SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

Annual Report pursuant to Section 13 or 15(d)of the Securities Exchange Act of 1934For the fiscal year ended March 31, 2000 Commission File No. 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) (IRS Employer Identification No.)

1030 Century Building
130 Seventh Street
Pittsburgh, Pennsylvania 15222
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 412-232-0100

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.50 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by checkmark 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 (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 by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the 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 voting stock held by non-affiliates of the registrant, computed by reference to the closing price of such stock as of June 20, 2000:

$2,137,112,992

The number of shares of Common Stock of the registrant outstanding as of June 20, 2000:
126,721,906

Documents incorporated by reference into this Report are:

Annual Report to Shareholders for year ended March 31, 2000...	Part I, Item 1 Part II, Items 5-8
Proxy Statement for 2000 Annual Meeting of Shareholders...	Part III, Items 10-13

PART I

Item 1. Business

Mylan Laboratories Inc., a Pennsylvania corporation incorporated in 1970, and its subsidiaries (herein referred to collectively as "the Company") are engaged in developing, licensing, manufacturing, marketing and distributing

generic and branded pharmaceutical products. References herein to fiscal 2000, 1999 and 1998 shall mean the fiscal years ended March 31, 2000, 1999 and 1998, respectively.

The Company conducts business through its generic and branded pharmaceutical operating segments. For fiscal 2000, the generic segment represented approximately 85% of revenues and the branded segment represented approximately 15% of revenues. The financial information for operating segments required by Item 1 is hereby incorporated by reference to Note R of the Notes to Consolidated Financial Statements in the accompanying Annual Report to Shareholders for the year ended March 31, 2000.

Generic Segment

Through its subsidiaries, Mylan Pharmaceuticals Inc. and UDL Laboratories Inc., acquired in fiscal 1996, the Company is recognized as a leader in the generic pharmaceutical industry. Generic drugs are bioequivalent to their brand name counterparts and are generally sold at prices significantly less than branded products. Accordingly, generics provide a safe, effective and cost efficient alternative to users of these branded products.

The Company attained its leadership position in the generic industry through its ability to obtain Abbreviated New Drug Application ("ANDA") approvals, uncompromising quality control and devotion to customer service. To build on this position the Company has expanded beyond its traditional solid oral dose products and now offers unit dose, suspensions, liquids, transdermal and extended release products. The investment in research and development and facilities to manufacture products in a variety of delivery systems is one of the many reasons the Company is a leader in the generic industry.

The Company has entered into strategic alliances with several pharmaceutical companies through distribution and licensing agreements which provide the Company with additional products to broaden the Company's product line. In addition, the Company has entered into product development and licensing agreements, under which the Company has obtained rights to manufacture and distribute other pharmaceutical products in exchange for funding of drug development activities.

Due to the non-exclusive nature of generic products, the generic industry is comprised of numerous competitors including manufacturers that market their products under their own names, distributors that market products manufactured by others, and brand name companies that market their products under both the brand name and as a generic substitute. The non-exclusive nature thus allows for significant price competition within the generic pharmaceutical industry.

Branded Segment

Pharmaceutical products initially sold on an exclusive basis are known in the industry as proprietary or branded products. These products generally are patent protected when introduced in the marketplace.

The Company operates its branded segment principally through its Bertek Pharmaceutical Inc. ("Bertek") subsidiary. Bertek's three therapeutic areas of concentration include cardiology, neurology and dermatology. The cardiology focus is built upon Maxzide(R), Digitek(R) and Nitrek(R). The Maxzide(R) products, originally developed and manufactured by the Company, were reacquired from American Home Products Corp. in fiscal 1997.

The Company continues to expand its branded business through internally developed products as well as through product acquisitions. To expand its presence in dermatology, on October 2, 1998, the Company acquired 100% of the outstanding stock of Penederm Inc. Bertek, through this acquisition, now develops patented topical prescription products at its research and development facilities in Foster City, California. The current product portfolio primarily consists of Avita(R), Mentax(R), and Acticin(R).

New Product Approvals

The Company is required to secure and maintain the U.S. Food and Drug Administration's ("FDA") approval for the products it intends to manufacture and market. The FDA grants such approval by approving Company submitted ANDAs for generic drug products and New Drug Applications ("NDAs") for branded drug products.

During fiscal 2000, the Company received 20 final approvals: Verapamil

HCl ER Capsules, Estradiol Tablets, Prednisolone Syrup, Clozapine Tablets, Diclofenac Potassium Tablets, Estropipate Tablets, Dicyclomine HCl Tablets, Dicyclomine HCl Capsules, Carbidopa and Levodopa ER Tablets, Ticlopidine HCl Tablets, Nitroglycerin Delivery System (0.1mg/hr, 0.2mg/hr, 0.4mg/hr, 0.6mg/hr), Nifedipine ER Tablets, Ketoconazole Tablets, Hydrochlorothiazide Capsules, Terazosin HCl Anhydrous Capsules, and Estradiol Transdermal System (0.05mg/day and 0.1mg/day). Additionally, in fiscal 2000, the Company received two supplements for additional strengths: Atenolol 25mg Tablets and Glyburide 6mg Tablets.

Currently, the Company has before the FDA 25 ANDAs pending final approval and seven Investigational New Drug ("IND") applications filed with the FDA for new innovator compounds. An IND is the result of a successful preclinical development program and becomes part of the final NDA.

Products

The information on the Company's product line set forth on pages8-12 of the accompanying Annual Report to Shareholders for the year ended March 31, 2000, is incorporated herein by reference. For fiscal 2000, sales of the Company's antianxiety product group accounted for approximately 16% of net sales.

During fiscal 2000, 1999 and 1998, the Company expensed $49,121,000, $61,843,000, and $46,278,000, for research and development. The Company's research and development efforts are conducted primarily to qualify the Company to manufacture ethical pharmaceuticals under FDA standards and approval. Typically research expenses related to the development of innovative compounds and the filing of NDAs are significantly higher than those associated with ANDAs. As the Company continues to develop these products, research expenses related to their development may increase.

Customers and Marketing

The Company sells its products to proprietary and ethical pharmaceutical wholesalers and distributors, drug store chains, drug manufacturers and public and governmental agencies. Four of the Company's customers accounted for approximately 15%, 15%, 11%, and 10% of net sales in fiscal 2000. Three customers accounted for approximately 15%, 14%, and 11% of net sales in fiscal 1999 and 13%, 12%, and 11% of net sales in fiscal 1998.

Generic pharmaceutical products are marketed directly to traditional drug store chains, mass merchandising chains, and food and drug chains. In addition, product is distributed through wholesalers and distributors servicing non-warehousing chains, independent pharmacies, and institutional customers on a contractual basis. Due to the buying patterns of certain customers, in conjunction with incentive programs, a disproportionate amount of sales may be recognized in the latter part of a period. Generic products involve limited public promotion. Approximately 70 employees are engaged in selling and servicing generic customers.

Branded pharmaceutical products are marketed directly to health care professionals. Approximately 260 employees are engaged in marketing, selling and servicing branded customers.

Competition

With respect to each of the generic products it sells, the Company believes it is usually subject to active competition from numerous companies. The four primary means of competition are service, product quality, FDA approval and price. The competition experienced by the Company varies among the markets and classes of customers. The Company has experienced additional competition from brand-name competitors that have entered the generic pharmaceutical industry by creating generic subsidiaries, purchasing generic companies or licensing their products prior to or as their patents expire.

In addition to the increase in the number of competitors, the consolidation of the Company's customers through mergers and acquisitions, along with the emergence of large buying groups representing independent pharmacies and health maintenance organizations, have contributed to severe price deterioration for many of the Company's generic products. While the Company has increased unit volume of its generic products through specialized marketing programs, this has not fully offset the price declines the Company has experienced.

In response to the price declines for generic products, the Company raised prices on 29 products beginning in fiscal 1998 and continuing through

fiscal 1999. While these price increases had a favorable impact on net earnings, such impact, if any in the future, will be affected by many factors including customer acceptance and the response by both existing and potential competitors as well as by both existing and potential suppliers. The Company intends to evaluate its pricing practices and make adjustments to the price of its products when appropriate. The Company continues to work closely with its customers and suppliers to ensure that its full line of generic products is available as a cost effective alternative to the innovator products (See Part II, Item 7 of this report for a discussion relating to the impact of the Company's pricing policies).

In the branded segment, the Company faces competition from other branded pharmaceutical companies that offer products which, while having different properties, are intended to provide similar benefits to the consumers. These competitors tend to have more products, a longer history in the industry, additional marketing and sales representatives and significantly more financial resources. Each of these factors or others could prevent the Company from achieving profitable results in the branded industry.

Product Liability

Product liability suits by consumers represent a continuing risk to firms in the pharmaceutical industry. The Company strives to minimize such risks by adherence to stringent quality control procedures. Although the Company carries insurance, it believes that no reasonable amount of insurance can fully protect it against all such risks because of the potential liability inherent in the business of producing pharmaceuticals for human consumption.

Raw Materials

The active chemical ingredients and other materials and supplies used in the Company's pharmaceutical manufacturing operations are generally available and purchased from many different foreign and domestic suppliers. However, in some cases, the raw materials needed by the Company to manufacture pharmaceutical products are available from a single FDA-approved supplier. Even when more than one supplier exists, the Company may elect to list, and in some cases has only listed, one supplier in its applications with the FDA. New suppliers of the active ingredients in drugs must be approved by the FDA. Accordingly, in the event of an interruption, any change in a supplier not previously approved may take several months.

In addition, recent and pending regulatory actions may make it more difficult for the Company and other generic pharmaceutical manufacturers to obtain commitments from foreign suppliers for raw materials prior to the expiration of patents on branded products. The unavailability of such raw materials could also impede the Company in its efforts to develop and obtain FDA approval to manufacture and market new generic pharmaceutical products.

Regulation

The Company's operations are subject to regulation under the Federal Food, Drug and Cosmetic Act, pursuant to which government standards as to "good manufacturing practice", product content, purity, labeling, effectiveness and record keeping (among other things) must be observed. In this regard, the FDA has extensive regulatory powers over the activities of pharmaceutical manufacturers including the power to seize and prohibit the sale of noncomplying products and to halt operations of noncomplying manufacturers.

In addition to the extensive regulation the Company faces under the Federal Food, Drug and Cosmetic Act, other regulations have also affected the generic approval process. In June 1995, the Uruguay Round Agreements Act ("URAA") took effect which extended patent terms pursuant to the General Agreements on Tariffs and Trade. The extension of patent terms has delayed the introduction of generic products by the Company.

While URAA has already extended patent terms, the brand companies have further delayed the approval of new generic products by filing patent infringement suits under the Hatch-Waxman Act. The Company upon filing an ANDA with the FDA must make one of five certifications with respect to innovator patents. If the company certifies that its generic product is not infringing a patent or that a patent is invalid, the patentee can file suit. Brand companies use this certification process to prevent generic companies from introducing competing generic products by bringing suit for alleged patent infringement. Once a suit is filed, the FDA is prohibited from approving the ANDA for thirty months or until the suit is litigated or settled.

Along with delaying the approval of generic products, the cost of bringing a new generic product to market has risen substantially as the number of these suits and the cost of defending them continues to increase. All such suits settled to date have been on terms favorable to the Company. However, until the laws are changed, the Company expects this type of suit will continue since it has proven a very effective way for brand companies to delay generic competition.

The Company is subject to inspection and regulation under other federal and state legislation relating to drugs, narcotics and alcohol. Many of its suppliers and customers, as well as the drug industry in general, are subject to the same or similar governmental regulations. The Company also is subject to various federal, state, and local environmental protection laws and regulations. Compliance with current environmental protection laws and regulations has not had a material effect on the earnings, cash flow or competitive position of the Company.

It is impossible for the Company to predict the extent to which its operations will be affected under the regulations discussed above or any new regulations which may be adopted by regulatory agencies.

Employees

The Company employs approximately 2,300 persons, approximately 1,200 of whom serve in clerical, sales and management capacities. The remaining are engaged in production and maintenance activities.

The production and maintenance employees at the Company's manufacturing facilities in Morgantown, West Virginia, are represented by the Oil, Chemical and Atomic Workers International Union (AFL-CIO) and its Local Union 8-957 under a contract which expires April 5, 2002.

Backlog

At March 31, 2000, the uncompleted portion of the Company's backlog of orders was approximately $28,226,000 as compared to approximately $7,388,000 at March 31, 1999, and $19,899,000 at March 31, 1998. Because of the relatively short lead time required in filling orders for its products, the Company does not believe these backlog amounts bear a significant relationship to sales or income for any full twelve-month period.

Item 2. Properties

The Company operates from various facilities in the United States and Puerto Rico which have an aggregate of approximately 1,305,000 square feet.

Mylan Pharmaceuticals Inc. owns production, warehouse, laboratory and office facilities in three buildings in Morgantown, West Virginia containing 484,000 square feet. Mylan Pharmaceuticals operates two distribution centers: a 166,000 square foot center in Greensboro, North Carolina which it owns and a 38,000 square foot center in Reno, Nevada which it operates under a lease expiring in 2002. A new sales and administration facility containing approximately 65,000 square feet is currently under construction in Morgantown, West Virginia.

Mylan Inc. owns a production and office facility in Caguas, Puerto Rico containing 115,000 square feet and a production facility in Cidra, Puerto Rico containing 32,000 square feet.

Bertek Pharmaceuticals, Inc. owns production, warehouse and office facilities in two buildings in Sugar Land, Texas containing 70,000 square feet and research and development facilities in two buildings in Foster City, California containing 27,000 square feet under leases expiring in 2003.

Mylan Technologies Inc. owns production, warehouse, laboratory, and office facilities in three buildings in Swanton and St. Albans, Vermont containing 118,000 square feet. Mylan Technologies Inc. also operates a coating and extrusion facility in St. Albans containing 71,000 square feet under a lease expiring in 2015.

UDL Laboratories Inc. owns production, laboratory, warehouse, and office facilities in three buildings in Rockford, Illinois and Largo, Florida containing 136,000 square feet. UDL also leases a warehouse facility in Rockford containing 41,000 square feet under a lease expiring in 2005.

The Company's production equipment includes that equipment necessary to produce and package tablet, capsule, aerosol, liquid, transdermal and powder dosage forms. The Company maintains seven analytical testing laboratories for quality control.

The Company's production facilities are operated primarily on a two-shift basis. Properties and equipment are well maintained and adequate for present operations.

The Company's corporate offices, approximately 7,000 square feet, are located at 1030 Century Building, 130 Seventh Street, Pittsburgh, Pennsylvania, and are occupied under a lease expiring in 2003.

Item 3. Legal Proceedings

In March 1999, a subsidiary of the Company entered into binding arbitration related to a dispute with KaiGai Pharmaceutical, Co., Ltd. ("KaiGai"). The dispute arose out of a license and supply agreement for nitroglycerin transdermal patches that both companies claim was breached by the other party. KaiGai sought damages in excess of $20,000,000. In November 1999, the arbitration panel denied KaiGai's request for damages. KaiGai filed an appeal and the Company has filed a motion to dismiss the appeal due to the appeal not being filed within the time period permitted.

In June 1998, the Company filed suit in Los Angeles Superior Court against American Bioscience, Inc. ("ABI"), American Pharmaceutical Partners, Inc. ("APP") and certain of their directors and officers. The Company's suit seeks various legal and equitable remedies. The Los Angeles Superior Court issued a preliminary injunction order which, among other things, prohibits the defendants from transferring or disposing of funds, assets, technology or property without the Company's consent or commingling assets, property, technology or personnel with those of another company. In June 1999, the defendants filed an answer to and cross-complaint against the Company. The cross-complaint alleges violations of California state laws, interference with contractual relations and prospective economic advantage, fraud, slander, libel and other allegations. The cross-complaint seeks unspecified compensatory and punitive damages. The Company believes the cross-complaint is without merit and intends to vigorously defend its position.

In May 1998, Genpharm Inc. filed in the general division of Ontario Court, Canada, a statement of claim against Novopharm Limited and Granutec, Inc. ("Novopharm"). The claim was filed to resolve contract interpretation issues and collect additional funds due relating to an agreement between the parties for the sale of ranitidine. In July 1998, Novopharm filed a counterclaim against Genpharm and the Company seeking damages of up to $60,000,000. The Company was named in the counterclaim due to its agreement with Genpharm in which it shared in profits derived from the product ranitidine. The Company believes the counterclaim is without merit and intends to vigorously to defend its position.

On December 22, 1998, the Federal Trade Commission ("FTC") filed suit in U.S. District Court for the District of Columbia (the "Court") against the Company. The FTC's complaint alleges the Company engaged in restraint of trade, monopolization, attempted monopolization and conspiracy to monopolize, arising out of certain agreements involving the supply of raw materials used to manufacture two drugs. The FTC also sued in the same case the foreign supplier of the raw materials, the supplier's parent company and its United States distributor. Under the terms of the agreements related to these raw materials, the Company has agreed to indemnify these parties.

The Company is a party to other suits involving the Attorneys General from 33 states and more than 25 putative class actions that allege the same conduct alleged in the FTC suit as well as alleged violations of state consumer protection laws. A qui tam action was commenced by a private party in the U.S. District Court for the District of South Carolina purportedly on behalf of the United States alleging violations of the False Claims Act and other statutes.

The relief sought by the FTC includes an injunction barring the Company from engaging in the challenged conduct, recision of certain agreements and disgorgement in excess of $120,000,000. The states and private parties seek similar relief, treble damages and attorneys' fees. The Company's motions to dismiss several of the private actions were granted.

A class action suit was filed alleging violations of federal securities laws by the Company and certain directors and officers of the Company. Without

specifying a dollar amount, the suit sought compensatory damages. The Company's motion to dismiss the federal securities case was granted on December 22, 1999. An appeal is pending.

The Company had filed motions to dismiss the FTC complaint and significant portions of the State Attorneys General complaint. In July 1999, the Court denied the Company's motion to dismiss the FTC complaint. The Company filed a motion requesting the Court to certify its ruling with respect to the jurisdictional issue for expedited appeal to the U.S. Court of Appeals for the District of Columbia. This motion was denied. The Court granted in part and denied in part the Company's motion to dismiss portions of the State Attorneys General complaint. In so doing, the Court limited certain theories of recovery asserted by the states. Some States filed a motion with the Court requesting that it reconsider certain claims that were dismissed, and, in December 1999, the Court reinstated certain claims.

The Company believes that it has meritorious defenses to the claims in all FTC and related suits and intends to vigorously defend them. Although the Company believes it has meritorious defenses to the claims, an adverse result in these suits could have a material adverse effect on the Company's financial position and results of its operations.

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

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions of the Company's executive officers are as follows:

Milan Puskar	65	Chairman and Chief Executive Officer
Richard F. Moldin	52	President and Chief Operating Officer
Dana G. Barnett	59	Executive Vice President
Louis J. DeBone	54	Senior Vice President
Roger L. Foster	53	Vice President and General Counsel
Roderick P. Jackson	60	Senior Vice President
Donald C. Schilling	50	Vice President-Finance and Chief Financial Officer
Patricia A. Sunseri	60	Vice President-Investor and Public Relations
Robert W. Smiley	78	Secretary

Mr. Puskar was employed by the Company from 1961 to 1972 and served in various positions, including Secretary-Treasurer, Executive Vice President and a member of the Board of Directors. From 1972 to 1975, Mr. Puskar served as Vice President and General Manager of the Cincinnati division of ICN Pharmaceuticals Inc. In addition, he has served as a partner of several pharmaceutical firms in foreign countries. Currently, Mr. Puskar is a director of West Virginia University Foundation, Morgantown, West Virginia, and Duquesne University, Pittsburgh, Pennsylvania. Mr. Puskar served as President of the Company from 1976 to March 2000 and as Vice Chairman of the Board from 1980. He was elected Chairman of the Board and Chief Executive Officer in November 1993.

