	\$1,356,396

Geographic Data

	REVENUES			LONG-LIVED ASSETS		
	2000	1999	1998	2000	1999	1998
United States.....	\$292,213	\$271,217	\$199,234	\$497,817	\$500,981	\$512,000
Canada.....	20,711	19,799	18,960	4,630	3,289	3,000
Western Europe.....	200,708	201,825	172,919	159,350	133,565	145,000
Latin America(1).....	128,586	101,728	86,634	35,598	38,846	34,000
Russia.....	106,271	91,648	163,691	99,625	99,870	86,000
Yugoslavia.....	--	--	141,740	--	--	--
Asia, Africa, Australia.....	51,815	61,195	54,886	39,599	49,885	55,000
	\$800,304	\$747,412	\$838,064	\$836,619	\$826,436	\$837,000

(1) Latin American region is principally Mexico.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2000

Revenues are attributed to the countries based upon the country of domicile of the Company's subsidiary which made the sale, with the exception of certain sales exported from the United States into the Asia, Africa, and Australia region, where the sales are attributed to the region based upon the location of the customer. Long-lived assets principally consist of property, plant, and equipment, acquired product rights, and goodwill.

14. ICN YUGOSLAVIA

On February 6, 1999, the government of the Federal Republic of Yugoslavia, acting through the Federal Ministry of Health and/or the Ministry of Health of Serbia, seized control of the Company's 75% owned subsidiary, ICN Yugoslavia. This action, based on a decision by the Ministry for Economic and Property

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Transformation that was reached on November 26, 1998, effectively reduced the Company's equity ownership of ICN Yugoslavia from 75% to 35%. The Ministry of Economic and Property Transformation decision was based on the unilaterally imposed recalculation of the Company's original capital contribution to ICN Yugoslavia. Subsequent to the seizure, the Commercial Court of Belgrade issued an order stating that a change in control had occurred. These actions were taken, contrary to Yugoslavian law, without any notification to or representation by the Company. As a result, the Company had and continues to have no effective control over the operating and financial affairs of ICN Yugoslavia and deconsolidated the financial statements of ICN Yugoslavia as of November 26, 1998. Accordingly, the Company recorded a charge of \$235,290,000 in the fourth quarter of 1998, which is included in Eastern European Charges in the accompanying consolidated statements of income. This charge reduced the carrying value of the Company's investment in ICN Yugoslavia to its fair value, estimated to be zero.

The following table represents the Consolidated Statements of Income of the Company, ICN Yugoslavia and the pro-forma results excluding ICN Yugoslavia for the year 1998.

CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1998  
(UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE DATA)

	1998		
	CONSOLIDATED	YUGOSLAVIA	EXCLUDING YUGOSLAVIA
Net Revenues.....	\$ 838,064	\$ 141,740	\$696,324
Cost and expenses:			
Cost of product sales.....	353,600	80,430	273,170
Selling, general and administrative.....	312,377	25,081	287,296
Research and development.....	20,835	3,140	17,695
Eastern European charges.....	440,820	408,798	32,022
Total expenses.....	1,127,632	517,449	610,183
Income (loss) from operations.....	(289,568)	(375,709)	86,141
Translation and exchange losses, net.....	80,501	23,865	56,636
Interest expense (income), net.....	25,012	(630)	25,642
Provision (benefit) for income taxes.....	1,983	1,029	954
Minority interest.....	(44,990)	(41,173)	(3,817)
Net income (loss).....	\$ (352,074)	\$ (358,800)	\$ 6,726
Basic earnings (loss) per share.....	\$ (4.78)		\$ 0.09
Diluted earnings (loss) per share.....	\$ (4.78)		\$ 0.09

