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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 1934 For the Fiscal Year Ended March 31, 2001 Commission File No. 1-9114

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

| Pennsylvania | 25-1211621 |
|---|---|
| (State of Incorporation) | (IRS Employer Identification No.) |

1030 Century Building
130 Seventh Street
Pittsburgh, Pennsylvania 15222(412) 232-0100

(Address, including zip code, and telephone number, including area code, of principal executive offices)

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 as of June 20, 2001, was $3,411,923,773 (computed by reference to the closing price of such stock).

The number of shares of Common Stock of the registrant outstanding as of June 20, 2001, was 130,854,713.

DOCUMENTS INCORPORATED BY REFERENCE

Incorporated by reference into this Report is the Proxy Statement for the 2001 Annual Meeting of Shareholders, Part III, Items 10-13.

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MYLAN LABORATORIES INC.

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For the Fiscal Year Ended March 31, 2001

PART III



PART IV

PART I

Item 1. Business

Mylan Laboratories Inc. is engaged in developing, licensing, manufacturing, marketing and distributing generic and brand pharmaceutical products. We were incorporated in Pennsylvania in 1970. References herein to fiscal 2001, 2000 and 1999 shall mean the fiscal years ended March 31, 2001, 2000 and 1999, respectively.

Overview of Our Business

We conduct business through our generic (Generic Segment) and brand (Brand Segment) pharmaceutical operating segments. For fiscal 2001, the Generic Segment represented approximately 83% of net revenues and the Brand Segment represented approximately 17% of net revenues. The Generic Segment represented 85% and 88% of net revenues in fiscal 2000 and 1999, respectively, while the Brand Segment reported 15% and 12% of net revenues for those fiscal years. The financial information for our operating segments required by this Item is provided in Note 16 in the Notes to Consolidated Financial Statements under Part II, Item 8, of this Report.

Pharmaceutical products in the United States are generally marketed as either brand or generic drugs. Brand products are marketed under brand names and through programs that are designed to generate physician and consumer loyalty. Brand products generally are patent protected or benefit from other non-patent market exclusivities that exist at the time of their market introduction. This market exclusivity generally provides brand products with the ability to maintain their profitability for relatively long periods of time. Brand products generally continue to have a significant role in the market after the end of patent protection or market exclusivities due to physician and customer loyalties.

Generic pharmaceutical products are the chemical and therapeutic equivalent of a reference brand drug. The Drug Price Competition and Patent Term Restoration Act of 1984 (Waxman-Hatch Act) provides that generic drugs may enter the market after (1) U.S. Food and Drug Administration (FDA) approval of an Abbreviated New Drug Application (ANDA) and (2) the expiration, invalidation or circumvention of any patents on the corresponding brand drug and the end of any other market exclusivity periods related to the brand drug. Generic drugs are bioequivalent to their brand name counterparts. Accordingly, generics provide a safe, effective and cost efficient alternative to users of these brand products. Growth in the generic pharmaceutical industry has been driven by the increased acceptance of generic drugs as bioequivalent substitutes for brand name products, as well as the number of brand drugs for which patent terms and/or FDA market exclusivities have expired.

Generic Segment

We are recognized as a leader in the generic pharmaceutical industry. Our Generic Segment consists of two principal business units, Mylan Pharmaceuticals Inc.(Mylan Pharm) and UDL Laboratories Inc.(UDL), both wholly owned subsidiaries. Mylan Pharm is our primary generic pharmaceutical development, manufacturing, marketing and distribution arm. Mylan Pharm's net revenues are derived primarily from solid oral dosage products. We acquired UDL in fiscal 1996. UDL packages and markets generic products, either obtained through Mylan Pharm or purchased through third parties, in unit dose formats for use primarily in hospitals and institutions. Our Generic Segment is augmented by transdermal patch products developed and manufactured by our wholly owned subsidiary, Mylan Technologies, Inc.(Mylan Tech).

We obtain new products primarily through new product development and FDA approval, as well as from licensing or co-development arrangements with other companies. New FDA approved generic products are generally introduced to the marketplace at the expiration of patent protection for the brand product. The FDA may extend the period of brand product marketing exclusivity under certain circumstances, primarily through pediatric exclusivity. New generic product approvals are obtained from the FDA through the ANDA process. The ANDA process requires us to demonstrate bioequivalence to a reference brand product. In addition, we must develop formulations of the reference product that will result in demonstrating bioequivalence under a variety of clinical conditions. Even with the uncertainties related to formulation development, the ANDA process often results in the FDA granting a number of ANDA approvals for a given product by the time of brand product patent and pediatric exclusivity expiration. Consequently, we often face a number of competitors when a new generic product enters the market. Additional ANDA approvals often continue to be granted for a given product subsequent to the initial launch of the generic product. These circumstances generally result in significantly lower prices for generic products and lower margins compared to brand products. New generic market entrants generally result in continued price and margin erosion over the generic product life cycle. Our continued success is dependent upon our ability to successfully develop or acquire and profitably market new generic pharmaceuticals.

The Waxman-Hatch Act provides for a period of 180 days of generic marketing exclusivity for those ANDA applicants that are first to file an ANDA containing a certification of invalidity, non-infringement or unenforceability with respect to the listed patent(s), referred to as Paragraph IV certifications. This period of generic market exclusivity generally yields a higher market share, net revenues and gross margin until the entry of other competitors at the conclusion of the 180 days. Generic manufacturers may also enjoy longer periods of relatively high, stable margins through the introduction of difficult to develop generic pharmaceuticals. Significant market opportunities also result in the event that we are able to demonstrate that a brand pharmaceutical product's limiting patent(s) is invalid.

We manufacture and market approximately 115 generic pharmaceuticals in capsule or tablet forms in an aggregate of approximately 261 dosage strengths. We also manufacture and distribute two transdermal patch generic pharmaceutical products in six dosage strengths. In addition, we are marketing 72 generic products in 128 dosage strengths under supply and distribution agreements with other pharmaceutical companies. We have been successful in developing a number of extended release products with approximately eight extended release products in 15 dosage strengths in our portfolio. In fiscal 2001, we held the first or second market position on 90 out of the 129 generic pharmaceutical products we marketed, excluding unit-dose.

Our most significant generic product in terms of net revenues in fiscal 2001 was nifedipine ER (Procardia XL(R)), for the treatment of hypertension and angina, with net revenues of $151.3 million. We obtained this product through an agreement with Pfizer, Inc. As a result, our gross margins on this product are relatively lower than our overall Generic Segment gross margins. Net revenues and gross margins on this product are expected to decrease in fiscal 2002. Our anti-anxiety drug group represented $27.8 million, $106.8 million and $153.8 million in net revenues in fiscal 2001, 2000 and 1999, respectively.

We sold certain ANDAs related to our UDL liquid unit dose business in fiscal 2001 for $12.8 million. The sale of these ANDAs will not significantly impact future profitability.

We have attained a leadership position in the generic industry through our ability to obtain ANDA approvals, our uncompromising quality control and our devotion to customer service. We have bolstered our traditional solid oral dose products with unit dose, transdermal and extended release products. We have entered into strategic alliances with several pharmaceutical companies through product development, distribution and licensing agreements that provide us with additional products to broaden our product line.

We expect that our future growth will come from our ability to expand substitution rates for existing products. We intend to emphasize the development or acquisition of new products that may attain FDA first to file status; that are difficult to formulate; that involve overcoming regulatory adversities; and that have difficult to source active pharmaceutical ingredients. In addition, we plan on pursuing complementary, accretive or strategic acquisitions.

Brand Segment

Our Brand Segment operates principally through our wholly owned subsidiary Bertek Pharmaceuticals Inc. (Bertek). Bertek's principal therapeutic areas of concentration include neurology and dermatology. We also provide products in the cardiology arena such as Maxzide(R), Digitek(R) and Nitrek(R). The marketing rights for the Maxzide(R) products, which we originally developed and currently manufacture, were reacquired from American Home Products Corporation in fiscal 1997. Our Brand Segment includes pharmaceutical products that have patent protection, have achieved a brand recognition in the marketplace or represent branded generic pharmaceutical products which are responsive to sales promotion.

We continue to expand our brand business through internally developed products, as well as through product and company acquisitions. On October 2, 1998, we acquired 100% of the outstanding stock of Penederm Inc. (Penederm). This acquisition allowed us to expand our presence in dermatology through the addition of Avita(R), Mentax(R) and Acticin(R). In fiscal 1999, we recognized $29.0 million in expense related to in-process research and development in conjunction with this transaction.

The Penederm acquisition enhanced our research and development capabilities. We have several dermatological products in the new drug development process, including oral and topical dosage forms of butenafine for onychomycosis, a nail fungus, as well as topical butenafine for tinea versicolor, a type of skin blotching, and anticipate the submission of the New Drug Applications (NDA) to the FDA. We also anticipate receiving an ANDA for isotretinoin, the generic equivalent to Accutane(R) for the treatment of acne, in fiscal 2002. In the area of neurology, we expect to seek a NDA for apomorphine for the treatment of the "off" or "freeze" phenomenon for late stage Parkinson's disease. We are also seeking a NDA for doxepin for the treatment of sleep disorders. In addition, we anticipate approval of an ANDA for the 200mg and 300mg dosage forms of extended phenytoin, for the treatment of epilepsy, in fiscal 2002. See "Product Development" for additional discussion.

We licensed the rights to nebivolol in fiscal 2001. Nebivolol is a beta blocker for which we expect to pursue a NDA for the indication of hypertension. We believe that we will be able to clinically demonstrate the unique beta 1-receptor blockade selectivity characteristics of this product which could result in providing nebivolol with certain competitive advantages. The nebivolol compound has patent protection in the U.S. through March 2004, which we anticipate will be extended through 2009. An additional patent application has been filed that could further extend patent protection on this compound. We expect to experience increased research and development expenses in support of the nebivolol clinical program, as well as milestone payments under our license agreement.

Mylan Tech also contributes to the Brand Segment through the manufacture of the Nitrek(R) transdermal nitroglycerine patch. Mylan Tech provides us with unique capabilities in transdermal and polymer film product development. We believe that Mylan Tech will augment both the Brand and Generic Segments with future NDA and ANDA products.

Our sales force consists of approximately 160 sales representatives which promote our brand products mostly to primary care physicians, dermatologists, neurologists and pharmacists. We expect our sales force to increase as we launch new brand pharmaceutical products.

We consolidated our non-manufacturing Brand Segment operations in fiscal 2001 from Foster City, California, Sugar Land, Texas and Morgantown, West Virginia into a new location in Research Triangle Park (RTP), North Carolina. We believe that this consolidation will increase the efficiency and effectiveness of our Brand Segment. The expense associated with this consolidation was not significant.

Brand segment growth will be driven by our ability to expand awareness and prescriptions for our current products, as well as through the successful development and introduction of innovative and unique brand pharmaceuticals. As in the past, we will look to increase the proportion of our Brand Segment business through the in-licensing or acquisition of new compounds, as well as through complementary, accretive or strategic acquisitions.

## Joint Venture

We own a 50% interest in Somerset Pharmaceuticals, Inc., a joint venture with Watson Pharmaceuticals, Inc. Currently, Somerset's only marketed product is Eldepryl(R) , a drug for the treatment of Parkinson's disease that lost Orphan Drug exclusivity in 1996. Somerset is actively involved in research projects regarding additional indications for Eldepryl(R) and other chemical compounds.

## Product Development

The Company is required to secure and maintain FDA approval for the products it intends to manufacture and market. The FDA grants such approval by approving our submitted ANDAs for generic drug products and NDAs for brand drug products.

Our research and development strategy focuses on the following product development areas:

- development of sustained-release technologies and the application of these technologies to existing products;
- expansion of our existing oral immediate-release products with respect to additional dosage strengths;
- development of NDA and ANDA transdermal and polymer film pharmaceuticals;
- development of drugs technically difficult to develop or manufacture because of unusual factors that affect their bioequivalence or because of unusually stringent regulatory requirements;
- development of drugs that target smaller, specialized or under-served markets;
- leveraging of our expertise in the development of innovative dermatological and neurological pharmaceuticals; and
- successful completion of nebivolol clinical trials and filing of the related NDA.

Our future results of operations will depend in part upon our ability to develop and successfully commercialize new brand and generic pharmaceutical products in a timely manner. These new products must be continually developed, tested and manufactured and, in addition, must meet regulatory standards and receive regulatory approvals(see "Government Regulation"). Furthermore, the development and commercialization process is time-consuming and costly. If any of our development products cannot be successfully or timely commercialized, our operating results could be adversely affected. The risk particularly exists with respect to the development of brand products because of the uncertainties, higher costs and lengthy timeframes associated with the research and development and governmental approval process of such products and their inherent unproven market acceptance.

FDA approval is required before any dosage form of any new drug, including a generic equivalent of a previously approved drug, can be marketed. The process for obtaining governmental approval to manufacture and market pharmaceutical products is rigorous, time-consuming and costly, and we cannot predict the extent to which it may be affected by legislative and regulatory developments. We are dependent on receiving FDA and other governmental approvals prior to manufacturing, marketing and shipping new products. The rate, timing and cost of such approvals may adversely affect our product introduction plans and results of operations (see "Government Regulation").

All applications for FDA approval must contain information relating to product formulation, raw material suppliers, stability, manufacturing processes, packaging, labeling and quality control. There are generally two types of applications for FDA approval that would be applicable to our new products:

New Drug Application (NDA). We file a NDA when we seek approval to market drugs with active ingredients which have not been previously approved by the FDA. NDAs are filed for our newly developed brand products and, in certain instances, for a new dosage form of previously approved drugs.

Abbreviated New Drug Application (ANDA). We file an ANDA when we seek approval to market a drug product previously approved under a NDA.

We expensed $64.4 million, $49.1 million and $61.8 million for research and development in fiscal 2001, 2000 and 1999, respectively. Our research and development efforts are conducted primarily to qualify us to manufacture approved ethical pharmaceuticals under FDA regulations. Typically, research expenses related to the development of innovative compounds and the filing of NDAs are significantly higher than those associated with ANDAs. As we continue to develop brand products, research expenses related to their development will likely increase.

Generic Product Development

FDA approval of an ANDA is required before we may begin marketing the generic equivalent of a drug that has been approved under a NDA, or a previously unapproved dosage form of a drug that has been approved under an ANDA. The ANDA approval process is generally less time consuming and complex than the NDA approval process in that it does not require new preclinical and clinical studies since it relies on the clinical studies establishing safety and efficacy conducted for the previously approved drug. The ANDA process does, however, require a bioequivalency study to show that the ANDA drug is bioequivalent to the previously approved drug. Bioequivalence compares the bioavailability of one drug product with another formulation containing the same active ingredient. When established, bioequivalency confirms that the rate of absorption and levels of concentration in the bloodstream of a formulation of the previously approved drug and the generic drug are bioequivalent. Bioavailability indicates the rate and extent of absorption and levels of concentration of a drug product in the bloodstream needed to produce a therapeutic effect.

Among other things, supplemental NDAs or ANDAs are required for approval to transfer products from one manufacturing site to another and may be under review for a year or more. In addition, certain products may only be approved for transfer once new bioequivalency studies are conducted or other requirements are satisfied.

The Generic Drug Enforcement Act of 1992 established penalties for wrongdoing in connection with the development or submission of an ANDA. Under the Act, the FDA has the authority to permanently or temporarily debar companies or individuals who have engaged in such wrongdoing from submitting or assisting in the submission of an ANDA, and to temporarily deny approval and suspend applications to market off-patent drugs. The FDA may also suspend the distribution of all drugs approved or developed in connection with such wrongful conduct and/or withdraw approval of an ANDA and seek civil penalties. The FDA can also significantly delay the approval of any pending ANDA, as well as any pending NDA, under the Fraud, Untrue Statements of Material Facts, Bribery and Illegal Gratuities Policy Act.

Among the requirements for FDA approval of ANDAs, as well as NDAs, is that our manufacturing procedures and operations must conform to FDA requirements and guidelines generally referred to as current Good Manufacturing Practices (cGMP), as defined in Title 21 of the U.S. Code of Federal Regulations. These regulations encompass all aspects of the production process, including validation and record keeping, and involve changing and evolving standards. In complying with the cGMP regulations, we must continue to expend time, money and effort in such areas as production and quality control to ensure full technical compliance. The evolving and complex nature of regulatory requirements, the broad authority and discretion of the FDA, and the generally high level of regulatory oversight result in a continuing possibility that we may be adversely affected by regulatory actions despite our efforts to maintain compliance with regulatory requirements.