Mr. Moldin was employed by the Company in April 2000. Prior to assuming his position as President and Chief Operating Officer of the Company, he was President and Chief Executive Officer of Faulding Inc. from 1995 to 2000. Mr. Moldin served in various executive and management positions for Wellcome plc. in England, Australia and the United States from 1979 to 1995.

Mr. Barnett was employed by the Company in 1966. His responsibilities have covered production, quality control and product development. Mr. Barnett became Vice President in 1974, Senior Vice President in 1978 and Executive Vice President in 1987. He was elected President and Chief Executive Officer of Somerset Pharmaceuticals, Inc. in June 1991, and in August 1995, he was elevated to Chairman and Chief Executive Officer.

Mr. DeBone has been employed by the Company since September 1987. Prior to assuming his present position in May 1999, he served as Vice President-Operations and Vice President-Quality Control. He was previously employed with the Company from March 1976 until June 1986 as Director of Manufacturing.

Mr. Foster has been employed by the Company since May 1984. Prior to assuming his present position in June 1995 as Vice President and General Counsel he served as Director of Legal Services and as Director of Governmental Affairs.

Mr. Jackson has been employed by the Company since March 1986. Prior to assuming his present position in October 1992 as Senior Vice President, he served as Vice President-Marketing and Sales.

Mr. Schilling has been employed by the Company since October 1997. Prior to assuming his present position as Vice President-Finance, he was Vice President of Finance & Administration for Plastics Manufacturing Inc. in Harrisburg, NC from 1991 to 1997.

Mrs. Sunseri has served as a Director of the Company since April 1997, as Vice President-Investor and Public Relations of the Company since 1989 and as Director of Investor Relations of the Company from 1984 to 1989.

Mr. Smiley has been the Secretary of the Company since 1976. He previously served on the Company's Board of Directors. In October 1992, he joined the law firm of Doepken Keevican & Weiss Professional, which provided legal services to the Company in fiscal 2000. Previously, he was a partner of Smiley, McGinty & Steger for more than five years.

No family relationships exist between any of the above executive officers. Officers of the Company serve at the pleasure of the Board of Directors.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The information required by Item 5 is hereby incorporated by reference to pp. 14 and 41 of the accompanying Annual Report to Shareholders for the year ended March 31, 2000.

Item 6. Selected Financial Data

The information required by Item 6 is hereby incorporated by reference to p. 14 of the accompanying Annual Report to Shareholders for the year ended March 31, 2000.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Item 7 is hereby incorporated by reference to pp. 15-21 of the accompanying Annual Report to Shareholders for the year ended March 31, 2000.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk The information required by Item 7A is hereby incorporated by reference to p. 20 of the accompanying Annual Report to Shareholders for the year ended March 31, 2000.

Item 8. Financial Statements and Supplementary Data The information required by Item 8 is hereby incorporated by reference to pp. 22-41 of the accompanying Annual Report to Shareholders for the year ended March 31, 2000.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information as to directors required by Item 10 is hereby incorporated

by reference to pp. 2 and 3 of the Company's 2000 Proxy Statement. Information concerning executive officers is provided in PART I of this report under the caption "Executive Officers of the Registrant".

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference to pp. 8-9 of the Company's 2000 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management The information required by Item 12 is hereby incorporated by reference to pp. 10 and 11 of the Company's 2000 Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is hereby incorporated by reference to p. 3 of the Company's 2000 Proxy Statement and Part I of this report.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. List of Financial Statements

2. Financial Statement Schedules

The information required by this Item is incorporated herein by reference to Exhibit 99. All other schedules have been omitted because they are not required or the information can be derived from the Consolidated Financial Statements included in the accompanying Annual Report to Shareholders for the year ended March 31, 2000.

3. Exhibits

(3)(a) Amended and Restated Articles of Incorporation of the registrant, filed as Exhibit 4.2 to the Form S-8 on December 23, 1997 (registration number 333-43081) and incorporated herein by reference.

(b) By-laws of the registrant, as amended to date, filed as Exhibit 4.3 to the Form S-8 on December 23, 1997 (registration number 333-43081) and incorporated herein by reference.

(4)(a) Rights Agreement, as amended to date, between the Company and American Stock Transfer & Trust Co., filed as Exhibit 4.1 to Form 8-K dated August 30, 1996 and incorporated herein by reference. Amendment is incorporated herein by reference to Exhibit 1 to Form 8-A/A dated March 31, 2000.

(10)(a) Mylan Laboratories Inc. 1986 Incentive Stock Option Plan, as amended to date, filed as Exhibit 10(b) to Form 10-K for fiscal year ended March 31, 1993 and incorporated herein by reference.

(b) "Salary Continuation Plan" with Milan Puskar, Dana G. Barnett and C.B. Todd each dated January 27, 1995 and filed as Exhibit 10(b) to Form 10-K for fiscal year ended March 31, 1995 and incorporated

herein by reference.

(c) "Salary Continuation Plan" with Louis J. DeBone dated March 14, 1995 filed as Exhibit 10(c) to Form 10-K for fiscal year ended March 31, 1995 and incorporated herein by reference.

(d) Employment contract with Milan Puskar dated April 28, 1983, as amended to date, filed as Exhibit 10(e) to Form 10-K for fiscal year ended March 31, 1993 and incorporated herein by reference.

(e) Split Dollar Life Insurance Arrangement with McKnight Irrevocable Trust filed as Exhibit 10(g) to Form 10-K for fiscal year ended March 31, 1994 and incorporated herein by reference.

(f) "Service Benefit Agreement" with Laurence S. DeLynn, John C. Gaisford, M.D., and Robert W. Smiley, Esq. each dated January 27, 1995 and filed as Exhibit 10(g) to Form 10-K for fiscal year ended March 31, 1995 and incorporated herein by reference.

(g) Split Dollar Life Insurance Arrangement with Milan Puskar

Irrevocable Trust filed as Exhibit 10(h) to Form 10-K for the fiscal year ended March 31, 1996 and incorporated herein by reference.

(h) Split Dollar Life Insurance Arrangement with the Todd Family Irrevocable Trust filed as Exhibit 10(i) to Form 10-K for the fiscal year ended March 31, 1997 and incorporated herein by reference.

(i) Split Dollar Life Insurance Arrangement with the Dana G. Barnett Irrevocable Family Trust filed as Exhibit 10(j) to Form 10-K for the fiscal year ended March 31, 1997 and incorporated herein by reference.

(j) "Salary Continuation Plan" with Patricia Sunseri dated March 14, 1995 filed as Exhibit 10(k) to Form 10-K for the fiscal year ended March 31, 1997 and incorporated herein by reference.

(k) Mylan Laboratories Inc. 1997 Incentive Stock Option Plan, as amended to date, filed herewith.

(l) Mylan Laboratories Inc. 1992 Nonemployee Director Stock Option Plan, as amended to date, filed as Exhibit 10(l) to Form 10-K for the fiscal year ended March 31, 1998 and incorporated herein by reference.

(m) "Salary Continuation Plan" with Roderick P. Jackson dated March 14, 1995, as amended to date, filed as Exhibit 10(m) to Form 10-K for fiscal year ended March 31, 1999 and incorporated herein by reference.

(13) Fiscal 2000 Annual Report to Shareholders which, except for those portions incorporated by reference, is furnished solely for the information of the Securities and Exchange Commission and is not deemed to be "filed".

(21) Subsidiaries of the registrant, filed herewith.

(23) Consents of Independent Auditors, filed herewith.

(27) Financial Data Schedule, filed herewith.

(99) Consolidated financial statements of Somerset Pharmaceuticals, Inc. for years ended December 31, 1999, 1998, and 1997, filed herewith.

(b) Reports on Form 8-K

The Company was not required to file a report on Form 8-K during the quarter ended March 31, 2000.

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.

Date: June 22, 2000

by /S/ MILAN PUSKAR

Milan Puskar

Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/S/ MILAN PUSKAR June 22, 2000
Milan Puskar
Chairman and Chief Executive Officer
(Principal executive officer)

/S/ DANA G. BARNETT June 22, 2000
Dana G. Barnett
Executive Vice President and Director

/S/ LAURENCE S. DELYNN June 22, 2000
Laurence S. DeLynn
Director

/S/ DOUGLAS J. LEECH June 22, 2000
Douglas J. Leech
Director

/S/PATRICIA A. SUNSERI June 22, 2000
Patricia A. Sunseri
Vice President and Director

/S/JOHN C. GAISFORD,M.D. June 22, 2000
John C. Gaisford,M.D.
Director

/S/ C.B. TODD June 22, 2000
C.B. Todd
Director

/S/ DONALD C. SCHILLING June 22, 2000
Donald C. Schilling
Vice President-Finance and Chief Financial Officer
(Principal financial officer and principal accounting officer)

MYLAN LABORATORIES INC.

1997 INCENTIVE STOCK OPTION PLAN

(AS AMENDED THROUGH APRIL 2000)

MYLAN LABORATORIES INC.

1997 INCENTIVE STOCK OPTION PLAN

1. PLAN NAME

This Plan shall be known as the "MYLAN LABORATORIES INC. 1997 Incentive Stock Option Plan" (the "Plan").

2. EFFECTIVE DATE

The effective date of the Plan shall be January 23, 1997; provided, however, that if the shareholders of MYLAN LABORATORIES INC. (the "Corporation") do not approve the Plan by January 22, 1998, no Options (as defined in paragraph 3) granted under the Plan shall constitute Incentive Stock Options (as defined in paragraph 5(c)).

3. PURPOSE

The purpose of this Plan is to provide a means whereby the Corporation may, through the grant of options to purchase Class A Common Stock, par value $.50 per share ("Common Stock") of the Corporation ("Options") to employees (including officers and directors who are also employees) and nonemployee consultants, agents and advisors to attract, retain and motivate these persons to exert their best efforts on behalf of the Corporation and its subsidiaries. Collectively, these persons are called "key employees."

4. NUMBER OF SHARES AVAILABLE UNDER PLAN

Options may be granted by the Corporation from time to time to key employees of the Corporation and its subsidiaries to purchase an aggregate of Ten Million (10,000,000) shares of Common Stock of the Corporation and Ten Million (10,000,000) shares of Common Stock shall be reserved for Options granted under the Plan (subject to adjustment as provided in paragraph 6(i)). Shares issued upon exercise of Options granted under the Plan may be authorized and unissued shares or shares held by the Corporation in its treasury. If any Option granted under the Plan shall terminate, expire or be canceled as to any shares, new Options may thereafter be granted under the Plan covering those shares, subject to the limitations imposed under paragraph 5(a)(2).

5. ADMINISTRATION

The Plan shall be administered under the terms of this Section 5.

(a) STOCK OPTION COMMITTEE. Except as further provided in this paragraph 5(a), the Plan shall be administered by a Stock Option Committee ("Committee") consisting of at least two members of the Board of Directors of the Corporation who shall be appointed by, and serve at the pleasure of, the Board of Directors. The composition of the Committee shall be controlled by the following provisions of this paragraph 5(a).

(1) Each member of the Committee must be a "non-employee director" within the meaning of Rule 16b-3, as that Rule may be amended from time to time ("Rule 16b-3"), under the Securities Exchange Act of 1934, as amended, when the

Committee is acting to grant Options to those key employees who are also directors or officers. Those actions which require a Committee of non-employee directors include:

(i) Selecting the directors or officers to whom Options may be granted;

(ii) Deciding or determining the timing, price, number or other terms and conditions of, or shares subject to, each Option made to a key employee who is also a director or officer; and

(iii) Interpreting the Plan or Option agreements with regard to Options granted to a director or officer.

An officer or director who also has an employment status described in clause (i), (ii) or (iii) of paragraph 5(a)(2), shall also be limited to a maximum number of Options under the Plan as provided under paragraph 5(a)(3).

(2) Each member of the Committee must be an "outside director" within the meaning of Regulation ss.1.162-27 (e)(3), as that Regulation may be amended from time to time (the "Regulation"), under the Internal Revenue Code of 1986, as amended (the "Code"), when the Committee is acting to grant Options to those key employees who have the following employment status with the Corporation:

(i) The chief executive officer of the corporation or the individual acting in that capacity;

(ii) One of the four highest compensated officers (other than the chief executive officer) of the Corporation; or

(iii) In the judgment of the Board of Directors, is deemed reasonably likely to become an employee described in clause (i) or (ii) of this paragraph 5(a)(2) within the exercise period of any contemplated option.

Those actions which require a Committee of outside directors include the same actions as is described in the immediately preceding paragraph except that the employment relationships described in clauses (i), (ii) and (iii) of this paragraph 5(a)(2) shall be substituted for the references to director or officer. In addition, the provisions of paragraph 5(a)(3) shall apply.

If an individual who is being considered for a grant of Options is an officer or director and also has an employment status described in clause (i), (ii) or (iii) of this paragraph 5(a)(2), the members of the Committee shall consist of whichever of the following director categories is the more restrictive, non-employee directors as defined in Section 5(a)(1), or of outside directors as defined in this Section 5(a)(2).

(3) In addition to any other limitation, the Committee shall not award to any employee described in clause (i), (ii) or (iii) of paragraph 5(a)(2) Options in any calendar year to purchase more than three hundred thousand (300,000) shares of Common Stock, plus any amount of shares that were available within this limit in any prior year for which Options were not granted. Further, any Options awarded to such an employee which are thereafter canceled shall continue to count against the maximum number of Options which may be awarded to that employee, and any Option of such an employee which is later repriced shall be deemed to be the cancellation of the original Option and the grant of a new Option for purposes determining the number of Options awarded to that employee.

(b) COMMITTEE ACTION. A majority of the members of the Committee shall constitute a quorum, and the action (1) of a majority of the members present at a meeting at which a quorum is present or (2) authorized in writing by all members, shall be the action of the Committee. A member participating in a meeting by telephone or similar communications equipment shall be deemed present for this purpose if the member or members who are present in person can hear him and he can hear them.

(c) AUTHORITY OF THE COMMITTEE. The Committee shall have the power: (1) to determine and designate in its absolute discretion from time to time those employees of the Corporation, its subsidiaries, independent agents, consultants and attorneys who by reason of the nature of their duties, their present and potential contributions to the success of the Corporation and other factors, who are eligible to participate in the Plan and to whom Options are to be granted; provided, however, no Option shall be granted after January 23, 2007, the tenth (10th) anniversary of the original adoption date of the Plan; (2) to authorize the granting of (i) Options which qualify as Incentive Stock Options within the

meaning of Code Section 422 ("Incentive Stock Option"); provided that only employees of the Corporation may be granted Incentive Stock Options, (ii) Options which do not qualify under Code Section 422 ("Nonqualified Stock Option"); provided that only Nonqualified Stock Options may be granted to persons who are not employees, but who are otherwise eligible for grant of options; (3) to determine the number of shares subject to each Option, subject to paragraph 5(a); (4) to determine the time or times and the manner when each Option shall be exercisable and the duration of the exercise period.

The Committee may interpret the Plan, prescribe, amend and rescind any rules and regulations necessary or appropriate for the administration of the Plan and make other determinations and take other action as it deems necessary or advisable. Without limiting the generality of the foregoing sentence the Committee may, in its discretion, treat all or any portion of any period during which an Optionee is on military or an approved leave of absence from the Corporation as a period of employment of the Optionee by the Corporation, as the case may be, for the purpose of accrual of rights under an Option. An interpretation, determination or other action made or taken by the Committee shall be final, binding and conclusive.

(d) INDEMNIFICATION OF COMMITTEE. In addition to other rights that they may have as Directors or as members of the Committee, the members of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorney's fees actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Option granted thereunder, and against all amounts paid by them in settlement thereof or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in the action, suit or proceeding that the Committee member's action or failure to act constituted self-dealing, willful misconduct or recklessness; provided that within sixty (60) days after institution of any action, suit or proceeding a Committee member shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

6. TERMS AND CONDITIONS

Each Option granted under the Plan shall be evidenced by an agreement, in a form approved by the Committee, which shall be subject to the following expressed terms and conditions and to other terms and conditions as the Committee may deem appropriate, including those imposed by Section 8 following amendment of the Plan requiring shareholder approval.

(a) OPTION PERIOD. Each Option agreement shall specify the period for which the Option hereunder is granted (which in no event shall exceed ten (10) years from the date of the grant of the Option) and shall provide that the Option shall expire at the end of that period.

(b) OPTION PRICE. The Option price per share shall be determined by the Committee at the time any Option is granted, and shall not be less than the fair market value (but in no event less than the par value if any) of the Common Stock of the Corporation on the date the Option is granted, as determined by the Committee.

(c) AGGREGATE OWNERSHIP AND EXERCISE LIMITATIONS. The aggregate fair market value (determined at the time the Option is granted) of the stock with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all plans of the Corporation and its subsidiaries and parents) shall not exceed $100,000.

(d) EXERCISE OF OPTION. Subject in each case to the provisions of paragraphs (a), (b), (c), (e) and (f) of this Section 6, any Option may be exercised, to the extent exercisable by its terms, at the time or times as may be determined by the Committee at the time of grant; subject, however, to the following limitations. No portion of an Option granted to an employee of the Corporation or its subsidiaries shall be exercisable unless the Optionee has been employed by the Corporation or its subsidiaries until the second anniversary of the date of the grant of the Option. Between the second anniversary and the third anniversary of the date of the grant of the Option, if the Optionee is still employed by the Corporation or its subsidiaries, the Optionee may exercise up to twenty-five percent (25%) of the Option. Between the third anniversary and the fourth anniversary of the date of the grant of the Option, if the Optionee is still employed by the Corporation or its subsidiaries, the Optionee may exercise cumulatively up to fifty percent (50%)

of the Option. On and after the fourth anniversary of the date of the grant of the Option (but in no event longer than the period provided in paragraph 6(a)), if the Optionee is still employed by the Corporation or its subsidiaries, the Optionee may exercise cumulatively up to one hundred percent (100%) of the Option. The Committee, in its sole discretion, however, may reduce or eliminate the limitations provided in the preceding four sentences ("Vesting Limitations") for Options granted to any employee having at least two years of continuous service with the Corporation or its subsidiaries. Notwithstanding the Vesting Limitations, if an Optionee's employment is terminated due to death, Permanent Disability (as defined in paragraph 6(f)), or retirement as determined in the sole and absolute discretion of the Committee ("Retirement"), one hundred percent (100%) of the Optionee's Option may be exercised in accordance with the provisions of paragraph 6(f). Vesting provisions substantially similar to the Vesting Limitations may be imposed upon any Option granted to a nonemployee Optionee at the sole and absolute discretion of the Committee.

(e) PAYMENT OF PURCHASE PRICE AND TAXES UPON EXERCISE. The purchase price of Common Stock as to which an Option shall be exercised and any employment taxes arising therefrom shall be paid to the Corporation at the time of exercise in cash or, at the discretion of the Committee, in stock of the Corporation; payment in stock of the Corporation shall include the right of an Optionee to elect to receive the shares of Common Stock issuable upon exercise of an Option reduced by that number of shares of Common Stock necessary to satisfy the purchase price and/or the minimum statutory withholding requirements for employment taxes (hereinafter "Net Exercise").

