

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended December 31, 1997
OR

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

Commission file number 1-9114

MYLAN LABORATORIES INC.
(Exact Name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-1211621
(I.R.S. Employer
Identification No.)

130 Seventh Street
1030 Century Building
Pittsburgh, Pennsylvania
(Address of principal executive offices)

15222
(Zip Code)

412-232-0100
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed
since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding twelve months (or for such shorter period that the Registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days:

YES X

NO

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

Class of Common Stock	Outstanding at February 9, 1998
----- \$.50 par value	----- 122,149,289

MYLAN LABORATORIES INC. AND SUBSIDIARIES

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MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1997 Unaudited	March 31, 1997 Audited
Current Assets:		
Cash and cash equivalents	\$115,130,000	\$126,156,000
Marketable securities	18,492,000	13,876,000
Accounts receivable - net	108,044,000	115,303,000
Inventories:		
Raw materials	67,783,000	51,796,000
Work in process	23,531,000	20,843,000
Finished goods	44,287,000	28,251,000
	-----	-----
	135,601,000	100,890,000
Prepaid refundable income taxes	4,887,000	-
Deferred income tax benefit	6,778,000	13,532,000
Other current assets	10,029,000	9,263,000
	-----	-----
Total Current Assets	398,961,000	379,020,000
Property, Plant and Equipment - at cost	217,169,000	197,466,000
Less accumulated depreciation	71,329,000	61,637,000
	-----	-----
	145,840,000	135,829,000
Deferred Income Tax Benefit	2,625,000	-
Marketable Securities, non-current	21,907,000	23,668,000
Investment in and Advances to Somerset	28,178,000	25,113,000
Intangible Assets-net of accumulated amortization	131,267,000	137,062,000
Other Assets	86,205,000	76,888,000
	-----	-----
Total Assets	\$814,983,000	\$777,580,000
	=====	=====

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1997 Unaudited	March 31, 1997 Audited
Current Liabilities:		
Trade accounts payable	\$ 14,996,000	\$ 18,039,000
Current portion of long-term obligations	16,336,000	17,453,000
Income taxes payable	7,701,000	13,795,000
Other current liabilities	22,880,000	24,566,000
Cash dividend payable	4,896,000	4,893,000
	-----	-----
Total Current Liabilities	66,809,000	78,746,000
Long-Term Obligations	31,996,000	32,593,000
Deferred Income Tax Liability	-	6,501,000
Shareholders' Equity:		
Preferred stock, par value \$.50 per share, authorized 5,000,000 shares, issued and outstanding - none	-	-
Common stock, par value \$.50 per share, authorized 300,000,000 shares, issued 123,022,547 shares at December 31, 1997 and 122,814,956 shares at March 31, 1997	61,511,000	61,407,000
Additional paid-in capital	92,093,000	89,262,000
Retained earnings	568,069,000	513,750,000
Net unrealized gain (loss) on investments	646,000	(947,000)
	-----	-----
	722,319,000	663,472,000
Less Treasury stock - at cost, 887,358 shares at December 31, 1997 and 752,950 shares at March 31, 1997	6,141,000	3,732,000
	-----	-----
Net Worth	716,178,000	659,740,000
	-----	-----
Total Liabilities and Shareholders' Equity	\$814,983,000	\$777,580,000
	=====	=====

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
UNAUDITED

	Three Months Ended December 31, -----		Nine Months Ended December 31, -----	
	1997	1996	1997	1996
	----	----	----	----
REVENUES:				
Net Sales	\$129,517,000	\$113,981,000	\$365,838,000	\$321,505,000
Other Revenues	-	-	26,822,000	-
	-----	-----	-----	-----
Total Revenues	129,517,000	113,981,000	392,660,000	321,505,000
COST AND EXPENSES:				
Cost of Sales	75,077,000	66,729,000	207,657,000	186,344,000
Research and Development	7,891,000	10,775,000	31,707,000	31,561,000
Selling and Administrative	21,239,000	19,566,000	72,460,000	60,282,000
	-----	-----	-----	-----
	104,207,000	97,070,000	311,824,000	278,187,000
EQUITY IN EARNINGS OF SOMERSET	1,839,000	4,462,000	8,431,000	14,507,000
OTHER INCOME	3,923,000	2,505,000	10,186,000	10,266,000
	-----	-----	-----	-----
EARNINGS BEFORE INCOME TAXES	31,072,000	23,878,000	99,453,000	68,091,000
INCOME TAX RATE	29%	24%	31%	27%
INCOME TAXES	9,089,000	5,797,000	30,482,000	18,651,000
	-----	-----	-----	-----
NET EARNINGS	\$ 21,983,000	\$ 18,081,000	\$ 68,971,000	\$ 49,440,000
	=====	=====	=====	=====
EARNINGS PER SHARE-basic and diluted	\$.18	\$.15	\$.57	\$.41
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES-basic	122,127,000	121,916,000	122,074,000	121,892,000
	=====	=====	=====	=====