During fiscal 2001, we received 12 final ANDA approvals: bupropion HCl tablets, tamoxifen citrate tablets, enalapril maleate tablets, bisoprolol fumarate/HCTZ tablets, doxazosin mesylate tablets, fluvoxamine maleate tablets, terazosin HCl capsules, sotalol HCl tablets, valproic acid syrup, metoclopramide oral solution, phenytoin oral suspension and buspirone HCl tablets. Additionally, in fiscal 2001, the Company received a supplemental ANDA for carbidopa/levodopa 25mg/100mg tablets. We have 22 ANDAs pending final approval at the FDA.

Over the next few years, patent protection on a relatively large number of brand drugs will expire, thereby providing additional generic product opportunities. We intend to continue to concentrate our generic product development activities on brand products with U.S. sales exceeding $50 million in specialized or growing markets and in areas that offer significant opportunities and competitive advantages. In addition, we intend to continue to focus our development efforts on technically difficult-to-formulate products, or products that require advanced manufacturing technology. When evaluating which drug development projects to undertake, we also consider whether the product would complement other products in our portfolio, or would otherwise assist in making our product line more complete. During fiscal 2002, we plan to invest in a significant number of bioequivalency studies for development of generic products or dosage forms.

Brand Product Development

The process required by the FDA before a previously unapproved pharmaceutical product may be marketed in the U.S. generally involves the following:

- laboratory and preclinical tests;
- submission of an investigational new drug application (IND), which must become effective before clinical trials may begin;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed product for its intended use;
- submission of a NDA containing the results of the clinical trials establishing the safety and efficacy of the proposed product for its intended use, as well as extensive data addressing such matters as manufacturing and quality assurance; and
- FDA approval of a NDA.

Preclinical tests include laboratory evaluation of the product, its chemistry, formulation and stability, as well as toxicology studies to assess the potential safety and efficacy of the product. We then submit the results of these studies, which must demonstrate that the product delivers sufficient quantities of the drug to the bloodstream to produce the desired therapeutic results, to the FDA as part of an IND, which must become effective before we may begin human clinical trials. The IND automatically becomes effective 30 days after receipt by the FDA unless the FDA, during that 30-day period, raises concerns or questions about the conduct of the trials as outlined in the IND. In such cases, the IND sponsor and FDA must resolve any outstanding concerns before clinical trials can begin. In addition, an independent Institutional Review Board at the study center proposing to conduct the clinical trials must review and approve any clinical study.

Human clinical trials are typically conducted in three sequential phases, which may overlap:

- Phase I: The drug is initially introduced into a relatively small number of healthy human subjects or patients and is tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion.

- Phase II: Involves studies in a limited patient population to identify possible adverse effects and safety risks to assess the efficacy of the product for specific targeted diseases or conditions, and to determine dosage tolerance and optimal dosage.

- Phase III: When Phase II evaluations demonstrate a dosage range of the product is effective and has an acceptable safety profile, Phase III trials are undertaken to further evaluate dosage, clinical efficacy and to further test for safety in an expanded patient population at geographically dispersed clinical study sites.

The results of product development, preclinical studies and clinical studies are then submitted to the FDA, as part of a NDA, for approval of the marketing and commercial shipment of the new product. The NDA drug development and approval process could take from three to more than ten years.

Mylan is presently developing a number of brand products. Our brand product development continues to emphasize areas where we have an existing sales and marketing presence, namely Dermatology and Neurology. Products currently in development include:

| Compound | Indication | Phase | Estimated IND or NDA Calendar Filing Date |
|---|---|---|---|
| NEUROLOGY | | | |
| Apomorphine | "Off" or "Freeze" episodes in late stage Parkinson's disease | III | Q1 02 |
| Doxepin | Sleep disorders | III | Q1 04 |
| MT110 | Pain management | Pre-IND | Q3 01 |
| MT111 | Pain management | Pre-IND | Q3 01 |
| DERMATOLOGY | | | |
| Topical Butenafine | Onychomycosis (Nail fungus) | III | Q4 02 |
| Oral Butenafine | Onychomycosis (Nail fungus) | III | Q4 03 |
| CARDIOLOGY | | | |
| Nebivolol | Hypertension (High blood pressure) | III | Q4 03 |

In the first quarter of fiscal 2002, we received FDA approval of our NDA related to topical butenafine for tinea versicolor, a condition marked by skin blotches.

Product development is inherently risky, especially when the development concerns new products for which safety and efficacy has not been established and the market for which is yet unproven. The development process also requires substantial time, effort and financial resources, and any commercialization of a product will require prior government approval, which may not be forthcoming. We cannot be certain that we will be successful in commercializing any of the products we are developing on a timely basis, if at all. We also cannot guarantee that any investment we make in developing products will be recouped, even if we are successful in commercialization.

In recent years, Somerset has increased its research and development spending to: (a) develop additional indications for selegiline, the active ingredient of Eldepryl(R), using a transdermal delivery system and (b) develop and evaluate different therapeutic areas using selegilene and other compounds. Clinical studies using the selegiline transdermal system for the treatment of several disorders, including depression, were performed in fiscal 1999, 2000 and 2001. Somerset filed a NDA related to a selegiline transdermal delivery system for the treatment of depression in May 2001.

Patents, Trademarks and Licenses

We own or are licensed under a number of patents in the United States and foreign countries covering products, and have also developed many brand names and trademarks for products. Generally, the brand pharmaceutical business relies upon patent protection to ensure market exclusivity for the life of the patent. Following the expiration of the patents, brand products often continue to have market viability based upon the good will of the product name, which typically enjoys trademark protection. We consider the overall protection of our patents, trademarks and license rights to be of material value and act to prevent these rights from infringement; however, our business in the brand segment is not dependent upon any single patent, trademark or license. See "Brand Segment" in this Item 1.

Customers and Marketing

We sell our products primarily to proprietary and ethical pharmaceutical wholesalers and distributors, drug store chains, drug manufacturers, institutions and governmental agencies within the U.S. Two of our customers represented approximately 14% and 11% of net revenues in fiscal 2001. Four of our customers accounted for approximately 15%, 15%, 11%, and 10% of net revenues in fiscal 2000. Three customers accounted for approximately 15%, 14%, and 11% of net revenues in fiscal 1999.

Based on industry practice, generic manufacturers have liberal return policies and have been willing to give customers post-sale inventory allowances referred to as shelf-stock adjustments. Under these arrangements, we give customers credits on our generic products which the customers hold in inventory after decreases in the market prices of the generic products. Like our competitors, we also give credits for chargebacks to our wholesale customers who sell our products to hospitals, institutions, group purchasing organizations, pharmacies or other retail customers under pricing agreements. A chargeback is the difference between the price the wholesale customer pays and the third party price for the product under the third party pricing agreement with us. Approximately 60 employees are engaged in selling and servicing our Generic Segment customers.

Brand pharmaceutical products are marketed directly to health care professionals in order to increase brand awareness and prescriptions written for the product. However, brand and branded generic products are generally sold through the same channels and customers as generic products. 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. Branded generic products are often subject to the same return policies, shelf-stock adjustments and chargebacks as generic pharmaceutical products. Approximately 240 employees are engaged in marketing, selling and servicing our Brand Segment customers.

Competition

The pharmaceutical industry is very competitive. Our primary competitors include Bristol-Myers Squibb Company, Eli Lilly and Company, Geneva Pharmaceuticals, GlaxoSmithKline, IVAX Corporation, Merck & Co.,Inc., Novartis, Teva Pharmaceutical Indstries Ltd. and Watson Pharmaceuticals, Inc.

The primary means of competition are innovation and development, timely FDA approval, manufacturing capabilities, product quality, marketing, customer service, reputation and price. Price is a key competitive factor in the generic pharmaceutical business. To compete effectively on the basis of price and remain profitable, a generic drug manufacturer must manufacture its products in a cost-effective manner. Additionally, we maintain an adequate level of inventories to meet customer demands. The competition we experience varies among the markets and classes of customers. We have experienced additional competition from brand companies that have entered the generic pharmaceutical industry by creating generic subsidiaries, purchasing generic companies or licensing their products prior to or as relevant patents expire. No further regulatory approvals are required for a brand manufacturer to sell their pharmaceutical products directly or through a third party to the generic market, nor do such manufacturers face any other significant barriers to entry into such market.

Our competitors may be able to develop products and processes competitive with or superior to our own for many reasons, including that they may have:

- significantly greater financial resources;
- larger research and development and marketing staffs;
- larger production facilities; or
- extensive experience in preclinical testing and human clinical trials.

The pharmaceutical market is undergoing, and is expected to continue to undergo, rapid and significant technological change, and we expect competition to intensify as technological advances are made. We intend to compete in this marketplace by developing or licensing pharmaceutical products that are either patented or proprietary and which are primarily for indications having relatively large patient populations or for which limited or inadequate treatments are available, and by developing therapeutic equivalents to brand products which offer unique marketing opportunities. Developments by others could make our pharmaceutical products or technologies obsolete or noncompetitive.

Net revenues and gross profit derived from generic pharmaceutical products tend to follow a pattern of regulatory and competitive factors unique to the generic pharmaceutical industry. The first generic manufacturer to file an ANDA containing Paragraph IV certification for a generic equivalent to a brand product may be entitled to a 180-day period of marketing exclusivity under the Waxman-Hatch Act. During this exclusivity period, the FDA cannot give final approval to any other generic equivalent. If we are not the first generic applicant, our generic product will be kept off the market for 180 days after the first generic commercial launch of the product. The first generic equivalent on the market is usually able to achieve relatively significant market share. As competing generics receive regulatory approvals on similar products, market share, net revenues and gross profit typically decline. Accordingly, the level of market share, net revenues and gross profit attributable to generic products developed and manufactured by us is normally related to:

- our ability to maintain a pipeline of products in development;
- our ability to develop and rapidly introduce new products;
- the timing of regulatory approval of such products;

- the number and timing of regulatory approvals of competing products; and

- our ability to manufacture such products efficiently.

Because of the regulatory and competitive factors discussed above, our net revenues and results of operations historically have fluctuated from period to period. We expect this fluctuation to continue as long as a significant part of our net revenues are generated from sales of generic pharmaceuticals.

In addition, many brand drug companies are increasingly pursuing strategies to prevent or delay the introduction of generic competition. These strategies include:

- seeking to establish regulatory and legal obstacles which would make it more difficult to demonstrate bioequivalence of our products;

- initiating legislative efforts in various states to limit the substitution of generic versions of certain types of brand pharmaceuticals;

- instituting legal action that automatically delays approval of generic products, the approval of which requires certifications that the brand drug's patents are invalid or unenforceable;

- obtaining FDA approval for a rare disease or condition and, as a result, obtaining seven years of exclusivity for such indication;

- obtaining extensions of market exclusivity by conducting trials of brand drugs in pediatric populations as discussed below; and

- persuading the FDA to withdraw the approval of brand drugs, the patents for which are about to expire.

The Food and Drug Modernization Act of 1997 includes a pediatric exclusivity provision, if certain agreed upon pediatric studies are completed by the applicant, that may provide an additional six months of market exclusivity for indications of new or currently marketed drugs. Brand companies are utilizing this provision to increase their period of market exclusivity.

Additionally, in the United States, some companies have lobbied Congress for amendments to the Waxman-Hatch legislation, which could give them additional advantages over generic competitors. For example, although the term of a drug company's drug patent can be extended to reflect a portion of the time a NDA is under regulatory review, some companies have proposed extending the patent term by a full year for each year spent in clinical trials, rather than the one-half year that is currently allowed. If proposals like these become effective, our entry into the market and our ability to generate revenues associated with these products will be delayed.

A significant amount of our generic pharmaceutical sales are made to a relatively small number of drug wholesalers and retail drug chains. These customers represent an essential part of the distribution chain of generic pharmaceutical products. Drug wholesalers and retail drug chains have undergone, and are continuing to undergo, significant consolidation, which has resulted in customers gaining more purchasing leverage and consequently increasing the pricing pressures facing our generic pharmaceutical business. Further consolidation among our customers may result in even greater pricing pressures and correspondingly reduce the net revenues and gross margins of this business.

Other competitive factors affecting our business include the emergence of large buying groups representing independent retail pharmacies and the prevalence and influence of managed care organizations and similar institutions, which are able to extract price discounts on pharmaceutical products. As the influence of these entities continues to grow, we may continue to face pricing pressure on the products we market.

In response to the price declines for generic products, we 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 during these periods, several of these products have had significant price and unit erosion in subsequent periods. We continually evaluate our pricing practices and make adjustments to the price of our products when appropriate.

In the Brand Segment, we face competition from other brand pharmaceutical companies that offer products which, while having different properties, are intended to provide similar benefits to 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 and others could prevent us from achieving profitable results in the Brand Segment.

Product Liability

Product liability suits represent a continuing risk to firms in the pharmaceutical industry. We strive to minimize such risks by adherence to stringent quality control procedures. Although we carry insurance, we believe that no reasonable amount of insurance can fully protect us against all such risks because of the potential liability inherent in the business of producing pharmaceuticals for human consumption.

Raw Materials

The active pharmaceutical ingredients and other materials and supplies used in our pharmaceutical manufacturing operations are generally available and purchased from many different foreign and domestic suppliers. However, in some cases, the raw materials we use to manufacture pharmaceutical products are only available from a single FDA-approved supplier. Even when more than one supplier exists, we may elect to list, and in some cases have only listed, one supplier in our applications with the FDA. Any change in a supplier not previously approved must then be submitted through a formal approval process with the FDA.

Government Regulation

All pharmaceutical manufacturers, including Mylan, are subject to extensive, complex and evolving regulation by the federal government, principally the FDA, and to a lesser extent, by the U.S. Drug Enforcement Administration and state government agencies. The Federal Food, Drug and Cosmetic Act, the Controlled Substances Act and other federal government statutes and regulations govern or influence the testing, manufacturing, packaging, labeling, storing, record keeping, safety, approval, advertising, promotion, sale and distribution of our products.

We are subject to the periodic inspection of our facilities, procedures and operations and/or testing of our products by the FDA, the Drug Enforcement Administration and other authorities. In addition, the FDA conducts pre-approval and post-approval reviews and plant inspections to determine whether our systems and processes are in compliance with cGMP and other FDA regulations. Among other things, the FDA may withhold approval of NDAs, ANDAs or other product applications of a facility if deficiencies are found at that facility. Certain of our vendors are subject to similar regulations and periodic inspections.

Following such inspections, the FDA may issue notices on Form 483 and Warning Letters that could cause us to modify certain activities identified during the inspection. A Form 483 notice is generally issued at the conclusion of a FDA inspection and lists conditions the FDA inspectors believe may violate cGMP or other FDA regulations. FDA guidelines specify that a Warning Letter is issued only for violations of "regulatory significance" for which the failure to adequately and promptly achieve correction may be expected to result in an enforcement action.

Failure to comply with FDA and other governmental regulations can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the FDA's review of NDAs, ANDAs or other product applications, enforcement actions, injunctions and criminal prosecution. Under certain circumstances, the FDA also has the authority to revoke previously granted drug approvals. Although we have internal compliance programs and have had a very favorable compliance experience, if these programs were not to meet regulatory agency standards or if our compliance was deemed deficient in any significant way, it could have a material adverse effect.

Medicaid, Medicare and other reimbursement legislation or programs govern reimbursement levels and require all pharmaceutical manufacturers to rebate a percentage of their revenues arising from Medicaid-reimbursed drug sales to individual states. The required rebate is currently 11% of the average manufacturer's price for sales of Medicaid-reimbursed products marketed under ANDAs. For sales of Medicaid-reimbursed products marketed under NDAs, manufacturers are required to rebate the greater of approximately 15% of the average manufacturer's price, or the difference between the average net sales price and the lowest net sales price during a specific period. We believe that the federal and/or state governments may continue to enact measures in the future aimed at reducing the cost of drugs to the public. For example, over the past year, the extension of prescription drug coverage to all Medicare recipients has gained support among many federal legislators. We cannot predict the nature of any measures that may be enacted or their impact on our profitability.

