

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

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

For the quarterly period ended June 30, 1994

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-9114

MYLAN LABORATORIES INC.

(Exact Name of registrant as specified in its charter)

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

130 Seventh Street	
1030 Century Building	
Pittsburgh, Pennsylvania	15222
(Address of principal executive offices)	(Zip Code)

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

Not Applicable

(Former name, former address and former fiscal year, if  
changed since last report)

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

YES ☒ NO ☐

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

Class of Common Stock	Outstanding at
-----	July 29, 1994
\$ .50 par value	-----
	79,268,371

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MYLAN LABORATORIES INC. AND SUBSIDIARIES

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MYLAN LABORATORIES INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 1994 Unaudited -----	March 31, 1994 Audited -----
Current Assets		
Cash and cash equivalents	\$ 83,331,000	\$ 75,526,000
Short-term Investments	10,122,000	12,925,000
Accounts receivable	75,127,000	55,430,000
Inventories:		
Raw materials	27,400,000	26,138,000
Work in process	16,322,000	14,978,000
Finished goods	23,776,000	16,880,000
	-----	-----
	67,498,000	57,996,000
Prepaid Income Taxes	-	1,265,000
Deferred tax benefit	2,039,000	2,082,000
Other current assets	5,683,000	4,349,000
	-----	-----
Total Current Assets	243,800,000	209,573,000
Property, Plant and Equipment - at cost	117,470,000	115,114,000
Less accumulated depreciation	34,375,000	32,600,000
	-----	-----
	83,095,000	82,514,000
Investment in and Advances to Somerset	20,444,000	17,763,000
Intangible Assets net of accumulated amortization	32,005,000	33,228,000
Other Assets	68,177,000	60,247,000
	-----	-----
Total Assets	\$447,521,000 =====	\$403,325,000 =====

See Notes to Consolidated Financial Statements



LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 1994 Unaudited -----	March 31, 1994 Audited -----
Current Liabilities		
Trade accounts payable	\$ 11,597,000	\$ 6,699,000
Income taxes payable	10,036,000	-
Other current liabilities	12,784,000	8,056,000
Cash dividend payable	3,171,000	3,171,000
	-----	-----
Total Current Liabilities	37,588,000	17,926,000
Long-Term Obligations	4,917,000	4,609,000
Deferred Income Taxes	821,000	821,000
Shareholders' Equity:		
Preferred stock, par value \$.50 per share, authorized 5,000,000 shares, issued and outstanding - none	-	-
Common stock, par value \$.50 per share, authorized 300,000,000 shares, issued 79,736,757 shares at June 30, 1994 79,697,295 shares at March 31, 1994	39,868,000	39,849,000
Additional paid in capital	54,519,000	54,272,000
Retained earnings	312,317,000	288,357,000
	-----	-----
	406,704,000	382,478,000
Less Treasury stock - at cost, 495,864 shares at June 30, 1994 and March 31, 1994	2,509,000	2,509,000
	-----	-----
Net Worth	404,195,000	379,969,000
	-----	-----
Total Liabilities and Shareholders' Equity	\$447,521,000 =====	\$403,325,000 =====

See Notes to Consolidated Financial Statements





MYLAN LABORATORIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
FOR THE THREE MONTHS ENDED JUNE 30, 1994 AND 1993  
UNAUDITED  
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	1994 ----	1993 ----
NET SALES	\$ 85,146,000	\$ 58,507,000
COST AND EXPENSES:		
Cost of Sales	32,996,000	28,555,000
Research and Development	6,344,000	4,722,000
Selling and Administrative	14,405,000	11,073,000
Interest Expense	7,000	8,000
	-----	-----
	53,752,000	44,358,000
EQUITY IN EARNINGS OF SOMERSET	5,348,000	5,682,000
OTHER INCOME	939,000	1,273,000
	-----	-----
EARNINGS BEFORE INCOME TAXES	37,681,000	21,104,000
INCOME TAX RATE	28%	24%
INCOME TAXES	10,551,000	4,996,000
	-----	-----
NET EARNINGS	\$ 27,130,000	\$ 16,108,000
	=====	=====
EARNINGS PER SHARE	\$ .34	\$ .21
	=====	=====
WEIGHTED AVERAGE COMMON SHARES	79,218,000	78,520,000
	=====	=====

The Company paid a regular quarterly cash dividend of \$.025 per share from July 1990 to July 1992, \$.03 per share from October 1992 to July 1993 and \$.04 per share since October of 1993.