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Through the first quarter of 1998, the majority of ICN Yugoslavia's domestic sales were made to the Yugoslavian government or government-funded entities. During early 1997, the Company established credit terms with the Yugoslavian government under which future receivables were interest-bearing with one year terms and payable in dinars, but fixed in dollar amounts. During the first quarter of 1998, the Company continued to make sales to the Yugoslavian government and government-sponsored entities under similar fixed dollar terms in order to reduce the Company's exposure to losses resulting from exchange rate fluctuations. In the second quarter of 1998, the Yugoslavian government defaulted on its obligations to the Company on \$176,204,000 of accounts and notes receivable. As a result of the government's default and the suspension of sales to the government, the Company recorded a \$173,440,000 charge against earnings at ICN Yugoslavia in the second quarter of 1998. The charge is included in Eastern European Charges (\$165,646,000), cost of product sales (\$3,667,000), and interest income (\$4,127,000) in the accompanying consolidated statements of income. The charge consists of a \$151,204,000 reserve for losses on notes receivable (including accrued interest), reserves of \$7,757,000 for losses on accounts receivable from government-sponsored entities, and a \$14,479,000 write-down of the value of certain related investments and assets.

In the third quarter of 1998 ICN Yugoslavia recorded a charge for losses on accounts receivable of \$7,862,000 as a result of the Russian economic situation. See Note 15.

### 15. ICN RUSSIA

The Company's Russian operations generated 13%, 12%, and 20% of the Company's total revenues for the years 2000, 1999 and 1998, respectively.

While the Russian economy continues to show improvement since the financial crisis that began in August 1998, the economy continues to experience difficulties. In 1998, the ruble fell sharply from a rate of 6.3 rubles to \$1 to a rate of 20.7 rubles to \$1 at December 31, 1998. Throughout 1999 and 2000, the ruble continued to fluctuate, there is continued volatility in the debt and equity market, hyperinflation persists, confidence in the banking sector has yet to be restored and there continues to be general lack of liquidity in the economy. In addition, laws and regulations affecting businesses operating within Russia continue to evolve. Russia's return to economic stability is dependent to a large extent on the effectiveness of the measures taken by the government, decisions of international lending organizations, and other actions, including regulatory and political developments, which are beyond the Company's control.

At December 31, 2000, the ruble exchange rate was 28.2 rubles to \$1 as compared with the rate of 27.5 rubles to \$1 and 20.7 rubles to \$1 as of December 31, 1999 and 1998, respectively. As a result of the change in the ruble exchange rate, the Company recorded translation and exchange losses of \$3,525,000, \$6,738,000 and \$53,848,000, related to its Russian operations during 2000, 1999 and 1998, respectively. As of December 31, 2000, ICN Russia had a net monetary asset position of approximately \$12,423,000, which is subject to foreign exchange loss as further declines in the value of the ruble in relation to the dollar occur. Due to the fluctuation in the ruble exchange rate, the ultimate amount of any future translation and exchange loss the Company may incur cannot presently be determined and such loss may have a negative impact on the Company's results of operations. The Company's management continues to work to manage its net monetary exposure. However, there can be no assurance that such efforts will be successful.

The Company's collections on accounts receivable in Russia have been adversely affected by the Russian economic situation. Prior to the August 1998 devaluation of the ruble, the Company had a favorable experience with the collection of receivables from its customers in the region. Subsequently, the Company has taken additional steps to ensure the creditworthiness of its

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customers and the collectibility of accounts receivable by tightening its credit policies in the region. These steps include a shortening of credit periods, suspension of sales to customers with past-due balances and discounts for cash sales.

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ICN PHARMACEUTICALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

The Company believes that the economic and political environment in Russia has affected the pharmaceutical industry in the region. Many Russian companies, including many of the Company's customers, continue to experience liquidity problems as monetary policy has limited the money supply, and Russian companies often lack access to an effective banking system. As a result, many Russian companies have limited ability to pay their debts, which has led to a number of business failures in the region. In addition, the devaluation has reduced the purchasing power of Russian companies and consumers, thus increasing pressure on the Company and other producers to limit price increases in hard currency terms. These factors have affected, and may continue to affect, sales and gross margins in the Company's Russian operations. As a result of the Russian economic situation, the Company recorded a charge in 1998 of \$42,289,000, representing reserves for accounts receivable of \$37,873,000, the write-off of certain investments of \$2,011,000, and a reduction in the value of certain inventories of \$2,405,000.