(f) EXERCISE IN THE EVENT OF DEATH OR TERMINATION OF EMPLOYMENT. (1) If any Optionee who is an employee of the Corporation or its subsidiaries shall die (i) while an employee of the Corporation or its subsidiaries or (ii) within three (3) months after termination of the Optionee's employment with the Corporation or its subsidiaries because the Optionee is permanently and totally disabled (within the meaning of Code Section 22(e)(3)) ("Permanent Disability") or because of Retirement, any Option of the Optionee may be exercised by the person or persons to whom the Optionee's rights under the Option pass by will or applicable law or if no person has that right, by the Optionee's executors or administrators, at any time, or from time to time, within one (1) year after the date of the death, but in no event later than the expiration date specified in paragraph (a) of this Section 6. (2) If an Optionee's employment by the Corporation or its subsidiaries shall terminate because of Permanent Disability, the Optionee may exercise any Option of the Optionee at any time, or from time to time, within one (1) year of the date of the termination of employment, but in no event later than the expiration date specified in paragraph (a) of this Section 6. (3) If an Optionee's employment by the Corporation or its subsidiaries shall terminate because of indefinite lay-off, the Optionee may exercise any Option of the Optionee to the extent that the Optionee may be entitled to do so at the date of the indefinite lay-off, at any time, or from time to time, within three (3) months of the date of the termination of employment, but in no event later than the expiration date specified in paragraph (a) of this Section 6. (4) If an Optionee's employment by the Corporation or its subsidiaries shall terminate because of Retirement, any Option of the Optionee may be exercised by the Optionee at any time, or from time to time, within three (3) months of the date of the termination of employment, but in no event later than the expiration date specified in paragraph (a) of this Section 6. (5) Except as provided by (1) through (4) of this paragraph (f) of Section 6, if an Optionee's employment shall cease by reason of a voluntary or involuntary termination, either with or without cause, any Option of the Optionee shall terminate immediately. (6) If an Optionee is not an employee of the Corporation or its subsidiaries when the Optionee is granted an Option, that Option shall terminate one (1) year after the date of the Optionee's death, but in no event later than the expiration date specified in paragraph (a) of this Section 6. If such an Optionee dies, any Option of the Optionee may be exercised by the person to whom the Optionee's rights under the Option pass by will or applicable law or if no person has that right, by the Optionee's executors or administrators, at any time, or from time to time within one (1) year after the date of the death, but in no event later than the expiration date specified in paragraph (a) of this Section 6. Notwithstanding the foregoing, for Options granted on or after January 26, 2000, the Options, to the extent that the Options have vested on the date of any termination of the employment of the Optionee by the Corporation, shall be exercisable at any time, or from time to time, but in no event later than the expiration date specified in paragraph (a) of Section 4, so long as the employment of the Optionee by the

Corporation has not been voluntarily terminated by the Optionee and so long as that employment was not terminated by the Corporation for cause. Options held by Optionees who voluntarily terminate employment or whose employment is terminated for cause shall in any event expire on the Optionee's last day of employment.

(g) PERMITTED TRANSFERS. Options granted under the Plan shall be transferrable by will or by the laws of descent and distribution. In addition, Nonqualified Stock Options granted under the Plan can be transferred during the lifetime of the Optionee only if all of the following conditions are satisfied: (1) the Stock Option Committee has approved the proposed transfer in writing; (2) the proposed transfer is to be made without consideration; (3) the proposed transferee is a member or members of the Optionee's immediate family (i.e., a child, or children, a grandchild or grandchildren, or the Optionee's spouse) and/or to a trust established for the benefit of an immediate family member or members, or a family limited partnership which includes the Optionee and/or members of the Optionee's immediate family, or a trust established for the benefit of the Optionee, and/or an immediate family member or members and a charity exempt from taxation under Internal Revenue Code 501(c)(3); and (4) after transfer, each option transferred by the Optionee shall remain subject to the provisions of the Plan under which it was granted.

(h) INVESTMENT REPRESENTATION. Each Option agreement shall provide that upon demand by the Committee, the Optionee (or any person acting under paragraph 6(f)) shall deliver a written representation to the Committee at the time of any exercise of an Option that the shares to be acquired upon the exercise are to be acquired for investment and not for resale or with a view to the distribution thereof. Upon demand, delivery of the representation prior to the delivery of any shares to be issued upon exercise of an Option and prior to the expiration of the Option period shall be a condition precedent to the right of the Optionee or other person to purchase any shares.

(i) ADJUSTMENTS. In the event of any change in the Common Stock of the Corporation by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination, or exchange of shares, or rights offering to purchase Common Stock at a price substantially below fair market value, or any similar change affecting the Common Stock, the number and kind of shares which thereafter may be optioned and sold under the Plan and the number and kind of shares subject to option in outstanding Option agreements and the purchase price per share thereof shall be appropriately adjusted consistent with the change in a manner as the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, participants in the Plan.

(j) INCENTIVE STOCK OPTIONS. Each Option agreement which provides for the grant of an Incentive Stock Option to an employee shall contain terms and provisions as the Committee may determine to be necessary or desirable in order to qualify the Option as an Incentive Stock Option within the meaning of Code Section 422, or successor thereto and to meet the requirement of Rule 16b-3.

(k) NO RIGHTS AS SHAREHOLDERS. No Optionee shall have any rights as a shareholder with respect to any shares subject to an Option prior to the date of issuance to the Optionee of a certificate or certificates for the shares.

(l) NO RIGHTS TO CONTINUED EMPLOYMENT. The Plan and any Option granted under the Plan shall not confer upon any Optionee any right with respect to continuance of employment by the Corporation or any subsidiary of the Corporation, nor shall they interfere in any way with the right of the Corporation to terminate the Optionee's employment at any time.

7. COMPLIANCE WITH OTHER LAWS AND REGULATIONS

The Plan, the grant and exercise of Options thereunder, and the obligation of the Corporation to sell and deliver shares under Options, shall be subject to all applicable Federal and state laws, rules and regulations and to required approvals of any government or regulatory agency. The Corporation shall not be required to issue or deliver any certificates for shares of Common Stock prior to the completion of any registration or qualification of the shares under any Federal or state law, or any ruling or regulation of any government body which the Corporation shall, in its sole discretion, determine to be necessary or advisable.

8. AMENDMENT AND DISCONTINUANCE

The Board of Directors of the Corporation may from time to time amend, suspend or discontinue the Plan; provided, however, that subject to the provisions of paragraph 6(i) or the approval of the Corporation's shareholders no action of the Board of Directors or of the Committee may: (a) extend the period during which Options may be granted as provided in paragraph 4(c); (b) increase the number of shares reserved for Options pursuant to Section 4; (c) permit the granting of any Option at an Option price less than that determined in accordance with paragraph 6(b); (d) permit the granting of Options which expire beyond the period provided for in paragraph 6(a); (e) materially increase the benefits accruing to participants in the Plan; (f) materially modify the requirements for eligibility for participation in the Plan; or (g) otherwise cause Rule 16b-3 or the requirements for Incentive Stock Options to become inapplicable. Without the written consent of an Optionee, no amendment or suspension of the Plan shall diminish or impair any Option previously granted to the Optionee under the Plan. Notwithstanding any other provision of the Plan, if an amendment to the Plan requires the approval of the Corporation's shareholders, every Option granted after that amendment and before approval of the shareholders (and the Optionee's or other person's rights in every share issued upon an exercise of an Option granted during that time) shall be conditional and contingent upon the approval of the Corporation's shareholders. Further, those Options (and shares issued under those options) shall not be subject to sale or transfer unless and until shareholder approval is obtained. The Committee shall implement procedures for compliance with these restrictions when applicable.

Mylan Laboratories Inc. 2000 Annual Report

Building a Stronger Mylan

Description of Business

Mylan Laboratories Inc. is a diversied pharmaceutical company with a core generic business, a growing branded presence and varied drug delivery capabilities. Our product portfolio consists of numerous prescription generic and proprietary nished pharmaceutical, wound care and dermatological products. These products include solid oral dosage forms, as well as suspensions, liquids, injectables, transdermals and topicals, many of which are packaged in specialized systems.

Milan Puskar

Chairman and Chief Executive Officer

Letter To Shareholders

Mylan Laboratories Inc.

It's about having the right tools and the right blueprint.

Dear Shareholder,

In 1998, I set an aggressive financial target for net sales of $1 billion by March 2001 with a 35% contribution from our brand product division, Bertek Pharmaceuticals. At that time, the brand business represented 11% of net sales and 14% gross margin contribution. I am pleased to report that as of the close of fiscal 2000, Mylan reported net sales of $790 million and record net earnings of $154 million with 15% net sales and 19% gross margin contribution from our brand products.

Total brand sales increased 47% to $122 million in fiscal 2000, compared to $83 million the previous year. This increase is largely attributable to our acquisition of Penederm, in fiscal 1999. In fiscal 2000, Bertek's portfolio of dermatology products grew to $46 million in net sales.

Penederm has now been integrated in the Mylan family of companies and as of August 1999, it has become the Bertek Pharmaceuticals Inc. Dermatology R&D division.

Research is the foundation upon which every pharmaceutical company is built. Through the dedicated professional efforts of our research and development team, Mylan has laid the groundwork to remain a leader in the generic pharmaceutical marketplace and it is this same foundation of strength and expertise upon which we intend to aggressively build our presence in the brand pharmaceutical business to balance our portfolio and reduce our earnings variability.

I am confident in our ability to increase the growth in our brand division. However, the development curve of achieving a 35% brand and 65% generic contribution may take longer than we had originally anticipated. Presently, we are conducting a complete strategic review whereby we can identify any weakness and take the necessary steps to further implement our brand strategy.

We have been aggressively exploring opportunities to grow the brand division in three specific therapeutic categories: dermatology, cardiology and neurology.

We continue to proceed with our in-house research and development projects while also pursuing product licensing and/or product and company acquisitions for opportunities.

This past year, Bertek signed an exclusive marketing agreement with Amide Pharmaceuticals Inc. whereby Amide will supply AB rated Digoxin to Bertek for sales and marketing under the brand name Digitektrademark. Digitektrademark is the generic equivalent to Glaxo Wellcome's LanoxinRegistration Mark. Our office-based sales force will be detailing the product to the primary care and institutional arena.

Although we are committed to our brand strategy, we intend to remain a leader in the generic industry. As we enter the twenty-first century, generic pharmaceuticals will play an increasingly important role in our health care system by making safe and effective drugs more affordable for all Americans. Throughout the next five years, patents on products representing over $25 billion dollars will be expiring; and where applicable, we are well positioned to participate in these markets. We are highly focused on these opportunities and we are uniquely positioned to take advantage of the positive growth trends in the generic pharmaceutical industry.

We intend to leverage our traditional strengths, which are development, manufacturing and distribution to take advantage of these opportunities. The brand pharmaceutical companies use drug delivery technology as a means of extending patent life and differentiating their products and thereby increasing market share. Mylan development has been successful in achieving various forms of extended-release technology. We have made a commitment to complex drug formulation and technology and we have the manufacturing capabilities for these sophisticated dosage forms. Some examples that were introduced this past year include Extended Phenytoin Sodium Capsules, Verapamil HCl ER Capsules, Carbidopa and Levodopa ER Tablets and the Estradiol Transdermal System.

We are investing more than ever to accelerate the flow of new products into our pipeline, which was evident in our strong generic approval record in fiscal 2000. We received final or tentative approval for 23 Abbreviated New Drug Applications (ANDAs) and two supplemental ANDAs for additional product strengths. These 25 approvals encompass 21 different products or chemical entities.

In addition to our in-house product development, we also added five products to our generic portfolio via strategic alliances with other pharmaceutical companies. Mylan's alliance with Pfizer Inc. is indicative of the importance of planning, timing and opportunity. This agreement enabled Mylan to receive all three dosage strengths of Nifedipine, generic ProcardiaRegistration Mark XL, from Pfizer for entry into the market. Mylan now sells all three strengths in the generic market and the consumer benefits from a lower cost, drug alternative.

At the close of our fiscal year, Mylan Pharmaceuticals, the generic division, was marketing 115 products in over 410 sizes and/or dosage strengths to wholesalers, pharmacies, HMO's and national accounts throughout the U.S. Presently, we have approximately 24 ANDAs filed awaiting FDA approval and we have targeted an additional 20 products to be filed with the agency this fiscal year.

Throughout this past year, we have seen many mergers in the generic pharmaceutical industry. We expect there will be others. Despite the changing landscape in our industry, the generic division of Mylan continues to maintain its leadership position. Our new product introductions, 10% increase in unit volume, and prior pricing increases have all contributed to the growth of our generic segment.

Two products for which Mylan increased prices, Lorazepam and Clorazepate, were a catalyst for an investigation by the Federal Trade Commission (FTC). Mylan has devoted significant resources over the past year to vigorously defending the unprecedented lawsuit brought by the FTC in December 1998 and related suits. Several of the related suits were dismissed during the past year. Additional motions are pending. We continue, along with our attorneys, to concentrate our efforts in developing further support for our defenses. Mylan has taken testimony from many industry participants and state agencies. Thousands of documents have been collected and scrutinized. We believe we are well positioned going into the next stages of the litigation - expert discovery and summary judgment.

We face challenges unrelated to developing and manufacturing quality pharmaceutical products. Poorly conceived statutory and regulatory policies of federal and state governments create barriers to market entry for generic medicines and restrict consumer access to our more affordable products. The policies result from a comprehensive strategy by multinational drug companies to

protect their monopolies by ensuring market exclusivity for products even after their patents have expired. Efforts to unfairly extend patents, restrict formularies to preclude generic medications, challenge generic safety and efficacy with bogus claims, and litigate against generic manufacturers to delay market entry by approved generic products are just a few of the tactics employed by these multi-national drug giants.

Mylan has committed to its shareholders and customers that we will also vigorously compete in the statutory and regulatory arenas to defend the principles of an open and competitive marketplace, and to ensure that consumer access to affordable medicine is protected.

To keep that commitment, we have made important investments in programs to ensure that elected officials understand the impact of policies that restrict consumer access to generic medicines. I am pleased to report to you that we are making significant progress in our battle to preserve and protect fair and open competitive markets for generic medicines.

In fact, Mylan has significantly improved the perceptions of federal and state policy makers of the importance of a strengthened generic pharmaceutical industry. As a result, there is increasing awareness that government policies aimed at helping generic drug manufacturers ultimately benefit consumers. There also is growing appreciation for the fact that our industry is exceptionally price competitive, in stark contrast to the market of the multinational drug company monopolies. Mylan is also committed to working with consumer groups across America to ensure that they are armed with facts about the economic and health benefits of generic medicine. Our network is expanding, providing a louder voice for the generic industry before federal and state policy makers. We will continue our commitment to make sure that members of Congress, state legislators, regulators, the media, and consumers join our crusade for a stronger, more robust pharmaceutical market where generic drugs can play a bigger role as the best solution to contain runaway prescription drug costs.

(picture)
Richard F. Moldin
President and Chief Operating Officer

(picture)
Douglas J. Leech
Director

On March 24, 2000, I announced the appointment of Richard F. Moldin as our new President and Chief Operating Officer. Richard knows the business, he knows the issues and he knows a lot of people in our industry. He is respected as a businessman and leader and has been involved in the pharmaceutical field since 1971. I feel Richard is the right person at the right time, and we are very pleased that he has joined the Mylan team.

During this past year, Mylan also experienced a change to the Board of Directors. Robert Smiley, a Director since 1972, decided to step aside effective December 31, 1999. Bob's long years of service have been a great asset to Mylan. He has been conscientious and diligent in carrying out his duties as a Director with his ultimate concern always being this company and its shareholders. We will miss his expertise and his candor, but we are very pleased that Bob will continue to serve Mylan as Corporate Secretary.

Douglas J. Leech comes to the board with 25 years of experience in public accounting and banking to fill the void created by Bob's resignation. Currently, Douglas is Chairman, President and CEO of Centra Bank, Inc. of Morgantown, West Virginia. His financial expertise makes him a perfect candidate to serve as Chairman of the Audit Committee of the Board of Directors. We are very pleased that Douglas has agreed to become a member of the Mylan board.

I believe we have what it takes to build a stronger Mylan:

- We have the foundation - our exceptional research and development program,
- The right blueprints - our strategy of continued generic leadership and

expanded brand growth,
- The right tools - our operational expertise and unsurpassed quality, - The right resources - our dedicated team of employees that now exceeds

2,300 talented men and women.

I am extremely proud of the Mylan team whose hard work assures the continued growth and success of Mylan and I thank them for their efforts. I would also like to thank you, our shareholders. This year was difficult. We also believe the future will be difficult but we remain positioned for success in the ever-changing environment in which we operate. Thank you for your continued support.