The Company has paid regular quarterly cash dividends of \$.04 per share since October 1995.

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 1997 AND 1996

UNAUDITED

	1997 ----	1996 ----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 68,971,000	\$ 49,440,000
Adjustments to reconcile net earnings to net cash provided from operating activities:		
Depreciation and amortization	15,983,000	13,896,000
Deferred income tax benefit	(2,243,000)	(312,000)
Equity in the earnings of Somerset	(8,431,000)	(14,507,000)
Cash received from Somerset	5,366,000	15,546,000
Allowances on accounts receivable	2,967,000	(805,000)
Other non-cash items	(401,000)	949,000
Changes in operating assets and liabilities:		
Accounts receivable	4,042,000	(23,934,000)
Inventories	(34,567,000)	3,223,000
Trade accounts payable	(3,043,000)	(2,758,000)
Income taxes payable	(11,316,000)	(1,767,000)
Other operating assets and liabilities	(2,450,000)	7,125,000
	-----	-----
Net cash provided from operating activities	34,878,000	46,096,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(19,703,000)	(20,094,000)
Increase in intangible and other assets	(6,760,000)	(29,257,000)
Proceeds from investment securities	12,086,000	17,078,000
Purchase of investment securities	(12,489,000)	(20,952,000)
	-----	-----
Net cash used in investing activities	(26,866,000)	(53,225,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(14,651,000)	(14,617,000)
Payments on long-term obligations	(4,187,000)	(1,423,000)
Repurchase of Common Stock	(2,459,000)	-
Proceeds from exercise of stock options	2,259,000	912,000
	-----	-----
Net cash used in financing activities	(19,038,000)	(15,128,000)
	-----	-----
Net Decrease in Cash and Cash Equivalents	(11,026,000)	(22,257,000)
Cash and Cash Equivalents - Beginning of Period	126,156,000	176,980,000
	-----	-----
Cash and Cash Equivalents - End of Period	\$115,130,000	\$154,723,000
	=====	=====
CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 1,187,000	\$ 433,000
Income Taxes	\$ 44,015,000	\$ 20,728,000

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTH PERIOD ENDED
DECEMBER 31, 1997

Unaudited

- A. In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of December 31, 1997 and March 31, 1997 together with the results of operations and cash flows for the interim periods ended December 31, 1997 and 1996. The consolidated results of operations for the three and nine months ended December 31, 1997 and 1996 are not necessarily indicative of the results to be expected for the full year. Certain prior year amounts have been reclassified to conform to the current year presentation.
- B. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 1997 Annual Report and Report on Form 10-K and subsequent filings under the Securities Exchange Act of 1934.
- C. In June 1997, the Company's subsidiary Mylan Pharmaceuticals Inc. ("Mylan") entered into an exclusive supply and distribution agreement with Genpharm Inc. ("Genpharm"), a Canadian corporation, relating to the sale of ranitidine HCL tablets ("ranitidine") in the United States. Ranitidine is the generic version of Glaxo's Zantac(R).

Under the terms of the agreement Mylan and Genpharm will share in the combined profits resulting from the sale, by Mylan, of ranitidine tablets manufactured by either Mylan or Genpharm. In addition, the agreement provides that Mylan shall be entitled to share in any benefit received by Genpharm as a result of Genpharm entering into any agreement with any third party, which would affect either the marketing of ranitidine or Genpharm's ability to supply product to Mylan.