#### 16. AGREEMENT WITH SCHERING-PLOUGH CORPORATION

On July 28, 1995, the Company entered into an Exclusive License and Supply Agreement (the "License Agreement") and a Stock Purchase Agreement (the "Agreement") with Schering-Plough Corporation ("Schering-Plough"). Under the License Agreement, Schering-Plough licensed all oral forms of ribavirin for the treatment of chronic hepatitis C (HCV) in combination with Schering-Plough's alpha interferon. The License Agreement provided the Company an initial non-refundable payment and future royalty payments to the Company from sales of ribavirin by Schering-Plough, including certain minimum royalty rates. As part of the initial License Agreement, the Company retained the right to co-market ribavirin capsules in the European Union under its trademark Virazole(R). In addition, Schering-Plough was obligated to purchase up to \$42,000,000 in common stock of the Company upon the achievement of certain regulatory milestones. Under the Agreement, Schering-Plough is responsible for all clinical developments worldwide. In 1998, the Company sold to Schering-Plough its right to co-market oral ribavirin for the treatment of HCV in the European Union, in exchange for increased royalty rates on sales of ribavirin worldwide. In addition, the Company received a one-time payment of \$16,500,000 from Schering-Plough in consideration for the sale to Schering-Plough of the additional marketing rights in the European Union, in settlement of past royalties, and as reimbursement for expenses incurred by the Company in preparation for the launch of ribavirin capsules in the European Union.

Schering-Plough has informed the Company that it believes royalties for the fourth quarter should not include royalties of approximately \$1,800,000 on products distributed as part of an indigent patient marketing program. It also informed the Company that amounts that had previously been paid under this program, which they estimate to be approximately \$11,900,000, should be returned to Schering-Plough. In raising the dispute, Schering-Plough has not clearly articulated a contractual basis for the nonpayment of royalties. Rather it has based its arguments on primarily moral or humanitarian grounds, essentially equitable arguments, indicating that they believe they should not have an obligation to pay royalties on product given to indigent patients. The

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Company has not been provided with appropriate information or documentation, and does not agree with such adjustment as the Agreement articulates those programs for which royalties would not be due. Should Schering-Plough successfully apply this adjustment retroactively, it could have an impact on the Company's results of operations. Further, if Schering-Plough were to apply the proposed adjustment to future royalty payments, royalties could be reduced in approximately the same proportion as the proposed historical adjustment.

In November 2000, the Company entered into an agreement to provide Schering-Plough with certain rights to license various products the Company may develop. Under the terms of the strategic agreement, Schering-Plough has the option to exclusively license on a worldwide basis up to three compounds that the Company may develop for the treatment of hepatitis C on terms specified in the agreement. The option does not apply to Levovirin or Viramidine. The option is exercisable as to a particular compound at any time prior to the start of Phase II clinical studies for that compound. Once it exercises the option with respect to a compound, Schering-Plough is required to take over all developmental costs and responsibility for regulatory approval for that compound.

Under the terms of the agreement, the Company also granted Schering-Plough the right of first/last refusal to license compounds relating to the treatment of infectious diseases (other than hepatitis C) or cancer or other oncology indications as well as the right of first/last refusal with respect to Levovirin and Viramidine (collectively, the "Refusal Rights"). Under the terms of the Refusal Rights, if the Company intends to offer a

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ICN PHARMACEUTICALS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2000

license or other rights with respect to any of these compounds to a third party, the Company is required to notify Schering-Plough. At Schering-Plough's request, the Company is required to negotiate in good faith with Schering-Plough on an exclusive basis the terms of a mutually acceptable exclusive worldwide license or other form of agreement on commercial terms to be mutually agreed upon. If the Company cannot reach an agreement with Schering-Plough, the Company is permitted to negotiate a license agreement or other arrangement with a third party. Prior to entering into any final arrangement with the third party, the Company is required to offer substantially similar terms to Schering-Plough, which terms Schering-Plough has the right to match.

If Schering-Plough does not exercise its option or Refusal Rights as to a particular compound, the Company may continue to develop that compound or license that compound to other third parties. The agreement with Schering-Plough will terminate the later of 12 years from the date of the agreement or the termination of the 1995 license agreement with Schering-Plough. The agreement was entered into as part of the resolution of claims asserted by Schering-Plough against the Company, including claims regarding the Company's alleged improper hiring of former Schering-Plough research and development personnel and claims that the Company was not permitted to conduct hepatitis C research.