Milan Puskar

Chairman and Chief Executive Officer

Mylan Pharmaceuticals Inc. Generic Product Line

	Generic Name	Trade Name
Ace Inhibitor		
(UDL)	Captopril	Capoten®
Adrenal Cortical Steroid		
*	Prednisolone Syrup	Prelone® Syrup
Analgesic		
	Propoxyphene Compound	Darvon® Compound-65
	Propoxyphene HCl	Darvon®
(UDL)	Propoxyphene HCl and Acetaminophen	Wygesic®
(UDL)	Propoxyphene Napsylate and Acetaminophen	Darvocet-N® 100
Anti-Inflammatory		
*	Diclofenac Potassium	Cataflam®
	Etodolac (Capsules)	Lodine®
	Etodolac (Tablets)	Lodine®
(UDL)	Fenoprofen Calcium	Nalfon®
(UDL)	Flurbiprofen	Ansaid®
	Ibuprofen	Motrin® Rufen®
(UDL)	Indomethacin	Indocin®
	Ketoprofen	Orudis®
	Ketorolac Tromethamine	Toradol®
	Meclofenamate Sodium	Meclomen®
(UDL)	Naproxen	Naprosyn®
	Naproxen Sodium	Anaprox®
(UDL)	Piroxicam	Feldene®
(UDL)	Sulindac	Clinoril®
	Tolmetin Sodium (Capsules)	Tolectin® DS
	Tolmetin Sodium (Tablets)	Tolectin® 600
Antiangina		
	Nitroglycerin Transdermal System (Patches)	Transderm Nitro®
(UDL)	Verapamil HCl	Isoptin®
Antianxiety		
(UDL)	Alprazolam	Xanax®
	Clorazepate Dipotassium	Tranxene®
(UDL)	Diazepam	Valium®

(UDL)	Lorazepam	Ativan®
Antibiotic		
	Cefaclor (Capsules)	Ceclor®
	Cefaclor (Powders)	Ceclor®
	Cephalexin	Keflex®
(UDL)	Doxycycline Hyclate (Capsules)	Vibramycin®
(UDL)	Doxycycline Hyclate (Tablets)	Vibra-Tabs®
	Erythromycin Ethylsuccinate	E.E.S. 400®
	Erythromycin Stearate	Erythrocin® Stearate
	Tetracycline HCl	Achromycin V®
		Sumycin®
Anticonvulsant		
(UDL)	Clonazepam	Klonopin®
(UDL)	Extended Phenytoin Sodium	Dilantin® Kapseals®
Antidepressant		
(UDL)	Amitriptyline HCl	Elavil®
	Chlordiazepoxide and	
	Amitriptyline HCl	Limbitrol®
	Clomipramine HCl	Anafranil®
(UDL)	Doxepin HCl	Sinequan®
	Maprotiline HCl	Ludiomil®
(UDL)	Nortriptyline HCl	Pamelor®
	Perphenazine and	
	Amitriptyline HCl	Triavil®
Antidiabetic		
(UDL)	Chlorpropamide	Diabinese®
(UDL)	Glipizide	Glucotrol®
*	Glyburide	Glynase® Pres-Tab®
	Tolazamide	Tolinase®
(UDL)	Tolbutamide	Orinase®
Antidiarrheal		
(UDL)	Diphenoxylate HCl and	
	Atropine Sulfate	Lomotil®
(UDL)	Loperamide HCl	Imodium®
Antiemetic		
(UDL)	Prochlorperazine Maleate	Compazine®
Antifungal		
*	Ketoconazole	Nizoral®
Antigout		
(UDL)	Allopurinol	Zyloprim®
	Probenecid	Benemid®
Antihypertensive		
(UDL)	Amiloride HCl and	
	Hydrochlorothiazide	Moduretic®
	Atenolol and Chlorthalidone	Tenoretic®
	Captopril and	
	Hydrochlorothiazide	Capozide®
(UDL)	Clonidine HCl	Catapres®
	Guanfacine	Tenex®
(UDL)	Methyldopa	Aldomet®
	Methyldopa and	
	Hydrochlorothiazide	Aldoril®
(UDL)	Prazosin HCl	Minipress®
	Propranolol HCl and	
	Hydrochlorothiazide	Inderide®
(UDL)	Spironolactone and	
	Hydrochlorothiazide	Aldactazide®

(UDL)	Triamterene and	
	Hydrochlorothiazide	
	(Capsules)	Dyazide®
(UDL)	Triamterene and	

		Hydrochlorothiazide	
		(Tablets)	Maxzide®-25MG Maxzide®
	*	Terazosin HCl	Hytrin®
Antihyperlipidemic			
		Gemfibrozil	Lopid®
Antimalarial			
		Hydroxychloroquine Sulfate	Plaquenil®
Antineoplastic			
	(UDL)	Methotrexate	Methotrexate® Rheumatrex®
Antiparkinson			
	(UDL)*	Carbidopa and Levodopa ER	Sinemet® CR
Antipsychotic			
	(UDL)*	Clozapine	Clozaril®
		Fluphenazine HCl	Prolixin®
		Haloperidol	Haldol®
	(UDL)	Thioridazine HCl	Mellaril®
	(UDL)	Thiothixene	Navane®
	(UDL)	Trifluoperazine HCl	Stelazine®
Antiviral			
		Acyclovir (Capsules)	Zovirax®
		Acyclovir (Tablets)	Zovirax®
Beta Blocker			
		Acebutolol HCl	Sectral®
	(UDL)*	Atenolol	Tenormin®
	(UDL)	Metoprolol Tartrate	Lopressor®
		Pindolol	Visken®
	(UDL)	Nadolol	Corgard®
	(UDL)	Propranolol HCl	Inderal®
		Timolol Maleate	Blocadren®
Bronchodilator			
	(UDL)*	Albuterol	Proventil® Ventolin®
	(UDL)	Albuterol Sulfate Syrup	Ventolin® Syrup
Calcium Channel Blocker			
	(UDL)	Diltiazem HCl	Cardizem®
	(UDL)	Diltiazem HCl ER	Cardizem SR®
	(UDL)	Diltiazem HCl ER	Dilacor XR®
		Nicardipine	Cardene®
	*	Nifedipine ER	Procardia® XL
	(UDL)	Verapamil HCl ER (Tablets)	Isoptin® SR
	(UDL)*	Verapamil HCl ER (Capsules)	Verelan®
Diuretic			
		Bumetanide	Bumex®
	(UDL)	Chlorothiazide	Diuril®
	(UDL)	Chlorthalidone	Hygroton®
	*	Hydrochlorothiazide	Microzide®
	(UDL)	Furosemide	Lasix®
	(UDL)	Indapamide	Lozol®
		Methyclothiazide	Enduron®
	(UDL)	Spironolactone	Aldactone®
Estrogen Replacement			
	*	Estradiol	Estrace®
	*	Estradiol Transdermal System	Climara®
	*	Estropipate	Ogen®
Gastrointestinal Antispadmodic			
	(UDL)*	Dicyclomine HCl	Bentyl®
Hemorrheologic Agent			
	(UDL)	Pentoxifylline ER	Trental®
Histamine H2 Antagonist			
	(UDL)	Cimetidine	Tagamet®
		Ranitidine	Zantac®
Hypnotic Agent			
	(UDL)	Flurazepam HCl	Dalmane®

(UDL)	Temazepam	Restoril®
Immunosuppresive		
*	Azathioprine	Imuran®
Laxative		
(UDL)	Lactulose Solution	Chronulac®
Skeletal Muscle Relaxant		
(UDL)	Cyclobenzaprine HCl	Flexeril®
	Orphenadrine Citrate ER	Norflex TM
	Orphenadrine Citrate, Aspirin and Caffeine	Norgesic TM

NorgesicTM Forte

Urinary Anti-infective		
(UDL)	Nitrofurantoin	Macrodantin®

Unit-dose packaging is available

Select products are available in convenient unit-dose packaging from UDL Laboratories, Inc., a division of Mylan Laboratories Inc. UDL Laboratories is a national manufacturer, repackager and marketer of multisource and single-source pharmaceutical products in unit-dose form for the institutional health care marketplace.

The Mylan products available in unit-dose are identified with a UDL logo (UDL) adjacent to the product listing.

*Indicates fiscal 2000 introduction

Bertek Pharmaceuticals Inc. Brand Product Line

Dermatology

Bertek Pharmaceuticals Inc. provides dermatologic products targeted to the treatment of acne vulgaris and for the topical treatment of fungal infections.

Acticin® is a topical scabicidal agent for the treatment of infestation with Sarcoptes scabiei (scabies). It offers proven permethrin safety and efficacy in a smooth formula that makes it easy to apply. It also offers a cost savings.

Treatment with permethrin cream may lead to generally mild and transient burning and stinging, and pruritus following application, and may exacerbate conditions such as pruritus, edema, and erythema associated with scabies.

Avita® Cream and Gel are members of the new generation of retinoid products indicated for the treatment of acne vulgaris. Avita is uniquely formulated using the patented TopiCare delivery system, which consists of a portfolio of liquid polymers ("Polyolprepolymers") that are designed to hold skin care agents at targeted levels on and in the upper layers of the skin. These compounds have been shown to enhance delivery of a variety of skin care agents resulting in improved efficacy, longer duration of action, reduced irritation, or lower percent of cosmetic active required. Avita Cream 0.025% demonstrated a high level of efficacy in a low concentration cream. Avita Gel 0.025% is for a rapidly growing group of patients preferring gel forms of topical retinoids. It has been shown to cause low irritation.

As with all topical retinoids, the skin of certain sensitive individuals may become excessively red, edematous, blistered, or crusted.

Mentax® is a topical antifungal cream indicated for the treatment of interdigital tinea pedis (athlete's foot), tinea corporis (ringworm), and tinea cruris (jock itch). Mentax contains butenafine HCl, a benzylamine, the first of this new class of antifungal agents. Mentax is applied directly to the skin and is effective with once-a-day dosing, unlike many other leading topical antifungal drugs. In clinical studies with more than 1,300 patients, Mentax exhibited excellent results - high rates of cure with virtually no safety issues or side effects. During U.S. clinical trials against tinea pedis, tinea corporis and tinea cruris, no Mentax-treated patients discontinued therapy due to adverse reactions.

The incidence of local adverse reactions was approximately 1%, primarily mild-to-moderate burning/stinging.

Cardiovascular

Bertek Pharmaceuticals Inc. offers cardiovascular care products for the treatment of hypertension, angina, and atrial fibrillation.

The newest addition to our cardiovascular line is Digitek® (Digoxin Tablets, USP), the first proven, bioequivalent, cost-effective alternative to Lanoxin®* for the treatment of chronic atrial fibrillation. Digitek is supplied in 0.125mg and 0.25mg Tablets.

Digitalis glycosides are contraindicated in patients with ventricular fibrillation or in patients with a known hypersensitivity to digoxin.

Bertek offers Maxzide® (Triamterine/Hydrochlorothiazide) and ClorpresTM (Clonidine HCl and Chlorthalidone) diuretics for the treatment of hypertension. JNC VI recommends diuretics as primary therapy for all hypertensive patients, "..diuretics should be considered the agent of first choice in the absence of conditions that prohibit their use."

Maxzide adverse reactions: drowsiness, insomnia, muscle cramps, weakness, headache, GI disturbances, dizziness, orthostatic hypotension, hyperurcemia, impotence, renal stones, tachycardia, dyspnea, dry mouth, depression, anxiety, urine discoloration and elevated liver enzymes.

The most common associated reactions of Clorpres are: dry mouth, drowsiness, dizziness, sedation and constipation. Headache and fatigue have been reported. Generally these effects tend to diminish with the continued therapy.

For angina patients Bertek Pharmaceuticals Inc. offers Nitrek® (Nitroglycerin Transdermal System), a small translucent patch that is almost imperceptible on any skin tone, providing reliable adhesion even while swimming, exercising, or showering

Adverse reactions to nitroglycerin are generally dose-related and almost all of these reactions are the result of nitroglycerin's activity as a vasodilator. Headache, which may be severe, is the most common side effect.

* Lanoxin® is a registered trademark of Glaxo Wellcome, Inc.

Antibacterial

Bertek Pharmaceuticals Inc. offers antibacterial products for the treatment of lower respiratory infections, burn and chronic wounds.

Sulfamylon® Cream is a soft, white, nonstaining, water-miscible, topical antimicrobial cream indicated for use as adjunctive antimicrobial burn therapy for patients with second and third degree burns. Sulfamylon Cream is effective in combating P. aeruginosa, as well as other bacterial organisms. Sulfamylon resistant bacterial strains are rare, even after 30 years of use. Sulfamylon Cream has exceptional tissue and eschar penetrating characteristics.

Sulfamylon for 5% Topical Solution is indicated for use as an adjunctive topical antimicrobial agent to control bacterial infection when used under moist dressings over meshed autografts on excised burn wounds.

Sulfamylon Cream and 5% Topical Solution are contraindicated in patients who are hypersensitive to mafenide acetate. Mafenide acetate and its metabolite, p-carboxybenzenesulfonamide, inhibit carbonic anhydrase, which may result in metabolic acidosis, usually compensated by hyperventilation. Fatal hemolyctic anemia with disseminated intravascular coagulation, presumably related to a glucose-6-phosphate dehydrogenase deficiency, has been reported following mafenide acetate therapy.

Zagam® (Sparfloxacin), the first of the aminodifluroquinilones, is indicated for the treatment of acute exacerbations of chronic bronchitis and community acquired pneumonia. Zagam is a unique fluroquinilone that offers advantages with difficult to treat patients, smokers, the elderly, alcoholics, and patients with COPD. For the difficult to treat patient, "take your best shot with the power of Zagam."

The most common adverse events occurring in clinical trials were

photosensitivity reactions, diarrhea, nausea, headache, dyspepsia, and dizziness. Sparfloxacin should not be used in patients with known QTc prolongation or in patients receiving QTc prolongation drugs.

Wound Care

Bertek Pharmaceuticals Inc. is a market leader and innovator in burn and chronic wound care products. Our Institutional division markets these products to long-term care facilities, hospitals, and burn centers, in a manner that emphasizes education-oriented product promotion and overall patient care. Bertek has a longstanding commitment to listening to our customers' needs and maintaining strong, loyal partnerships with the health-care providers we serve.

Biobrane® (sheet dressings and gloves) are biosynthetic wound dressings constructed of a silicon film with a nylon fabric partially imbedded into the film. The fabric presents to the wound bed a complex 3-D structure of trifilament thread to which collagen has been chemically bound. Blood/sera clot in the nylon matrix, thereby firmly adhering the dressing to the wound until epithelialization occurs.

If in the rare instance a patient shows evidence of an allergic reaction to the product, it should be removed and its use discontinued. Biobrane®-L is a dressing with a less complex nylon fabric structure for use when less aggressive adherence is required. The lower weight monofilament thread utilized in Biobrane-L presents a shallow, less complex matrix to the wound bed, thereby reducing the degree of clot integration and adherence. If in the rare instance a patient shows evidence of an allergic reaction to the product, it should be removed and its use discontinued.

Flexzan® is a sterile, ultra-thin, highly conformable, semi-occlusive polyurethane foam adhesive dressing which protects wounds from contamination and trauma while maintaining a moist wound healing environment. It is constructed of an open cell foam with a closed cell outer surface. Excess wound moisture is absorbed into the cells of the foam and allowed to evaporate through the outer surface, helping prevent fluid accumulation under the dressing. Flexzan should not be used on third degree burns or on wounds showing clinical signs of infection.

Flexzan® Extra is light tan in color with the patterned adhesive optimized to adhere to very moist skin surfaces.

Flexderm® is a sterile hydrogel polymer sheet dressing which protects a wound against dehydration and exogenous contamination while providing a moist environment conducive to optimal wound healing. Flexderm absorbs exudate from the wound while providing cooling, pain relieving protection and does not adhere to the wound bed upon removal.

Granulex® is an aerosol topical wound spray used as an aid in the management of pressure ulcers. Topical application stimulates the capillary beds of chronic wounds and helps prevent the deterioration of Stage I ulcers into deeper stages. Granulex also helps promote tissue granulation in deeper chronic ulcers (Stage II, III, IV), and contains trypsin, a mild debriding agent which helps keep the wound site free of necrotic tissue once debrided. Granulex should not be sprayed on fresh arterial clots or in the eyes.

Hydrocol® is a sterile, occlusive hydrocolloid wound dressing which interacts with wound exudate to absorb excess drainage yet is able to be removed without damaging newly formed tissue. The dressing protects the wound from bacteria, urine and feces, and other exogenous contamination. A unique design, tapered borders, rounded corners, and a low-friction film backing help prevent edge roll-up and extend dressing wear time. Hydrocol is not indicated for use on third degree burns or on individuals with known sensi tivity to the dressing or its components.

Proderm® is a non-prescription topical wound spray which stimulates the capillary beds of pressure ulcers to help prevent the deterioration of Stage I ulcers to deeper stages. Proderm also helps promote tissue granulation in deeper chronic ulcers. Avoid spraying in eyes or nostrils.

Sorbsan® is a unique calcium alginate dressing which, via ion exchange, transforms into a highly absorbent, readily conformable, easy-to-use hydrophilic sodium alginate gel when in contact with sodium-rich wound exudate. Indicated

for use on all infected or non-infected wet wounds, Sorbsan is virtually painless upon application and removal, and is easily changed by medical professionals and patients alike. Sorbsan is not intended to be surgically implanted or used on third degree burns.

Contents

Selected Financial Data
Mylan Laboratories Inc.

Year ended March 31,	2000	1999	1998	1997	1996	1995	1994	1993
Total revenues	$ 790,145	$ 721,123	$ 555,423	$ 440,192	$ 392,860	$ 396,120	$ 251,773	$ 211,964
Net earnings	$ 154,246	$ 115,409	$ 100,777	$ 63,127	$ 102,325	$ 120,869	$ 73,067	$ 70,621
Earnings per common share-basic	$ 1.19	$ .92	$ .83	$ .52	$ .86	$ 1.02	$ .62	$ .61
Earnings per common share-diluted	$ 1.18	$ .91	$ .82	$ .51	$ .85	$ 1.01	$ .61	$ .60
Shares used in computation-basic	129,220	125,584	122,094	121,926	119,530	118,963	118,423	115,651
Shares used in computation-diluted	130,224	127,156	123,043	122,727	120,706	119,912	119,502	116,986
March 31,								
Working capital	$ 598,976	$ 475,398	$ 379,726	$ 323,942	$ 351,536	$ 296,990	$ 197,164	$ 159,748
Total assets	$1,341,230	$1,206,661	$ 847,753	$ 777,580	$ 692,009	$ 546,201	$ 403,325	$ 351,105
Long-term obligations	$ 30,630	$ 26,827	$ 26,218	$ 32,593	$ 18,002	$ 7,122	$ 4,609	$ 5,125
Shareholders' equity	$1,203,722	$1,059,905	$ 744,465	$ 659,740	$ 616,441	$ 482,728	$ 379,969	$ 295,972
Book value per share-diluted	$ 9.24	$ 8.34	$ 6.05	$ 5.38	$ 5.11	$ 4.03	$ 3.18	$ 2.53

Amounts in thousands except per share data.

From April 1, 1992, through July 1992, the Company had a quarterly dividend program totaling $.067 per share per year. From October 1992 to July 1993, the Company had a quarterly dividend program totaling $.08 per share per year. From October 1993 to July 1994, the Company had a quarterly dividend program totaling $.107 per share per year. From October 1994 to July 1995, the Company had a quarterly dividend program totaling $.133 per share per year. Since October 1995, the Company has had a quarterly dividend program totaling $.16 per share per year. In addition, the Company paid a special one-time dividend of $.067 per share on January 13, 1995.

The above financial data gives retroactive effect to the three-for-two stock split effective August 15, 1995.

Management's Discussion and Analysis of Operations and Financial Position
Mylan Laboratories Inc.

Overview

Mylan Laboratories Inc. (the "Company") posted record net earnings of $154.2 million for the year ended March 31, 2000, compared to $115.4 million in fiscal 1999 and $100.8 million in fiscal 1998. Net earnings for fiscal 1999 were reduced by $29.0 million as a result of a one-time charge for acquired in-process research and development.

The favorable earnings trend realized over the past three years is a result of strategic initiatives undertaken by the Company. The Company set out to accelerate the expansion of its branded operations. While continuing in-house research and development projects, additional expansion would be obtained through product acquisitions, with the acquisition of Penederm and its dermatology product line in October 1998 being the most significant acquisition to date. The branded segment now represents 15% of the Company's net sales compared to 10% in fiscal 1998 and contributes 19% of the Company's gross margin compared to 14% just two years ago.

The Company continues to examine additional opportunities to expand the branded segment. The existing product line alone will not be sufficient to provide continued annual sales growth comparable to that which was realized in the past two years. However, the newly expanded sales force provides a solid foundation capable of growing current market share and launching new innovative health care products and product line extensions.

The generic segment continues to maintain its leadership role within the industry. The 17 new product additions and prior pricing increases, as well as a 10% unit volume increase, were the primary causes for growth in fiscal 2000 and were the result of strategic initiatives taken in previous years. The Company expanded its ability to bring new products to market through strategic alliances with other pharmaceutical companies. Five of the new products added in fiscal 2000 were the result of such alliances. The Company also determined, after extensive evaluation, that changes were necessary in its generic pricing practices; therefore, a series of price increases was implemented.

Clorazepate and lorazepam were among 29 products for which the Company raised prices beginning in late fiscal 1998 and continuing throughout fiscal 1999. The increases on these two specific products were a catalyst for an investigation by the Federal Trade Commission ("FTC") which led to a suit filed in December 1998 (See note S to the consolidated financial statements).

Despite record financial results, obstacles continuing to challenge the generic segment include consumer acceptance of generic substitutes and price deterioration. In fiscal 2000, the Company estimates that price deterioration reduced net earnings by approximately $56.1 million with more than half attributable to two products, clorazepate and lorazepam. Patent litigation by branded pharmaceutical companies and an increasingly difficult regulatory environment present additional challenges in the generic industry.