See Notes to Consolidated Financial Statements



MYLAN LABORATORIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30, 1994 AND 1993

UNAUDITED  
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	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 27,130,000	\$ 16,108,000
Adjustments to reconcile net earnings to net cash provided from operating activities:		
Depreciation and amortization	3,026,000	2,723,000
Deferred income taxes	43,000	(529,000)
Equity in the earnings of Somerset	(5,348,000)	(5,682,000)
Cash received from Somerset	2,667,000	5,173,000
Other non-cash items	13,518,000	(1,518,000)
Changes in operating assets and liabilities:		
Accounts receivable	(31,121,000)	(5,217,000)
Inventories	(9,735,000)	(1,519,000)
Trade accounts payable	4,898,000	759,000
Income taxes	11,301,000	(413,000)
Other operating assets and liabilities	3,394,000	(855,000)
	-----	-----
Net cash provided from operating activities	19,773,000	9,030,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,356,000)	(4,714,000)
Increase in intangible and other assets	(9,504,000)	(1,599,000)
Other investment proceeds	2,803,000	-
	-----	-----
Net cash used in investing activities	(9,057,000)	(6,313,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(3,170,000)	(2,357,000)
Payments on long-term obligations	(7,000)	(14,000)
Payments on acquisition obligations	-	(772,000)
Proceeds from exercise of stock options	266,000	88,000
	-----	-----
Net cash used in financing activities	(2,911,000)	(3,055,000)
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	7,805,000	(338,000)
Cash and Cash Equivalents - Beginning of Period	75,526,000	98,246,000
	-----	-----
Cash and Cash Equivalents - End of Period	\$ 83,331,000	\$ 97,908,000
	=====	=====
CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 7,000	\$ 8,000
Income Taxes	\$ 463,000	\$ 5,938,000

See Notes to Consolidated Financial Statements



MYLAN LABORATORIES INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTH PERIOD ENDED  
June 30, 1994

Unaudited  
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- A. In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of June 30, 1994 and March 31, 1994 together with the results of operations and cash flows for the interim periods ended June 30, 1994 and 1993. The consolidated results of operations for the three months ended June 30, 1994 and 1993 are not necessarily indicative of the results to be expected for the full year.
- B. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 1994 Annual Report and Report on Form 10-K.
- C. Equity in Earnings of Somerset includes the Company's 50% portion of the net earnings of Somerset Pharmaceuticals Inc. (Somerset), certain management fees and amortization of intangible assets resulting from the acquisition of Somerset. Such intangible assets are being amortized over a 15 year period using the straight line method.

Condensed unaudited financial information of Somerset for the three month periods ended June 30, 1994 and 1993 are as follows: (in thousands)

	June 30, 1994 -----	June 30, 1993 -----
Net Sales	\$ 25,021	\$ 28,592
Costs and Expenses	(12,240)	(12,196)
Income Taxes	(3,692)	(6,460)
Net Earnings	\$ 9,089	\$ 9,936

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



PART 1 - FINANCIAL INFORMATION

ITEM 2 - MANagements DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

- - - - -

Net sales for the three months ended June 30, 1994 were a record high \$85,146,000 representing a 46% increase over sales for the same period a year ago. This improvement is primarily attributable to the launch of three new generic products, cimetidine, flurbiprofen and glipizide, which the Company began shipping during the quarter ended June 30, 1994.

Gross margin as a percent of sales increased to 61% from 51% for the first quarter last year. The rate for the current quarter reflects the higher margins generally realized on new generic products in the short term after introduction. Due to the competitive nature of the pharmaceutical industry the sales and gross margin recognized in the quarter ended June 30, 1994 are not necessarily indicative of the results to be expected in future quarters.

Research and development expenditures increased 34% from \$4,722,000 for the quarter ended June 30, 1993 to \$6,344,000 for the current quarter. This increase is indicative of the Company's commitment to new and increased product development throughout the Company.

Selling and administrative expenses were 17% of net sales for the current quarter as compared to 19% for the quarter ended June 30, 1993. Factors contributing to the overall rise in selling and administrative expenses include advertising, promotion and legal expenses associated with new products and payroll and related costs.

Equity in earnings of Somerset continues to provide a solid return for the Company. Somerset's contribution to net earnings was \$.06 per share for the quarters ended June 30, 1994 and 1993.





## Liquidity and Capital Resources and Financial Condition

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Working capital increased from \$191,647,000 at March 31, 1994 to \$206,212,000 at June 30, 1994 as a result of continued strong operations. The ratio of current assets to current liabilities was 6.5 to 1 at June 30, 1994 and 11.7 to 1 at March 31, 1994.

Net cash provided from operating activities was \$19,773,000 for the three months ended June 30, 1994 compared to \$9,030,000 for the same period last year. The change is due to higher net earnings and the timing of tax payments and cash receipts from Somerset. Other non-cash items includes allowances for potential credits and rebates generally associated with new product launches.

Additions to property, plant and equipment amounted to \$2,356,000 for the three months ended June 30, 1994 as the Company continues to upgrade and modernize its facilities.

Increase in intangible and other assets is due to the shifting from short-term to long-term investment.



PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (b) Reports on Form 8-K - there were no reports on Form 8-K filed during the three months ended June 30, 1994.

SIGNATURES

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

Mylan Laboratories Inc.  
(Registrant)

DATE 08/03/94

/S/ MILAN PUSKAR

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

DATE 08/03/94

/S/ FRANK A. DE GEORGE

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Frank A. DeGeorge  
Director of Accounting and Taxation