In February and December 1999, Schering-Plough purchased 1,141,498 and 900,000 shares of the Company's common stock for \$27,000,000 and \$15,000,000, respectively, pursuant to the Stock Purchase Agreement entered into in connection with the License Agreement.

#### 17. SUPPLEMENTAL CASH FLOW DISCLOSURES

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In 1998, the Company sold marketable securities and recognized other non-cash gains of \$1,993,000.

In 1999, the Company recorded an other non-cash charge of \$1,000,000 related to the abandonment of unproductive assets.

The following table sets forth the amounts of interest and income taxes paid during 2000, 1999 and 1998 (in thousands):

	2000 -----	1999 -----	1998 -----
Interest paid (net of amounts capitalized of \$-0-, \$-0-, and \$3,540 in 2000, 1999, and 1998, respectively).....	\$57,514 =====	\$52,165 =====	\$34,240 =====
Income taxes paid.....	\$20,299 =====	\$21,049 =====	\$15,207 =====

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### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

##### (a) 1. Financial Statements

Financial Statements of the Registrant are listed in the index to Consolidated Financial Statements and filed under Item 8, "Financial Statements and Supplementary Data", included elsewhere in this Form 10-K.

##### 2. Financial Statement Schedule

Financial Statement Schedule of the Registrant is listed in the index to Consolidated Financial Statements and filed under Item 8, "Financial Statements and Supplementary Data," included elsewhere in this Form 10-K.

##### 3. Exhibits

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	Amended and Restated Certificate of Incorporation of Registrant, previously filed as Exhibit 3.1 to Registration Statement 33-84534 on Form S-4, which is incorporated herein by reference, as amended by the Certificate of Merger, dated November 10, 1994, of ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc. and Viratek, Inc. with and into ICN Merger Corp. previously filed as Exhibit 4.1 to Registration Statement No. 333-08179 on Form S-3, which is incorporated herein by reference.
3.3	Bylaws of the Registrant previously filed as Exhibit 3.2 to Registration Statement No. 33-84534 on Form S-4, which is incorporated herein by reference.

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EXHIBIT NUMBER -----	DESCRIPTION -----
3.4	Form of Rights Agreement, dated as of November 2, 1994, between the Registrant and American Stock Transfer & Trust Company, as trustee, previously filed as Exhibit 4.3 to the Company's Registration Statement on Form 8-A, dated November 10, 1994, which is incorporated herein by reference.
10.1	Indenture, dated as of August 14, 1997, by and among ICN and United States Trust Company of New York, relating to \$275,000,000 9 1/4% Senior Notes due 2005, previously filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, which is incorporated herein by reference.*
10.2	Indenture, dated as of August 20, 1998, by and among ICN and United States Trust Company of New York, relating to \$200,000,000 8 3/4% Senior Notes due 2008, previously filed as Exhibit 4.2 to the Company's Registration Statement No. 333-63721 on Form S-4, which is incorporated herein by reference.*
10.3	Registration Rights Agreement, dated as of August 20, 1998, by and among ICN and Schroder & Co. Inc., previously filed as Exhibit 4.3 to the Company's Registration Statement No. 333-63721 on Form S-4, which is incorporated herein by reference.
10.4	Application for Registration, Foundation Agreement, Joint Venture -- ICN Oktyabr previously filed as Exhibit 10.46 to ICN Pharmaceuticals, Inc. Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
10.5	Charter of the Joint Stock Company -- ICN Oktyabr previously filed as Exhibit 10.47 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
10.6+	Agreement between ICN Pharmaceuticals, Inc. and Milan Panic, dated October 1, 1988 previously filed as Exhibit 10.51 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended November 30, 1989, which is incorporated herein by reference.
10.7+	Amendment to Employment Contract between ICN Pharmaceuticals, Inc., and Milan Panic, dated September 6, 1995 previously filed as Exhibit 10.29 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995, which is incorporated herein by reference.
10.8+	Amendment to Employment Contract between ICN Pharmaceuticals, Inc., and Milan Panic dated January 1, 1999, filed as Exhibit 10.8 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
10.9+	Agreement among ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc. and Adam Jerney, dated March 18, 1993 previously filed as Exhibit

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10.49 to SPI Pharmaceuticals, Inc.'s Amendment No. 2 to the Annual Report on Form 10-K for the year ended on December 31, 1992, which is incorporated herein by reference.