Due to unresolved legal matters with Glaxo, on July 31, 1997, Genpharm entered into an agreement with Novopharm Limited, a Canadian Corporation, and its United States subsidiary Granutec Inc. ("Novopharm"). Under the terms of the agreement between Genpharm and Novopharm, Genpharm is entitled to receive compensation from Novopharm predicated upon Novopharm's sales of the product through December 31, 1997 and a profit allocation factor which is significantly reduced after the exclusivity period. Under the terms of the agreement between Mylan and Genpharm, Mylan is entitled to share in the compensation received by Genpharm from Novopharm.

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTH PERIOD ENDED
DECEMBER 31, 1997

Unaudited

- C. (con't) During the quarter ended September 30, 1997, the Company recognized income of \$26,822,000 related to the Genpharm Novopharm agreement. Such income was recorded under the caption "Other Revenue" and increased net earnings for the quarter ended September 30, 1997 by approximately \$16,388,000 or \$.13 per share. The Company collected the entire receivable recorded as of September 30, 1997 during the quarter ended December 31, 1997.

As a result of a dispute between Genpharm and Novopharm relating to contract interpretation, the Company did not recognize any additional revenue during the quarter ended December 31, 1997. The amount of revenue to be recognized by the Company in the future will be determined by a final accounting of the net sales and expenses incurred by Novopharm during the contract period and resolution of the dispute between Genpharm and Novopharm.

- D. For the quarter ended December 31, 1997, the Company adopted the provisions of Statement of Accounting Standards No. 128, "Earnings per Share." The diluted per-share computations for the three and nine months ended December 31, 1997 and 1996, include 1,287,000 and 885,000, and 909,000 and 1,030,000, of potential shares of common stock from the exercise of stock options, respectively.
- E. Equity in Earnings of Somerset includes the Company's 50% portion of the net earnings of Somerset Pharmaceuticals Inc. ("Somerset"), certain management fees and amortization of intangible assets resulting from the acquisition of Somerset. Such intangible assets are being amortized over a 15 year period using the straight line method.

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTH PERIOD ENDED
DECEMBER 31, 1997

Unaudited

- E. (con't) Condensed unaudited financial information of Somerset for the three and nine month periods ended December 31, 1997 and 1996 are as follows: (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	1997	1996	1997	1996
	----	----	----	----
Net Sales	\$12,301	\$19,685	\$44,684	\$76,052
Costs and Expenses	(6,865)	(7,378)	(20,119)	(35,406)
Income Taxes	(1,910)	(3,904)	(8,550)	(14,048)
	-----	-----	-----	-----
Net Earnings	\$ 3,526	\$ 8,403	\$16,015	\$26,598
	=====	=====	=====	=====

The above information represents 100% of Somerset's operations of which the Company has a 50% interest.

Somerset's marketing exclusivity for Eldepryl(R) under the Orphan Drug Act expired on June 6, 1996, Somerset has experienced increased competition since August 1996, due to the approval of several generic tablet forms of Eldepryl(R) by the FDA. This has resulted in the decrease in sales and net earnings from 1996 to 1997.

PART 1 - FINANCIAL INFORMATION

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

Results of Operations

Net earnings for the three months ended December 31, 1997 were \$21,983,000 (\$.18 per share) representing a 22% increase over the same quarter a year ago and for the nine months then ended were \$68,971,000 (\$.57 per share) representing a 40% increase over the same period a year ago. Net earnings for the nine month period ending December 31, 1997 includes approximately \$.13 per share relating to revenue recognized by the Company as a result of the sale of generic ranitidine by an unrelated party during the period (see note C) and was reduced by approximately \$.07 per share as a result of unusual promotional expense associated with the launch of new generic products by the Company, primarily the launch of generic ranitidine.

In addition to the unusual items identified above, net earnings for both the three and nine month periods ended December 31, 1997 were favorably impacted by the addition of 14 products to the Company's generic product line since December 31, 1996 including 11 during the current fiscal year. The addition of the new generic products, continued volume increases throughout the generic product line and selective price increases have offset the price deterioration that exists in the generic industry. Generic volume of almost 2.0 billion tablets, capsules and patches for the quarter and 5.4 billion year to date, represents 15% growth over the same periods a year ago.

As a result of the items identified in the previous paragraph, net sales for the three and nine month periods ended December 31, 1997 were a record high \$129,517,000 and \$365,838,000, respectively. This represents a 14% increase over the prior year comparable periods. Gross profit (net sales less cost of sales) as a percentage of net sales remained relatively unchanged from the prior year comparable periods.

