

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

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

For the quarterly period ended September 30, 1995

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 25-1211621
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

130 Seventh Street
1030 Century Building
Pittsburgh, Pennsylvania 15222
(Address of principal executive offices) (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 November 3, 1995
----- \$.50 par value	----- 120,063,314

MYLAN LABORATORIES INC. AND SUBSIDIARIES

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MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 1995 Unaudited -----	March 31 1995 Audited -----
Current Assets		
Cash and cash equivalents	\$151,823,000	\$127,280,000
Marketable securities	28,263,000	52,575,000
Accounts receivable	69,064,000	58,343,000
Inventories:		
Raw materials	29,132,000	29,795,000
Work in process	16,281,000	17,539,000
Finished goods	29,764,000	30,871,000
	-----	-----
	75,177,000	78,205,000
Deferred income tax benefit	7,733,000	10,545,000
Other current assets	6,376,000	4,435,000
	-----	-----
Total Current Assets	338,436,000	331,383,000
Property, Plant and Equipment - at cost		
Less accumulated depreciation	149,616,000	132,599,000
	43,703,000	40,300,000
	-----	-----
	105,913,000	92,299,000
Deferred Income Tax Benefit, non-current	1,032,000	1,043,000
Marketable Securities, non-current	22,253,000	21,958,000
Investment in and Advances to Somerset	23,557,000	22,055,000
Intangible Assets net of accumulated amortization	26,238,000	28,518,000
Other Assets	68,988,000	48,945,000
	-----	-----
Total Assets	\$586,417,000	\$546,201,000
	=====	=====

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 1995 Unaudited -----	March 31, 1995 Audited -----
Current Liabilities		
Trade accounts payable	\$ 11,093,000	\$ 10,466,000
Income taxes payable	6,315,000	24,019,000
Other current liabilities	17,498,000	17,890,000
Cash dividend payable	4,776,000	3,976,000
	-----	-----
Total Current Liabilities	39,682,000	56,351,000
Long-Term Obligations	8,581,000	7,122,000
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 119,360,123 shares at September 30, 1995 and 79,972,248 shares at March 31, 1995	60,027,000	39,986,000
Additional paid in capital	38,231,000	57,577,000
Retained earnings	440,105,000	386,212,000
Unrealized gain on investment	2,145,000	1,374,000
	-----	-----
	540,508,000	485,149,000
Less Treasury stock - at cost, 694,784 shares at September 30, 1995 and 476,523 shares at March 31, 1995	2,354,000	2,421,000
	-----	-----
Net Worth	538,154,000	482,728,000
	-----	-----
Total Liabilities and Shareholders' Equity	\$586,417,000	\$546,201,000
	=====	=====

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
UNAUDITED

	Three Months Ended September 30,		Six Months Ended September 30,	
	----- 1995 ----	1994 ----	----- 1995 ----	1994 ----
NET SALES	\$ 97,715,000	\$ 96,013,000	\$ 206,907,000	\$ 181,159,000
COST AND EXPENSES:				
Cost of Sales	44,859,000	40,222,000	95,487,000	73,218,000
Research and Development	9,438,000	6,863,000	17,612,000	13,207,000
Selling and Administrative	13,660,000	14,929,000	27,663,000	29,341,000
	----- 67,957,000	----- 62,014,000	----- 140,762,000	----- 115,766,000
EQUITY IN EARNINGS OF SOMERSET	6,138,000	6,141,000	11,709,000	11,489,000
OTHER INCOME	4,760,000	1,580,000	8,723,000	2,519,000
	----- 40,656,000	----- 41,720,000	----- 86,577,000	----- 79,401,000
EARNINGS BEFORE INCOME TAXES				
INCOME TAX RATE	28%	31%	28%	30%
INCOME TAXES	11,180,000	13,062,000	23,934,000	23,613,000
NET EARNINGS	\$ 29,476,000	\$ 28,658,000	\$ 62,643,000	\$ 55,788,000
	=====	=====	=====	=====
EARNINGS PER SHARE	\$.25	\$.24	\$.53	\$.47
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES	119,319,000	118,908,000	119,294,000	118,867,000
	=====	=====	=====	=====

The above Financial Statements give retroactive effect to the three-for-two stock split effective August 15, 1995 (See Note C).