- 10.10+ Agreement among ICN Pharmaceuticals, Inc., Viratek, Inc. and John Giordani, dated March 18, 1993 previously filed as Exhibit 10.3 to Registration Statement No. 33-84534 on Form S-4 dated September 28, 1994, which is incorporated herein by reference.
- 10.11+ Agreement among ICN Pharmaceuticals, Inc., ICN Biomedicals, Inc., SPI Pharmaceuticals, Inc. and Bill MacDonald, dated March 18, 1993 previously filed as Exhibit 10.4 to Registration Statement No. 33-84534 on Form S-4 dated September 28, 1994, which is incorporated herein by reference.
- 10.12+ Agreement among ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc. and Jack Sholl dated March 18, 1993, previously filed as Exhibit 10.49 to SPI Pharmaceuticals, Inc.'s Amendment No. 2 to the Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
- 10.14+ Agreement between ICN Pharmaceuticals, Inc. and Benjamin Lap dated April 1, 1999, previously filed as Exhibit 10.14 for the Registrant's Form 10-K for the year ended December 31, 1999, which is incorporated herein by reference.

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EXHIBIT NUMBER -----	DESCRIPTION -----
10.15	Agreement among ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc. and David Watt dated March 18, 1993, previously filed as Exhibit 10.49 to SPI Pharmaceuticals, Inc.'s Amendment No. 2 to the Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
10.16	Agreement between ICN Pharmaceuticals, Inc. and Richard A. Meier dated December 31, 1998, previously filed as Exhibit 10.16 to the Registrant's Form 10-K for the year ended December 31, 1998, which is incorporated herein by reference.
10.17	ICN Pharmaceuticals, Inc. 1992 Employee Incentive Stock Option Plan, previously filed as Exhibit 10.56 to ICN Pharmaceuticals, Inc.'s Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
10.18	ICN Pharmaceuticals, Inc. 1992 Non-Qualified Stock Plan, previously filed as Exhibit 10.57 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
10.19	ICN Pharmaceuticals, Inc. 1994 Stock Option Plan, previously filed as Exhibit 10.30 to the Registrant's Form 10-K for the year ended December 31, 1995, which is incorporated herein by reference.
10.20	ICN Pharmaceuticals, Inc. 1998 Stock Option Plan, previously

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- filed as Exhibit 10.20 to the Registrant's Form 10-K for the year ended December 31, 1998, which is incorporated herein by reference.
- 10.21 Exclusive License and Supply Agreement between ICN Pharmaceuticals, Inc. and Schering-Plough Ltd. dated July 28, 1995 previously filed as Exhibit 10 to ICN Pharmaceuticals, Inc.'s Amendment 3 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, which is incorporated herein by reference.
- 10.22 Collateral Agreement between Milan Panic and the Registrant, dated August 14, 1996, previously filed as Exhibit 10.32 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1996, which is incorporated herein by reference.
- 10.24 Form of Asset Purchase Agreement by and between Hoffman-La Roche Inc., a New Jersey corporation, and ICN Pharmaceuticals, Inc., a Delaware corporation, dated as of October 30, 1997, previously filed as Exhibit 10.1 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, which is incorporated herein by reference.
- 10.25 Form of Asset Purchase Agreement by and between Roche Products Inc., a Panamanian corporation, and ICN Pharmaceuticals, Inc., a Delaware corporation, dated as of October 30, 1997, previously filed as Exhibit 10.2 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, which is incorporated herein by reference.
- 10.26 Form of Asset Purchase Agreement by and between Syntex (F.P.) Inc., a Delaware corporation, Syntex (U.S.A.), a Delaware corporation, and ICN Pharmaceuticals, Inc., a Delaware corporation, dated as of October 30, 1997, previously filed as Exhibit 10.3 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, which is incorporated herein by reference.
- 10.27 Agreement for the Sale and Purchase of a Portfolio of Pharmaceutical, OTC and Consumer Healthcare Products between SmithKline Beecham plc and ICN Pharmaceuticals, Inc., previously filed as Exhibit 10.22 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997, which is incorporated herein by reference.
- 10.28 Asset Purchase Agreement dated October 2, 1998 by and between F. Hoffmann-LaRoche Ltd. and ICN Puerto Rico, Inc., previously filed as Exhibit 10.1 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, which is incorporated herein by reference.

