
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 June 30, 1996

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 incorporation or organization)	(I.R.S. Employer 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	<input checked="" type="checkbox"/> X	NO	<input type="checkbox"/>
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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
\$.50 par value	July 25, 1996
	121,890,874

MYLAN LABORATORIES INC. AND SUBSIDIARIES

INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
ITEM 1: Financial Statements	
Consolidated Balance Sheets - June 30, 1996 and March 31, 1996	2A and 2B
Consolidated Statements of Earnings - Three Months Ended June 30, 1996 and 1995	3
Consolidated Statements of Cash Flows - Three Months Ended June 30, 1996 and 1995	4
Notes to Consolidated Financial Statements - Three Months Ended June 30, 1996	5, 6 and 7
ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations	8 and 9
PART II. OTHER INFORMATION	10

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 1996 Unaudited -----	March 31, 1996 Audited -----
Current Assets		
Cash and cash equivalents	\$186,710,000	\$176,980,000
Marketable securities	10,633,000	12,460,000
Accounts receivable - net	64,464,000	71,997,000
Inventories:		
Raw materials	44,641,000	42,983,000
Work in process	18,682,000	19,804,000
Finished goods	39,454,000	37,829,000
	----- 102,777,000	----- 100,616,000
Deferred income tax benefit	14,166,000	11,560,000
Other current assets	5,771,000	5,715,000
Total Current Assets	----- 384,521,000	----- 379,328,000
Property, Plant and Equipment - at cost	181,959,000	173,445,000
Less accumulated depreciation	54,467,000	51,652,000
	----- 127,492,000	----- 121,793,000
Marketable Securities, non-current	22,236,000	20,803,000
Investment in and Advances to Somerset	28,744,000	26,337,000
Intangible Assets-net of accumulated amortization	73,291,000	74,601,000
Other Assets	75,457,000	69,147,000
Total Assets	----- \$711,741,000 =====	----- \$692,009,000 =====

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 1996 Unaudited -----	March 31, 1996 Audited -----
Current Liabilities		
Trade accounts payable	\$ 11,382,000	\$ 14,039,000
Current portion of long-term debt	1,400,000	1,400,000
Income taxes payable	18,174,000	10,096,000
Other current liabilities	23,531,000	18,185,000
Cash dividend payable	4,883,000	4,875,000
	-----	-----
Total Current Liabilities	59,370,000	48,595,000
Long-Term Obligations	18,411,000	18,002,000
Deferred Income Tax Liability	8,412,000	8,971,000
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 122,579,199 shares at June 30, 1996 and 122,524,789 shares at March 31, 1996	61,289,000	61,262,000
Additional paid-in capital	86,553,000	85,996,000
Retained earnings	479,272,000	470,136,000
Unrealized gain on investments	962,000	1,575,000
	-----	-----
	628,076,000	618,969,000
Less Treasury stock - at cost, 694,950 shares at June 30, 1996 and March 31, 1996	2,528,000	2,528,000
	-----	-----
Net Worth	625,548,000	616,441,000
	-----	-----
Total Liabilities and Shareholders' Equity	\$711,741,000	\$692,009,000
	=====	=====

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED JUNE 30, 1996 AND 1995
UNAUDITED

	1996	1995
	-----	-----
NET SALES	\$ 98,543,000	\$109,192,000
COST AND EXPENSES:		
Cost of Sales	55,779,000	50,628,000
Research and Development	10,531,000	8,174,000
Selling and Administrative	21,251,000	14,003,000
	-----	-----
	87,561,000	72,805,000
EQUITY IN EARNINGS OF SOMERSET	5,043,000	5,571,000
OTHER INCOME	3,992,000	3,963,000
	-----	-----
EARNINGS BEFORE INCOME TAXES	20,017,000	45,921,000
INCOME TAX RATE	30%	28%
INCOME TAXES	6,006,000	12,754,000
	-----	-----
NET EARNINGS	\$ 14,011,000	\$ 33,167,000
	=====	=====
EARNINGS PER SHARE	\$.12	\$.28
	=====	=====
WEIGHTED AVERAGE COMMON SHARES	121,868,000	119,265,000
	=====	=====

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 \$.03 per share from October 1994 to July 1995 and \$.04 per share since October 1995.