The Company paid regular quarterly cash dividends of \$.027 per share from October 1993 to July 1994 and \$.033 per share from October 1994 to July 1995. On October 13, 1995, the Company paid a regular quarterly cash dividend of \$.04 per share. In addition, the Company paid a special one-time dividend of \$.067 per share on January 13, 1995.

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1995 AND 1994

UNAUDITED

	1995 ----	1994 ----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 62,643,000	\$ 55,788,000
Adjustments to reconcile net earnings to net cash provided from operating activities:		
Depreciation and amortization	5,727,000	6,002,000
Deferred income taxes	2,494,000	608,000
Equity in the earnings of Somerset	(11,709,000)	(11,489,000)
Cash received from Somerset	10,207,000	10,221,000
Other non-cash items	(3,511,000)	14,117,000
Changes in operating assets and liabilities:		
Accounts receivable	(6,523,000)	(12,002,000)
Inventories	3,155,000	(13,885,000)
Trade accounts payable	627,000	4,255,000
Income taxes	(17,704,000)	10,171,000
Other operating assets and liabilities	(2,333,000)	6,866,000
	-----	-----
Net cash provided from operating activities	43,073,000	70,652,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(17,017,000)	(7,765,000)
Increase in intangible and other assets	(19,360,000)	(9,245,000)
Proceeds from investment securities	35,848,000	12,953,000
Purchase of investment securities	(10,731,000)	(7,935,000)
	-----	-----
Net cash used in investing activities	(11,260,000)	(11,992,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividend paid	(7,950,000)	(6,339,000)
Payments on long-term obligations	(15,000)	(16,000)
Proceeds from exercise of stock options	695,000	709,000
	-----	-----
Net cash used in financing activities	(7,270,000)	(5,646,000)
	-----	-----
Net Increase in Cash and Cash Equivalents	24,543,000	53,014,000
Cash and Cash Equivalents - Beginning of Period	127,280,000	75,526,000
	-----	-----
Cash and Cash Equivalents - End of Period	\$151,823,000	\$128,540,000
	=====	=====
CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 12,000	\$ 13,000
Income Taxes	\$ 39,226,000	\$ 12,835,000

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED
SEPTEMBER 30, 1995
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 September 30, 1995 and March 31, 1995 together with the results of operations and cash flows for the interim periods ended September 30, 1995 and 1994. The consolidated results of operations for the three and six months ended September 30, 1995 and 1994 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 1995 Annual Report and Report on Form 10-K.
- C. On June 28, 1995 the Company announced a three-for-two stock split of the Company's common stock effective August 15, 1995 for shareholders of record at the close of business on July 31, 1995. The par value of the new shares issued totaled \$20,004,000 and has been transferred from additional paid in capital to the common stock account. The weighted average shares outstanding and the earnings and dividends per share reflected in these financial statements give effect to the stock split.
- D. On September 29, 1995 the Company entered into a settlement agreement with Hoechst Marion Roussel Inc. (HMR) (formerly known as Marion Merrell Dow Inc.) and Tanabe Seiyaku Co. LTD (Tanabe) as discussed in Item 3 of the Report on Form 10-K for the year ended March 31, 1995. The agreement releases all parties from any further actions and suits as it relates to the manufacture of diltiazem. In consideration for such settlement HMR and Tanabe agreed to reimburse all of Mylan's defense costs incurred to date. The amount payable to Mylan is recorded as Other Income in the current quarter.
- E. On September 12, 1995 the Company enhanced its strategic alliance with VivoRx, Inc. (VivoRx), a California biotechnology company. VivoRx has developed a diabetes control technology, which is in FDA Phase I/II clinical trials. The Company has been funding VivoRx's research for encapsulated pancreatic islet cell transplants based on the attainment of milestones contained in equity and licensing agreements. The licensing agreement grants the Company exclusive rights to market and sell this product in North America. Following significant product development accomplishments, the Company expanded its commitment by investing \$15,000,000 in convertible preferred stock of VivoRx. The Company's investment is recorded at cost in Other Assets.