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EXHIBIT  
NUMBER

DESCRIPTION

10.31 ICN Pharmaceuticals, Inc. Executive Long Term Incentive Plan,

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previously filed as Exhibit 10.1 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, which is incorporated herein by reference.

- 10.32 Amendment to Exclusive License and Supply Agreement between ICN Pharmaceuticals, Inc. and Schering-Plough Ltd., filed as Exhibit 10.32 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference. Portions of this exhibit have been omitted pursuant to an application for confidential treatment pursuant to Rule 406 under the Securities Act of 1933, as amended.
- 10.33 Amendment to Exclusive License and Supply Agreement between ICN Pharmaceuticals, Inc. and Schering-Plough Ltd. Dated July 16, 1998 filed as Exhibit 10.33 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference. Portions of this exhibit have been omitted pursuant to an application for confidential treatment pursuant to Rule 406 under the Securities Act of 1933, as amended.
- 10.34 Agreement among Schering Corporation, ICN Pharmaceuticals, Inc. and Ribapharm Inc. dated as of November 14, 2000 filed as Exhibit 10.34 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference. Portions of this exhibit have been omitted pursuant to an application for confidential treatment pursuant to Rule 406 under the Securities Act of 1933, as amended.
- 10.35+ Amendment to the Employment Agreement between ICN Pharmaceuticals, Inc. and Richard A. Meier dated April 14, 2000, filed as Exhibit 10.35 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.36+ Agreement between ICN Pharmaceuticals, Inc. and Johnson Yiu-Nam Lau, dated February 24, 2000, filed as Exhibit 10.36 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.37+ Agreement between ICN Pharmaceuticals, Inc. and James McCoy, dated July 14, 2000, filed as Exhibit 10.37 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.38+ Agreement between ICN Pharmaceuticals, Inc. and Harry Roosje, dated September 15, 2000, filed as Exhibit 10.38 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.39+ Agreement between ICN Pharmaceuticals, Inc. and Clifford Saffron, dated January 18, 2001, filed as Exhibit 10.39 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 21. Subsidiaries of the Registrant filed as Exhibit 21 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 23. Consent of PricewaterhouseCoopers LLP, independent accountants.

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\* None of the other indebtedness of the Registrant exceeds 10% of its total

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consolidated assets. The Registrant will furnish copies of the instruments relating to such other indebtedness upon request.

+ Management Compensation.

(b) Reports on Form 8-K

The Company filed no reports on Form 8-K during the quarter ended December 31, 2000.

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### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ICN PHARMACEUTICALS, INC.

Date: June 29, 2001

By /s/ MILAN PANIC

-----  
Milan Panic,  
Chairman of the Board and  
Chief Executive Officer

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### EXHIBIT INDEX

EXHIBIT  
NUMBER

DESCRIPTION

- | EXHIBIT<br>NUMBER | DESCRIPTION  |
|-------------------|--|
| 3.1               | Amended and Restated Certificate of Incorporation of Registrant, previously filed as Exhibit 3.1 to Registration Statement 33-84534 on Form S-4, which is incorporated herein by reference, as amended by the Certificate of Merger, dated November 10, 1994, of ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc. and Viratek, Inc. with and into ICN Merger Corp. previously filed as Exhibit 4.1 to Registration Statement No. 333-08179 on Form S-3, which is incorporated herein by reference. |
| 3.3               | Bylaws of the Registrant previously filed as Exhibit 3.2 to Registration Statement No. 33-84534 on Form S-4, which is incorporated herein by reference.  |
| 3.4               | Form of Rights Agreement, dated as of November 2, 1994, between the Registrant and American Stock Transfer & Trust Company, as trustee, previously filed as Exhibit 4.3 to the Company's Registration Statement on Form 8-A, dated November 10, 1994, which is incorporated herein by reference.   |