Federal, state and local laws of general applicability, such as laws regulating working conditions, also govern us. In addition, we are subject, as are all manufacturers generally, to various federal, state and local environmental protection laws and regulations, including those governing the discharge of materials into the environment. We do not expect the costs of complying with such environmental provisions to have a material effect on our earnings, cash requirements or competitive position in the foreseeable future. However, changes to, or compliance with, such environmental provisions could have a material effect on our earnings, cash requirements or competitive position.

Continuing studies of the proper utilization, safety, and efficacy of pharmaceuticals and other health care products are being conducted by the industry, government agencies and others. Such studies, which increasingly employ sophisticated methods and techniques, can call into question the utilization, safety and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuance of product marketing.

## Seasonality

Our business, taken as a whole, is not materially affected by seasonal factors.

## Environment

We believe that our operations comply in all material respects with applicable laws and regulations concerning the environment. While it is impossible to accurately predict the future costs associated with environmental compliance and potential remediation activities, compliance with environmental laws is not expected to require significant capital expenditures and has not had, and is not presently expected to have, a material adverse effect on our earnings or competitive position.

## Employees

We employ approximately 2,220 persons, approximately 1,170 of whom serve in clerical, sales and management capacities. The remaining are engaged in production and maintenance activities.

The production and maintenance employees at our manufacturing facility 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, 2001, the uncompleted portion of our backlog of orders was approximately $22.1 million as compared to $28.2 million at March 31, 2000, and $7.4 million at March 31, 1999. Because of the relatively short lead time required in filling orders for our products, we do not believe these backlog amounts bear a significant relationship to sales or income for any full twelve-month period.

Item 2. Properties

We operate from various facilities in the United States and Puerto Rico, which have an aggregate of approximately 1,420,000 square feet.

Mylan Pharm owns production, warehouse, laboratory and office facilities in three buildings in Morgantown, West Virginia, containing 549,000 square feet. Mylan Pharm owns and operates a 166,000 square foot distribution center in Greensboro, North Carolina. We closed a 38,000 square foot distribution center in Reno, Nevada, and have been released from the operating lease for this facility. In fiscal 2001, we completed the construction of a new 65,000 square foot administration and sales facility in Morgantown, West Virginia.

Our Puerto Rico manufacturing subsidiary, Mylan Inc., owns a production and office facility in Caguas, Puerto Rico, containing 140,000 square feet and a production facility in Cidra, Puerto Rico, containing 32,000 square feet.

In March 2001, Bertek consolidated administration from Sugar Land, Texas and research and development from Foster City, California, along with sales and marketing from Morgantown, to one facility in Research Triangle Park, North Carolina. This 72,000 square foot facility is under an operating lease, expiring in 2008. Bertek owns two buildings in Sugar Land, containing 73,000 square feet. One building is a production, warehouse and office facility. The other is an office facility and has been placed on the market for sale. Bertek leases a research and development facility in Foster City, California, containing 15,000 square feet. We are pursuing a sublease related to this facility.

Mylan Tech owns production, warehouse, laboratory, and office facilities in three buildings in Swanton and St. Albans, Vermont, containing 118,000 square feet. Mylan Tech also operates a coating and extrusion facility in St. Albans, containing 71,000 square feet, under a lease expiring in 2015. Mylan Tech also owns two facilities in Swanton containing 59,000 square feet that it leases to an independent manufacturer.

UDL owns production, laboratory, warehouse, and office facilities in three buildings in Rockford, Illinois, and Largo, Florida, containing 136,000 square feet. UDL also utilizes a warehouse facility in Rockford containing 41,000 square feet under a lease expiring in 2005. As discussed above, UDL sold ANDAs related to certain products produced in our Largo, Florida, facilities. We have determined that we will close these facilities and place them on the market for sale.

Our production equipment includes that equipment necessary to produce and package tablet, capsule, aerosol, liquid, transdermal and powder dosage forms. We maintain seven analytical testing laboratories for quality control.

Our production facilities are operated on a two-shift basis. Properties and equipment are well maintained and adequate for present operations.

We also utilize approximately 7,000 square feet of office space located in Pittsburgh, Pennsylvania, under an operating lease expiring in 2003.

Item 3. Legal Proceedings

We had an agreement with Genpharm whereby we benefited from the sale of ranitidine tablets by Novopharm under a separate agreement between Genpharm and Novopharm. Based on an independent audit, Genpharm initiated a lawsuit in the general division of Ontario Court, Canada, 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. In March 2001, the Company, Genpharm and Novopharm reached a settlement dismissing all claims between the parties.

In June 1998, we filed suit in Los Angeles Superior Court against American Bioscience, Inc. (ABI), American Pharmaceutical Partners, Inc. (APP) and certain of their directors and officers. Our suit sought various legal and equitable remedies. In June 1999, the defendants filed their answer and a cross-complaint against the Company. The cross-complaint sought unspecified compensatory and punitive damages.

In August 2000, we entered into a settlement agreement with ABI, APP and certain of their directors and officers. The settlement resulted in the resolution of all differences, disputes and claims raised in the complaint and cross-complaint mentioned above. Upon settlement, we received $5,000,000 from ABI for our equity investment in VivoRx, Inc. In December 2000, as required under the terms of the settlement, we received payment from ABI for the transfer to ABI of ABI's common stock owned by us. This payment has been included in other income, net of expenses, in the amount of $9,200,000.

The Company was involved in a dispute with KaiGai Pharmaceuticals, Co. Ltd. (KaiGai) relating to a license and supply contract which both parties claim was breached. 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 appealed the award to the United States District Court for the Central District of California. In July 2000, our motion to dismiss KaiGai's appeal was granted.

In December 1998, the FTC filed suit in U.S. District Court for the District of Columbia 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 had agreed to indemnify these parties. The Company is a party to other suits filed in the same court involving the Attorneys General from all states and the District of Columbia and more than 25 putative class actions that allege the same conduct alleged in the FTC suit, as well as alleged violations of state antitrust and consumer protection laws.

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.

In July 2000, the Company reached a tentative agreement to settle the actions brought by the FTC and the States Attorneys General regarding raw material contracts for lorazepam and clorazepate. The Company has agreed to pay $100,000,000 plus up to $8,000,000 in attorneys' fees incurred by the States Attorneys General. Based on the FTC commissioners' approval of the tentative settlement with the FTC and States Attorneys General, in December 2000, the Company placed into escrow $100,000,000. Settlement papers have been executed and filed by the parties. The court has preliminarily approved the tentative settlement. Under the court's current schedule, a hearing with respect to final approval is scheduled for November 29, 2001.

In July 2000, the Company also reached a tentative agreement to settle private class action lawsuits filed on behalf of consumers and third-party reimbursers related to the same facts and circumstances at issue in the FTC and States Attorneys General cases. The Company has agreed to pay $35,000,000 to settle the third party reimburser actions, plus up to $4,000,000 in attorneys' fees incurred by counsel in the consumer actions. The tentative settlement has been preliminarily approved by the court, pursuant to which the Company placed into escrow $35,000,000 in March 2001. Under the court's current schedule, a hearing with respect to final approval is scheduled for November 29, 2001.

In total, the Company has agreed to pay up to $147,000,000 to settle these actions brought by the FTC, States Attorneys General, and certain private parties (Tentative Settlement). The Tentative Settlement also includes three companies indemnified by the Company - Cambrex Corporation, Profarmaco S.r.l. and Gyma Laboratories, Inc. Lawsuits not included in this Tentative Settlement principally involve alleged direct purchasers such as wholesalers and distributors.

The Company believes that it has meritorious defenses, with respect to the claims asserted, in those anti-trust suits which are not part of the Tentative Settlement and will vigorously defend its position. However, an adverse result in these cases, or if the Tentative Settlement is not given final approval by the court, the outcome of continued litigation of these cases could have a material adverse effect on the Company's financial position and results of operations.

A qui tam action was also 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. In January 2001, the District Court granted the Company's motion to dismiss. The time for filing an appeal has lapsed.

In addition to these cases, in January 1999, a class action suit was filed by Frank Ieradi on behalf of himself and other similarly situated shareholders in the U.S. District Court of the Western District of Pennsylvania. In this suit, the plaintiff alleged violations of federal securities laws by the Company and certain of its current and former directors and officers and asked for compensatory damages in an unspecified amount. In December 1999, the U.S. District Court of the Western District of Pennsylvania granted the Company's motion to dismiss the case. In August 2000, the U.S. Court of Appeals for the Third Circuit affirmed the decision of the District Court. No further appeal of this case has been taken.

The Company filed an ANDA seeking approval to market buspirone, a generic equivalent to Bristol-Myers Squibb's (BMS) BuSpar(R). The Company had filed the appropriate certifications relating to the patents then listed in the Orange Book for this product. On November 21, 2000, a new patent claiming the administration of a metabolite of buspirone (which BMS claims also covers the administration of buspirone itself) was issued to BMS. The subsequent listing of this patent in the Orange Book prevented the FDA from granting final approval for the Company's buspirone ANDA. On November 30, 2000, the Company filed suit against the FDA and BMS in the United States District Court for the District of Columbia. The complaint asked the court to order the FDA to immediately grant final approval of the Company's ANDA for the 15mg buspirone product and require BMS to request withdrawal of the patent from the Orange Book. Upon the Company posting a bond in the amount of $25,000,000, the court entered an order granting the Company's motion for a preliminary injunction. Following a brief stay by the court of appeals, the FDA granted approval for the Company's ANDA with respect to the 15mg strength. Upon receiving FDA approval, the Company commenced marketing and selling the product in March 2001. BMS appealed the preliminary injunction order to both the Court of Appeals for the Federal Circuit and the Court of Appeals for the District Court of Columbia Circuit. The Federal Circuit is hearing the appeal on an expedited basis.

The Company is involved in three other suits related to the buspirone ANDAs. In November 2000, the Company filed suit against BMS in the United States District Court for the Northern District of West Virginia. The suit seeks a declaratory judgement of non-infringement and/or invalidity of the BMS patent listed in November 2000. In January 2001, BMS sued the Company for patent infringement in the United States District Court for the District of Vermont and also in the United States Court for the Southern District of New York. In each of these cases, BMS asserts the Company infringes BMS' recently issued patent and seeks to rescind FDA approval of the Company's 15mg ANDA and to block approval of the 5mg, 10mg and 30mg strengths. It is expected that BMS will seek to recover damages equal to the profits it has lost as a result of the Company's sales of this product. While the suits are in the early stages, the Company believes it has meritorious defenses to the claims and intends to vigorously defend its position. An adverse outcome could have a material adverse effect on the Company's operations and/or financial position.

In February 2001, Biovail Corporation (Biovail) filed suit against the Company and Pfizer Inc. (Pfizer) in United States Federal District Court for the Eastern District of Virginia alleging anti-trust violations with respect to agreements entered into between the Company and Pfizer regarding nifedipine. The Company filed a motion to transfer the case to United States Federal District Court for the Northern District of West Virginia, which was granted. While this suit is in its early stages, the Company believes it has meritorious defenses to the claims asserted by Biovail and intends to vigorously defend its position. An adverse outcome could have a material adverse effect on the Company's operations and/or financial position.

In May 2001, Great Lakes Health Plan Inc. filed suit against the Company in the United States District Court for the Eastern District of Michigan, Southern Division. The suit alleges anti-trust claims based on a settlement agreement entered into by the Company with Bayer AG, Bayer Corporation and Pfizer Inc. regarding nifedipine. The Company believes the suit is without merit and intends to vigorously defend its position.

We are involved in various legal proceedings that are considered normal to our 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 results of our operations or our financial position.

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

None.

PART II

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

Our common stock is traded on the New York Stock Exchange under the symbol "MYL". The following table sets forth the quarterly high and low common share price information for the periods indicated:

| Fiscal 2001 | High | Low |
|---|---|---|
| First quarter | $32.25 | $17.00 |
| Second quarter | 27.94 | 18.06 |
| Third quarter | 30.00 | 22.50 |
| Fourth quarter | 25.85 | 21.00 |
| | | |
| Fiscal 2000 | | |
| First quarter | $28.38 | $21.63 |
| Second quarter | 30.31 | 17.06 |
| Third quarter | 25.63 | 17.19 |
| Fourth quarter | 30.00 | 22.50 |

As of April 30, 2001, we estimate that there were approximately 72,792 holders of our common stock, including those who held in street or nominee name.

We have paid dividends since April 1992. For both fiscal 2001 and 2000, we paid quarterly cash dividends of $.04 per common share.

Item 6. Selected Financial Data

The selected consolidated financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and the Notes to Consolidated Financial Statements included elsewhere in this report.

| (in thousands, except per share data and notes) Fiscal year ended March 31, | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|
| Statements of Earnings: | | | | | |
| Net revenues | $ 846,696 | $ 790,145 | $ 721,123 | $ 555,423 | $ 440,192 |
| Cost of sales | 464,521 | 369,377 | 339,342 | 288,290 | 259,666 |
| Gross profit | 382,175 | 420,768 | 381,781 | 267,133 | 180,526 |
| Operating expenses: | | | | | |
| Research and development | 64,385 | 49,121 | 61,843 | 46,278 | 42,633 |
| Selling and administrative | 151,212 | 148,688 | 122,468 | 96,708 | 79,948 |
| Acquired in-process research And development | - | - | 29,000 | - | - |
| Tentative litigation settlement | 147,000 | - | - | - | - |
| Earnings from operations | 19,578 | 222,959 | 168,470 | 124,147 | 57,945 |
| Equity in (loss) earnings of Somerset | (1,477) | (4,193) | 5,482 | 10,282 | 18,814 |
| Other income, net | 39,912 | 23,977 | 18,342 | 13,960 | 10,436 |
| Earnings before income taxes | 58,013 | 242,743 | 192,294 | 148,389 | 87,195 |
| Provision for income taxes | 20,885 | 88,497 | 76,885 | 47,612 | 24,068 |
| Net earnings | $ 37,128 | $ 154,246 | $ 115,409 | $ 100,777 | $ 63,127 |
| Selected Balance Sheet data at March 31, | | | | | |
| Working capital | $ 588,037 | $ 598,976 | $ 475,398 | $ 379,726 | $ 323,942 |
| Total assets | 1,465,973 | 1,341,230 | 1,206,661 | 847,753 | 777,580 |
| Long-term obligations | 23,345 | 30,630 | 26,827 | 26,218 | 32,593 |
| Total shareholders' equity | 1,132,536 | 1,203,722 | 1,059,905 | 744,465 | 659,740 |
| Per common share data: | | | | | |
| Net earnings - diluted | $ .29 | $ 1.18 | $ .91 | $ .82 | $ .51 |
| Shareholders' equity - diluted | $ 8.94 | $ 9.24 | $ 8.34 | $ 6.05 | $ 5.38 |
| Cash dividends declared and paid | $ .16 | $ .16 | $ .16 | $ .16 | $ .16 |
| Weighted average common shares Outstanding - diluted | 126,749 | 130,224 | 127,156 | 123,043 | 122,727 |

In July 2000, we reached a tentative settlement with the Federal Trade Commission, States Attorneys General and certain private parties with regard to lawsuits filed against the Company relating to pricing issues and raw material contracts on two of our products. As a result, we recognized a tentative litigation settlement charge of $147,000,000. Excluding the tentative settlement charge, net earnings for fiscal 2001 were $131,208,000, or $1.04 per basic and diluted share.

In June 2000, we completed the Stock Repurchase Program authorized and announced by the Board of Directors in April 1997. We repurchased 4,855,100 shares for $91,456,000 with cash provided from operating activities.

In October 1998, we acquired 100% of the common stock of Penederm Inc. (see Note 3 in the Notes to Consolidated Financial Statements). The Consolidated Statements of Earnings reflect Penederm's results of operations from the date of acquisition.

In fiscal 1998, net revenues included other income of $26,822,000 in connection with a supply agreement between Genpharm Inc. and Novopharm Limited (see Note 19 in the Notes to Consolidated Financial Statements).

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

The following discussion and analysis should be read in conjunction with the fiscal 2001 Consolidated Financial Statements and related Notes to Consolidated Financial Statements included elsewhere in this report. All references to fiscal years shall mean the twelve-month period ended March 31.

