

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

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

For the quarterly period ended December 31, 1996

OR

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

Commission file number 1-9114

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

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

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

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

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

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

YES X NO

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

Class of Common Stock	Outstanding at January 28, 1997
\$.50 par value	122,005,085

MYLAN LABORATORIES INC. AND SUBSIDIARIES

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MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1996 Unaudited	March 31, 1996 Audited
Current Assets:		
Cash and cash equivalents	\$154,723,000	\$176,980,000
Marketable securities	12,069,000	12,460,000
Accounts receivable - net	97,081,000	71,997,000
Inventories:		
Raw materials	40,028,000	42,983,000
Work in process	22,127,000	19,804,000
Finished goods	35,113,000	37,829,000
	-----	-----
	97,268,000	100,616,000
Deferred income tax benefit	12,797,000	11,560,000
Other current assets	6,364,000	5,715,000
	-----	-----
Total Current Assets	380,302,000	379,328,000
Property, Plant and Equipment - at cost	193,539,000	173,445,000
Less accumulated depreciation	60,282,000	51,652,000
	-----	-----
	133,257,000	121,793,000
Marketable Securities, non-current	25,137,000	20,803,000
Investment in and Advances to Somerset	25,299,000	26,337,000
Intangible Assets-net of accumulated amortization	139,278,000	74,601,000
Other Assets	77,191,000	69,147,000
	-----	-----
Total Assets	\$780,464,000	\$692,009,000
	=====	=====

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1996 Unaudited	March 31, 1996 Audited
Current Liabilities:		
Trade accounts payable	\$ 11,281,000	\$ 14,039,000
Current portion of long-term obligations	21,430,000	1,400,000
Income taxes payable	10,457,000	10,096,000
Other current liabilities	25,959,000	18,185,000
Cash dividend payable	4,888,000	4,875,000
	-----	-----
Total Current Liabilities	74,015,000	48,595,000
Long-Term Obligations	49,042,000	18,002,000
Deferred Income Tax Liability	6,538,000	8,971,000
Shareholders' Equity:		
Preferred stock, par value \$.50 per share, authorized 5,000,000 shares, issued and outstanding - none	-	-
Common stock, par value \$.50 per share, authorized 300,000,000 shares, issued 122,640,913 shares at December 31, 1996 and 122,524,789 shares at March 31, 1996	61,321,000	61,262,000
Additional paid-in capital	87,400,000	85,996,000
Retained earnings	504,946,000	470,136,000
Net unrealized gain (loss) on investments	(331,000)	1,575,000
	-----	-----
	653,336,000	618,969,000
Less Treasury stock - at cost, 677,950 shares at December 31, 1996 and 694,950 shares at March 31, 1996	2,467,000	2,528,000
	-----	-----
Net Worth	650,869,000	616,441,000
	-----	-----
Total Liabilities and Shareholders' Equity	\$780,464,000	\$692,009,000
	=====	=====

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
UNAUDITED

	Three Months Ended December 31,		Nine Months Ended December 31,	
	1996	1995	1996	1995
NET SALES	\$113,981,000	\$91,319,000	\$321,505,000	\$298,226,000
COST AND EXPENSES:				
Cost of Sales	66,729,000	47,620,000	186,344,000	143,107,000
Research and Development	10,775,000	10,948,000	31,561,000	28,560,000
Selling and Administrative	19,566,000	14,106,000	60,282,000	41,769,000
	97,070,000	72,674,000	278,187,000	213,436,000
EQUITY IN EARNINGS OF SOMERSET	4,462,000	7,905,000	14,507,000	19,614,000
OTHER INCOME	2,505,000	3,970,000	10,266,000	12,693,000
	23,878,000	30,520,000	68,091,000	117,097,000
EARNINGS BEFORE INCOME TAXES				
INCOME TAX RATE	24%	28%	27%	28%
INCOME TAXES	5,797,000	8,596,000	18,651,000	32,530,000
	\$ 18,081,000	\$21,924,000	\$ 49,440,000	\$ 84,567,000
NET EARNINGS				
EARNINGS PER SHARE	\$.15	\$.18	\$.41	\$.71
WEIGHTED AVERAGE COMMON SHARES	121,916,000	119,388,000	121,892,000	119,322,000

The Company paid regular quarterly cash dividends of \$.03 per share from October 1994 to July 1995 and \$.04 per share since October 1995.