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- 10.1 Indenture, dated as of August 14, 1997, by and among ICN and United States Trust Company of New York, relating to \$275,000,000 9 1/4% Senior Notes due 2005, previously filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, which is incorporated herein by reference.\*
- 10.2 Indenture, dated as of August 20, 1998, by and among ICN and United States Trust Company of New York, relating to \$200,000,000 8 3/4% Senior Notes due 2008, previously filed as Exhibit 4.2 to the Company's Registration Statement No. 333-63721 on Form S-4, which is incorporated herein by reference.\*
- 10.3 Registration Rights Agreement, dated as of August 20, 1998, by and among ICN and Schroder & Co. Inc., previously filed as Exhibit 4.3 to the Company's Registration Statement No. 333-63721 on Form S-4, which is incorporated herein by reference.
- 10.4 Application for Registration, Foundation Agreement, Joint Venture -- ICN Oktyabr previously filed as Exhibit 10.46 to ICN Pharmaceuticals, Inc. Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
- 10.5 Charter of the Joint Stock Company -- ICN Oktyabr previously filed as Exhibit 10.47 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
- 10.6+ Agreement between ICN Pharmaceuticals, Inc. and Milan Panic, dated October 1, 1988 previously filed as Exhibit 10.51 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended November 30, 1989, which is incorporated herein by reference.
- 10.7+ Amendment to Employment Contract between ICN Pharmaceuticals, Inc., and Milan Panic, dated September 6, 1995 previously filed as Exhibit 10.29 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1995, which is incorporated herein by reference.
- 10.8+ Amendment to Employment Contract between ICN Pharmaceuticals, Inc., and Milan Panic dated January 1, 1999, filed as Exhibit 10.8 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.9+ Agreement among ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc. and Adam Jerney, dated March 18, 1993 previously filed as Exhibit 10.49 to SPI Pharmaceuticals, Inc.'s Amendment No. 2 to the Annual Report on Form 10-K for the year ended on December 31, 1992, which is incorporated herein by reference.
- 10.10+ Agreement among ICN Pharmaceuticals, Inc., Viratek, Inc. and John Giordani, dated March 18, 1993 previously filed as Exhibit 10.3 to Registration Statement No. 33-84534 on Form S-4 dated September 28, 1994, which is incorporated herein by reference.

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EXHIBIT  
NUMBER  
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- 10.11+ Agreement among ICN Pharmaceuticals, Inc., ICN Biomedicals, Inc., SPI Pharmaceuticals, Inc. and Bill MacDonald, dated March 18, 1993 previously filed as Exhibit 10.4 to Registration Statement No. 33-84534 on Form S-4 dated September 28, 1994, which is incorporated herein by reference.
- 10.12+ Agreement among ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc. and Jack Sholl dated March 18, 1993, previously filed as Exhibit 10.49 to SPI Pharmaceuticals, Inc.'s Amendment No. 2 to the Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
- 10.14+ Agreement between ICN Pharmaceuticals, Inc. and Benjamin Lap dated April 1, 1999, previously filed as Exhibit 10.14 for the Registrant's Form 10-K for the year ended December 31, 1999, which is incorporated herein by reference.
- 10.15 Agreement among ICN Pharmaceuticals, Inc., SPI Pharmaceuticals, Inc. and David Watt dated March 18, 1993, previously filed as Exhibit 10.49 to SPI Pharmaceuticals, Inc.'s Amendment No. 2 to the Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
- 10.16 Agreement between ICN Pharmaceuticals, Inc. and Richard A. Meier dated December 31, 1998, previously filed as Exhibit 10.16 to the Registrant's Form 10-K for the year ended December 31, 1998, which is incorporated herein by reference.
- 10.17 ICN Pharmaceuticals, Inc. 1992 Employee Incentive Stock Option Plan, previously filed as Exhibit 10.56 to ICN Pharmaceuticals, Inc.'s Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
- 10.18 ICN Pharmaceuticals, Inc. 1992 Non-Qualified Stock Plan, previously filed as Exhibit 10.57 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, which is incorporated herein by reference.
- 10.19 ICN Pharmaceuticals, Inc. 1994 Stock Option Plan, previously filed as Exhibit 10.30 to the Registrant's Form 10-K for the year ended December 31, 1995, which is incorporated herein by reference.
- 10.20 ICN Pharmaceuticals, Inc. 1998 Stock Option Plan, previously filed as Exhibit 10.20 to the Registrant's Form 10-K for the year ended December 31, 1998, which is incorporated herein by reference.
- 10.21 Exclusive License and Supply Agreement between ICN Pharmaceuticals, Inc. and Schering-Plough Ltd. dated July 28, 1995 previously filed as Exhibit 10 to ICN Pharmaceuticals, Inc.'s Amendment 3 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, which is incorporated herein by reference.
- 10.22 Collateral Agreement between Milan Panic and the Registrant, dated August 14, 1996, previously filed as Exhibit 10.32 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1996, which is incorporated herein by reference.
- 10.24 Form of Asset Purchase Agreement by and between Hoffman-La Roche Inc., a New Jersey corporation, and ICN Pharmaceuticals, Inc., a Delaware corporation, dated as of October 30, 1997, previously filed as Exhibit 10.1 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for