Overview

Mylan Laboratories Inc. and its subsidiaries develop, manufacture, market and distribute generic and brand pharmaceutical products. The Generic Segment currently represents the largest portion of our business in terms of net revenues, gross profit, operating expenses and earnings from operations. However, we have been increasing our emphasis on brand products. Brand product net revenues as a percent of total net revenues were 17%, 15% and 12% in fiscal 2001, 2000 and 1999, respectively. Additionally, Brand Segment research and development expenses represented 27%, 20% and 5% of total research and development expenses in fiscal 2001, 2000 and 1999, respectively. Our focus on brand products will likely result in continued increases in Brand Segment research and development expenses, as well as increases in selling and administrative expenses to support new brand product sales.

Generic pharmaceutical products are products that have demonstrated bioequivalence to a reference brand product. Generic product development follows an Abbreviated New Drug Application (ANDA) process as specified by the Food and Drug Administration (FDA). We experience significant competitive pressures in the marketplace which often result in price and volume erosion. We strive to take advantage of opportunities to maintain profit margins through the development or in-licensing of products. We try to attain a 'first to file' status through the ANDA process which may provide up to 180 days of market exclusivity from other generic competitors. Our primary customers for our generic products are wholesalers, warehousing chains, group purchasing organizations, distributors, institutions and governmental agencies. The competitive pressures, regulatory environment and the uncertainties of the development process provide significant potential for variations in net revenues and profitability.

The Brand Segment consists of brand and branded generic products. Brand products generally provide for higher, sustainable gross profits due to their patent protection. Brand product development follows the FDA's New Drug Approval (NDA) process that requires significantly more time and expense to complete.

Brand products generally require significantly greater marketing expenses and the use of much larger sales forces in order to generate product awareness at the prescriber level. Brand products are generally sold through the same customers as the Generic Segment; however, brand product success is highly correlated with our ability to increase the number of prescriptions written and dispensed for a specific brand product. Although brand products generally provide higher margins for a longer time period, the rigors of the NDA process, competing technological changes, requisite marketing expenses and the need for a successful sales force effort provide significant uncertainties in our brand product efforts. There are certain products without patent protection that are marketed by our Brand Segment due to their established brand recognition or due to promotional sensitivity.

The following table presents our results of operations for each of our business segments:

| (in millions) | Fiscal 2001 | 2000 | 1999 | Change 2001 | 2000 |
|---|---|---|---|---|---|
| Consolidated: | | | | | |
| Net revenues | $ 846.7 | $790.1 | $721.1 | 7% | 10% |
| Gross profit | 382.2 | 420.8 | 381.8 | (9%) | 10% |
| Research and development | 64.4 | 49.1 | 61.8 | 31% | (21%) |
| Selling and administrative | 151.2 | 148.7 | 122.5 | 2% | 21% |
| Pretax earnings | 58.0 | 242.7 | 192.3 | (76%) | 26% |
| Generic Segment: | | | | | |
| Net revenues | 701.4 | 667.8 | 638.1 | 5% | 5% |
| Gross profit | 294.2 | 345.4 | 329.5 | (15%) | 5% |
| Research and development | 47.2 | 39.2 | 58.7 | 20% | (33%) |
| Selling and administrative | 38.8 | 44.9 | 44.7 | (14%) | 0% |
| Segment profit | 208.2 | 261.2 | 226.2 | (20%) | 15% |
| Brand Segment: | | | | | |
| Net revenues | 145.3 | 122.3 | 83.0 | 19% | 47% |
| Gross profit | 88.0 | 75.4 | 52.3 | 17% | 44% |
| Research and development | 17.2 | 9.9 | 3.1 | 74% | 219% |
| Selling and administrative | 65.7 | 49.9 | 34.2 | 32% | 46% |
| Segment profit | 5.1 | 15.6 | 14.9 | (67%) | 5% |
| Corporate/Other Segment: | | | | | |
| Segment loss | $(155.3) | $(34.1) | $(48.8) | 355% | (30%) |

Segment net revenues represent sales to unrelated third parties. Segment profit is pretax. For the Generic and Brand Segments, segment profit represents segment gross profit less direct research and development and selling and administrative expenses. Segment loss for Corporate/Other includes legal costs, goodwill amortization, other corporate administrative expenses and other income and expense. In fiscal 2001, Corporate/Other includes the expense of $147.0 million for the tentative settlement with the FTC and related litigation (see Note 19 in the Notes to Consolidated Financial Statements). In fiscal 1999, Corporate/Other includes expense of $29.0 million for acquired in-process research and development related to the Penederm acquisition (see Note 3 in the Notes to Consolidated Financial Statements).

Results of Operations

Fiscal 2001 compared to Fiscal 2000

Net earnings for fiscal 2001, were $37.1 million, or $.29 per diluted share, compared to $154.2 million, or $1.18 per diluted share, for fiscal 2000. In June 2000, we reached a tentative settlement with the Federal Trade Commission, States Attorneys General and certain private parties with regard to lawsuits filed against the Company relating to pricing issues and raw material contracts on two of our products (see Note 19 in the Notes to Consolidated Financial Statements). Excluding the $147.0 million before tax effect of the settlement, net earnings for fiscal 2001 were $131.2 million, or $1.04 per diluted share.

Net Revenues and Gross Profit

Net revenues for fiscal 2001 were $846.7 million compared to $790.1 million for fiscal 2000, an increase of $56.6 million. The 7% increase in net revenues is attributable to increased net revenues for both our Generic and Brand Segments, with 59% or $33.6 million of the growth from the Generic Segment and 41% or $23.0 million of the increase contributed by the Brand Segment.

Fiscal 2001 Generic Segment net revenues benefited from the addition of eight new products to our generic product line that resulted in aggregate net revenue increases of $22.9 million. Nifedipine, which we launched in late fiscal 2000 through a license and supply agreement, increased net revenues by $136.3 million in fiscal 2001 as compared to fiscal 2000. Additional net revenue increases were derived from sales of carbidopa/levodopa which increased by $36.9 million as compared to the prior year. The net revenue increase provided from these and other products was partially offset by reduced prices and volumes related to sales of lorazepam and clorazepate, which declined $82.7 million as compared to fiscal 2000. Other products for which we had increased prices in prior years had price and volume erosion that totaled $27.6 million in fiscal 2001 compared to fiscal 2000. We anticipate that we will experience pricing and volume pressure related to nifedipine due to the entry of another competitor in the latter part of fiscal 2001. Additional price and volume erosion related to lorazepam and clorazepate should not be a significant factor in future periods given the extent of past erosion and current sales levels.

During the last week of March 2001, we launched buspirone HCl 15mg, which is indicated for the management of anxiety disorders or the short-term relief of the symptoms of anxiety. We are entitled to 180 days of exclusivity on this dosage strength through September 2001. We are currently litigating certain issues relating to buspirone (see Note 19 in the Notes to Consolidated Financial Statements).

Brand Segment net revenue increases were largely the result of increases from clozapine, Kristalose(R), Digitek(R), Avita(R) and Mentax(R) as compared to fiscal 2000. No individual product represented a significant portion of the net revenue increase. The increases in net revenues were partially offset by a $6.0 million decrease in Zagam(R) sales due to product supply issues resulting from our contract supplier, as well as decreases in various nonpromoted brand products, including the wound and burn care product line. The Zagam(R) supply issues have impaired our ability to market this product. Consequently, we have reduced related inventories to net realizable value and written-off the related product license intangible.

Gross profit for fiscal 2001 was $382.2 million, or 45% of net revenues, compared to $420.8 million, or 53% of net revenues, for fiscal 2000, a $38.6 million or 9% decrease. Generic Segment gross profit decreased largely due to both price and volume erosion on lorazepam and clorazepate, as well as decreases related to other products that also had price increases in prior years. These decreases, coupled with the lower gross profit resulting from contractual obligations associated with nifedipine, resulted in a lower overall generic gross profit in fiscal 2001. Brand Segment gross profit was also lower due to the absence of Zagam(R) sales, the $2.4 million write-down of Zagam(R) inventories and overall product sales mix.

Research and Development

Research and development expenses for fiscal 2001 were $64.4 million, or 8% of net revenues, compared to $49.1 million, or 6% of net revenues in fiscal 2000. The increase of $15.3 million is primarily attributed to increased studies expenses for both generic and brand product development projects, as well as increased licensing expenses associated with joint development opportunities.

Generic Segment research and development expenses increased $8.0 million to $47.2 million in fiscal 2001 compared to fiscal 2000. The increase was primarily due to milestone payments for in-licensed products and increased expenses due to biostudies and raw materials, as well as payroll and payroll related expenses.

Brand Segment research and development expenses were $17.2 million in fiscal 2001, an increase of $7.3 million as compared to fiscal 2000. The increase was due largely to additional clinical trial expenses and milestone payments under product licensing arrangements. We anticipate that Brand Segment research and development expenses will continue to increase due to our emphasis on brand product research and development. In the latter part of fiscal 2001, we obtained the rights to develop and, upon FDA approval, to market nebivolol in the United States and Canada. The clinical development program and potential additional milestone payments related to nebivolol will significantly increase Brand Segment research and development in future periods.

We are actively pursuing and are involved in joint development projects in an effort to broaden our scope of capabilities to market both generic and brand products. Many of these arrangements provide for payments by us upon the attainment of specified milestones. While these arrangements help to reduce our financial risk for unsuccessful projects, fulfillment of milestones or the occurrence of other obligations may result in fluctuations in research and development expenses.

Selling and Administrative

Selling and administrative expenses for fiscal 2001 were $151.2 million, or 18% of net revenues, relatively unchanged compared to $148.7 million, or 19% of net revenues, in fiscal 2000. Generic Segment selling and administrative expenses were $38.8 million in fiscal 2001 which represented a $6.1 million decrease from the prior year. The decrease was primarily due to lower promotions, advertising and professional fee expenses.

Brand Segment selling and administrative expenses increased $15.8 million to $65.7 million in fiscal 2001 compared to fiscal 2000. The increase was largely the result of a $7.8 million write-off of the Zagam(R) product license intangible. Additional increases were due to increased payroll and payroll related expenses, product sample expenses and expenses associated with our consolidation of the Brand Segment non-manufacturing operations. Future Brand Segment selling and administrative expenses are expected to increase to support new product introductions.

Corporate administrative expenses for fiscal 2001 were $46.7 million compared to $53.9 million for fiscal 2000, a decrease of $7.2 million. Lower legal expenses accounted for most of the decrease.

Tentative Litigation Settlement

In July 2000, we reached a tentative settlement with the Federal Trade Commission (FTC), States Attorneys General and certain private parties with regard to lawsuits filed against the Company relating to pricing issues and raw material contracts on two of our products. As a result, we recognized a litigation settlement charge of $147.0 million (see Note 19 in the Notes to Consolidated Financial Statements).

Equity in Loss of Somerset

We own a 50% interest in Somerset Pharmaceuticals, Inc. (Somerset). Watson Pharmaceuticals, Inc. owns the remaining 50% interest. We account for our investment in Somerset using the equity method of accounting. Somerset is engaged in the manufacturing and marketing of Eldepryl(R)(selegiline), its sole commercial product which is used for the treatment of Parkinson's disease. Somerset also conducts research and development activities related to new indications and delivery technologies for selegiline and other products.

Our portion of Somerset's losses in fiscal 2001 was $1.5 million compared to $4.2 million in fiscal 2000. The decrease in fiscal 2001 is primarily attributable to decreased research and development expenses. Our earnings may continue to be adversely affected by Somerset's efforts to develop and receive approval for a patented delivery system for an alternative indication for selegiline.

Other Income

Other income for fiscal 2001 was $39.9 million compared to $24.0 million for fiscal 2000. The $15.9 million increase is primarily attributed to gains of $9.2 million and $4.4 million related to a settlement with American Bioscience, Inc. (see Note 19 in the Notes to Consolidated Financial Statements) and the sale of certain intangible assets, respectively.

Other income recognized in fiscal 2001 also included income from our investment in a certain limited partnership of $14.9 million as compared to $15.4 million in fiscal 2000. Although, in fiscal 2001, we liquidated $52.2 million of this investment in an effort to reduce our exposure to market fluctuations in fiscal 2001, future performance of this investment is uncertain.

Income Taxes

Our effective tax rate for fiscal 2001 was 36.0% compared to 36.5% for fiscal 2000. For future years, we believe the effective tax rate will remain relatively constant with potential opportunities for minimal decreases.

Fiscal 2000 Compared to Fiscal 1999

Net earnings for fiscal 2000 were $154.2 million, or $1.18 per diluted share, compared to $115.4 million, or $.91 per diluted share, for fiscal 1999.

Net Revenues and Gross Profit

Net revenues for fiscal 2000 were $790.1 million compared to $721.1 million for fiscal 1999. The $69.0 million or 10% increase is attributable to increased net revenues for both our Generic and Brand Segments, with 43% or $29.7 million of the growth from the Generic Segment and 57% or $39.3 million from the growth of the Brand Segment.

In fiscal 2000, Generic Segment net revenues increased significantly due to the addition of 17 new products to our generic product line that resulted in aggregate net revenues of $42.6 million. Five of the 17 new products added in fiscal 2000 accounted for over 90% of the aggregate net revenues for new products. Products on which we had raised prices during the prior two fiscal years increased net revenues by $39.0 million compared to fiscal 1999. Net revenues also increased due to a 10% increase in volume. The net revenue increases were partially offset by price erosion on lorazepam and clorazepate, which declined $47.0 million, and other products, which declined $41.0 million.

Net revenues for our Brand Segment increased 47% in fiscal 2000. The increase was primarily attributed to a full year of Penederm net revenues as opposed to a half-year of net revenues in fiscal 1999, the year of acquisition (see Note 3 in the Notes to Consolidated Financial Statements). The October 1998 acquisition of Penederm expanded our presence in one of our targeted markets, dermatology. Dermatology products accounted for approximately 38% of net revenues for our Brand Segment in fiscal 2000.

Gross profit for fiscal 2000 was $420.8 million compared to $381.8 million for fiscal 1999, a $39.0 million or 10% increase. Gross profit as a percent of net revenues was 53% for both years. The increase in Generic Segment gross profit was primarily the result of new products and additional volume. The increase in Brand Segment gross profit was primarily attributed to the Penederm acquisition.

Research and Development

Research and development expenses in fiscal 2000 were $49.1 million, or 6% of net revenues, compared to $61.8 million, or 9% of net revenues, in fiscal 1999. The $12.7 million decrease is primarily attributed to the Generic Segment as a result of an arbitration award in fiscal 1999 in which we recorded approximately $10.0 million in funding obligations.

Selling and Administrative

Selling and administrative expenses in fiscal 2000 were $148.7 million, or 19% of net revenues, compared to $122.5 million, or 17% of net revenues, in fiscal 1999. This increase is primarily attributed to a full year of expenses in our Brand Segment related to Penederm in fiscal 2000 compared to only a half-year in fiscal 1999. Also contributing to the increase were amortization expense and increased payroll and payroll related expenses associated with the addition of direct sales representatives and customer support personnel. Corporate legal expenses also contributed to the increase, principally as a result of the continued FTC litigation initiated in December 1998.

In-Process Research and Development

In connection with our acquisition of Penederm, we allocated $29.0 million of the purchase price to in-process research and development in fiscal 1999 (see Note 3 in the Notes to Consolidated Financial Statements).

Equity in Loss of Somerset

In fiscal 2000, we recognized a loss of $4.2 million on our investment in Somerset as compared to earnings of $5.5 million in fiscal 1999. The loss in fiscal 2000 resulted from lower sales due to increased generic competition in the market for Eldepryl(R) and increased research and development expenditures.

Other Income

Other income in fiscal 2000 was $24.0 million compared to $18.3 million in fiscal 1999. Increasing interest rates and significantly higher cash and investment balances favorably impacted other income throughout fiscal 2000.

Income Taxes

The effective tax rate in fiscal 2000 was 36.5% compared to 40.0% in fiscal 1999. Approximately 5% of the fiscal 1999 tax rate was the result of the $29.0 million charge for acquired in-process research and development associated with the Penederm acquisition which was not deductible for tax purposes.