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 1996 AND 1995

UNAUDITED

	1996 -----	1995 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 14,011,000	\$ 33,167,000
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization	4,215,000	3,455,000
Deferred income taxes	(2,836,000)	868,000
Equity in the earnings of Somerset	(5,043,000)	(5,571,000)
Cash received from Somerset	2,636,000	5,133,000
Allowances on accounts receivable	(14,000)	(1,392,000)
Other non-cash items	(565,000)	(200,000)
Changes in operating assets and liabilities:		
Accounts receivable	7,547,000	(5,985,000)
Inventories	(2,236,000)	1,745,000
Trade accounts payable	(2,657,000)	(6,379,000)
Income taxes payable	8,078,000	1,926,000
Other operating assets and liabilities	5,291,000	(460,000)
Net cash provided from operating activities	28,427,000	26,307,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(8,514,000)	(5,172,000)
Increase in intangible and other assets	(5,345,000)	(1,408,000)
Proceeds from investment securities	5,909,000	5,041,000
Purchase of investment securities	(6,457,000)	(6,613,000)
Net cash used in investing activities	(14,407,000)	(8,152,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividend paid	(4,867,000)	(3,974,000)
Payments on long-term obligations	(7,000)	(7,000)
Proceeds from exercise of stock options	584,000	338,000
Net cash used in financing activities	(4,290,000)	(3,643,000)
Net Increase in Cash and Cash Equivalents	9,730,000	14,512,000
Cash and Cash Equivalents - Beginning of Period	176,980,000	127,280,000
Cash and Cash Equivalents - End of Period	\$186,710,000 =====	\$141,792,000 =====
CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 5,000	\$ 6,000
Income Taxes	\$ 761,000	\$ 9,959,000

See Nots to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED
JUNE 30, 1996

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 June 30, 1996 and March 31, 1996 together with the results of operations and cash flows for the interim periods ended June 30, 1996 and 1995. The consolidated results of operations for the three months ended June 30, 1996 and 1995 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 1996 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 February 28, 1996 the Company acquired 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, was accounted for under the purchase method of accounting. Payment of approximately \$47,500,000 was made through the issuance of newly registered common stock of the Company.
- E. On June 14, 1996, the Company executed a series of agreements with American Home Products Corporation ("AHP"), relating to the products Maxzide(R) and Maxzide-25MG(R). In general these agreements will terminate the existing license agreements between the Company and AHP which had previously marketed the products through its Lederle Laboratories Division ("Lederle"). The Company will record this transaction and commence marketing Maxzide(R) and Maxzide-25MG(R) upon receipt of antitrust clearance.

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED
JUNE 30, 1996

Unaudited

- E. (con't) Under the terms of the agreement, the Company shall pay to AHP specified amounts over a five year period commencing at the effective date. In addition, the Company shall pay to AHP a royalty predicated on sales for use of certain trademarks during a five year period with specified minimum annual royalty payments. At the end of such period all royalty obligations will cease and ownership of the trademarks will be transferred to the Company.

The companies have agreed that AHP will retain marketing rights in certain foreign countries under a modified International Supply Agreement. Additionally, the companies have agreed that for a three year period the Company shall pay AHP certain amounts predicated on the gross profit realized by the Company on its sales of a generic Dyazide(R) product to unrelated parties. The terminated agreements prevented the Company from marketing such products without first attempting to negotiate a supply agreement with Lederle. In connection with these agreements, the Company and AHP agreed to terminate certain litigation.

- F. During 1996 Bertek was involved in an arbitration matter unrelated to the pharmaceutical business. On May 2, 1996 the arbitration panel issued a decision against Bertek for approximately \$4,000,000. The Company has appealed the arbitration ruling. Additionally, the Company was a defendant in a suit filed by Upsher-Smith Laboratories alleging breach of contract related to the sale and distribution of one of the Company's generic pharmaceutical products. The suit claimed damages in excess of \$13,000,000. The Company entered into a settlement agreement with Upsher-Smith Laboratories on July 10, 1996 for payment of an agreed upon amount.

As of June 30, 1996 the Company has accrued all amounts to be paid in the latter case and amounts which the Company believes to be sufficient to cover any payments which may result from the ultimate resolution of the Bertek arbitration matter. The amounts accrued for these litigation matters were included in selling and administrative expenses for the quarter ended June 30, 1996.

- 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.