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the quarter ended September 30, 1997, which is incorporated herein by reference.

- 10.25 Form of Asset Purchase Agreement by and between Roche Products Inc., a Panamanian corporation, and ICN Pharmaceuticals, Inc., a Delaware corporation, dated as of October 30, 1997, previously filed as Exhibit 10.2 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, which is incorporated herein by reference.
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- 10.26 Form of Asset Purchase Agreement by and between Syntex (F.P.) Inc., a Delaware corporation, Syntex (U.S.A.), a Delaware corporation, and ICN Pharmaceuticals, Inc., a Delaware corporation, dated as of October 30, 1997, previously filed as Exhibit 10.3 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, which is incorporated herein by reference.
- 10.27 Agreement for the Sale and Purchase of a Portfolio of Pharmaceutical, OTC and Consumer Healthcare Products between SmithKline Beecham plc and ICN Pharmaceuticals, Inc., previously filed as Exhibit 10.22 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1997, which is incorporated herein by reference.
- 10.28 Asset Purchase Agreement dated October 2, 1998 by and between F. Hoffmann-LaRoche Ltd. and ICN Puerto Rico, Inc., previously filed as Exhibit 10.1 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, which is incorporated herein by reference.
- 10.31 ICN Pharmaceuticals, Inc. Executive Long Term Incentive Plan, previously filed as Exhibit 10.1 to ICN Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998, which is incorporated herein by reference.
- 10.32 Amendment to Exclusive License and Supply Agreement between ICN Pharmaceuticals, Inc. and Schering-Plough Ltd., filed as Exhibit 10.32 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference. Portions of this exhibit have been omitted pursuant to an application for confidential treatment pursuant to Rule 406 under the Securities Act of 1933, as amended.
- 10.33 Amendment to Exclusive License and Supply Agreement between ICN Pharmaceuticals, Inc. and Schering-Plough Ltd. Dated July 16, 1998 filed as Exhibit 10.33 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference. Portions of this exhibit have been omitted pursuant to an application for confidential treatment pursuant to Rule 406 under the Securities Act of 1933, as amended.
- 10.34 Agreement among Schering Corporation, ICN Pharmaceuticals, Inc. and Ribapharm Inc. dated as of November 14, 2000 filed as Exhibit 10.34 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference. Portions of this exhibit have been omitted pursuant to an application for confidential treatment pursuant to Rule 406 under the Securities Act of 1933, as amended.

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- 10.35+ Amendment to the Employment Agreement between ICN Pharmaceuticals, Inc. and Richard A. Meier dated April 14, 2000, filed as Exhibit 10.35 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.36+ Agreement between ICN Pharmaceuticals, Inc. and Johnson Yiu-Nam Lau, dated February 24, 2000, filed as Exhibit 10.36 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.37+ Agreement between ICN Pharmaceuticals, Inc. and James McCoy, dated July 14, 2000, filed as Exhibit 10.37 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.38+ Agreement between ICN Pharmaceuticals, Inc. and Harry Roosje, dated September 15, 2000, filed as Exhibit 10.38 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 10.39+ Agreement between ICN Pharmaceuticals, Inc. and Clifford Saffron, dated January 18, 2001, filed as Exhibit 10.39 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 21. Subsidiaries of the Registrant filed as Exhibit 21 to ICN Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.
- 23. Consent of PricewaterhouseCoopers LLP, independent accountants.