Liquidity and Capital Resources

Working capital was $588.0 million at March 31, 2001, compared to $599.0 million at March 31, 2000, and $475.4 million at March 31, 1999. Cash and cash equivalents were $229.2 million at March 31, 2001, compared to $203.5 million at March 31, 2000, and $189.8 million at March 31, 1999.

Net cash provided from operating activities in fiscal 2001 was $67.0 million compared to $120.3 million in fiscal 2000 and $165.5 million in fiscal 1999. Net cash provided from operating activities in fiscal 2001 was adversely affected by the tentative litigation settlement charge of $147.0 million. Other items impacting net cash provided from operating activities in fiscal 2001 were increases in accounts receivable of $78.8 million, income tax benefit of $28.2 million and inventory of $17.2 million. Net cash provided from operating activities during fiscal 2001 was also impacted by depreciation and amortization of $42.4 million and increases in adjustments for accounts receivable related to estimated credits of $41.2 million, trade accounts payable of $30.9 million and accrued income taxes of $29.1 million.

Net cash provided from investing activities totaled $70.6 million in fiscal 2001 compared to net cash used in investing activities of $73.9 million in fiscal 2000 and $54.9 million in fiscal 1999. The shift in fiscal 2001 was primarily related to the liquidation of $52.2 million of our interest in a limited partnership, net cash provided from purchases and sales of marketable securities of $37.8 million and proceeds from the sale of certain intangible assets of $12.8 million.

Capital expenditures continue to be purchased with the funds generated from operating activities. Capital expenditures were $24.7 million for fiscal 2001 compared to $29.8 million and $18.8 million for fiscal 2000 and fiscal 1999. The funds in the current year were primarily used to complete a sales and administration building in Morgantown, West Virginia, and an addition to one of our generic manufacturing facilities in Puerto Rico. Capital expenditures in fiscal 2002 are anticipated to remain at approximately the same level as fiscal 2001 in order to continue our increase of capacity and innovation. Currently, we plan to dispose of three facilities: an administration facility in Sugar Land, Texas, a liquid pharmaceutical manufacturing facility and a warehouse, both in Largo, Florida.

Financing activities during fiscal 2001 included repurchases of over 4.8 million shares of common stock, totaling $91.5 million. During fiscal years 2001, 2000 and 1999, we have paid cash dividends of $.16 per common share totaling $20.1 million, $20.7 million and $19.8 million, respectively. Proceeds from the exercise of stock options related to our stock option plans totaled $5.7 million, $3.6 million and $10.1 million in fiscal 2001, 2000 and 1999, respectively. We have made payments totaling $6.0 million, $15.7 million and $14.7 million in fiscal 2001, 2000 and 1999, respectively, on long-term obligations for product acquisitions entered into prior to fiscal 2001.

In fiscal 2002, we believe that operating activities from the sale of our pharmaceutical products will be our principal source of cash. However, to provide us with additional operating leverage if needed, in March 2001, we entered into a one-year agreement with a commercial bank to establish a revolving line of credit up to $50.0 million (see Note 9 in the Notes to Consolidated Financial Statements). As of March 31, 2001, we did not have any outstanding borrowings under this line of credit.

We believe that the acquisition of new products, as well as other companies, will play a strategic role in our growth. Consequently, to finance these acquisitions, we may incur additional indebtedness which would impact future liquidity and most likely subject us to various debt covenants.

In connection with the tentative litigation settlement charge (see Note 19 in the Notes to Consolidated Financial Statements), we have an additional $12.0 million obligation to fund. If the tentative settlement is not given final court approval, the outcome of continued litigation of these cases could have a material adverse effect on our financial position and results of operations.

In fiscal 2001, payments for state and federal income taxes decreased due to the lower taxable earnings resulting from the tentative litigation settlement charge of $147.0 million. Payments for state and federal income taxes are expected to significantly increase in fiscal 2002 to correlate with higher taxable earnings.

## Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. The Statement establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts and hedging activities. It requires an entity to recognize all derivative instruments as either assets or liabilities on the balance sheet at fair value and that changes in fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, which delayed the required adoption of SFAS No. 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment to SFAS No. 133. We adopted the provisions of SFAS No. 133, as amended, effective April 1, 2001. We have concluded that there are no transition adjustments to record as of April 1, 2001, to reflect the adoption of SFAS No. 133, as amended.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements. SAB No. 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. After giving consideration to the guidance provided by SAB No. 101, we have concluded that the cumulative effect adjustment for the implementation of SAB No. 101 is not material.

## Fluctuating Results of Operations and Liquidity

In the past, our results of operations have fluctuated on both an annual and a quarterly basis. These fluctuations have resulted from several timing factors, including, among others, new product approvals, new product launches, as well as those of our competitors, product and/or business acquisitions, litigation settlements and milestone payments related to in-licensing research and development projects.

We believe we will continue to experience fluctuations in net revenues, gross profit, net earnings and liquidity. Such fluctuations will result from, among other things, the timing of regulatory approvals and market introduction of our new products, as well as those of our competitors, downward pricing pressure on products available from multiple approved sources and the timing of milestone payments related to in-licensing research and development projects.

## Risk of Product Liability Claims

The testing, manufacturing and marketing of pharmaceutical products subject the Company to the risk of product liability claims. The Company is a defendant in a number of product liability cases, none of which we believe will have a material adverse effect on our business, results of operations or financial condition. We believe that we maintain an adequate amount of product liability insurance, but no assurance can be given that our insurance will cover all existing and future claims or that we will be able to maintain existing coverage or obtain additional coverage at reasonable rates.

## Forward-Looking Statements

The statements set forth in this Annual Report concerning the manner in which we intend to conduct our future operations, potential trends that may impact future results of operations, and our beliefs or expectations about future operations are forward-looking statements. Our 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:

Our results of operations have historically depended, and continue to depend, to a significant extent, on our ability to develop and bring to the market new generic products. Generally, following the expiration of patents and other market exclusivity periods, the first manufacturers to bring a generic product to the market achieve higher revenues and gross profits than competitors that subsequently enter the market. As additional manufacturers and distributors bring their own versions of a generic product to the market, prices, sales volume and profit margins typically decline, often precipitously. Furthermore, in recent years, we have increased prices on selected older generic products. As expected, these price increases have provided an incentive to other generic manufacturers to reenter the market for many of these products. Price deterioration can be expected on both our new generic products and older products on which we have raised prices. (See "Results of Operations - Net Revenues and Gross Profit.")

Our periodic introduction of new generic products has historically enabled us to counterbalance eroding revenues and margins from older products. However, our results of operations for fiscal 2001 continued to be impacted by delays in our ability to introduce new generic products due to litigation initiated by branded manufacturers under the Waxman-Hatch Act to extend the exclusivity periods on drugs on which patents were expiring. The continuing failure of Congress and the courts to recognize and provide redress for the present abuses of the Waxman-Hatch Act could materially diminish the commercial success of new generic products we seek to introduce, resulting in both lower revenues and gross profits. In addition, the commercial success of new generic products could also be diminished as a result of the increasingly aggressive posture some branded companies have taken in seeking to extend the reach of patent protection on products on which the original patents have expired.

We are seeking to strengthen our development of brand products. Obtaining approval from the FDA to market brand 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 we are successful in obtaining approval for new products, no assurance can be given that such products will be accepted in the medical community as being effective as a treatment for indicated conditions. Furthermore, even if a product is highly effective as a treatment for indicated conditions, its commercial success may be adversely impacted by lower-priced alternatives or the more effective marketing campaigns of competitors.

Our 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 pricing pressures on pharmaceutical manufacturers.

In July 2000, we entered into a tentative settlement (see Note 19 in the Notes to Consolidated Financial Statements) to settle actions brought by the Federal Trade Commission, the States Attorneys General from all states and the District of Columbia and private class action lawsuits filed on behalf of consumers and third party reimbursers involving anti-trust and anti-competition claims. Not included in the tentative settlement are other anti-trust cases principally involving direct purchasers and wholesalers. An unfavorable outcome in these or other material suits in which we are involved could have a potentially adverse effect on our financial position and results of operations.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk primarily from changes in market values on our 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. We also invest 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. We also invest in nonpublic securities, often in consideration of our strategic interests. We do not consider these investments to be market risk sensitive.

We attempt to mitigate our exposure to market risk by assessing the relative proportion of our investments in cash and cash equivalents and the relatively stable and risk minimized returns available on such investments with the risks attendant to our investments in other debt and equity securities. Our objective in managing our exposure to changes in the market value of our investments in debt and equity securities is to balance the risk of the impact of such changes on earnings and cash flows with our expectations for investment returns. Our pooled asset funds and certain other investments in debt and equity securities are managed by professional portfolio managers. We were not a party to any forward or derivative option contracts related to interest rates or equity security prices during fiscal 2001 or 2000.

The fair market value of our debt securities at March 31, 2001, was $46.0 million, of which $25.9 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 our equity securities at March 31, 2001, was $9.7 million. Such investments collectively represent 4% of our total assets as of March 31, 2001, and 20% of the aggregate value of debt and equity securities and cash and cash equivalents held by us at such date. Assuming an instantaneous 10% decrease in the market value of our debt and equity securities, the change in the aggregate fair market value of these securities would be $5.6 million.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements and Supplementary Financial Information

Mylan Laboratories Inc.
Consolidated Balance Sheets
(in thousands, except share and per share data)

| March 31, | 2001 | 2000 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 229,183 | $ 203,493 |
| Marketable securities | 55,715 | 99,557 |
| Accounts receivable, net | 232,599 | 197,760 |
| Inventories | 161,810 | 148,673 |
| Deferred income tax benefit | 59,474 | 30,792 |
| Deposit - tentative litigation settlement | 135,000 | - |
| Other current assets | 5,443 | 6,471 |
| Total current assets | 879,224 | 686,746 |
| Property, plant and equipment, net | 168,396 | 168,000 |
| Intangible assets, net | 296,181 | 332,142 |
| Investment in and advances to Somerset | 27,621 | 29,461 |
| Other assets | 94,551 | 124,881 |
| Total assets | $1,465,973 | $1,341,230 |
| Liabilities and shareholder' equity | | |
| Liabilities | | |
| Current liabilities: | | |
| Trade accounts payable | $ 48,928 | $ 17,981 |
| Income taxes payable | 34,348 | 7,858 |
| Current portion of long-term obligations | 5,245 | 9,874 |
| Cash dividends payable | 5,007 | 5,194 |
| Tentative litigation settlement | 147,000 | - |
| Other current liabilities | 50,659 | 46,863 |
| Total current liabilities | 291,187 | 87,770 |
| Long-term obligations | 23,345 | 30,630 |
| Deferred income tax liability | 18,905 | 19,108 |
| Total liabilities | 333,437 | 137,508 |
| Shareholders' equity | | |
| Preferred stock - par value $.50 per share | | |
| Shares authorized: 5,000,000 | | |
| Shares issued: none | | |
| Common stock - par value $.50 per share | | |
| Shares authorized: 300,000,000 | | |
| Shares issued: 130,689,762 in 2001 and 130,277,568 in 2000 | 65,345 | 65,139 |
| Additional paid-in capital | 322,987 | 316,393 |
| Retained earnings | 840,741 | 823,570 |
| Accumulated other comprehensive earnings | 2,983 | 6,936 |
| | 1,232,056 | 1,212,038 |
| Less treasury stock - at cost | | |
| Shares: 5,731,913 in 2001 and 893,498 in 2000 | 99,520 | 8,316 |
| Total shareholders' equity | 1,132,536 | 1,203,722 |
| Total liabilities and shareholders' equity | $1,465,973 | $1,341,230 |

See Notes to Consolidated Financial Statements.

Mylan Laboratories Inc.
Consolidated Statements of Earnings
(in thousands, except per share data)

| Fiscal year ended March 31, | 2001 | 2000 | 1999 |
|---|---|---|---|
| Net revenues | $ 846,696 | $ 790,145 | $ 721,123 |
| Cost of sales | 464,521 | 369,377 | 339,342 |
| Gross profit | 382,175 | 420,768 | 381,781 |
| Operating expenses: | | | |
| Research and development | 64,385 | 49,121 | 61,843 |
| Selling and administrative | 151,212 | 148,688 | 122,468 |
| Acquired in-process research and development | - | - | 29,000 |
| Tentative litigation settlement | 147,000 | - | - |
| Earnings from operations | 19,578 | 222,959 | 168,470 |
| Equity in (loss) earnings of Somerset | (1,477) | (4,193) | 5,482 |
| Other income, net | 39,912 | 23,977 | 18,342 |
| Earnings before income taxes | 58,013 | 242,743 | 192,294 |
| Provision for income taxes | 20,885 | 88,497 | 76,885 |
| Net earnings | $ 37,128 | $ 154,246 | $ 115,409 |
| Earnings per common share: | | | |
| Basic | $ 0.30 | $ 1.19 | $ 0.92 |
| Diluted | $ 0.29 | $ 1.18 | $ 0.91 |
| Weighted average common shares outstanding: | | | |
| Basic | 125,788 | 129,220 | 125,584 |
| Diluted | 126,749 | 130,224 | 127,156 |

See Notes to Consolidated Financial Statements.

Mylan Laboratories Inc.
Consolidated Statements of Shareholders' Equity
(in thousands, except share and per share data)

| | Common Shares | Common Stock Amount | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Earnings (Loss) | Treasury Shares | Treasury Stock Amount | Total Shareholders' Equity | Comprehensive Earnings |
|---|---|---|---|---|---|---|---|---|---|
| April 1, 1998 | 123,050,172 | $61,525 | $92,405 | $594,847 | $1,570 | (849,858) | $(5,882) | $744,465 | $ - |
| Net earnings | - | - | - | 115,409 | - | - | - | 115,409 | 115,409 |
| Net unrealized loss on marketable securities | - | - | - | - | (465) | - | - | (465) | (465) |
| Stock options exercised | 1,013,313 | 507 | 16,916 | (141) | | (85,270) | (2,642) | 14,640 | - |
| Reissuance of treasury stock | - | - | - | - | - | 46,550 | 342 | 342 | - |
| Cash dividend $.16 per common share | - | - | - | (20,112) | - | - | - | (20,112) | - |
| Penederm acquisition | 5,905,029 | 2,952 | 202,674 | - | - | - | - | 205,626 | - |
| March 31, 1999 | 129,968,514 | 64,984 | 311,995 | 690,003 | 1,105 | (888,578) | (8,182) | 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 | 4,398 | - | - | (4,920) | (134) | 4,419 | - |
| Cash dividend $.16 per common share | - | - | - | (20,679) | - | - | - | (20,679) | - |
| March 31, 2000 | 130,277,568 | 65,139 | 316,393 | 823,570 | 6,936 | (893,498) | (8,316) | 1,203,722 | 160,077 |
| Net earnings | - | - | - | 37,128 | - | - | - | 37,128 | 37,128 |
| Net unrealized loss on marketable securities | - | - | - | - | (3,953) | - | - | (3,953) | (3,953) |
| Stock options exercised | 412,194 | 206 | 6,492 | - | - | (4,165) | (109) | 6,589 | - |
| Shares repurchased | - | - | - | - | - | (4,855,100) | (91,456) | (91,456) | - |
| Reissuance of treasury shares | - | - | 102 | - | - | 20,850 | 361 | 463 | - |
| Cash dividend $.16 per common share | - | - | - | (19,957) | - | - | - | (19,957) | - |
| March 31, 2001 | 130,689,762 | $65,345 | $322,987 | $840,741 | $2,983 | (5,731,913) | $(99,520) | $1,132,536 | $33,175 |

See Notes to Consolidated Financial Statements.