Results of Operations
Net Sales and Gross Margin

The following table outlines net sales, gross margin (net sales less cost of sales), gross margin as a percentage of net sales and the corresponding change from the previous year: (dollars in millions)

				Percent Change	
Year ended March 31,	2000	1999	1998	2000	1999
Generic Segment:					
Net sales	$ 667.8	$ 638.1	$ 474.5	5%	34%
Gross margin ...	345.3	329.5	207.5	5%	59%
% of net sales .	52%	52%	44%		
Branded Segment:					
Net sales	$ 122.3	$ 83.0	$ 54.1	47%	53%
Gross margin ...	83.0	54.8	32.8	51%	67%
% of net sales .	68%	66%	61%		
Company Totals:					
Net sales	$ 790.1	$ 721.1	$ 528.6	10%	36%
Gross margin ...	428.3	384.3	240.3	11%	60%

% of net sales .	54%	53%	45%

With regards to the Company's generic product line, 13 products were added in fiscal 1998 accounting for $61.5 million in net sales in fiscal 1998 and nine products were added in fiscal 1999 with aggregate net sales of $37.1 million in fiscal 1999. In fiscal 2000, the Company added 17 new products which resulted in aggregate net sales of $42.6 million. Five of the 17 new products added in fiscal 2000 accounted for over 90% of the aggregate net sales for new products.

In fiscal 2000, five of the products added resulted from strategic alliances with other pharmaceutical companies. Due to royalty arrangements, these products typically have lower gross margin percentages than products developed internally and manufactured by the Company. For both fiscal 1999 and 1998, two of the new products added were the result of strategic alliances.

During the second half of fiscal 1998, the Company raised prices on seven generic products. Throughout fiscal 1999, the Company raised prices on 22 additional products. These selective price increases increased net sales by $47 million and gross margin by $37 million in fiscal 1998 and increased net sales by $130 million and gross margin by $109 million in fiscal 1999.

Two of the 29 products, clorazepate and lorazepam accounted for $49 million of net sales in fiscal 1998 and $151 million in net sales in fiscal 1999. Despite a marginal increase in volume for these two products in fiscal 2000, net sales dropped to $104 million as a result of price deterioration. The remaining 27 products resulted in increased net sales of $39 million and gross margin of $34 million in fiscal 2000.

In addition to the items previously mentioned, the Company estimates that price deterioration in the generic industry resulted in reductions in net sales and gross margin of approximately $32 million in fiscal 1998, $39 million in fiscal 1999 and $41 million in fiscal 2000. Such reductions were substantially offset by increased volume, favorable mix variances and production efficiencies which generally result from higher volumes. Total unit volume of generic product shipments, excluding unit dose shipments, was 7.3 billion in 1998, 8.0 billion in 1999 and 8.8 billion in fiscal 2000.

The Company expects significant price deterioration on clorazepate and lorazepam during fiscal 2001. The Company also expects increases in the cost of raw materials for these products. Accordingly, net sales and gross margin for these products in the fiscal year ending March 31, 2001, are expected to be less than that recognized by the Company in fiscal 2000.

Net sales for the Company's branded segment increased 47% in fiscal 2000 and 53% in fiscal 1999. The primary reason for the significant increases in each of the last two years was the acquisition of Penederm in October 1998. The acquisition of Penederm expanded the Company's branded presence in one of its targeted markets, dermatology. Dermatology products accounted for approximately 38% of net sales for the branded segment in fiscal 2000.

As the Company has made a concerted effort to expand its branded segment in fiscal 2000 and 1999, the emphasis within the branded segment continues to shift from wound care products to dermatology and other physician-based products. Wound care products represented less than 8% of branded net sales in fiscal 2000 compared to 15% in the prior year.

The accounts receivable balance of the Company increased as of March 3 1, 2000, as compared to March 31, 1999, due to buying patterns of its customers and the associated payments.

Research and Development

Research and development expenditures were $49.1 million, $61.8 million and $46.3 million in fiscal years 2000, 1999 and 1998.

The following table outlines the allocation of research and development expenditures: (dollars in millions)

Year ended March 31,	2000	1999	1998
Generic related projects	$22.3	$25.7	$22.0
Innovative compound projects	20.5	29.2	18.4
Transdermal systems	6.3	6.9	5.9

During fiscal 1999, the Company entered into an agreement with Genpharm Inc. to develop 15 branded and generic products. The initial milestone payment in fiscal 1999 for this agreement was allocated evenly to generic and innovative compound projects. This expenditure represents the majority of the fluctuation in expenditures for generic related projects between fiscal years.

In addition to the Genpharm agreement in fiscal 1999, expenditures for innovative compound projects were affected by the arbitration award in which the Company recorded approximately $10.0 million in funding obligations to VivoRx. Charges related to the Company's funding of VivoRx were $6.3 million in fiscal 1998. In addition to these items, the increase in research and development expenditures in fiscal 1999 and fiscal 2000, as compared to fiscal 1998, are principally due to the research and development expenses of Penederm, which was acquired in fiscal 1999.

The Company is actively pursuing and is involved in joint development projects in an effort to broaden its scope of capabilities in bringing to market both generic and innovative products. Some of these arrangements provide for payments by the Company upon the attainment of certain milestones. While such arrangements help to reduce the Company's financial risk for unsuccessful projects, fulfillment of milestones or other payment obligations may result in fluctuations in research and development expense.

Acquired In-Process Research and Development

In connection with its acquisition of Penederm in October 1998, the Company allocated $29.0 million of the purchase price to in-process research and development in fiscal 1999 (See note B to the consolidated financial statements).

Selling and Administrative

Selling and administrative expenses were $156.2 million in fiscal 2000, $125.0 million in fiscal 1999 and $96.7 million in fiscal 1998. These amounts represent 20%, 17% and 18% of net sales in fiscal years 2000, 1999 and 1998.

The following table identifies the major components of selling and administrative expenses: (in millions)

Year ended March 31,	2000	1999	1998
Sales and Marketing Expenses:			
Generic:			
Payroll and related	$ 5.0	$ 4.9	$ 4.5
Advertising and promotions	8.8	12.7	16.3
Branded:			
Payroll and related	19.1	12.8	9.4
Advertising and promotions	19.4	9.2	4.7
Other sales and marketing	12.1	9.9	8.4
Total Sales and Marketing Expenses	$64.4	$49.5	$43.3
Administrative Expenses:			
Payroll and related	$30.7	$27.5	$21.9
Legal and professional fees	31.2	22.2	12.0
Goodwill amortization	6.4	4.0	1.6
Other administrative	23.5	21.8	17.9
Total Administrative Expenses	$91.8	$75.5	$53.4

Generic advertising and promotions, which for the most part represent the cost of stocking fees to customers to assist in the conversion and promotion of new generic products, decreased from fiscal 1998 to fiscal 1999 and again in the current year as such costs relate to the launch of specific products. Promotional costs associated with products launched in fiscal 2000 were not significant.

The increase in branded sales and marketing expenses from fiscal 1999 to 2000 primarily relates to a full year of expenses for Penederm compared to only six months of expenses that were recorded in fiscal 1999. In addition, branded payroll and related expenses increased in fiscal 2000 due to the addition of direct sales representatives and customer support personnel. Branded advertising and promotions increased significantly due to promotion expenses for two dermatology products.

Administrative expenses increased from fiscal 1999 to fiscal 2000 due to the

additional six months of expenses for Penederm, amortization expense related to the acquisition of Penederm and increased legal and professional fees. The increase in legal and professional fees primarily relates to the FTC litigation initiated in December 1998, and was ongoing for all of fiscal 2000. The fiscal 1999 increase was also impacted by litigation associated with the Company's investment in VivoRx.

Equity in Earnings of Somerset

In fiscal 2000, the Company incurred a loss of $4.2 million in its investment in Somerset. Equity in earnings of Somerset was $5.5 million in fiscal 1999 and $10.3 million in fiscal 1998. The loss in the current year resulted from lower sales due to generic competition and increased research and development expenditures. Somerset continues its research and development efforts to develop alternative indications for its sole commercial product, EldeprylRegistration Mark. Unless such new indications are developed and approved for commercialization, the Company's earnings will continue to be adversely affected by Somerset's expected losses (See note E to the consolidated financial statements).

Other Income

Other income was $24.0 million in fiscal 2000, $18.3 million in fiscal 1999 and $14.0 million in fiscal 1998. Other income was favorably impacted by increasing interest rates and significantly higher cash and investment balances throughout fiscal 2000. The Company recorded earnings on its investment in a limited partnership of $15.4 million, $19.8 million and $6.6 million in fiscal years 2000, 1999 and 1998. In addition, the Company recorded a gain of $3.9 million on the sale of an investment in fiscal 2000. Provisions to reduce the carrying value of strategic alliances and non-publicly traded companies included in Other assets totaled approximately $9.4 million, $12.5 million and $2.5 million in fiscal years 2000, 1999 and 1998.

Income Taxes

The effective tax rate for fiscal 2000 was 36.5% compared to 40.0% in fiscal 1999 and 32.1% in fiscal 1998. Approximately 5% of the fiscal 1999 tax rate is the result of the $29.0 million charge for acquired in-process research and development which is not deductible for tax purposes. Other factors for the increased rates in fiscal 2000 and fiscal 1999 are an increase in nondeductible amortization expense and a reduction in tax favored dividends. For fiscal 2001, the Company anticipates a slight increase in its effective tax rate due to Somerset's expected loss and marginally higher state taxes. Liquidity and Capital Resources Working capital increased from $475.4 million in fiscal 1999 to $599.0 million in fiscal 2000 and the ratio of current assets to current liabilities increased from 5.9 to 1 to 7.8 to 1 for this same time period.

Net cash provided from operating activities was $119.2 million in fiscal 2000, $163.4 million in fiscal 1999 and $52.7 million in fiscal 1998. Fiscal 2000 operating activities were positively affected by net earnings, depreciation and amortization and the increase in allowances on accounts receivable. These increases were partially offset by changes in deferred taxes and the increase in accounts receivable.

The Company's expenditures for property, plant and equipment was $28.8 million in fiscal 2000, $16.7 million in fiscal 1999 and $28.9 million in fiscal 1998. The funds in the current year were primarily used to complete an addition to one of its generic manufacturing facilities and to construct a sales and administrative building. Capital expenditures have been paid for with the operating funds of the Company. Capital expenditures to complete current projects along with the other planned capital projects are expected to be financed through the operating funds of the Company.

Other investing activities which used cash relate to investments for product acquisitions, equity investments in privately held companies and a net increase in the purchase of investment securities.

Payments on long-term obligations primarily relate to installment payments made on certain product acquisitions. The Company paid cash dividends of $.16 per share in fiscal years 2000, 1999 and 1998 which totaled $60.0 million.

The Company is involved in litigation with the FTC and various parties

with related suits. While the Company believes that it has meritorious defenses to the claims in these matters, an adverse result in these suits could have a material adverse effect on the liquidity and capital resources of the Company (See note S to the consolidated financial statements).

The Company's current cash position may not necessarily be indicative of its position in future periods. As described in both the "Overview" and "Results of Operations," the Company has experienced price deterioration on certain generic products on which it increased prices and anticipates that it will experience further price deterioration on these and other products in the future. In addition, the Company continues to incur significant legal fees and costs defending against various lawsuits which will also impact future cash flows (See "Forward Looking Statements" for additional information concerning future periods).

Year 2000

The Company to date has not experienced any major disruptions related to the Year 2000 date change. The Company will continue to monitor critical systems, along with those of its customers and suppliers, to ensure uninterrupted operations. The direct incremental cost of Year 2000 remediation was insignificant to the Company's operations.

Other Matters

In June 1998, the Financial Accounting Standards Board 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, including certain derivatives embedded in other contracts, and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet at fair value. As amended, this statement is effective for fiscal years beginning after June 15, 2000. The Company is currently evaluating the impact that SFAS No. 13 3 will have on its financial position and its results of operations.

Market Risk

The Company is exposed to market risk primarily from changes in market values on its investments in marketable debt and equity securities, including marketable securities owned indirectly through certain pooled asset funds. Market prices on debt securities generally bear an inverse relationship with changes in interest rates. The Company also invests in overnight deposits and money market funds and marketable securities with maturities of less than three months. These instruments are classified as cash equivalents for financial reporting purposes and have minimal or no interest rate risk due to their short term nature. The Company also invests in nonpublic securities, often in consideration of its strategic interests. The Company does not consider these investments to be market risk sensitive.

The Company attempts to mitigate its exposure to market risk by assessing the relative proportion of its investments in cash and cash equivalents and the relatively stable and risk minimized returns available on such investments withthe risks attendant to its investments in other debt and equity securities. The Company's objective in managing its exposure to changes in the market value of its investments in debt and equity securities is to balance the risk of the impact of such changes on earnings and cash flows with the Company's expectations for investment returns. The Company's pooled asset funds and certain of its other investments in debt and equity securities are managed by professional portfolio managers. The Company was not a party to any forward or derivative option contract related to interest rates or equity security prices during fiscal 2000.

The fair market value of the debt securities held by the Company at March 31, 2000, was $80.9 million, of which $59.3 million had maturities of less than one year (the market values of which are generally less sensitive to interest rate fluctuations than is the case with longer term debt instruments). The fair market value of equity securities held by the Company at March 31, 2000, was $71.8 million. Such investments collectively represent 11% of the Company's total assets as of March 31, 2000, and 42% of the aggregate value of debt and equity securities and cash and cash equivalents held by the Company at such date. Assuming an instantaneous 10% decrease in the market value of the Company's debt and equity securities, the change in the aggregate fair market value of these securities would be $15.3 million.

Forward Looking Statements

Various statements in this Report state or suggest that the Company expects to increase revenues and to continue to be profitable in the future by employing various strategies which include continuing to seek, among other things, to introduce new lines of generic equivalent products, to enter into alliances with other manufactures, to strengthen the development of branded products and to increase prices on select generic equivalent products in its line. These are forward-looking statements. The Company's actual results could differ materially from those projected or suggested in any forward-looking statement due to various important factors, including, but not limited to, the following:

Although the Company is expanding its presence in the branded segment of the pharmaceutical market, its results of operations have historically depended, and continue to depend, to a significant extent, on its ability to develop and bring to the market new generic equivalent products. Generally, following the expiration of patents and other market exclusivity periods, the first manufacturers to bring a generic equivalent to the market achieve higher revenues and gross profits than competitors that subsequently enter the market. As competing products enter the market, prices, sales volume and profit margins of the first generic equivalents decline significantly. Furthermore, in recent years, the Company has increased prices on selected older generic equivalent products, including in some cases generic equivalents that had been largely abandoned by competitors. These price increases have provided incentive to other generic manufacturers to reenter the market for many of these products. This additional competition has resulted in significant price deterioration on many of these products, which has negatively impacted the Company's revenues and margins. Additional price deterioration can be expected on these products in the future (See "Results of OperationsNNet Sales and Gross Margin").

In addition to suffering price deterioration on its generic equivalent products generally, the Company's results of operation for fiscal 2000 continued to be impacted by delays in its ability to introduce new generic equivalent products due to litigation initiated by branded manufacturers under the Hatch-Waxman Act to extend the exclusivity periods on drugs on which patents were expiring. The failure of Congress or the courts to address the present abuses of the Hatch-Waxman Act could diminish the commercial success of new products introduced by the Company, resulting in both lower revenues and gross margins.

The Company is seeking to strengthen its development of branded products. Obtaining approval from the FDA to market new (branded) pharmaceutical products in the United States is a lengthy, complex and expensive process. Products that appear to be promising in the research laboratories may fail to survive the testing phase due to ineffectiveness or as a result of unforeseen side effects. Even if the Company is successful in obtaining approval for new products, no assurance can be given that such products will be accepted in the medical community as being as effective as alternative forms of treatment for indicated conditions.

The Company's principal customers include wholesale drug distributors and major drug store chains. A continuation of the consolidation that has been experienced in these pharmaceutical distribution networks in recent years is likely to result in an increase in pricing pressures on pharmaceutical manufacturers.

The Company is involved in numerous lawsuits, including anti-trust and anti-competition litigation brought by the Federal Trade Commission and the attorneys general for 33 states, as well as more than 25 putative class action lawsuits alleging the same conduct. An unfavorable outcome in these suits could have a potentially adverse effect on the Company's financial position and results of operation or, in certain circumstances, the manner in which the Company is permitted to conduct its future operations.

Consolidated Balance Sheets
Mylan Laboratories Inc.

(dollars in thousands except per share data)

March 31,	2000	1999
Assets		
Current assets		
Cash and cash equivalents	$ 203,493	$ 189,849
Marketable securities	99,557	69,872
Accounts receivable	197,760	148,896
Inventories	145,869	136,493
Deferred income tax benefit	30,792	18,199
Other current assets	9,275	8,450
Total current assets	686,746	571,759
Property, plant and equipment - net of accumulated depreciation	168,000	154,636
Intangible assets - net of accumulated amortization	332,142	339,603
Other assets	124,881	106,549
Investment in and advances to Somerset	29,461	34,114
Total assets	$1,341,230	$1,206,661

See notes to consolidated financial statements.

(dollars in thousands except per share data)

March 31,	2000	1999
Liabilities and shareholders' equity		
Current liabilities		
Trade accounts payable	$ 17,981	$ 12,142
Current portion of long-term obligations	9,874	16,941
Income taxes payable	7,858	821
Other current liabilities	46,863	61,279
Cash dividend payable	5,194	5,178
Total current liabilities	87,770	96,361
Long-term obligations	30,630	26,827
Deferred income tax liability	19,108	23,568
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 130,277,568 at March 31, 2000 and 129,968,514 at March 31, 1999	65,139	64,984
Additional paid-in capital	316,393	311,995
Retained earnings	823,570	690,003
Accumulated other comprehensive earnings	6,936	1,105
	1,212,038	1,068,087
Less treasury stock at cost - 893,498 shares at March 31, 2000 and 888,578 shares at March 31, 1999	8,316	8,182
Total shareholders' equity	1,203,722	1,059,905
Total liabilities and shareholders' equity	$1,341,230	$1,206,661

Consolidated Statements of Earnings
Mylan Laboratories Inc.

(amounts in thousands except per share data)

Year ended March 31,	2000	1999	1998
Net sales	$ 790,145	$721,123	$528,601
Other revenues	--	--	26,822
Total revenues	790,145	721,123	555,423
Cost and expenses			
Cost of sales	361,818	336,846	288,290
Research and development	49,121	61,843	46,278
Acquired in-process research and development	--	29,000	--
Selling and administrative	156,247	124,964	96,708
	567,186	552,653	431,276
Equity in (loss) earnings of Somerset	(4,193)	5,482	10,282
Other income	23,977	18,342	13,960
Earnings before income taxes	242,743	192,294	148,389
Income taxes	88,497	76,885	47,612
Net earnings	$ 154,246	$115,409	100,777
Earnings per common share			
Basic	$ 1.19	$ .92	$ .83
Diluted	$ 1.18	$ .91	$ .82
Weighted average common shares outstanding			
Basic	129,220	125,584	122,094
Diluted	130,224	127,156	123,043

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Mylan Laboratories Inc.