Due to the competitive nature of the generic pharmaceutical industry, the Company has long been subject to price deterioration particularly on new products. Historically the Company has offset price deterioration by increasing volume and introducing new generic products.

Recently, branded pharmaceutical companies have significantly increased legal procedures aimed at delaying the introduction of generic versions of their compounds. While the vast majority of these legal challenges prove to be without merit they have caused the Company to incur additional research and development costs and significant legal costs. More importantly they have delayed the introduction of several products.

As a direct result of the increased cost involved in bringing new products to market, the Company has selectively increased prices on certain of its generic products. Mylan had to choose between discontinuing some money-losing items or increasing prices. We have chosen to increase prices and continue providing low-cost, effective, quality generic alternatives.

Research and development expenditures for the three and nine month periods ended December 31, 1997 were \$7,891,000 and \$31,707,000 compared to \$10,775,000 and \$31,561,000 for the three and nine month periods ended December 31, 1996. The decrease in the three months ended December 31, 1997 was primarily attributable to the Company's funding to VivoRx Inc. being substantially reduced due to various federal grants obtained by VivoRx Inc. relating to its diabetes research. The Company expects research and development expenses to return to levels experienced in prior quarters.

Selling and administrative expenses were \$21,239,000 and \$72,460,000 for the three and nine month periods ended December 31, 1997 compared to \$19,566,000 and \$60,282,000 for the three and nine month periods ended December 31, 1996. Approximately 60% of the increase for the three month period and 86% of the increase for the nine month period relate to promotional expenses for customers associated with the launch of new generic products including ranitidine.

Somerset's contribution to the Company's earnings per share was \$.01 and \$.06 for the three and nine month periods ended December 31, 1997 compared to \$.03 and \$.11 for the three and nine month periods ended December 31, 1996. Generic competition continues to adversely affect Somerset's contribution to the Company's net earnings per share.

For the three month period ended December 31, 1997 the increase in the effective tax rate over the same period a year ago is primarily attributable to the increase in domestic earnings versus Puerto Rico earnings. In addition, the effective tax rate for the nine month period ended December 31, 1997 was further impacted by the Other Revenue recognized during the period which is subjected to the full Federal and State tax rates.

Liquidity, Capital Resources and Financial Condition

Working capital increased from \$300,274,000 at March 31, 1997 to \$332,152,000 at December 31, 1997. The ratio of current assets to current liabilities improved from 4.8 to 1 at March 31, 1997 and 6.0 to 1 at December 31, 1997.

Net cash provided from operating activities was \$34,878,000 for the nine months ended December 31, 1997 compared to \$46,096,000 for the same period last year. Significant changes in balance sheet accounts between March 31, 1997 and December 31, 1997 relate principally to the settlement of the Internal Revenue Service audit and increased inventory levels attributable to continued higher demand for the Company's products. These timing items, partially offset by the increase in earnings, are primarily responsible for the change in cash flows from operating activities between the current period and the same period a year ago.

Additions to property, plant and equipment amounted to \$19,703,000 for the nine months ended December 31, 1997. Capital expenditures are principally related to the completion of a new distribution facility in Greensboro, North Carolina and expansion of the manufacturing facility in Morgantown, West Virginia. The acquisition of Maxzide(R) in the prior period is primarily responsible for the decrease in cash used in investing activities.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibit 27 required by Item 601(c) of Regulation S-X filed herewith.
- (b) Reports on Form 8-K - There were no reports on Form 8-K filed during the three months ended December 31, 1997.

SIGNATURES

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

Mylan Laboratories Inc.
(Registrant)

DATE 2/13/98

/s/ Milan Puskar

Milan Puskar
Chairman of the Board, Chief
Executive Officer and President

DATE 2/13/98

/s/ Milan Puskar

Donald C. Schilling
Vice President of Finance

Financial Data Schedule
Mylan Laboratories Inc. and Subsidiaries
Article 5 of Regulation S-X

The schedule contains summary financial information extracted from the Consolidated Balance Sheet at December 31, 1997 and the Consolidated Statement of Earnings for the nine months ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

0000069499
none

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MAR-31-1998

DEC-31-1997

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	125,642,000
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