Mylan Laboratories Inc.
Consolidated Statements of Cash Flows
(in thousands)

| Fiscal year ended March 31, | 2001 | 2000 | 1999 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net earnings | $37,128 | $154,246 | $115,409 |
| Adjustments to reconcile net earnings to net cash provided from operating activities: | | | |
| Depreciation and amortization | 42,392 | 35,706 | 26,911 |
| Loss on disposal/sale of equipment | 919 | 1,053 | 2,020 |
| Gain on sale of certain intangible assets | (4,367) | - | - |
| Deferred income tax benefit | (28,222) | (23,267) | (10,314) |
| Equity in loss (earnings) of Somerset | 1,477 | 4,193 | (5,482) |
| Cash received from Somerset | 363 | 460 | 1,089 |
| Adjustments to accounts receivable related to estimated credits | 41,165 | 33,628 | 19,300 |
| Write-off of investments and intangibles to net realizable value | 11,131 | 9,450 | 11,519 |
| Tentative litigation settlement | 147,000 | - | - |
| Tentative litigation settlement deposits | (135,000) | - | - |
| Acquired in-process research and development | - | - | 29,000 |
| Other noncash items | (10,044) | (3,224) | (12,165) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (78,819) | (82,092) | (30,411) |
| Inventories | (17,203) | (9,534) | 11,328 |
| Trade accounts payable | 30,947 | 5,839 | (4,282) |
| Income taxes | 29,064 | 11,389 | 8,549 |
| Other operating assets and liabilities, net | (914) | (17,578) | 2,998 |
| Net cash provided from operating activities | 67,017 | 120,269 | 165,469 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (24,651) | (29,841) | (18,756) |
| Proceeds from partial liquidation of investment in limited partnership | 52,207 | - | - |
| Proceeds from sale of certain intangible assets | 12,800 | - | - |
| Additions to other and intangible assets | (7,520) | (23,779) | (7,915) |
| Purchase of marketable securities | (104,029) | (200,939) | (79,816) |
| Proceeds from sale of marketable securities | 141,782 | 180,706 | 50,151 |
| Cash acquired net of acquisition costs | - | - | 1,396 |
| Net cash provided from (used in) investing activities | 70,589 | (73,853) | (54,940) |
| Cash flows from financing activities: | | | |
| Payments on long-term obligations | (5,987) | (15,696) | (14,740) |
| Cash dividends paid | (20,144) | (20,663) | (19,833) |
| Repurchase of common stock | (91,456) | - | - |
| Proceeds from exercise of stock options | 5,671 | 3,587 | 10,137 |
| Net cash used in financing activities | (111,916) | (32,772) | (24,436) |
| Net increase in cash and cash equivalents | 25,690 | 13,644 | 86,093 |
| Cash and cash equivalents - beginning of year | 203,493 | 189,849 | 103,756 |
| Cash and cash equivalents - end of year | $229,183 | $203,493 | $189,849 |
| Cash paid during the year for: | | | |
| Interest | $867 | $1,418 | $1,800 |
| Income taxes | $20,052 | $100,374 | $78,650 |

See Notes to Consolidated Financial Statements.

## Note 1. Nature of Operations

Mylan Laboratories Inc. and its subsidiaries (the Company or Mylan) are 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, institutions, and public and governmental agencies within the United States (U.S.).

## Note 2. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the parent and all its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents. Cash equivalents are composed of highly liquid investments with an original maturity of three months or less.

Marketable Securities. Marketable securities are classified as available for sale and are recorded at fair value based on quoted market prices, with net unrealized gains and losses, net of income taxes, reflected in accumulated other comprehensive earnings as a component of 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. The carrying value of other financial instruments approximates their fair value based on other appropriate valuation techniques.

Concentrations of Credit Risk. Financial instruments that potentially subject us to credit risk consist principally of interest-bearing investments and accounts receivable. We perform ongoing credit evaluations of our customers and generally do not require collateral. Approximately 60% and 62% of the accounts receivable balances represent amounts due from four customers at March 31, 2001, and 2000. Total allowances for doubtful accounts were $5,049,000 and $3,614,000 at March 31, 2001, and 2000.

We invest our 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. We maintain deposit balances at banks in excess of federally insured amounts.

Inventories. Inventories are stated at the lower of cost (first-in, first-out) or market. Provision for potentially obsolete or slow moving inventory is made based on our analysis of inventory levels and future sales forecasts.

Property, Plant and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation, computed on a straight-line basis, is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (3 to 10 years for machinery and equipment and 15 to 39 years for buildings and improvements). Gains or losses from the sale of these assets are included in other income. Interest related to the construction of qualifying assets is capitalized as part of the construction cost, which totaled $614,000 and $1,108,000 for fiscal 2001 and 2000. No interest was capitalized in fiscal 1999.

Intangible Assets. Intangible assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over estimated useful lives ranging from 2 to 20 years. We periodically review the original estimated useful lives of assets and make adjustments when appropriate. Intangible assets are also periodically reviewed to determine recoverability by comparing carrying value to expected future cash flows. Adjustments are made in the event estimated undiscounted net cash flows are less than the carrying value.

Investments. Our investment in Somerset Pharmaceuticals, Inc. (Somerset) is accounted for using the equity method of accounting as the investment gives us the ability to exercise significant influence, but not control, over Somerset (see Note 5).

All other equity investments, which consist of investments for which we do not have the ability to exercise significant influence, are accounted for under the cost method and are included in other assets on the balance sheet. Under the cost method of accounting, investments in private companies are carried at cost and are adjusted only for other-than-temporary declines in fair value, distributions of earnings and additional investments.

Revenue Recognition. We recognize revenue from product sales upon shipment to customers. Net revenues consist primarily of gross revenues less provisions for estimated discounts, rebates, price adjustments, returns, chargebacks, promotional and other potential adjustments. Accounts receivable are presented net of allowances relating to these provisions, which amounted to $118,377,000 and $77,212,000 at March 31, 2001, and 2000.

Two of our customers accounted for 14% and 11% of net revenues in fiscal 2001. Four of our customers accounted for 15%, 15%, 11% and 10% of net revenues in fiscal 2000 and three of our customers accounted for 15%, 14% and 11% of net revenues in fiscal 1999.

Research and Development. Research and development expenses are charged to operations as incurred.

Advertising Costs. Advertising costs are expensed as incurred and amounted to $7,250,000, $6,063,000 and $5,683,000 in fiscal 2001, 2000 and 1999, respectively.

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 we have already recognized 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 new tax law is enacted.

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, excluding antidilutive shares, under our stock option plans (see Note 14).

A reconciliation of basic and diluted earnings per common share is as follows:

| (in thousands, except per share data) Fiscal | 2001 | 2000 | 1999 |
|---|---|---|---|
| Net earnings | $37,128 | $154,246 | $115,409 |
| Weighted average common shares outstanding | 125,788 | 129,220 | 125,584 |
| Assumed exercise of dilutive stock options | 961 | 1,004 | 1,572 |
| Diluted weighted average common shares outstanding | 126,749 | 130,224 | 127,156 |
| Earnings per common share: | | | |
| Basic | $ .30 | $ 1.19 | $ .92 |
| Diluted | $ .29 | $ 1.18 | $ .91 |

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

Reclassification. The presentation of certain prior year amounts has been reclassified to conform to the fiscal 2001 presentation.

In fiscal 2001, certain co-promotional expenses were reclassified from selling and administrative expenses to cost of sales. The reclassification had no impact on reported net earnings, earnings per share or shareholders' equity. Amounts previously reported and reclassified were $6,358,000 in fiscal 2001, $7,559,000 in fiscal 2000 and $2,496,000 in fiscal 1999. The effect of this reclassification was to reduce gross profit as a percent of net revenues and selling and administrative expenses as a percent of net revenues by approximately 1% or less in each year.

Fiscal Year. Our fiscal year ends on March 31. All references to fiscal year shall mean the twelve month period ended March 31.

Recent Accounting Pronouncements. In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. The Statement establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts and hedging activities. It requires an entity to recognize all derivative instruments as either assets or liabilities on the balance sheet at fair value and that changes in fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, which delayed the required adoption of SFAS No. 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment to SFAS No. 133. We adopted the provisions of SFAS No. 133, as amended, effective April 1, 2001. We have concluded that there are no transition adjustments to record as of April 1, 2001, to reflect the adoption of SFAS No. 133, as amended.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements. SAB No. 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. After giving consideration to the guidance provided by SAB No. 101, we have concluded that the cumulative effect adjustment for the implementation of SAB No. 101 is not material.

Note 3. Acquisitions

On October 2, 1998, we acquired 100% of the outstanding stock of Penederm Inc. (Penederm). Penederm primarily developed and marketed patented topical prescription products. The business combination has been accounted for under the purchase method of accounting. Payment of approximately $207,938,000 was made principally through the non-cash issuance of 5,905,029 shares of our 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.

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

Five IPR&D projects were acquired, of which two were significant to the IPR&D valuation. 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 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, we believed that the assumptions used in the valuation 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 that could affect or prevent each of these projects from achieving commercial success.

The results of Penederm's operations have been included in our Consolidated Statements of Earnings from the date of acquisition. Unaudited pro forma information assuming the acquisition had occurred on April 1, 1998, is as follows, excluding the one-time charge in fiscal 1999 of $29,000,000 relating to acquired IPR&D:

| (in thousands, except per share data) | 1999 |
|---|---|
| Net revenues | $731,641 |
| Net earnings | $140,948 |
| Earnings per common share - diluted | $ 1.08 |
| Weighted average common shares outstanding - diluted | 130,241 |

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 period presented, nor is such information necessarily indicative of the future operating results of the combined company after the acquisition.

We have purchased various product and marketing rights, unrelated to the Penederm acquisition, with an aggregate purchase price of $12,250,000 in fiscal 2000, with no such purchases occurring in fiscal 2001. The purchase agreements require fixed payments and royalties on product sales in future periods (see Note 10).

Note 4. Balance Sheet Components

Selected balance sheet components consist of the following at March 31, 2001, and 2000:

| (in thousands) | 2001 | 2000 |
|---|---|---|
| Inventories: | | |
| Raw materials | $ 57,825 | $ 66,824 |
| Work in process | 23,752 | 28,459 |
| Finished goods | 80,233 | 3,390 |
| | $ 161,810 | $ 148,673 |
| Property, plant and equipment: | | |
| Land and improvements | $ 9,154 | $ 7,560 |
| Buildings and improvements | 108,056 | 88,001 |
| Machinery and equipment | 165,192 | 151,308 |
| Construction in progress | 9,671 | 26,712 |
| | $ 292,073 | $ 273,581 |
| Less accumulated depreciation | 123,677 | 105,581 |
| | $ 168,396 | $ 168,000 |
| Other current liabilities: | | |
| Payroll and employee benefit plan accruals | $ 12,542 | $ 14,286 |
| Medicaid | 8,216 | 8,151 |
| Legal and professional | 3,991 | 4,786 |
| Royalties | 8,775 | 8,763 |
| Product license fees | 3,715 | 4,165 |
| Other | 13,420 | 6,712 |
| | $ 50,659 | $ 46,863 |

Note 5. Investment in and Advances to Somerset

We own 50% of the outstanding common stock of Somerset and use the equity method of accounting for our investment.

Equity in loss/earnings of Somerset includes our 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 period of 15 years. Amortization expense amounted to $924,000 in each of fiscal 2001, 2000 and 1999.

In June 1997, Somerset was notified by the Internal Revenue Service (IRS) that it had initiated a challenge related to issues concerning Somerset's Internal Revenue Code Section 936 credit for tax years 1993 through 1995. In October 2000, this challenge was resolved when Somerset received a no change letter from the IRS for the three years ended December 31, 1995.

Note 6. Marketable Securities

The amortized cost and estimated market values of marketable securities are as follows:

| (in thousands) March 31, 2001 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Market Value |
|---|---|---|---|---|
| Debt securities | $ 45,371 | $ 698 | $ 50 | $ 46,019 |
| Equity securities | 5,762 | 4,684 | 750 | 9,696 |
| | $ 51,133 | $ 5,382 | $ 800 | $ 55,715 |
| March 31, 2000 | | | | |
| 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 |

Maturities of debt securities at market value as of March 31, 2001, are as follows:

| (in thousands) | |
|---|---|
| Mature in one year or less | $ 25,853 |
| Mature after one year through five years | 3,387 |
| Mature after five years | 16,779 |
| | $ 46,019 |

Gross gains of $2,732,000, $4,504,000 and $942,000 and gross losses of $1,056,000, $1,414,000 and $205,000 were realized during fiscal 2001, 2000 and 1999, respectively. The cost of investments sold is determined by the specific identification method.

Note 7. Intangible Assets

Intangible assets consist of the following components at March 31, 2001, and 2000:

| (in thousands) | 2001 | 2000 |
|---|---|---|
| Patents and technologies | $ 120,739 | $ 123,052 |
| License fees and agreements | 38,671 | 49,911 |
| Maxzide(R)intangibles | 69,666 | 69,666 |
| Goodwill | 128,008 | 128,008 |
| Other | 28,459 | 28,462 |
| | $ 385,543 | $ 399,099 |
| Less accumulated amortization | 89,362 | 66,957 |
| | $ 296,181 | $ 332,142 |

The Maxzide(R) intangibles relate to trademark, tradedress and marketing rights. Other consists principally of an assembled workforce, non-compete agreements, customer lists and contracts.

During fiscal 2001, we experienced product supply issues resulting from our contract supplier relating to our brand product Zagam(R), which significantly impaired our ability to effectively market the product. Accordingly, we reduced the carrying value of our product license intangible by $11,770,000 of which $7,770,000 was charged to selling and administrative and $4,000,000 was offset against the purchase liability.

In connection with certain product license agreements, we recorded intangible assets and the related obligations, in excess of amounts paid, of $2,250,000 in a noncash transaction in fiscal 2000.

Note 8. Other Assets

Other assets consist of the following components at March 31, 2001, and 2000:

| (in thousands) | 2001 | 2000 |
|---|---|---|
| Pooled asset funds | $ 29,065 | $ 60,839 |
| Cash surrender value | 32,991 | 33,773 |
| Other investments | 32,495 | 30,269 |
| | $ 94,551 | $ 124,881 |

Pooled asset funds primarily include our interest in one limited partnership fund that consists of common and preferred stocks, bonds and money market funds. In fiscal 2001, we began to liquidate this fund in an effort to reduce the impact market fluctuations were having on our quarterly earnings. The total amount liquidated in fiscal 2001 was $52,207,000. Earnings on the pooled asset funds included in other income amounted to $14,855,000, $15,378,000 and $19,530,000 in fiscal 2001, 2000 and 1999, respectively. At March 31, 2001, and 2000, 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 executive officers.

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 $2,670,000, $9,450,000 and $12,525,000 were made in fiscal 2001, 2000 and 1999, respectively, to reduce the carrying value of these investments to their estimated fair value and were recorded as reductions to other income.

Note 9. Revolving Line of Credit

In March 2001, we entered into an agreement with a commercial bank to establish a revolving line of credit. This one-year line of credit allows the Company to borrow up to $50,000,000 on an unsecured basis, at a monthly adjusted rate of 0.75% per annum (1.25% per annum should the balance of our trust account be less than $50,000,000) in excess of the 30-day London InterBank Offered Rate (LIBOR). The agreement does not contain any significant financial debt covenants. At March 31, 2001, we had no outstanding borrowings under this line of credit.

Note 10. Long-Term Obligations

Long-term obligations include accruals for deferred compensation pursuant to agreements with certain key employees and directors of approximately $16,512,000 and $15,400,000 at March 31, 2001, and 2000. Under these agreements, benefits are to be paid over periods of 10 to 15 years commencing at retirement.

Our obligation related to our 10.5% senior promissory notes was $2,000,000 and $3,000,000 at March 31, 2001, and 2000. The final payment of $2,000,000 is due in July 2001. At March 31, 2001, and 2000, we were in compliance with all of our debt covenants.

The present value of our obligations for product acquisitions was $3,142,000 at March 31, 2001, and $11,121,000 at March 31, 2000. Future payments, including minimum royalty payments for these agreements, will be approximately $3,250,000 in fiscal 2002.

In fiscal 2000, we recorded $9,238,000 in deferred revenue relating to a license and supply agreement. Revenue recognized in fiscal 2001 relating to this agreement was $3,393,000. At March 31, 2001, the balance remaining was $5,845,000 and such amount will be recognized ratably over the next one and a half years.