(dollars in thousands except per share data)	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)Earnings	Total Shareholders' Equity	Comprehensive Earnings
April 1, 1997	122,814,956	$ 61,407	(752,950)	$ (3,732)	$ 89,262	$513,750	$ (947)	$659,740	--
Net earnings	--	--	--	--	--	100,777	--	100,777	$100,777
Net unrealized gain on marketable securities	--	--	--	--	--	--	2,517	2,517	2,517
Stock options exercised	235,216	118	(513)	(12)	3,143	(141)	--	3,108	--
Purchase of treasury stock	--	--	(144,900)	(2,459)	--	--	--	(2,459)	--
Reissuance of treasury stock	--	--	48,505	321	--	--	--	321	--
Cash dividend $.16 per share	--	--	--	--	(19,539)	--		(19,539)	--
March 31, 1998	123,050,172	61,525	(849,858)	(5,882)	92,405	594,847	1,570	744,465	103,294
Net earnings	--	--	--	--	--	115,409	--	115,409	115,409
Net unrealized loss on marketable securities	--	--	--	--	--	--	(465)	(465)	(465)
Stock options exercised	1,013,313	507	(85,270)	(2,642)	16,916	(141)	--	14,640	--
Reissuance of treasury stock	--	--	46,550	342	--	--	--	342	--
Cash dividend $.16 per share	--	--	--	--	--	(20,112)	--	(20,112)	--
Penederm acquisition	5,905,029	2,952	--	--	202,674	--	--	205,626	--
March 31, 1999	129,968,514	64,984	(888,578)	(8,182)	311,995	690,003	1,105	1,059,905	114,944
Net earnings	--	--	--	--	--	154,246	--	154,246	154,246
Net unrealized gain on marketable securities	--	--	--	--	--	--	5,831	5,831	5,831
Stock options exercised	309,054	155	(4,920)	(134)	4,398	--	--	4,419	--
Cash dividend $.16 per share	--	--	--	--	--	(20,679)	--	(20,679)	--
March 31, 2000	130,277,568	$ 65,139	(893,498)	$ (8,316)	$316,393	$ 823,570	$ 6,936	$1,203,722	$160,077

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Mylan Laboratories Inc.

(dollars in thousands except supplemental disclosure) Year ended March 31,	2000	1999	1998
Cash flows from operating activities			
Net earnings	$ 154,246	$115,409	$ 100,777
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Depreciation and amortization	35,706	26,911	21,708
Deferred income tax benefit	(23,267)	(10,314)	(3,207)
Equity in loss (earnings) of Somerset	4,193	(5,482)	(10,282)
Cash received from Somerset	460	1,089	5,674
Allowances on accounts receivable	33,628	19,300	8,754
Acquired in-process research and development	--	29,000	--
Other noncash items	6,226	(646)	1,574
Changes in operating assets and liabilities:			
Accounts receivable	(82,092)	(30,411)	(30,565)
Inventories	(9,534)	11,328	(45,007)
Trade accounts payable	5,839	(4,282)	(2,082)
Income taxes	11,389	8,549	(8,949)
Other operating assets and liabilities	(17,578)	2,998	14,255
Net cash provided from operating activities	119,216	163,449	52,650
Cash flows from investing activities			
Additions to property, plant and equipment	(28,788)	(16,736)	(28,853)
Increase in intangible and other assets	(23,779)	(7,915)	(7,984)
Purchase of investment securities	(200,939)	(79,816)	(16,785)
Proceeds from investment securities	180,706	50,151	17,309
Cash acquired net of acquisition costs	--	1,396	--
Net cash used in investing activities	(72,800)	(52,920)	(36,313)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Mylan Laboratories Inc.

(dollars in thousands except supplemental disclosure) Year ended March 31,	2000	1999	1998
Cash flows from financing activities			
Payments on long-term obligations	$ (15,696)	$(14,740)	$ (19,198)
Cash dividends paid	(20,663)	(19,833)	(19,525)
Repurchase of common stock	--	--	(2,459)
Proceeds from exercise of stock options	3,587	10,137	2,445
Net cash used in financing activities	(32,772)	(24,436)	(38,737)
Net increase (decrease) in cash and cash equivalents	13,644	86,093	(22,400)
Cash and cash equivalents - beginning of year	189,849	103,756	126,156
Cash and cash equivalents - end of year	$ 203,493	$189,849	$103,756

Supplemental Disclosure

For purposes of presentation in the balance sheets and the statements of cash flows, cash, overnight deposits and money market funds, and marketable securities with original maturities of less than three months have been classified as cash and cash equivalents.

Cash payments for interest were $1,418,000 in 2000, $1,800,000 in 1999, and $3,426,000 in 1998. Cash payments for income taxes were $100,374,000 in 2000, $78,650,000 in 1999, and $59,770,000 in 1998.

Certain stock option transactions result in a reduction of income taxes payable and a corresponding increase in additional paid-in capital. The amounts for the years ended March 31, 2000, 1999, and 1998 were $719,000, $4,302,000, and $652,000, respectively.

In consideration for the exercise of stock options, the Company received and recorded into treasury stock 4,920 shares valued at $134,000 in fiscal 2000, 85,270 shares valued at $2,642,000 in fiscal 1999, and 513 shares valued at $12,000 in fiscal 1998.

During scal 1999, the Company acquired all of the outstanding stock of Penederm (See note B). The purchase price of approximately $207,938,000 was

satised principally through the issuance of the Company's common stock.

In connection with product license agreements, the Company recorded intangible assets and the related obligations, in excess of amounts paid, of $2,250,000 in fiscal 2000 and $22,300,000 in fiscal 1999.

Notes to Consolidated Financial Statements
Mylan Laboratories Inc.

note

(A)

Summary of Significant Accounting Policies

1) Nature of Operations and Principles of Consolidation

The consolidated financial statements include the accounts of Mylan Laboratories Inc. ("the Company") and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company is engaged in the development, manufacture and distribution of pharmaceutical products for resale by others. The principal markets for these products are proprietary and ethical pharmaceutical wholesalers and distributors, drug store chains, drug manufacturers, and public and governmental agencies within the United States.

2) Marketable Securities

The Company's investments are classified as "available for sale" and are recorded at market value with net unrealized gains and losses, net of income taxes, reflected in accumulated other comprehensive earnings in shareholders' equity. Net gains and losses on sales of securities available for sale are computed on a specific security basis and included in other income.

3) Accounts Receivable and Revenue Recognition

The Company recognizes revenue from product sales upon shipment to customers. Provisions for estimated discounts, rebates, price adjustments, returns and other adjustments are provided for in the same period as the related sales are recorded.

Accounts receivable are presented net of provisions which amounted to $77,212,000 and $43,584,000 at March 31, 2000, and 1999, respectively.

4) Inventories

Inventories are stated at the lower of cost (principally, first-in, first-out) or market.

5) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis.

6) Intangible Assets

Intangible assets are stated at cost. Amortization is provided for on a straight-line basis over estimated useful lives not to exceed forty years. Intangible assets are periodically reviewed to determine recoverability by comparing carrying value to expected future cash flows.

7) Research and Development

Research and development expenses are charged to operations as incurred.

8) Advertising Costs

Advertising costs are expensed as incurred and amounted to $6,063,000, $5,683,000 and $3,526,000 in fiscal 2000, 1999, and 1998.

9) Income Taxes

Income taxes have been provided for using an asset and liability approach in which deferred income taxes reflect the tax consequences on future years of events that have already been recognized by the Company in the financial statements or tax returns. Changes in enacted tax rates or laws will result in adjustments to the recorded tax assets or liabilities in the period that the tax law is enacted.

10) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of interest-bearing investments and accounts receivable. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Four of the Company's customers accounted for 15%, 15%, 11% and 10% of net sales in fiscal 2000. Three of the Company's customers accounted for 15%, 14% and 11% of net sales in fiscal 1999 and 13%, 12% and 11% in fiscal 1998. Approximately 62% and 56% of the accounts receivable balances represent amounts due from four customers at March 31, 2000, and 1999, respectively.

The Company invests its excess cash in deposits primarily with major banks and other high quality short-term liquid money market instruments (commercial paper, government and government agency notes and bills, etc.). These investments generally mature within twelve months. The Company maintains deposit balances at banks in excess of federally insured amounts, including a deposit in a newly formed regional bank at March 31, 2000.

11) Earnings per Common Share

Basic earnings per common share is computed by dividing net earnings by the weighted average common shares outstanding for the period. Diluted earnings per common share is computed by dividing net earnings by the weighted average common shares outstanding adjusted for the dilutive effect of stock options granted under the Company's stock option plans, unless they are antidilutive (See note P).

A reconciliation of diluted earnings per common share is as follows:
(in thousands except per share amounts)

Year ended March 31,	2000	1999	1998
Net earnings	$154,246	$115,409	$100,777
Weighted average common shares outstanding	129,220	125,584	122,094
Dilutive effect of stock options	1,004	1,572	949
Diluted weighted average common shares outstanding	130,224	127,156	123,043
Diluted earnings per common share	$ 1.18	$.91	$.82

12) Accounting Standards

In June 1998, the Financial Accounting Standards Board 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, including certain derivatives embedded in other contracts, and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet at fair value. As amended, this statement is effective for fiscal years beginning after June 15, 2000. The Company is currently evaluating the impact that SFAS No. 13 3 will have on its financial position and its results of operations.

13) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

14) Reclassification

Certain prior year amounts have been reclassified to conform to the 2000

presentation.

note
(B)
Acquisitions

On October 2, 1998, a wholly-owned subsidiary of the Company acquired 100% of the outstanding stock of Penederm Inc. ("Penederm"). Penederm primarily develops and markets patented topical prescription products. Penederm maintains administrative and research and development facilities in Foster City, California.

The business combination has been accounted for under the purchase method of accounting. Payment of approximately $207,938,000 was made principally through the issuance of 5,905,029 shares of the Company's common stock and the assumption of 877,367 stock options granted prior to the transaction. Goodwill and various intangible assets acquired totaled approximately $193,000,000 and are being amortized on a straight-line basis over periods not to exceed 20 years.

The Company allocated a portion of the purchase price to in-process research and development ("IPR&D"). IPR&D represents ongoing research and development projects acquired by the Company which have not yet been approved by the Food and Drug Administration ("FDA") and would have no alternative future use. The Company used independent professional valuation consultants to assess and allocate values to IPR&D.

The Company acquired five IPR&D projects of which two were significant to the IPR&Dvaluation. One project is for the treatment of inflammatory fungal conditions while the other project is for a nail antifungal product. In assessing the value to be allocated to only these two projects, it was estimated that they were 42% complete and would require approximately $9,100,000 of additional Company funding to complete. Estimated future cash flows for each project were discounted to their present value using a rate of 31%. These discounted cash flow projections were then adjusted by the estimated completion percentage for each project. The total value allocated to all IPR&D projects was $29,000,000.

At the date of acquisition, the Company believes that the assumptions used in the valuaton process were reasonable. No assurance can be given, however, that the underlying assumptions used in the valuation of these projects will be realized. Pharmaceutical product development has inherent risks in the formulation, manufacture, approval process and marketplace environment which could affect or prevent each of these projects from achieving commercial success.

The results of Penederm's operations have been included in the Company's Consolidated Statements of Earnings from the date of acquisition. Unaudited pro forma information assuming the acquisition had occurred on April 1, 1997, is as follows, excluding the one-time charge of $29,000,000 relating to acquired IPR&D: (in thousands except per share amounts)

Year ended March 31,	1999	1998
Total revenues	$731,641	$565,378
Net earnings	$140,948	$ 85,532
Diluted earnings per common share	$ 1.08	$ .66
Diluted weighted average common shares outstanding	130,241	129,075

The pro forma financial information is presented for comparative purposes only and does not purport to be indicative of the operating results or financial position that would have occurred had the acquisition been consummated at the beginning of the periods presented, nor is such information necessarily indicative of the future operating results of the combined company after the acquisition.

The Company purchased various product and marketing rights with an aggregate purchase price of $12,250,000 and $30,300,000 in fiscal 2000 and 1999. The purchase agreements require fixed payments and royalties on product sales in future periods (See note J).

note

(C)

Inventories

Inventories consist of the following components: (in thousands)

March 31,	2000	1999
Raw materials	$ 64,020	$ 57,414
Work in process	28,459	20,813
Finished goods	53,390	58,266
	$ 145,869	$136,493

note

(D)

Property, Plant and Equipment

Property, plant and equipment consists of the following components: (in thousands)

March 31,	Useful Lives	2000	1999
Land and land improvements	--	7,560	$6,583
Buildings and improvements	20 - 40	88,001	86,898
Machinery and equipment	5 - 10	151,308	137,716
Construction in progress	--	26,712	13,596
		273,581	244,793
Less accumulated depreciation		105,581	90,157
		$ 168,000	$154,636

note

(E)

Investment in and Advances to Somerset The Company owns 50% of the outstanding common stock of Somerset Pharmaceuticals, Inc. ("Somerset") and uses the equity method of accounting for its investment.

Equity in loss/earnings of Somerset includes the Company's 50% portion

of Somerset's financial results and expense for amortization of intangible assets resulting from the acquisition of Somerset. Such intangible assets are amortized over a 15 year period. Amortization expense amounted to $924,000 in fiscal 2000, 1999, and 1998. Additionally, the Company's charges to Somerset for management services and product development activities are included in Somerset's financial results.

Condensed audited balance sheet information of Somerset is as follows:

(in thousands)

December 31,	1999	1998	1997
Current assets	$65,511	$70,929	$53,973
Non-current assets	1,509	2,040	3,466
Current liabilities	14,459	16,584	15,660
Payable to owners	527	595	1,433

Condensed audited income statement information of Somerset is as follows:

(in thousands)

Year ended December 31,	1999	1998	1997
Net sales	$ 18,403	$ 43,557	$66,956
Cost and expenses	23,622	19,316	30,055
Income taxes	(1,395)	9,635	12,924
Net (loss) earnings	$ (3,824)	$ 14,606	$23,977

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. Somerset has experienced increased competition since August 1996 due to the approval of several generic tablet forms of EldeprylRegistration Mark by the FDA. This has resulted in a decrease in sales and net earnings.

In 1997, Somerset was notified by the Internal Revenue Service ("IRS") that it had initiated a challenge related to issues concerning Somerset's Code Section 936 credit for tax years 1993 through 1995. As of December 31, 1999, the proposed adjustments by the IRS amounted to approximately $34,000,000 of additional income tax and interest charges over amounts accrued. The $20,000,000 increase over the prior year is primarily due to losses incurred by Somerset in 1999 and the anticipation of losses in the near future which would not allow Somerset to utilize Puerto Rican tax credits. Management of Somerset believes it has appropriately claimed the Code Section 936 credit and intends to vigorously defend its position on this matter.

note

(F)

Marketable Securities

The amortized cost and estimated market values of marketable securities at March 31, 2000 and 1999 are as follows: (in thousands)

March 31, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Debt securities	$81,133	$ 168	$ 405	$80,896
Equity securities	7,753	11,508	600	18,661
	88,886	11,676	1,005	99,557
March 31, 1999				
Debt securities	60,071	303	187	60,187
Equity securities	8,101	2,144	560	9,685
	$68,172	$ 2,447	$ 747	$69,872

Maturities of debt securities at market value as of March 31, 2000, are as follows:

(in thousands)

Mature in one year or less	$59,253
Mature after one year through five years	7,207
Mature after five years	14,436
	$ 80,896

Proceeds from sales of marketable securities were $183,633,000, $50,151,000, and $17,233,000 during fiscal 2000, 1999 and 1998. Gross gains of $4,504,000, $942,000, and $767,000 and gross losses of $1,414,000, $205,000 and $82,000 were realized during fiscal 2000, 1999 and 1998. The cost of investments sold is determined by the specific identification method.

note

(G)

Intangible Assets

Intangible assets consist of the following components: (in thousands)

March 31,	Useful Lives	2000	1999
Patents and technologies	10 - 20	$ 123,052	$ 122,985
License fees and agreements	2 - 12	49,911	36,686
MaxzideRegistration Mark intangibles	256	9,666	69,666
Goodwill	20 - 40	128,008	128,480
Other	5 - 20	28,462	28,462
		399,099	386,279
Less accumulated amortization		66,957	46,676
		$ 332,142	$ 339,603

The Maxzide® intangibles relate to trademark, tradedress and marketing

rights. The balance in Other consists principally of an assembled workforce, non- compete agreements, customer lists and contracts. Goodwill, patents and technologies and various other intangible assets of approximately $193,000,000 were acquired in the Penederm transaction in fiscal 1999 (See note B).

note

(H)

Other Assets

Other assets consist of the following components: (in thousands)

March 31,	2000	1999
Pooled asset funds	$ 60,839	$ 46,611
Cash surrender value	33,773	29,742
Other investments	30,269	30,196
	$ 124,881	$106,549

Pooled asset funds primarily include the Company's interest in one limited partnership fund which consists of common and preferred stocks, bonds, and money market funds. Earnings on these investments included in Other income amounted to $15,378,000 in 2000, $19,530,000 in 1999, and $6,572,000 in 1998. At March 31, 2000, and 1999, the carrying amounts of these investments approximated fair value.

Cash surrender value is related to insurance policies on certain officers and key employees and the value of split dollar life insurance agreements with certain current and former executive officers of the Company.

Other investments are comprised principally of investments in non-publicly traded equity securities and are accounted for under the cost method. Management periodically reviews the carrying value of these investments for impairment. Adjustments of $9,450,000 and $12,525,000 were made in fiscal 2000 and 1999 to reduce the carrying value of these investments to their estimated fair value and are recorded as reductions to Other income.

note

I

Other Current Liabilities

Other current liabilities consist of the following components: (in thousands)

March 31,	2000	1999
Payroll and employee benefit plan accruals	$14,286	$ 20,672
VivoRx funding	1,545	10,302
Medicaid	8,151	8,305
Legal and professional	4,786	3,811
Royalties	8,763	4,958
Product license fees	4,165	8,802
Other	5,167	4,429
	$46,863	$ 61,279

In fiscal 1999, the Company recorded an arbitration award for research and development funding which is identified here as VivoRx funding.

note
(J)

Long-Term Obligations

Long-term obligations include accruals for postretirement compensation pursuant to agreements with certain key employees and directors of approximately $15,400,000, and $13,463,000 at March 31, 2000, and 1999. Under these agreements, benefits are to be paid over periods of 10 to 15 years commencing at retirement.

The Company's obligation on 10.5% senior promissory notes is $3,000,000 and $4,000,000 at March 31, 2000, and 1999. Future principal payments on these notes are $1,000,000 in fiscal 2001 and $2,000,000 in fiscal 2002. At March 31, 2000,

and 1999, the Company was in compliance with all of its debt covenants.

The present value of the Company's obligations for product acquisitions was $11,121,000 at March 31, 2000, and $24,605,000 at March 31, 1999. Future payments, including minimum royalty payments for these agreements, will be approximately $2,000,000 in fiscal 2001, $3,750,000 in fiscal 2002 and $2,000,000 in fiscal 2003.