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED
JUNE 30, 1996

Unaudited

- G. (con't) Condensed unaudited financial information of Somerset for the three month periods ended June 30, 1996 and 1995 are as follows: (in thousands)

	June 30, 1996	June 30, 1995
	-----	-----
Net Sales	\$ 30,143	\$ 22,997
Costs and Expenses	(16,295)	(8,853)
Income Taxes	(4,807)	(4,437)
	-----	-----
Net Earnings	\$ 9,041	\$ 9,707
	=====	=====

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

Somerset's marketing exclusivity for Eldepryl under the Orphan Drug Act expired on June 6, 1996. In late May 1996 Somerset received FDA approval to market an easy-to-identify capsule which was launched immediately by Somerset. This launch was responsible for the higher than normal sales and along with increased research and development expenses caused the increase in Costs and Expenses over last year's first quarter.

PART 1 - FINANCIAL INFORMATION

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

Results of Operations

Net earnings per share were \$.12 for the quarter ended June 30, 1996 compared to the record high \$.28 for the same quarter a year ago and \$.15 for the quarter ended March 31, 1996. Net sales of \$98,543,000 and gross profit of \$42,764,000 representing 43% of net sales for the current quarter are down from last year's \$109,192,000 net sales and \$58,564,000 gross profit which represented 54% of net sales. Severe price competition in the generic drug industry and the lack of significant new product approvals for the Company over the last 15 months is the primary cause of the decreases from last year's first quarter to the current quarter. The modest increase in sales and gross profits over the quarter ended March 31, 1996 is due to the addition of UDL in March of 1996 and changes in product mix including the addition of three new products, two of which were launched in late March 1996 and one which was added during the quarter ended June 30, 1996.

Research and development expense of \$10,531,000 for the current quarter represents a 29% increase over the prior year first quarter. The current quarter amount is consistent with expenditures in the third and fourth quarter of fiscal 1996 and is indicative of the Company's increased and aggressive research programs aimed at both generic products and innovative compounds. The Company expects future expenses for research and development to be at or higher than the current quarter level.

Selling and administrative expenses were \$21,251,000 for the quarter ended June 30, 1996 compared to \$14,003,000 for the same quarter a year ago. The Company initiated cost containment efforts throughout fiscal 1996 which resulted in quarterly expenses of roughly \$14 million in each of the four quarters of fiscal 1996. The current quarter includes expenses from UDL, including amortization of intangible assets acquired which will be recurring, and non-recurring expenses resulting from the settlement of and provisions for certain legal matters as discussed in footnote R in the Company's financial statements for the year ended March 31, 1996. The Company expects that future selling and administrative expenses will be less than the current quarter but higher than previous quarters as a result of the UDL and Maxzide acquisitions.

Somerset's contribution to the Company's earnings per share remained at \$.04 despite the increase in sales of Eldepryl by Somerset. This is primarily due to costs associated with the change from tablets to capsules during the current quarter and also to continued increases in research and development expenses by Somerset. The switch from tablets to capsules has had the effect of extending, at least temporarily, Somerset's exclusivity on the compound for use in the treatment of late stage Parkinson's disease, which enables Somerset to continue its aggressive research efforts without diluting its contribution to the Company's earnings per share.

The effective tax rate of 30% for the first quarter represents the Company's expected rate for fiscal 1997 which is up from last year's effective tax rate of 28%. The increase is due to changes in tax credits and expected changes in the mix of domestic versus Puerto Rican source income.

Liquidity and Capital Resources and Financial Condition

Working capital decreased from \$330,733,000 at March 31, 1996 to \$325,151,000 at June 30, 1996. The ratio of current assets to current liabilities was 7.8 to 1 at March 31, 1996 and 6.5 to 1 at June 30, 1996. The decrease in the current ratio is primarily attributable to increases in income taxes payable and other current liabilities.

Net cash provided from operating activities was \$28,427,000 for the three months ended June 30, 1996 compared to \$26,307,000 for the same period last year. The decrease in net earnings was offset by the timing of tax payments and the collection of accounts receivable.

Additions to property, plant and equipment amounted to \$8,514,000 for the three months ended June 30, 1996 compared to \$5,172,000 for the same period a year ago. Current quarter capital expenditures are principally related to ongoing construction projects relating to a research and development facility and a sustained release production facility, both in Morgantown, West Virginia.

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 during the three months ended June 30, 1996.

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 8/1/96

/s/ Milan Puskar

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

DATE 8/1/96

/s/ Frank A. DeGorge

Frank A. DeGeorge
Director of Corporate Finance

3-MOS

	MAR-31-1997	
	JUN-30-1996	
	186,710,000	
	10,633,000	
	77,009,000	
	12,545,000	
	102,777,000	
	384,521,000	
	181,959,000	
	54,467,000	
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