Note 11. Income Taxes

Income taxes consist of the following components:

| (in thousands)<br>Fiscal year ended March 31, | 2001 | 2000 | 1999 |
|---|---|---|---|
| Federal: | | | |
| Current | $ 45,463 | $ 97,957 | $ 77,546 |
| Deferred | (26,100) | (21,596) | (9,617) |
| | $ 19,363 | $ 76,361 | $ 67,929 |
| State: | | | |
| Current | $ 3,772 | $ 13,807 | $ 9,653 |
| Deferred | (2,250) | (1,671) | (697) |
| | $ 1,522 | $ 12,136 | $ 8,956 |
| Income taxes | $ 20,885 | $ 88,497 | $ 76,885 |
| Pre-tax earnings | $ 58,013 | $ 242,743 | $ 192,294 |
| Effective tax rate | 36.0% | 36.5% | 40.0% |

Temporary differences and carryforwards that give rise to the deferred tax assets and liabilities are as follows:

| (in thousands) March 31, | 2001 | 2000 |
|---|---|---|
| Deferred tax assets: | | |
| Employee benefits | $10,239 | $ 6,651 |
| Contractual agreements | 8,924 | 7,964 |
| Intangible assets | 5,450 | 2,043 |
| Asset allowances | 47,500 | 31,241 |
| Inventories | 3,844 | 1,084 |
| Investments | 7,802 | 10,481 |
| Tax loss carryforwards | 8,773 | 12,708 |
| Tax credit carryforwards | 5,813 | 5,596 |
| Other | 146 | -- |
| Total deferred tax assets | $98,491 | $77,768 |
| Deferred tax liabilities: | | |
| Plant and equipment | $ 9,917 | $11,017 |
| Intangible assets | 39,287 | 41,205 |
| Investments | 8,718 | 13,862 |
| Total deferred tax liabilities | $57,922 | $66,084 |
| Deferred tax asset, net | $40,569 | $11,684 |
| Classification in the consolidated balance sheets: | | |
| Deferred income tax benefit - current | $59,474 | $30,792 |
| Deferred income tax liability - noncurrent | 18,905 | 19,108 |
| Deferred tax asset, net | $40,569 | $11,684 |

Deferred tax assets relating to net operating loss carryforwards and research and development tax credit carryforwards were acquired in fiscal 1999 with the acquisition of Penederm. Current and future utilization of these assets is subject to certain limitations set forth in the Internal Revenue Code. In fiscal 2001, we utilized approximately $10,709,000 of the acquired net operating loss carryforwards to reduce our current tax liability by approximately $3,748,000. As of March 31, 2001, we have approximately $24,124,000 of acquired federal tax loss carryforwards remaining which expire in fiscal years 2010 through 2013 and $2,151,000 of acquired federal tax credit carryforwards which expire in fiscal years 2002 through 2013.

We also have $1,800,000 of current year federal research and development tax credits that are deferred until fiscal 2002 based upon recent tax law changes. A $1,680,000 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:

| Fiscal year ended March 31, | 2001 | 2000 | 1999 |
|---|---|---|---|
| Statutory tax rate | 35.0% | 35.0% | 35.0% |
| IPR&D | - | - | 5.3% |
| State and local income taxes, net | 2.4% | 3.1% | 3.1% |
| Nondeductible amortization | 4.0% | 1.0% | 0.8% |
| Tax exempt earnings, primarily dividends | - | - | (1.1%) |
| Tax credits | (6.5%) | (2.7%) | (2.6%) |
| Other items | 1.1% | 0.1% | (0.5%) |
| Effective tax rate | 36.0% | 36.5% | 40.0% |

Tax credits result principally from our operations in Puerto Rico and from qualified research and development expenditures including orphan drug research. State income taxes are shown net of the federal deduction benefit. Local income tax is primarily income tax paid to Puerto Rico.

Our operations in Puerto Rico benefit from Puerto Rican incentive grants which partially exempt us from income, property and municipal taxes. In fiscal 2001, a new tax grant was negotiated with the Government of Puerto Rico extending our tax incentives until fiscal year 2010. As a result of this new grant, fiscal 2001 earnings, as well as future earnings, are not subject to tollgate tax upon repatriation to the U.S. In fiscal 2001, approximately $109,000,000 of cash was repatriated from Puerto Rico to the U.S. Prepaid tollgate tax of $1,508,000 was credited to the Government of Puerto Rico to cover the tax due upon this repatriation. Under Section 936 of the U.S. Internal Revenue Code, Mylan is a "grandfathered" entity and is entitled to the benefits under such statute until fiscal 2006.

Our federal income tax returns have been audited by the IRS through fiscal 1996.

Note 12. Preferred Stock

In fiscal 1985, the Board of Directors authorized 5,000,000 shares of $.50 par value preferred stock. No shares of the preferred stock have been issued.

Note 13. Common Stock

In April 1997, the Company's Board of Directors authorized a Stock Repurchase Program under which the Company may repurchase up to 5,000,000 shares of our outstanding common stock. In fiscal 2001, we completed the Stock Repurchase Program. We repurchased 4,855,100 shares on the open market for $91,456,000.

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 our Board of 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 14. Stock Option Plans

On January 23, 1997, the Board of Directors adopted the Mylan Laboratories Inc. 1997 Incentive Stock Option Plan (the Plan), as amended, which was approved by the shareholders on July 24, 1997. Under the Plan, we may grant up to 10,000,000 shares of the Company's 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 the date of grant. Incentive stock options granted primarily 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, 2001, 4,301,850 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, 2001, 360,000 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.

The following table summarizes the activity resulting from all stock option plans:

| | Number of shares under option | Weighted average exercise price per share |
|---|---|---|
| Outstanding as of April 1, 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 granted | 3,255,700 | 24.38 |
| Options exercised | (412,194) | 13.06 |
| Options cancelled | (260,699) | 24.40 |
| Outstanding as of March 31, 2001 | 7,179,588 | 21.23 |

The following table summarizes information about stock options outstanding as of March 31, 2001:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise price per share | Number of shares | Average life(1) | Average price(2) | Number of shares | Average price(2) |
| $ 1.18 - $ 12.32 | 1,083,301 | 1.53 | $ 11.79 | 1,083,301 | $ 11.79 |
| 14.75 - 18.20 | 1,262,717 | 6.34 | 16.88 | 1,054,967 | 16.88 |
| 18.50 - 22.52 | 1,247,217 | 8.38 | 21.25 | 996,217 | 21.03 |
| 22.88 - 24.69 | 1,568,800 | 9.27 | 24.02 | 63,001 | 22.96 |
| 24.82 - 26.19 | 1,067,971 | 8.93 | 25.94 | 61,571 | 25.09 |
| 27.25 - 30.15 | 949,582 | 9.23 | 27.85 | 149,582 | 28.57 |
| $ 1.18 - $ 30.15 | 7,179,588 | 7.38 | 21.23 | 3,408,639 | 17.25 |

(1) Weighted average contractual life remaining in years.
(2) Weighted average exercise price per share.

At March 31, 2001, options were exercisable for 3,408,639 shares at a weighted average exercise price of $17.25 per share. The corresponding amounts were 2,623,182 shares at $14.76 per share at March 31, 2000, and 2,665,904 shares at $14.12 per share at March 31, 1999.

In accordance with the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, we account for our stock option plans under the intrinsic-value-based method as defined in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Accordingly, no compensation expense has been recognized for our existing employee and non-employee director stock option plans. If we had elected to recognize compensation costs based on the alternative fair-value-based method prescribed by SFAS No. 123, net earnings and earnings per share (on both a basic and diluted basis) would have been reduced by $11,308,000, or $.09 per share, $1,430,000, or $.01 per share and $1,613,000 or $.01 per share for fiscal 2001, 2000 and 1999, respectively.

The fair value of options granted in fiscal 2001, 2000 and 1999, using the Black-Scholes option pricing model, and the assumptions used are as follows:

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| Volatility | 36% | 34% | 42% |
| Risk-free interest rate | 5.5% | 6.2% | 5.0% |
| Dividend yield | 0.6% | 0.6% | 1.0% |
| Expected term of options (in years) | 5.8 | 5.2 | 5.2 |
| Weighted average fair value | $ 9.99 | $ 9.93 | $ 9.37 |

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, 2001, 2000, and 1999 were $1,100,000, $719,000 and $4,302,000, respectively.

In consideration for the exercise of stock options, we received and recorded into treasury stock 4,165 shares valued at $109,000 in fiscal 2001, 4,920 shares valued at $134,000 in fiscal 2000 and 85,270 shares valued at $2,642,000 in fiscal 1999.

Note 15. Employee Benefits

We maintain profit sharing and 401(k) retirement plans covering essentially all of our employees.

Contributions to the profit sharing component of the retirement 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 employer contributions to all plans for fiscal 2001, 2000 and 1999 were $4,784,000, $6,342,000 and $4,776,000, respectively.

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

We provide supplemental life insurance benefits to certain management level employees. Such benefits require annual funding and may require accelerated funding in the event that we would experience a change in control.

Note 16. Segment Reporting

We have two reportable operating segments, our Generic Segment and Brand Segment, based on differences in products, marketing and regulatory approval. Additionally, we have the Corporate/Other Segment which includes general and administrative expenses, such as legal expenditures, IPR&D, litigation settlements and goodwill amortization, reduced by non-operating income.

Generic pharmaceutical products are therapeutically equivalent to a brand name product and marketed to pharmaceutical wholesalers and distributors, drug store chains, group purchasing organizations, institutions and governmental agencies. These products are approved for distribution by the FDA through the Abbreviated New Drug Application (ANDA) process.

Brand pharmaceutical products are generally, when new, patent protected products marketed directly to health care professionals by a single provider. These products are generally approved by the FDA primarily through the New Drug Application process. Our Brand Segment also includes off-patent brand products which have prescriber and customer loyalties and brand recognition, as well as branded generics that are sensitive to promotion.

The accounting policies of the operating segments are the same as those described in Note 2. The following table presents segment information for the fiscal years identified. For the Generic and Brand Segments, segment profit represents segment gross profit less direct research and development and selling and administrative expenses. Generic and Brand Segment assets include property, plant and equipment, trade accounts receivable, inventory and intangible assets other than goodwill. Corporate/Other Segment assets include consolidated cash and cash equivalents, marketable securities, our investment in Somerset and other assets, goodwill and all income tax related assets.

The following table provides a reconciliation of segment information to total consolidated information:

| (in thousands) | Fiscal | Generic | Brand | Other | Corporate/ Consolidated |
|---|---|---|---|---|---|
| Net revenues | 2001 | $ 701,435 | $ 145,261 | $ - | $ 846,696 |
| | 2000 | 667,808 | 122,337 | - | 790,145 |
| | 1999 | 638,122 | 83,001 | - | 721,123 |
| Segment profit (loss) | 2001 | 208,186 | 5,076 | (155,249) | 58,013 |
| | 2000 | 261,238 | 15,630 | (34,125) | 242,743 |
| | 1999 | 226,153 | 14,941 | (48,800) | 192,294 |
| Property, plant and equipment additions | 2001 | 18,883 | 5,231 | 537 | 24,651 |
| | 2000 | 24,418 | 5,168 | 255 | 29,841 |
| | 1999 | 13,570 | 4,087 | 1,099 | 18,756 |
| Depreciation and Amortization | 2001 | 19,772 | 16,037 | 6,583 | 42,392 |
| | 2000 | 12,919 | 15,540 | 7,247 | 35,706 |
| | 1999 | 11,452 | 10,246 | 5,213 | 26,911 |
| At March 31, Segment assets | 2001 | $ 627,502 | $ 249,401 | $ 589,070 | $ 1,465,973 |
| | 2000 | 464,277 | 259,196 | 617,757 | 1,341,230 |
| | 1999 | 396,293 | 257,860 | 552,508 | 1,206,661 |

Note 17. Commitments

We have entered into various product licensing agreements. In some of these arrangements, we provide funding for the development of the product or to obtain rights to the use of the patent, through milestone payments, in exchange for marketing and distribution rights to the product. In the event all projects are successful, milestone payments totaling $22,000,000 would be paid over the next 5 years.

We have entered into employment agreements with certain executives that provide for compensation and certain other benefits. The agreements also provide for severance payments under certain circumstances.

We entered into an agreement with an investment advisor, which has since been terminated. Under the terms of the agreement, the former investment advisor may allege a claim of $12,000,000 upon the consummation of certain business combinations occurring within a limited period from the termination date.

In July 2000, we entered into a three-year agreement, as amended, with an outside consultant. The consultant received 100,000 vested stock options, a monthly fee, the potential for a performance bonus, as well as indemnification. Additionally, under this agreement, we may be liable to pay such consultant a fee equal to one-tenth of one percent of the aggregate value of any major business combination for which the consultant participated or provided services. We estimate approximately $1,200,000 will be recognized over the remaining term of the agreement.

In October 2000, we entered into a seven-year operating lease, effective March, 2001, for an administrative and research and development facility in Raleigh, North Carolina, with an average annual payment of $1,500,000.

Note 18. Related Parties

A director of the Company is the chief executive officer of a bank in which the Company had on deposit $10,557,000 in a money market account at March 31, 2001. Subsequent to year-end, the deposit was reduced to $4,500,000.

An officer of the Company is the principal owner and officer of a company that provides services relating to biostudies performed by the Company. Under the terms of the agreement, the Company is required to provide a first right of refusal to perform the designated services related to competitive bids for such services. The agreement also provides for a payment of a minimum monthly fee of $125,000 to be applied to the services performed. The agreement expires in fiscal 2010. The officer is also a director of a company that performs registry services for a product marketed by the Company. The agreement provides for the reimbursement of services on a cost plus basis and expires in fiscal 2006, unless previously terminated. The officer is also an investor in a company that provides on-site medical units to certain subsidiaries and whose son is a principle officer. Total expenses for all the services provided under these related party arrangements were $9,405,000, $7,272,000 and $7,411,000 in fiscal 2001, 2000 and 1999, respectively.

Note 19. Contingencies

We had an agreement with Genpharm whereby we benefited from the sale of ranitidine tablets by Novopharm under a separate agreement between Genpharm and Novopharm. 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. In March 2001, the Company, Genpharm and Novopharm reached a settlement dismissing all claims between the parties.

In June 1998, we filed suit against American Bioscience, Inc. (ABI), American Pharmaceutical Partners, Inc. (APP) and certain of their directors and officers. Our suit sought various legal and equitable remedies. In June 1999, the defendants filed their answer and a cross-complaint against the Company. The cross-complaint sought unspecified compensatory and punitive damages.

In August 2000, we entered into a settlement agreement with ABI, APP and certain of their directors and officers. The settlement resulted in the resolution of all differences, disputes and claims raised in the complaint and cross-complaint mentioned above. Upon settlement, we received $5,000,000 from ABI for our equity investment in VivoRx, Inc. In December 2000, as required under the terms of the settlement, we received payment from ABI for the transfer to ABI of ABI's common stock owned by us. This payment has been included in other income, net of expenses, in the amount of $9,200,000.

The Company was involved in a dispute with KaiGai Pharmaceuticals, Co. Ltd. (KaiGai) relating to a license and supply contract which both parties claim was breached. 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 appealed the award to the United States District Court for the Central District of California. In July 2000, our motion to dismiss KaiGai's appeal was granted.

In December 1998, the FTC filed suit in U.S. District Court for the District of Columbia 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 had agreed to indemnify these parties. The Company is a party to other suits filed in the same court involving the Attorneys General from all states and the District of Columbia and more than 25 putative class actions that allege the same conduct alleged in the FTC suit, as well as alleged violations of state antitrust and consumer protection laws.

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.

In July 2000, the Company reached a tentative agreement to settle the actions brought by the FTC and the States Attorneys General regarding raw material contracts for lorazepam and clorazepate. The Company has agreed to pay $100,000,000 plus up to $8,000,000 in attorneys' fees incurred by the States Attorneys General. Based on the FTC commissioners' approval of the tentative settlement with the FTC and States Attorneys General, in December 2000, the Company placed into escrow $100,000,000. Settlement papers have been executed and filed by the parties. The court has preliminarily approved the tentative settlement. Under the court's current schedule, a hearing with respect to final approval is scheduled for November 29, 2001.

In July 2000, the Company also reached a tentative agreement to settle private class action lawsuits filed on behalf of consumers and third-party reimbursers related to the same facts and circumstances at issue in the FTC and States Attorneys General cases. The Company has agreed to pay $35,000,000 to settle the third party reimburser actions, plus up to $4,000,000 in attorneys' fees incurred by counsel in the consumer actions. Based on the FTC commissioners' approval of the tentative settlement with the FTC and States Attorneys General, in March 2001, the Company placed into escrow $35,000,000. The tentative settlement has been preliminarily approved by the court. Under the court's current schedule, a hearing with respect to final approval is scheduled for November 29, 2001.