During fiscal 2000, the Company recorded $9,238,000 in deferred revenue relating to a license and supply agreement. Revenue will be recognized ratably over the next five years.

note

(K)

Income Taxes

Income taxes consist of the following components: (in thousands)

Year ended March 31,	2000	1999	1998
Federal:			
Current	$ 97,957	$77,546	$45,601
Deferred	(21,596)	(9,617)	(2,993)
	76,361	67,929	42,608
State:			
Current	13,807	9,653	5,218
Deferred	(1,671)	(697)	(214)
	12,136	8,956	5,004
Income taxes	88,497	76,885	47,612
Pre-tax earnings	$ 242,743	$192,294	$148,389
Effective tax rate	36.5%	40.0%	32.1%

Temporary differences and carryforwards which give rise to the deferred tax assets and liabilities are as follows: (in thousands)

March 31,	2000	1999
Deferred tax assets:		
Employee benefits	$ 6,651	$5,090
Contractual agreements	7,964	-
Intangible assets	2,043	3,627
Asset allowances	31,241	17,841
Inventory	1,084	1,069
Investments	10,481	5,411
Tax loss carryforwards	12,708	18,198
Tax credit carryforwards	5,596	3,683
Other	-	266
Total deferred tax assets	77,768	55,185
Deferred tax liabilities:		
Plant and equipment	11,017	10,373
Intangible assets	41,205	43,675
Investments	13,862	6,506
Total deferred tax liabilities	66,084	60,554
Deferred tax asset (liability) - net	$ 11,684	$ (5,369)
Classification in the consolidated balance sheets:		
Deferred income tax benefit - current	$ 30,792	$ 18,199
Deferred income tax liability - non-current	19,108	23,568
Deferred tax asset (liability) - net	$ 11,684	$ (5,369)

Deferred tax assets relating to net operating loss carryforwards and research and development tax credit carryforwards were acquired during fiscal 1999 upon the acquisition of Penederm. Future utilization of these assets is subject to certain limitations set forth in the Internal Revenue Code. In fiscal 2000, the Company utilized acquired net operating loss carryforwards and credit carryforwards to reduce its current tax liability by approximately $4,800,000. The Company has approximately $36,300,000 of acquired federal tax loss carryforwards and $2,146,000 of acquired federal and state tax credits remaining to offset future taxable income. The loss carryforwards and tax credits expire in fiscal years 2007 through 2013.

The Company also has $1,650,000 of federal research and development tax

credits that are deferred until fiscal 2001 based upon recent tax law changes. A$1,800,000 tax credit against Puerto Rican local income tax is also available for future years.

A reconciliation of the statutory tax rate to the effective tax rate is as follows:

Year ended March 31,	2000	1999	1998
Statutory tax rate	35.0%	35.0%	35.0%
IPR&D	--	5.3%	--
State income taxes-net	3.1%	3.1%	2.3%
Nondeductible amortization	1.0%	0.8%	0.6%
Tax exempt earnings-primarily dividends	--	(1.1%)	(2.4%)
Tax credits	(2.7%)	(2.6%)	(3.0%)
Other items	0.1%	(0.5%)	(0.4%)
Effective tax rate	36.5%	40.0%	32.1%

Tax credits result principally from the Company's operations in Puerto Rico and from qualified research and development expenditures.

State income taxes include provisions for tollgate tax resulting from the future repatriation of funds from the Company's operation in Puerto Rico to the United States. Such provisions have been made to the minimum extent provided under Puerto Rican tax law based on the Company's intent to reinvest Puerto Rican source earnings in qualifying investments within Puerto Rico.

The Company's federal tax returns have been audited by the IRS through March 31, 1996.

note
(L)

Common Stock

On August 23, 1996, the Company's Board of Directors adopted a Shareholder Rights Plan ("the Rights Plan"). The Rights Plan was adopted to provide the Company's Directors with sufficient time to assess and evaluate any takeover bid and explore and develop a reasonable response. Effective November 8, 1999, the Rights Plan was amended to eliminate the special rights held by continuing directors. The Rights Plan will expire on September 5, 2006, unless a triggering event has occurred.

note

(M)

Commitments

The Company has entered into various product licensing agreements. In some of these arrangements, the Company provides funding for the development of the product, through milestone payments, in exchange for marketing and distribution rights to the product. In the event all projects are successful, milestone payments totaling $18,800,000 would be paid over the next five years.

note

(N)

Other Revenues

Under the terms of the Company's supply and distribution agreement with Genpharm Inc. ("Genpharm") relating to sales of ranitidine HCl tablets, the Company also benefitted from an agreement between Genpharm and Novopharm Limited ("Novopharm"). The Company recognized revenue of $26,822,000 in fiscal 1998 in connection with the Genpharm Novopharm agreement (See note S). note O

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents approximate fair value due to the short-term maturity of these instruments. Marketable securities are recorded at fair value based on quoted market prices. The carrying value of other financial instruments approximates their fair value based on other appropriate valuation techniques.

note

(P)

Stock Option Plans

On January 23, 1997, the Board of Directors adopted the "Mylan Laboratories Inc. 1997 Incentive Stock Option Plan" ("the Plan") which was approved by the shareholders on July 24, 1997. Under the Plan, the Company may grant up to 10,000,000 shares of its common stock to officers, employees, and nonemployee consultants and agents as either incentive stock options or nonqualified stock options. Options, which may be granted at not less than fair market value on the date of the grant, may be exercised within ten years from the date of grant. Nonqualified stock options generally vest on date of grant. Incentive stock options granted have the following vesting schedule: 25% two years from the date of grant, 25% at the end of year three and the remaining 50% at the end of year four. As of March 31, 2000, 7,279,150 shares are available for future grants.

On June 23, 1992, the Board of Directors adopted the "1992 Nonemployee Director Stock Option Plan" ("the Directors' Plan") which was approved by the shareholders on April 7, 1993. A total of 600,000 shares of the Company's common stock are reserved for issuance upon exercise of stock options which may be granted at not less than fair market value on the date of grant. Options may be exercised within ten years from the date of grant. As of March 31, 2000, 382,500 shares have been granted pursuant to the Directors' Plan.

Additional stock options are outstanding from the expired 1986 Incentive Stock Option Plan and other plans acquired through

acquisitions.

A summary of the activity resulting from all plans is as follows:

	Number of shares under option	Weighted average exercise price per share
Outstanding as of April 1, 1997	2,570,877	$12.10
Options granted	1,322,000	17.08
Options exercised	(235,216)	11.09
Options cancelled	(41,175)	14.17
Outstanding as of March 31, 1998	3,616,486	$13.96
Options acquired - Penederm	877,367	15.30
Options granted	186,500	19.74
Options exercised	(1,013,313)	12.16
Options cancelled	(117,886)	16.96
Outstanding as of March 31, 1999	3,549,154	$15.11
Options granted	1,410,100	25.50
Options exercised	(309,054)	12.04
Options cancelled	(53,419)	18.34
Outstanding as of March 31, 2000	4,596,781	$18.44

	Options outstanding			Options exercisable	
Range of exercise price per share	Number outstanding as of 3/31/2000	Weighted average remaining contractual life (years)	Weighted average exercise price per share	Number exercisable as of 3/31/2000	Weighted average exercise price per share
$ 0.81- $11.58	266,341	3.15	$ 7.77	266,341	$ 7.77
12.00- $12.00	976,653	2.23	12.00	976,653	12.00
12.32- $16.69	949,971	7.05	16.19	577,972	16.11
16.73- $21.14	728,091	7.03	17.95	672,591	17.96
22.88- $25.00	474,671	8.59	23.18	65,571	24.88
26.06- $30.15	1,201,054	9.91	26.25	64,054	29.64
$ 0.81- $30.15	4,596,781	6.70	$18.44	2,623,182	$14.76

At March 31, 2000, options were exercisable for 2,623,182 shares at a

weighted average exercise price of $14.76 per share. The corresponding amounts were 2,665,904 shares at $14.12 per share at March 31, 1999, and 2,557,856 shares at $13.20 per share at March 31, 1998.

In accordance with the provisions of SFAS No. 123 "Accounting for Stock-Based Compensation," the Company will continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and, accordingly, does not recognize compensation costs for its existing stock option plans. If the Company had elected to recognize compensation costs based on the alternative fair value method prescribed by SFAS No. 123, net earnings and earnings per share (on both a basic and diluted basis) would have been reduced by $1,430,000, or $.01 per share, $1,613,000, or $.01 per share and $6,489,000, or $.04 per share for the years ended March 31, 2000, 1999 and 1998. These calculations only take into account options issued since April 1, 1995.

The weighted average fair value of options granted during the years ended March 31, 2000, 1999 and 1998 was $9.93, $9.37 and $6.47. The fair value was estimated using the Black-Scholes option pricing model based on the following assumptions:

March 31,	2000	1999	1998
Volatility	34%	42%	35%
Risk-free interest rate	6.2%	5.0%	6.1%
Dividend yield	0.6%	1.0%	1.0%
Expected term of options (in years)	5.2	5.2	5.4

note
(Q)

Employee Benefits

The Company maintains profit sharing and 401(k) retirement plans covering essentially all of its employees.

Contributions to the profit sharing plans are made at the discretion of the Board of Directors. Contributions to the 401(k) plans are based upon employee contributions or service hours. Total contributions to all plans for the years

ended March 31, 2000, 1999 and 1998 were $6,342,000, $4,776,000 and $3,889,000 respectively.

In fiscal 1999, the Company adopted a plan covering substantially all of its employees to provide for limited reimbursement of supplemental postretirement medical coverage. The plan provides benefits to employees retiring after April 5, 1998, who meet minimum age and service requirements. The Company has provided for the costs of these benefits, which are not material. The future obligation related to these benefits is insignificant.

The Company provides supplemental life insurance benefits to certain management level employees. Such benefits require annual funding and may require accelerated funding in the event of a change in control of the Company.

note

(R)

Segment Reporting

The Company has two reportable operating segments, Generic and Branded Pharmaceuticals, based on differences in products, marketing and regulatory approval.

Generic pharmaceutical products are off-patented products, therapeutically equivalent to a branded name product, marketed to pharmaceutical wholesalers and distributors, drug store chains and public and governmental agencies by multiple suppliers. These products have been approved by the FDA through an Abbreviated New Drug Application process.

Branded pharmaceutical products are generally, when new, patent

protected products marketed directly to health care professionals by a single provider. These products have been approved by the FDA primarily through a New Drug Application process.

The accounting policies of the operating segments are the same as those described in note A. In the following table, segment revenues represent sales to unrelated third parties with corresponding corporate wide cost of sales used to determine segment profits. Segment profits represent earnings from continuing operations before a provision for income taxes.

March 31, (dollars in thousands)		Generic	Branded	Corporate/ Other	Consolidated
Total revenues	2000	$ 667,808	$ 122,337	--	$ 790,145
	1999	638,122	83,001	--	721,123
	1998	501,320	54,103	--	555,423
Segment profit (1)	2000	261,238	15,630	$ (34,125)	242,743
	1999	226,153	14,941	(48,800)	192,294
	1998	143,309	6,728	(1,648)	148,389
Segment assets (2)	2000	464,277	259,196	617,757	1,341,230
	1999	396,293	257,860	552,508	1,206,661
	1998	398,189	126,878	322,686	847,753
Property, plant and					
equipment additions	2000	23,376	5,157	255	28,788
	1999	11,646	3,991	1,099	16,736
	1998	24,843	3,925	85	28,853
Deprecation and					
amortization (1)&(2)	2000	12,919	15,540	7,247	35,706
	1999	11,452	10,246	5,213	26,911
	1998	10,950	8,084	2,674	21,708

(1) Segment profit represents segment gross profit less direct research and development, sales and marketing, and administrative expenses. Corporate and Other Segment profit represents consolidated non-operating income less corporate expenses, including legal expenditures, IPR&D and goodwill amortization.

(2) Generic and Branded Segment assets include property, plant and equipment, trade accounts receivable, inventory and intangible assets other than goodwill. Corporate and Other Segment assets includes consolidated cash and cash equivalents, marketable securities,the Company's investment in Somerset and other assets, goodwill and all income tax related assets.

note

(S)

Contingencies

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

The Company had an agreement with Genpharm where it benefitted from the sale of ranitidine HCl tablets by Novopharm under a separate agreement between Genpharm and Novopharm (See note N). Based on an independent audit, Genpharm initiated a lawsuit against Novopharm to resolve contract interpretation issues and collect additional funds due. In response to Genpharm's suit, Novopharm filed counterclaims against both Genpharm and the Company claiming damages of up to $60,000,000. The Company believes the counte rclaims against Genpharm and the Company are without merit and will vigorously defend its position.

In June 1998, the Company filed suit in the Los Angeles Superior Court against American Bioscience, Inc. ("ABI"), American Pharmaceutical Partners, Inc. ("APP") and certain of their directors and officers. The Company's suit seeks various legal and equitable remedies. The Los Angeles Superior Court

issued a preliminary injunction order which, among other things, prohibits the defendants from transferring or disposing of funds, assets, technology or property without the Company's consent or commingling as sets, property, technology or personnel with those of another company. In June 1999, the defendants filed an answer to and cross-complaint against the Company. The cross-complaint alleges violations of California state laws, interference with contractual relations and prospective economic advantage, fraud, slander, libel and other allegations. The cross-complainants seek unspecified compensatory and punitive damages. The Company believes the cross-complaints are without merit and intends to vigorously defend its position.

A subsidiary of the Company was involved in a dispute with KaiGai Pharmaceuticals, Co., Ltd. ("KaiGai") relating to a license and supply contract for nitroglycerin transdermal patches which both parties claim was breached by the other. KaiGai sought damages in excess of $20,000,000. The dispute was subject to binding arbitration, and, in November 1999, the arbitration panel denied KaiGai's request for damages. KaiGai filed an appeal and the Company has filed a moton to dismiss the appeal due to the appeal not being filed within the permitted time period.

In November 1999, the Company and a state agency entered into a settlement concerning certain contract pricing matters. The settlement was satisfied without a significant effect on the Company's financial position or results of operations.

On December 22, 1998, the Federal Trade Commission ("FTC") filed suit in U.S. District Court for the District of Columbia (the "Court") against the Company. The FTC's complaint alleges the Company engaged in restraint of trade, monopolization, attempted monopolization and conspiracy to monopolize, arising out of certain agreements involving the supply of raw materials used to manufacture two drugs. The FTC also sued in the same case the foreign supplier of the raw materials, the supplier's parent company and its United States distributor. Under the terms of the agreements related to these raw materials, the Company has agreed to indemnify these parties.

The Company is a party to other suits involving the Attorneys General from 33 states and more than 25 putative class actions that allege the same conduct alleged in the FTC suit as well as alleged violations of state consumer protection laws. A qui tam action was commenced by a private party in the U.S. District Court for the District of South Carolina, purportedly on behalf of the United States, alleging violations of the False Claims Act and other statutes.

The relief sought by the FTC includes an injunction barring the Company from engaging in the challenged conduct, recision of certain agreements and disgorgement in excess of $120,000,000. The states and private parties seek similar relief, treble damages and attorneys' fees. The Company's motions to dismiss several of the private actions have been granted.

A class action suit was filed alleging violations of federal securities laws by the Company and certain directors and officers of the Company. Without specifying a dollar amount, the suit sought compensatory damages. The Company's motion to dismiss the federal securities case was granted on December 22, 1999. The case is on appeal.

The Company had filed motions to dismiss the FTC complaint and significant portions of the State Attorneys General complaints. In July 1999, the Court denied the Company's motion to dismiss the FTC complaint. The Company filed a motion requesting the Court to certify its ruling with respect to the jurisdictional issue for expedited appeal to the U.S. Court of Appeals for the District of Columbia. This motion was denied. The Court granted in part and denied in part the Company's motion to dismiss portions of the State Attorneys General complaints. In so doing, the Court limited certain theories of recovery asserted by the states. Some states filed a motion with the Court requesting that it reconsider certain claims that were dismissed, and, in December 1999, the Court reinstated certain claims.

In February 2000, the Company received notice of threatened litigation by another generic manufacturer. The potential complaint is based on similar factors alleged in the FTC litigation relating to the generic product clorazepate.

The Company believes that it has meritorious defenses to the claims in these FTC matters and intends to vigorously defend them. Although the Company

believes it has meritorious defenses to the claims, an adverse result in these suits could have a material adverse effect on the Company's financial position and results of its operations.

Board of Directors and Shareholders
Mylan Laboratories Inc.
Pittsburgh, Pennsylvania

Independent Auditors' Report
Mylan Laboratories Inc.

We have audited the accompanying consolidated balance sheets of Mylan Laboratories Inc. and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2000, appearing on pages 22 through 39. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Mylan Laboratories Inc. and subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with generally accepted accounting principles in the United States of America.

Deloitte & Touche LLP
Pittsburgh, Pennsylvania

May 10, 2000

Market Information
Mylan Laboratories Inc.

Quarterly Financial Data (Amounts in thousands except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Fiscal 2000					
Total revenues	$ 177,095	$ 194,489	$203,877	$ 214,684	$790,145
Gross profit	96,247	110,812	111,152	110,116	428,327
Net earnings	31,953	37,066	40,434	44,793	154,246
Earnings per share-basic	.25	.29	.31	.35	1.19
Earnings per share-diluted	.25	.28	.31	.34	1.18
Fiscal 1999					
Total revenues	$ 166,718	$ 177,592	$186,195	$ 190,618	$ 721,123
Gross profit	85,154	92,044	99,716	107,363	384,277
Net earnings	34,182	37,215	8,154	35,858	115,409
Earnings per share-basic	.28	.30	.06	.28	.92
Earnings per share-diluted	.28	.30	.06	.27	.91

Market Prices

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Fiscal 2000				
High	28 3\8	30 5\16	25 5\8	30
Low	21 5\8	17 1\16	17 3\16	22 1\2
Fiscal 1999				
High	32 3\4	35 1\8	35 15\16	32
Low	22 1\16	22 1\8	24 5\16	26 1\4

New York Stock Exchange Symbol: MYL
On May 1, 2000, the Company had approximately 99,112 shareholders.

Split Date

	Amount	Split Price	Presplit Price
July 20, 1979	5/4	10 3\4	13 1\2
November 13, 1981	2/1	13 1\2	27 1\8
June 30, 1983	2/1	16 1\4	32 1\2
March 1, 1984	3/2	14	21
July 31, 1984	3/2	19 7\8	29 3\4
February 15, 1985	2/1	17 7\8	35 3\4
August 1, 1986	3/2	14	21
August 1, 1992	2/1	21 3\4	43 1\2
August 15, 1995	3/2	21	31 1\2

Shareholder Information
Mylan Laboratories Inc.

Notice of Annual Meeting

The annual meeting of the Company's shareholders will be held on Thursday, July 27, 2000 at 10:00 a.m. at the David L. Lawrence Convention Center, South Hall, 1001 Penn Avenue, Pittsburgh, Pennsylvania. A formal notice, together with a proxy statement and form of proxy, will be mailed to shareholders entitled to vote in advance of the meeting.

Stockholder Information

Questions concerning stock ownership may be directed to Investor Relations at Corporate headquarters.

Press Release Information

Press releases and other information are available on the internet at Mylan's homepage at www.mylan.com.

Form 10-K Annual Report

A copy of the Mylan Laboratories Inc. Annual Report to the Securities and Exchange Commission on Form 10-K is available by contacting Investor Relations at the Company's headquarters.

Dividend Payments

Quarterly dividends on Mylan common stock are paid in January, April, July, and October. The record date is established by the Company prior to each dividend payment. The Company also offers an Automatic Dividend Reinvestment and Stock Purchase Plan. For further information, contact Investor Relations at the Company's headquarters.