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 1996 AND 1995

UNAUDITED

	1996 ----	1995 ----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 49,440,000	84,567,000
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization	13,896,000	9,968,000
Deferred income tax expense(benefit)	(312,000)	408,000
Equity in the earnings of Somerset	(14,508,000)	19,614,000
Cash received from Somerset	15,546,000	15,387,000
Allowances on accounts receivable	(805,000)	(5,976,000)
Other non-cash items	949,000	665,000
Changes in operating assets and liabilities:		
Accounts receivable	(23,934,000)	3,042,000
Inventories	3,223,000	(5,333,000)
Trade accounts payable	(2,758,000)	2,347,000
Income taxes payable	(1,767,000)	(12,965,000)
Other operating assets and liabilities	7,126,000	71,000
	-----	-----
Net cash provided from operating activities	46,096,000	72,567,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(20,094,000)	(25,444,000)
Increase in intangible and other assets	(29,257,000)	(12,427,000)
Proceeds from investment securities	17,078,000	56,752,000
Purchase of investment securities	(20,952,000)	(15,386,000)
	-----	-----
Net cash provided from (used in) investing activities	(53,225,000)	3,495,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividend paid	(14,617,000)	(12,724,000)
Payments on long-term obligations	(1,423,000)	(21,000)
Proceeds from exercise of stock options	912,000	1,499,000
	-----	-----
Net cash used in financing activities	(15,128,000)	(11,246,000)
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	(22,257,000)	64,816,000
Cash and Cash Equivalents - Beginning of Period	176,980,000	127,280,000
	-----	-----
Cash and Cash Equivalents - End of Period	\$154,723,000	\$192,096,000
	=====	=====
CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 433,000	\$ 16,000
Income Taxes	\$ 20,728,000	\$ 45,089,000

See Notes to Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTH PERIOD ENDED
DECEMBER 31, 1996

Unaudited

- A. In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of December 31, 1996 and March 31, 1996 together with the results of operations and cash flows for the interim periods ended December 31, 1996 and 1995. The consolidated results of operations for the three and nine months ended December 31, 1996 and 1995 are not necessarily indicative of the results to be expected for the full year. Certain prior year amounts have been reclassified to conform to the current year presentation.
- B. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 1996 Annual Report and Report on Form 10-K.
- C. On February 28, 1996 the Company acquired UDL Laboratories, Inc. (UDL). UDL is the premier supplier of unit dose generic pharmaceuticals to the institutional and long term care markets. UDL has its corporate headquarters in Rockford, Illinois and maintains manufacturing, research and development and distribution facilities in Rockford, Illinois as well as Largo, Florida.

The transaction, was accounted for under the purchase method of accounting. Payment of approximately \$47,500,000 was made through the issuance of newly registered common stock of the Company.

- D. On June 14, 1996, the Company executed a series of agreements with American Home Products Corporation ("AHP"), relating to the products Maxzide(R) and Maxzide-25MG(R). These agreements were subject to regulatory approval which was received on August 2, 1996. Since 1984 these products, which were developed and manufactured by Mylan, were marketed by AHP's Lederle Laboratories Division under a worldwide license arrangement.

Under the terms of the new agreements the Company is now marketing the products in the United States. AHP retained marketing rights in a few select foreign countries and will continue to purchase product from the Company. AHP also retains ownership of certain trademarks and trade dress which have been licensed to the Company for a period of five years. At the end of the five year period ownership of these intangibles will be transferred to the Company. In connection with the new agreements both parties agreed to terminate all legal actions between the companies relating to Maxzide(R) and Maxzide-25mg(R).

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTH PERIOD ENDED
DECEMBER 31, 1996

Unaudited

- D. (con't) As a result of the transaction the Company has recorded an intangible asset of approximately \$70 million representing the present value of the minimum payments due to AHP and liabilities of approximately \$50 million representing such amount less the payment made by the Company to AHP upon consummation of the transaction. The Company will recognize expense of approximately \$2.8 million annually through the amortization of this intangible asset over the estimated useful life of the asset. Additionally the Company will recognize interest expense on the outstanding obligation to AHP. From consummation of the transaction (August 2, 1996) through December 31, 1996 the Company recognized \$2,587,000 in amortization and interest expense.

In connection with the transaction, the Company also began selling a generic version of Dyazide(R). The previous license arrangement with AHP prevented the Company from marketing this product. Mylan has agreed to pay to AHP certain amounts predicated upon the gross profits realized by the Company resulting from the sales of this generic product for a period of three years. Such payments, along with any trademark license royalties in excess of the agreed upon minimums, are being expensed as incurred by the Company.

- E. Equity in Earnings of Somerset includes the Company's 50% portion of the net earnings of Somerset Pharmaceuticals Inc. ("Somerset"), certain management fees and amortization of intangible assets resulting from the acquisition of Somerset. Such intangible assets are being amortized over a 15 year period using the straight line method.

Condensed unaudited financial information of Somerset for the three and nine month periods ended December 31, 1996 and 1995 are as follows: (in thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	1996	1995	1996	1995
	----	----	----	----
Net Sales	\$19,685	\$31,916	\$76,052	\$82,094
Costs and Expenses	(7,378)	(12,230)	(35,406)	(32,423)
Income Taxes	(3,904)	(5,700)	(14,048)	(15,288)
	-----	-----	-----	-----
Net Earnings	\$ 8,403	\$13,986	\$26,598	\$34,383
	=====	=====	=====	=====

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

MYLAN LABORATORIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTH PERIOD ENDED
DECEMBER 31, 1996
Unaudited

- E. (con't) Somerset's marketing exclusivity for Eldepryl(R) under the Orphan Drug Act expired on June 6, 1996. In late May 1996 Somerset received FDA approval to market an easy-to-identify capsule which was launched immediately by Somerset. This launch along with increased research and development expenses was responsible for the increase in Costs and Expenses over the prior year's nine month period.