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED
SEPTEMBER 30, 1995

Unaudited

F. On October 11, 1995 the Company entered into a definitive agreement to acquire UDL Laboratories, Inc. (UDL). UDL is the premier supplier of unit dose generic pharmaceuticals to the institutional and long term care markets. UDL has its corporate headquarters in Rockford, Illinois and maintains manufacturing, research and development and distribution facilities in Rockford, Illinois as well as Largo, Florida.

The transaction, which is expected to be completed by early 1996, will be accounted for under the purchase method of accounting. Payment of approximately \$47,500,000 will be made through the issuance of newly registered common stock of the Company.

G. 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.

Condensed unaudited financial information of Somerset for the three and six month periods ended September 30, 1995 and 1994 are as follows: (in thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	1995	1994	1995	1994
	----	----	----	----
Net Sales	\$27,181	\$31,474	\$50,178	\$56,495
Costs and Expense	(11,300)	(15,897)	(20,153)	(28,137)
Income Taxes	(5,191)	(4,864)	(9,628)	(8,556)
Net Earnings	\$10,690	\$10,713	\$20,297	\$19,802

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

Under the Orphan Drug Act, Somerset has exclusivity relating to marketing the chemical compound Eldepryl for use as a treatment for late stage Parkinson's disease through June of 1996.

PART 1 - FINANCIAL INFORMATION

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

Results of Operations

Net sales for the three and six months ended September 30, 1995 were \$97,715,000 and \$206,907,000 representing increases over the prior year comparable periods of 2% and 14% respectively. Volume increases in all areas of the Company's business along with the addition of acebutolol to the generic product line continue to offset the normal pricing pressures on generic products introduced during fiscal 1995.

Gross margin as a percent of net sales decreased from 58% and 60% for the three and six months ended September 30, 1994 to 54% for the three and six months ended September 30, 1995. The higher rates for the prior periods was due to the launch of three significant products, cimetidine, glipizide and flurbiprofen. Due to the competitive nature of the generic pharmaceutical industry the sales and gross margin recognized for the three and six months ended September 30, 1995 are not necessarily indicative of the results to be expected in future quarters.

Research and development expenditures for the three and six month periods ended September 30, 1995 increased 38% to \$9,438,000 and 33% to \$17,612,000 over the prior year comparable periods. These increases are indicative of the Company's commitment to product development throughout the Company.

Selling and administrative expenses were 14% and 13% of net sales for the three and six months ended September 30, 1995 as compared to 16% for the three and six months ended September 30, 1994.

Equity in earnings of Somerset continues to provide a solid return for the Company. Somerset's contribution to net earnings per share for the three and six month periods was \$.05 and \$.09 in both 1995 and 1994.

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Liquidity and Capital Resources and Financial Condition

Working capital increased from \$275,032,000 at March 31, 1995 to \$298,754,000 at September 30, 1995 as a result of continued strong operations. The ratio of current assets to current liabilities was 8.5 to 1 at September 30, 1995 and 5.9 to 1 at March 31, 1995.

Net cash provided from operating activities was \$43,073,000 for the six months ended September 30, 1995 compared to \$70,652,000 for the same period last year. The change is primarily related to the timing of income tax payments. The Company paid \$39,226,000 for income taxes in the six months ended September 30, 1995 compared to \$12,835,000 for the same period a year ago.

Additions to property, plant and equipment amounted to \$17,017,000 for the six months ended September 30, 1995. Capital expenditures are principally related to the replacement of older properties with more updated equipment and facility expansion including ongoing construction of a 150,000 square foot research facility in Morgantown, West Virginia. Additionally the Company has acquired land adjacent to its existing manufacturing facility in Morgantown with the intent of expanding that facility to meet the continued

increase in demand for the Company's product.

The increase in intangible and other assets is due principally to the investment in VivoRx as described in Note E to the financial statements.

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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 - On September 22, 1995 the Company filed a report on Form 8-K dated September 12, 1995 covering Item 5 thereof regarding the announcement of a strategic alliance with VivoRx, Inc.

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 11/14/95

/s/ Milan Puskar

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

DATE 11/14/95

/s/ Frank A DeGeorge

Frank A. DeGeorge
Director of Corporate Finance

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