Corporate Headquarters

Mylan Laboratories Inc.
1030 Century Building
130 Seventh Street
Pittsburgh, Pennsylvania 15222

(412) 232-0100
http://www.mylan.com

Registrar and Transfer Agent

American Stock Transfer &
Trust Company
40 Wall Street
New York, New York 10005
Certied Public Accountants

Deloitte &Touche LLP
Pittsburgh, Pennsylvania

Financial Consultants
PDA Associates, Inc.
Ironia, New Jersey

Securities Traded
New York Stock Exchange
Mylan Laboratories Inc.

Common Stock Symbol: MYL

Board of Directors and Corporate Officers

Board of Directors

Milan Puskar Chairman of the Board and C.E.O.

Dana G. Barnett

Executive Vice President of the Company

Laurence S. DeLynn
Retail Consultant

Morgantown, West Virginia

John C. Gaisford, M.D.
Director of Burn Research
West Penn Hospital
Pittsburgh, Pennsylvania

Douglas J. Leech
Chairman, President and C.E.O.
Centra Bank, Inc. and
Centra Financial Holdings, Inc.
Morgantown, West Virginia

Patricia A. Sunseri
Vice President-Investor and
Public Relations of the Company

C.B. Todd

Retired Pharmaceutical Executive

Executive Officers

Milan Puskar
Chairman and C.E.O.

Richard F. Moldin

President and C.O.O.

Dana G. Barnett
Executive Vice President

Louis J. DeBone
Senior Vice President

Roger L. Foster, Esq.
Vice President and General Counsel

Roderick P. Jackson
Senior Vice President

Donald C. Schilling
Vice President-Finance and C.F.O.

Robert W. Smiley, Esq.
Secretary

Patricia A. Sunseri
Vice President-Investor and
Public Relations

Design:John Brady Design Consultants Inc., Pittsburgh, Pennsylvania

For more information

I would like more information on:

Dividend Reinvestment Stock Purchase Program
Pharmaceutical Product Identification Guide
Generic Development and Approval Brochure

®

Name
Address

City/State/Zip
Phone

Mylan Laboratories Inc.
1030 Century Building
130 Seventh Street

Pittsburgh, Pennsylvania 15222
www.mylan.com

EXHIBIT 21

Subsidiaries

Name	State of Incorporation
Milan Holding, Inc.	Delaware
Mylan Inc.	Delaware
Mylan Pharmaceuticals Inc.	West Virginia
Mylan Caribe Inc.	Vermont
Bertek Pharmaceuticals, Inc.	Texas
Mylan Technologies, Inc.	West Virginia
American Triumvirate Insurance Company	Vermont
Roderick Corporation	Delaware
UDL Laboratories, Inc.	Illinois
Bertek Pharmaceuticals Inc. Research and Development Division	Delaware

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-65329, 333-65327, 333-35887, 333-43081, 33-65916, 33-65918 of Mylan Laboratories Inc. on Form S-8 of our report dated May 10, 2000, incorporated by reference in this Annual Report on Form 10-K of Mylan Laboratories Inc. for the year ended March 31, 2000.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
Pittsburgh, Pennsylvania
June 22, 2000

INDEPENDENT AUDITOR' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-65329, 333-65327, 333-35887, 333-43081, 33-65916, 33-65918 of Mylan Laboratories Inc. on Form S-8 of our report dated February 4, 2000, relating to the consolidated financial statements of Somerset Pharmaceuticals, Inc. and subsidiaries for each of the three years in the period ended December 31, 1999, appearing in this Annual Report on Form 10-K of Mylan Laboratories Inc. for the year ended March 31, 2000.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
Pittsburgh, Pennsylvania
June 22, 2000

<ARTICLE> 5

<LEGEND>
Exhibit 27

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 Sheets at March 31, 2000 and the Consolidated Statement of Earnings for the twelve months ended March 31, 2000 and is qualified in its entirety by reference to such financial statements.

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SOMERSET PHARMACEUTICALS, INC. AND SUBSIDIARIES

Consolidated Financial Statements for the
Years Ended December 31, 1999, 1998 and 1997, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Pharmaceuticals, Inc.:

We have audited the accompanying consolidated balance sheets of Somerset Pharmaceuticals, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Somerset Pharmaceuticals, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

February 4, 2000

SOMERSET PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1999 AND 1998

ASSETS	1999	1998
CURRENT ASSETS:		
Cash and cash equivalents	$ 18,914,000	$ 18,672,000
Investment securities	40,230,000	41,412,000
Accounts receivable (net of allowance for doubtful accounts of $206,000 and $250,000, respectively)	2,846,000	6,085,000
Inventories	1,972,000	2,350,000
Prepaid expenses and other current assets	1,549,000	2,410,000
Total current assets	65,511,000	70,929,000
PROPERTY AND EQUIPMENT - Net	436,000	514,000
INTANGIBLE ASSETS - Net	675,000	868,000

OTHER ASSETS	398,000	658,000
	$ 67,020,000	$ 72,969,000

LIABILITIES AND STOCKHOLDERS' EQUITY	1999	1998
CURRENT LIABILITIES:		
Accounts payable	$ 49,000	$ 1,281,000
Royalty payable	385,000	799,000
Medicaid payable	225,000	578,000
Other accrued expenses	464,000	587,000
Accrued research and development	5,369,000	2,924,000
Income taxes payable	6,602,000	8,280,000
Accrued sales returns	733,000	800,000
Accrued compensation	105,000	740,000
Amounts due to related parties	527,000	595,000
Total current liabilities	14,459,000	16,584,000
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value; 13,719 shares authorized, 11,297 shares issued	-	-
Retained earnings	53,013,000	56,837,000
Less treasury stock, 644 shares at cost	(452,000)	(452,000)
Total stockholders' equity	52,561,000	56,385,000
	$ 67,020,000	$ 72,969,000

See notes to consolidated financial statements.

SOMERSET PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
NET SALES	$ 18,403,000	$ 43,557,000	$ 66,956,000
COSTS AND EXPENSES:			
Cost of sales	2,177,000	4,623,000	6,622,000
Marketing	2,180,000	4,587,000	5,757,000
Research and development	17,588,000	7,269,000	13,073,000
Administrative	5,203,000	6,449,000	7,338,000
	27,148,000	22,928,000	32,790,000
	(8,745,000)	20,629,000	34,166,000
OTHER INCOME - Net	3,526,000	3,612,000	2,735,000
(LOSS) INCOME BEFORE INCOME TAXES	(5,219,000)	24,241,000	36,901,000
PROVISION FOR INCOME TAXES	(1,395,000)	9,635,000	12,924,000
NET (LOSS) INCOME	$ (3,824,000)	$ 14,606,000	$ 23,977,000

See notes to consolidated financial statements.

SOMERSET PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	Common Stock		Treasury Stock		Retained	Stockholders'
	Shares	Amount	Shares	Amount	Earnings	Equity
BALANCE, DECEMBER 31, 1996	11,297	$ --	644	$ (452,000)	$ 34,254,000	$ 33,802,000
Net income	--	--	--	--	23,977,000	23,977,000
Dividends	--	--	--	--	(16,000,000)	(16,000,000)
BALANCE, DECEMBER 31, 1997	11,297	--	644	(452,000)	42,231,000	41,779,000
Net income	--	--	--	--	14,606,000	14,606,000
BALANCE, DECEMBER 31, 1998	11,297	--	644	(452,000)	56,837,000	56,385,000
Net loss	--	--	--	--	(3,824,000)	(3,824,000)
BALANCE, DECEMBER 31, 1999	11,297	$ --	644	$ (452,000)	$ 53,013,000	$ 52,561,000

See notes to consolidated financial statements.

SOMERSET PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (3,824,000)	$ 14,606,000	$ 23,977,000
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	335,000	429,000	952,000
Deferred tax expense (benefit)	260,000	232,000	(8,000)
(Gain) loss on sale of property and equipment	(1,000)	5,000	422,000
Changes in operating assets and liabilities:			
Accounts receivable	3,239,000	(2,559,000)	2,646,000
Inventories	378,000	(1,273,000)	627,000
Prepaid expenses and other current assets	861,000	(1,144,000)	2,415,000
Accounts payable	(1,232,000)	765,000	(135,000)
Royalty payable	(414,000)	(373,000)	(454,000)
Medicaid payable	(353,000)	(109,000)	-
Accrued research and development	2,445,000	(1,470,000)	(184,000)
Other accrued expenses and related parties	(893,000)	(1,070,000)	(1,709,000)
Income taxes payable	(1,678,000)	3,181,000	(933,000)
Net cash (used in) provided by operating activities	(877,000)	11,220,000	27,616,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in investment securities	1,182,000	(25,449,000)	(14,955,000)
Purchases of property and equipment	(67,000)	(12,000)	(42,000)
Proceeds from sale of property and equipment	4,000	14,000	2,000,000
Decrease in other assets	-	758,000	45,000
	--	--------	------
Net cash provided by (used in) investing activities	1,119,000	(24,689,000)	(12,952,000)

(Continued)

SOMERSET PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	1999	1998	1997

CASH FLOWS FROM FINANCING ACTIVITIES -			
Dividends paid on common stock	$ --	$ --	$ (16,000,000)
Cash used in financing activities	--	--	(16,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	242,000	(13,469,000)	(1,336,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,672,000	32,141,000	33,477,000
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 18,914,000	$ 18,672,000	$ 32,141,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION -			
Cash paid during the year for income taxes	$ 2,152,500	$ 7,762,000	$ 12,092,000

See notes to consolidated financial statements.

SOMERSET PHARMACEUTICALS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

1. PRINCIPLES OF CONSOLIDATION AND OPERATIONS

The consolidated financial statements include the accounts of Somerset Pharmaceuticals, Inc. (the "Company") and its wholly owned subsidiaries, Somerset Pharmaceuticals Holding Company and Somerset Caribe, Inc. The Company is jointly owned by Mylan Laboratories, Inc. and Watson Pharmaceuticals, Inc. ("Watson"), with each owning 50% of the outstanding common stock of the Company. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company, incorporated in February 1986, is engaged in the development, testing and marketing of drugs to be used in the treatment of various human disorders. Currently, the Company manufactures (at its facility in Puerto Rico), markets and sells Eldepryl, which is used as a treatment for Parkinson's Disease. The Company had exclusivity relating to the chemical compound Eldepryl for use as a treatment for late stage Parkinson's Disease through June of 1996. In May 1996, the Company received approval from the Food and Drug Administration for Eldepryl capsules and withdrew the tablet form from the marketplace. Competitors entered the marketplace with a generic version of the tablet in August 1996. The loss of exclusivity and the introduction of competitive products has had and could continue to have a material impact on the Company's future operating results.

The Company is party to an exclusive 14-year agreement (through November 22, 2003) with Chinoin Pharmaceutical Company ("Chinoin") of Budapest, Hungary under which Eldepryl and other new potential drugs resulting from Chinoin research are made available for licensing by the Company. The license agreement requires the Company to pay royalties equal to 3.5% of net sales of Eldepryl including sub-license revenues. The Company incurred royalty expense of approximately $794,000, $1,730,000, and $2,716,000 for the years ended December 31, 1999, 1998 and 1997, respectively. The license agreement also required the Company to purchase the main raw material used in the manufacture of Eldepryl from Chinoin through June of 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Cash and Cash Equivalents - The Company generally considers debt instruments purchased with a maturity of three months or less and investments in money market accounts to be cash equivalents.

b. Investment Securities - The Company accounts for investment

securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." At December 31, 1999 and 1998, the investment securities were available-for-sale, and there were no material unrealized gains or losses. Proceeds from sales and maturities of investments were $151,619,000 and $116,712,000, in 1999 and 1998, respectively. In 1999 there were $1,686,000 of realized gains and $-0- of realized losses. There were $1,356,000 of realized gains and $23,400 of realized losses in 1998. The gain or loss on sale of investments is based on the specific identification method.

c. Inventories - Inventories are stated at the lower-of-cost or market, with cost determined on a first-in, first-out basis.

d. Property and Equipment - Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets by the straight-line method. Estimated useful lives are five to seven years.

e. Intangible Assets - Intangible assets are amortized on a straight-line basis over 14 years.

f. Research and Development - Research and development costs are expensed as incurred.

g. Concentration of Credit Risk - The Company's product is sold throughout the United States principally to distributors and wholesalers in the pharmaceutical industry. The Company performs ongoing credit evaluation of its customers' financial condition and generally requires no collateral from its customers.

h. Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

i. New Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The provisions of this statement are effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. Management is in the process of evaluating the impact of this statement on the consolidated financial statements.

3. INVENTORIES

Inventories consist of the following at December 31, 1999 and 1998:

	1999	1998
Raw materials	$ 1,175,000	$ 1,853,000
Work in process	35,000	-
Finished goods	762,000	497,000
Total	$ 1,972,000	$ 2,350,000

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 1999 and 1998:

	1999	1998
Machinery and equipment	$ 1,124,000	$ 1,216,000
Furniture and fixtures	62,000	90,000
	1,186,000	1,306,000
Less accumulated depreciation	750,000	792,000
Property and equipment - net	$ 436,000	$ 514,000

5. SUB-LICENSE OF RIGHTS

On February 9, 1988, the Company granted a sub-license to its exclusive right and license to use its technology to Draxis Health Inc. (formerly Deprenyl Research Limited) to commercialize certain drugs in Canada for 15 years. The Company receives a royalty of 11% of Draxis Health Inc.'s net sales over the license period.

Royalty income, net of related royalty expense payable to Chinoin, included in other income for the years ended December 31, 1999, 1998 and 1997 was approximately $51,000, $97,000 and $261,000, respectively.

6. INTANGIBLE ASSETS

Intangible assets primarily represent the cost of a modification to the terms of the Chinoin Agreement, less accumulated amortization of $2,025,000, and $1,832,000 at December 31, 1999 and 1998, respectively.

7. CO-PROMOTIONAL AGREEMENT

The Company entered into an agreement with CoCensys, Inc. ("CoCensys") for the promotion of Elderpryl in 1996. The agreement had an initial term of two years. Under the terms of the original agreement, the Company would have compensated CoCensys, based on a predetermined formula that considered both the number of new prescriptions written and the net sales dollars achieved in each quarter. During 1996 and 1997, the agreement was modified with respect to term, new prescriptions and detail calls. During 1997, CoCensys was acquired by Watson. The Company paid Watson $2,050,000 and $4,700,000 for the promotion and marketing of Elderpryl during 1999 and 1998, respectively. During 1997 the Company paid $3,800,000 pursuant to these agreements with CoCensys. The marketing agreement with Watson was terminated June 30, 1999.

8. OTHER INCOME

In November 1994, the Company prevailed in litigation it brought against foreign defendants who were selling and marketing chemical compounds similar to Eldepryl without FDA approval. In late 1997, a final judgment was rendered by the United States Federal District Court. In November 1997, the Company received and recorded as other income approximately $1,225,000 for settlement of the litigation and reimbursement of related costs.

During November 1997, the Company sold its research and development facility and related equipment with a net book value of approximately $3,422,000 for $3,000,000. The resulting loss of $422,000 was recorded as a reduction in other income in 1997.

9. INCOME TAXES

The income tax provision consists of the following for the years ended December 31, 1999, 1998 and 1997:

	1999	1998	1997
Current (benefit) tax expense:			
Federal	$ (1,651,000)	$ 7,800,000	$ 10,283,000
State	(4,000)	1,603,000	2,549,000
Foreign	--	--	100,000
	(1,655,000)	9,403,000	12,932,000
Deferred tax expense (benefit):			
Federal	247,000	211,000	(7,000)
State	13,000	21,000	(1,000)
	260,000	232,000	(8,000)
Total provision for income taxes	$ (1,395,000)	$ 9,635,000	$ 12,924,000

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant items comprising the Company's deferred taxes (which are included in "Other Assets" in the consolidated balance sheet) at December 31, 1999 and 1998 are as follows:

	1999	1998
Deferred tax assets:		
Chargeback and rebate allowances	$ 391,000	$ 510,000
Deferred compensation	105,000	229,000
Other	124,000	100,000
	620,000	839,000
Deferred tax liabilities - different methods of accounting between financial and income tax reporting for depreciation and amortization	284,000	243,000
Net deferred tax assets	$ 336,000	$ 596,000

The statutory federal income tax rate is reconciled to the effective tax rate as follows for the years ended December 31, 1999, 1998 and 1997:

	1999	1998	1997
Tax at statutory rate	(35.0)%	35.0 %	35.0 %
State income tax (net of federal benefit)	--	3.6	3.8
Tax credit reductions (credits)	10.6	(6.2)	(7.9)
Tollgate tax	--	3.1	3.4
Other	(2.3)	4.2	0.7
Effective tax rate	(26.7)%	39.7 %	35.0 %

Tax credits result principally from operations in Puerto Rico. See Note 13.

10. RELATED PARTY TRANSACTIONS

The Company had certain transactions with one or both of its owners as detailed below for the years ended December 31, 1999, 1998 and 1997:

	1999	1998	1997
Management fees	$ 929,000	$2,167,000	$3,348,000
Marketing and advertising	2,050,000	4,714,000	775,000
Research and development	821,000	232,000	90,000

Inventory handling and distribution fees	283,000	524,000	465,000
Rent - equipment and facilities	54,000	14,000	640,000

11. SIGNIFICANT CUSTOMERS

The Company had sales to certain customers which individually exceeded 10% of sales. In 1999 sales to four major customers were $4,256,000, $2,351,000, $2,308,500 and $2,242,000, respectively. In 1998 sales to three major customers were $8,983,000, $8,013,000 and $6,953,000, respectively. In 1997 sales to five major customers were $15,878,000, $13,498,000, $11,427,000, $8,658,000 and $7,746,000, respectively.

12. EMPLOYEE BENEFIT PLANS

Effective January 1, 1998, the Company created a defined contribution profit sharing plan covering substantially all employees. Contributions are made at the discretion of the Board of Directors. The defined contribution profit sharing plan in effect prior to 1998 was terminated as of December 31, 1997. Additionally, during 1994, the Company initiated a deferred compensation plan for certain key employees which was terminated during 1997. During 1999, 1998 and 1997, the Company recorded expense of $120,000, $120,000 and $-0-, respectively, under these plans.

13. CONTINGENCIES

IRS

In connection with an examination of the Company's Federal tax returns for the three years ended December 31, 1995, representatives of the Internal Revenue Service, in June 1997, issued to the Company a report that contains proposed adjustments to the Company's use of tax credits under the Internal Revenue Code section 936.

Under the proposed adjustments, the Company could be subject to approximately $34 million of additional income tax and interest charges that have not been accrued at December 31, 1999. The increase of $20 million of potential additional income tax over the prior year is primarily attributable to losses incurred in the current year and the anticipation of losses in the near future which would not allow the Company to utilize Puerto Rican tax credits.

In September of 1999, the Company's case was transferred from the appellate level back to the agent level for further development of the facts. Management believes that the Company has met all the requirements to qualify for the tax credits available under Internal Revenue Code section 936, and intends to vigorously defend its position on this matter.

FoxMeyer

In 1998, the Company was named as a defendant in a compliant filed by the trustee to the bankruptcy estates of FoxMeyer Corporation and its related entities in the U.S. Bankruptcy Court for the District of Delaware. The compliant alleged that the Company received preferential payments of approximately $3.4 million from the bankruptcy estates and seeks reimbursement from the Company of such amounts. The Company filed an answer to the complaint denying the allegations.

In 1999, a settlement agreement was reached with the Trustee. There was no material effect to the Company as a result of this settlement.

* * * * * *