In August 1996, the Food and Drug Administration ("FDA") approved three companies to market a generic tablet form of Eldepryl(R). Somerset filed a complaint against the FDA requesting injunctive and declaratory relief and a review of agency action, and simultaneously requested a temporary restraining order in connection with these approvals by the FDA. Somerset maintains that such approval should not have been granted by the FDA because the tablets were not approved in accordance with law. While the Court denied Somerset's request for a temporary restraining order, the evidentiary hearing on the preliminary injunction has been set for mid February 1997, and a motion regarding discovery is pending.

- F. On August 23, 1996, the Company's Board of Directors adopted a Shareholder Rights Plan ("the Plan"). A dividend distribution was made to Shareholders of record on September 5, 1996 of one Preferred Share Purchase Right ("the Right") on each outstanding share of the Company's common stock. The 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. The Company is entitled to redeem the Rights at \$.001 per Right at any time prior to ten days after the time any person acquires 15% or more of the Company's common stock. The Rights will expire on September 5, 2006 unless previously redeemed or exercised.

PART 1 - FINANCIAL INFORMATION

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

Results of Operations

Net sales were a record high \$113,981,000 and \$321,505,000 for the three and nine months ended December 31, 1996. This represents a 25% and 8% increase over the prior year comparable periods. The increases are primarily attributable to increased generic volume, the addition of UDL and the launch of the Company's branded products Maxzide(R) and Nitrek(TM).

Gross margin as a percent of net sales decreased from 48% and 52% for the three and nine months ended December 31, 1995 to 41% and 42% for the three and nine months ended December 31, 1996. The decrease in rates from the prior periods is due to the continued pricing pressures in the generic industry and sales of UDL product which generally have a lower gross profit ratio.

Research and development expenditures for the three and nine month periods ended December 31, 1996 were \$10,775,000 and \$31,561,000 compared to \$10,948,000 and \$28,560,000 for the three and nine month periods ended December 31, 1995. These amounts are indicative of the Company's commitment to aggressive research programs for both generic and innovative compounds.

Selling and administrative expenses were \$19,566,000 and \$60,282,000 for the three and nine month periods ended December 31, 1996 compared to \$14,106,000 and \$41,769,000 for the three and nine month periods ended December 31, 1995. The increases over the prior periods is due to recurring expenses associated with the UDL and Maxzide(R) acquisitions along with non-recurring charges relating to provisions for legal settlements, launch costs associated with Maxzide(R) and the bankruptcy of a customer in the current year.

Somerset's contribution to the Company's earnings per share was \$.03 and \$.11 for the three and nine month periods ended December 31, 1996 compared to \$.06 and \$.15 for the three and nine month periods ended December 31, 1995. The introduction of generic competition on Eldepryl(R) coupled with higher levels of research and development expenditures has and will continue to adversely affect Somerset's contribution to the Company's net earnings per share (see note E).

Liquidity and Capital Resources and Financial Condition

Working capital decreased from \$330,733,000 at March 31, 1996 to \$306,287,000 at December 31, 1996. The ratio of current assets to current liabilities was 7.8 to 1 at March 31, 1996 and 5.1 to 1 at December 31, 1996. The change in the current ratio is primarily attributable to the Maxzide(R) acquisition agreements (see note D) which resulted in an increase in the current portion of long-term debt and a decrease in cash and cash equivalents.

Net cash provided from operating activities was \$46,096,000 for the nine months ended December 31, 1996 compared to \$72,567,000 for the same period last year. The change is primarily attributable to decreased earnings, the timing of accounts receivable collections, and payment of income taxes.

Additions to property, plant and equipment amounted to \$20,094,000 for the nine months ended December 31, 1996. Capital expenditures are principally related to the completion of a research and development facility and construction of a sustained release facility, both in Morgantown, West Virginia.

The increases in intangible assets and long-term obligations are due principally to the Maxzide(R) transaction as described in Note D.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibit 27 required by Item 601(c) of Regulation S-X filed herewith.
- (b) Reports on Form 8-K - There were no reports on Form 8-K during the three months ended December 31, 1996.

SIGNATURES

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

Mylan Laboratories Inc.
(Registrant)

DATE 1/30/97

/s/ Milan Puskar

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

DATE 1/30/97

/s/ Frank A. DeGeorge

Frank A. DeGeorge
Director of Corporate Finance

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

The schedule contains summary financial information extracted from the Consolidated Balance Sheets at December 31, 1996 and the Consolidated Statement of Earnings for the nine months ended December 31, 1996 and is qualified in its entirety by reference to such financial statements.

9-mos

	MAR-31-1997	
	DEC-31-1997	
	154,723,000	
	12,069,000	
	108,835,000	
	11,754,000	
	97,268,000	
	380,302,000	
	193,539,000	
	60,282,000	
	780,464,000	
74,015,000		0
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	0	
	61,321,000	
	589,548,000	
780,464,000		
	321,505,000	
	321,505,000	
	186,344,000	
	186,344,000	
	91,843,000	
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	433,000	
	68,091,000	
	18,651,000	
49,440,000		
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	49,440,000	
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	.41	