In total, the Company has agreed to pay up to $147,000,000 to settle these actions brought by the FTC, States Attorneys General, and certain private parties (Tentative Settlement). The Tentative Settlement also includes three companies indemnified by the Company - Cambrex Corporation, Profarmaco S.r.l. and Gyma Laboratories, Inc. Lawsuits not included in this Tentative Settlement principally involve alleged direct purchasers such as wholesalers and distributors.

The Company believes that it has meritorious defenses, with respect to the claims asserted, in those anti-trust suits which are not part of the Tentative Settlement and will vigorously defend its position. However, an adverse result in these cases, or if the Tentative Settlement is not given final approval by the court, the outcome of continued litigation of these cases could have a material adverse effect on the Company's financial position and results of operations.

A qui tam action was also 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. In January 2001, the District Court granted the Company's motion to dismiss. The time for filing an appeal has lapsed.

In addition to these cases, in January 1999, a class action suit was filed by Frank Ieradi on behalf of himself and other similarly situated shareholders in the U.S. District Court of the Western District of Pennsylvania. In this suit, the plaintiff alleged violations of federal securities laws by the Company and certain of its current and former directors and officers and asked for compensatory damages in an unspecified amount. In December 1999, the U.S. District Court of the Western District of Pennsylvania granted the Company's motion to dismiss the case. In August 2000, the U.S. Court of Appeals for the Third Circuit affirmed the decision of the District Court. No further appeal of this case has been taken.

The Company filed an ANDA seeking approval to market buspirone, a generic equivalent to Bristol-Myers Squibb's (BMS) BuSpar(R). The Company had filed the appropriate certifications relating to the patents then listed in the Orange Book for this product. On November 21, 2000, a new patent claiming the administration of a metabolite of buspirone (which BMS claims also covers the administration of buspirone itself) was issued to BMS. The subsequent listing of this patent in the Orange Book prevented the FDA from granting final approval for the Company's buspirone ANDA. On November 30, 2000, the Company filed suit against the FDA and BMS in the United States District Court for the District of Columbia. The complaint asked the court to order the FDA to immediately grant final approval of the Company's ANDA for the 15mg buspirone product and require BMS to request withdrawal of the patent from the Orange Book. Upon the Company posting a bond in the amount of $25,000,000, the court entered an order granting the Company's motion for a preliminary injunction. Following a brief stay by the court of appeals, the FDA granted approval for the Company's ANDA with respect to the 15mg strength. Upon receiving FDA approval, the Company commenced marketing and selling the product in March 2001. BMS appealed the preliminary injunction order to both the Court of Appeals for the Federal Circuit and the Court of Appeals for the District Court of Columbia Circuit. The Federal Circuit is hearing the appeal on an expedited basis.

The Company is involved in three other suits related to the buspirone ANDAs. In November 2000, the Company filed suit against BMS in the United States District Court for the Northern District of West Virginia. The suit seeks a declaratory judgement of non-infringement and/or invalidity of the BMS patent listed in November 2000. In January 2001, BMS sued the Company for patent infringement in the United States District Court for the District of Vermont and also in the United States Court for the Southern District of New York. In each of these cases, BMS asserts the Company infringes BMS' recently issued patent and seeks to rescind FDA approval of the Company's 15mg ANDA and to block approval of the 5mg, 10mg and 30mg strengths. It is expected that BMS will seek to recover damages equal to the profits it has lost as a result of the Company's sales of this product. While the suits are in the early stages, the Company believes it has meritorious defenses to the claims and intends to vigorously defend its position. An adverse outcome could have a material adverse effect on the Company's operations and/or financial position.

In February 2001, Biovail Corporation (Biovail) filed suit against the Company and Pfizer Inc. (Pfizer) in United States Federal District Court for the Eastern District of Virginia alleging anti-trust violations with respect to agreements entered into between the Company and Pfizer regarding nifedipine. The Company filed a motion to transfer the case to United States Federal District Court for the Northern District of West Virginia, which was granted. While this suit is in its early stages, the Company believes it has meritorious defenses to the claims asserted by Biovail and intends to vigorously defend its position. An adverse outcome could have a material adverse effect on the Company's operations and/or financial position.

We are involved in various legal proceedings that are considered normal to our 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 results of our operations or our financial position.

Mylan Laboratories Inc.
Independent Auditors' Report

Board of Directors and Shareholders
Mylan Laboratories Inc.:

We have audited the accompanying consolidated balance sheets of Mylan Laboratories Inc. and subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2001. 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 auditing standards generally accepted 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Pittsburgh, Pennsylvania
May 8, 2001

Mylan Laboratories Inc.
Supplementary Financial Information

Quarterly Financial Data
(in thousands, except per share data and notes)

| | 1st Quarter(1) | 2nd Quarter | 3rd Quarter | 4th Quarter | Year(2) |
|---|---|---|---|---|---|
| Fiscal 2001 | | | | | |
| Net revenues | $167,255 | $207,555 | $223,238 | $248,648 | $846,696 |
| Gross profit | 73,753 | 93,996 | 102,268 | 112,158 | 382,175 |
| Net earnings | (76,089) | 33,509 | 37,645 | 42,062 | 37,128 |
| Earnings per share: | | | | | |
| Basic | $ (.59) | $ .27 | $ .30 | $ .34 | $ .30 |
| Diluted | $ (.59) | $ .27 | $ .30 | $ .33 | $ .29 |
| Share prices(3) | | | | | |
| High | $ 32.25 | $ 27.94 | $ 30.00 | $ 25.85 | $ 32.25 |
| Low | $ 17.00 | $ 18.06 | $ 22.50 | $ 21.00 | $ 17.00 |
| Fiscal 2000 | | | | | |
| Net revenues | $ 177,095 | $194,489 | $203,877 | $214,684 | $790,145 |
| Gross profit | 95,319 | 109,057 | 108,613 | 107,779 | 420,768 |
| Net earnings | 31,953 | 37,066 | 40,434 | 44,793 | 154,246 |
| Earnings per share: | | | | | |
| Basic | $ .25 | $ .29 | $ .31 | $ .35 | $ 1.19 |
| Diluted | $ .25 | $ .28 | $ .31 | $ .34 | $ 1.18 |
| Share prices | | | | | |
| High | $ 28.38 | $ 30.31 | $ 25.63 | $ 30.00 | $ 30.31 |
| Low | $ 21.63 | $ 17.06 | $ 17.19 | $ 22.50 | $ 17.06 |

(1) In July 2000, we reached a tentative settlement with the Federal Trade Commission, States Attorneys General and certain private parties with regard to lawsuits filed against the Company relating to pricing issues and

raw material contracts on two of our products. As a result, we recognized a tentative litigation settlement charge of $147,000,000. Excluding the tentative settlement charge, net earnings for fiscal 2001 were $131,208,000, or $1.04 per basic and diluted share.

(2) The sum of earnings per share for the four quarters may not equal earnings per share for the total year due to changes in the average number of common shares outstanding.

(3) New York Stock Exchange symbol: MYL

For the quarter ended March 31, 2001, certain co-promotional expenses were reclassed from selling and administrative expenses to cost of sales. The effect of this reclass was to reduce gross profit and selling and administrative expenses for each of the prior quarters presented above. The amounts reclassed are as follows:

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Year |
|---|---|---|---|---|---|
| Fiscal 2001 | $ 1,223 | $ 2,313 | $ 2,822 | $ - | $ 6,358 |
| Fiscal 2000 | 928 | 1,755 | 2,539 | 2,337 | 7,559 |

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

None.

## PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is hereby incorporated by reference to our 2001 Proxy Statement. Certain executive officers have resigned subsequent to March 31, 2001, as identified on the current report on Form 8-K filed with the Securities and Exchange Commission on June 19, 2001.

Item 11. Executive Compensation

The information required by this item is hereby incorporated by reference to our 2001 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is hereby incorporated by reference to our 2001 Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this item is hereby incorporated by reference to our 2001 Proxy Statement.

## PART IV

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

(a) 1. Consolidated Financial Statements

The Consolidated Financial Statements listed in the Index to Consolidated Financial Statements are filed as part of this report.

2. Financial Statement Schedules

All schedules have been omitted because they are not required or the information can be derived from the Consolidated Financial Statements or Notes thereto.

3. Exhibits

3.1 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.

3.2 By-laws of the registrant, as amended to date, filed herewith.

4.1 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.

10.1 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.

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

10.3 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.

10.4 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.

10.5 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.

10.6 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.

10.7 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.

10.8 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.

10.9 Salary Continuation Plan with John P. O'Donnell dated March 14, 1995, as amended to date, filed herewith.

10.10 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.

10.11 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.

10.12 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.

10.13 Transition and Succession Agreement dated November 10, 1999, in the form entered into with Milan Puskar, Patricia Sunseri, Roderick P. Jackson, Louis J. DeBone, Dana G. Barnett and John P. O'Donnell, filed herewith.

10.14 Executives' Retirement Savings Plan, filed herewith.

21.1 Subsidiaries of the registrant, filed herewith.

23.1 Consents of Independent Auditors, filed herewith.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarter ended March 31, 2001.

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, 2001

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<br>Milan Puskar<br>Chairman and Chief Executive Officer<br>(Principal executive officer) | June 22, 2001 | /S/ DANA G. BARNETT<br>Dana G. Barnett<br>Executive Vice President and Director | June 22, 2001 |
| /S/ LAURENCE S. DELYNN<br>Laurence S. DeLynn<br>Director | June 22, 2001 | /S/ DOUGLAS J. LEECH<br>Douglas J. Leech<br>Director | June 22, 2001 |
| /S/PATRICIA A. SUNSERI<br>Patricia A. Sunseri<br>Vice President and Director | June 22, 2001 | /S/JOHN C. GAISFORD,M.D<br>John C. Gaisford,M.D.<br>Director | June 22, 2001 |
| /S/ C.B. TODD<br>C.B. Todd<br>Director | June 22, 2001 | /S/ GARY E. SPHAR<br>Gary E. Sphar<br>V.P. - Finance, Mylan Pharmaceuticals Inc.<br>(Principal financial officer and principal accounting officer) | June 22, 2001 |

MYLAN LABORATORIES INC.
a Pennsylvania corporation

Amended and Restated Bylaws

ARTICLE I

Shareholders

Section 1.01. Annual Shareholders Meetings. The annual meeting of the shareholders of Mylan Laboratories Inc. (the "Corporation") shall be held on the last Thursday of July in each year if not a legal holiday, and if a legal holiday, then on the next succeeding day which is not a legal holiday, at 11:00 a.m., at the principal executive office of the Corporation, or at such other date, time and place as may be fixed by the Board of Directors (the "Board").

Section 1.02. Special Shareholders Meetings. Special meetings of the shareholders may be called at any time by the Chairman of the Board (the "Chairman") or by two-thirds of the Board. Special shareholders meetings shall be held at the principal executive office of the Corporation in Morgantown, West Virginia. No business may be transacted at any special meeting other than that stated in the notice of meeting and business which is germane thereto.

Section 1.03. Organization. The Chairman shall preside and the Secretary, or in his absence any Assistant Secretary, shall act as secretary, at all meetings of the shareholders. In the event that the Chairman is absent, the presiding officer at such meeting shall be the Vice Chairman of the Board (the "Vice Chairman"). In the absence of the Vice Chairman, the presiding officer at such meeting shall be such other member of the Board or such officer of the Corporation as the Chairman may designate. If the Chairman fails to designate such person, the presiding officer shall be selected by a majority of the Board in attendance at such meeting. In the absence of the Secretary and an Assistant Secretary, the presiding officer of the meeting shall designate any person to act as secretary of the meeting.



Section 1.04. Business of Shareholders Meetings

(a) At any annual meeting of the shareholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual shareholders meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (ii) brought before the meeting by the presiding officer, or (iii) otherwise properly requested to be brought before the meeting by a shareholder of the Corporation in accordance with Section 1.04(b) of these Bylaws.

(b) For business to be properly requested by a shareholder to be brought before an annual shareholders meeting, the shareholder must (i) be a shareholder of the Corporation of record at the time of the giving of the notice for such annual meeting, (ii) be entitled to vote at such annual meeting, and (iii) be in compliance with the notice procedures set forth in this Section 1.04(b) of the Bylaws. To be timely, a shareholder's notice must be received by the Secretary not less than sixty (60) calendar days prior to the annual shareholders meeting; provided, however, that in the event a public announcement of the date of the annual shareholders meeting is not made at least seventy-five (75) calendar days prior to the date of the annual shareholders meeting, notice by the shareholder to be timely must be received by the Secretary not later than the close of business on the tenth (10th) calendar day following the day on which a public announcement is first made of the date of the annual shareholders meeting. A shareholder's notice to the Secretary must set forth as to each matter the shareholder proposes to bring before the annual shareholders meeting a description in reasonable detail of the business desired to be brought before the annual shareholders meeting and the reasons for conducting such business at

the annual meeting; the name and address, as they appear on the Corporation's books, of the shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made; the class and number of shares of the Corporation that are owned beneficially and of record by the shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made; and any material interest of such shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made. A shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.04 of the Bylaws. For purposes of these Bylaws, the term "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15(d) of the Exchange Act or furnished to shareholders. Nothing in this Section 1.04 of the Bylaws will be deemed to affect any rights of shareholders to request inclusion of proposal in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(c) At a special meeting of shareholders, only such business may be conducted or considered as is properly brought before the meeting in accordance with Section 1.02.

(d) The determination of whether any business sought to be brought before any annual or special meeting of the shareholders is properly brought before such meeting in accordance with these Bylaws will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, he will so declare to the meeting and any such business will not be conducted or considered.

Section 1.05. Order of Business. The order and conduct of business at shareholders meetings shall be determined by the presiding officer of the shareholders meeting. The presiding officer shall have the power to adjourn the meeting to another place, date and time.

## ARTICLE II

## Directors

Section 2.01. Number, Election and Term of Office. The number of Directors which shall constitute the full Board shall be such number, not less than three, as shall be fixed by the Board or the shareholders; provided, however, that if all the shares of the Corporation shall be owned beneficially and of record by either one or two shareholders, the number of Directors may be less than three but not less than the number of shareholders. The shareholders shall elect a full Board at each annual meeting of shareholders. Each Director shall serve until the next annual shareholders meeting, and thereafter until his successor has been selected and qualified, or until his death, resignation or removal.

Section 2.02. Filling Vacancies. Any vacancy caused by the death, resignation or removal of a Director shall be filled by appointment thereto by the Chairman, or in his absence, by the Vice Chairman at the next meeting of the Board, and such Director so appointed shall serve for the unexpired term of the Director causing such vacancy.

Section 2.03. Nominations of Directors: Election.

(a) Only persons who are nominated in accordance with the following procedures will be eligible for election at a meeting of shareholders as Directors of the Corporation.

(b) Nominations of persons for election as Directors of the Corporation may be made only at an annual meeting of shareholders by or at the direction of the Board or by any shareholder who (i) is a shareholder of record at the time of giving of notice provided for in this Section 2.03 of the Bylaws, (ii) is entitled to vote for the election of Directors at such meeting, and (iii) is in compliance with the notice procedures set forth in this Section 2.03 of these Bylaws.

(c) To be timely, a shareholder's notice must be received by the Secretary not less than sixty (60) calendar days prior to the annual shareholders meeting; provided, however, that in the event a public announcement of the date of the annual shareholders meeting is not made at least seventy-five (75) calendar days prior to the date of the annual shareholders meeting, notice by the shareholder to be timely must be received by the Secretary not later than the close of business on the tenth (10th) calendar day following the day on which a public announcement is first made of the date of the annual shareholders meeting. To be in proper written form, such shareholder's notice must set forth or include the name and address, as they appear on the Corporation's books, of the shareholder giving the notice and of the beneficial owner, if any, on whose behalf the nomination is made; a representation that the shareholder giving the notice is a holder of record of stock of the Corporation entitled to vote at such annual meeting and intends to appear in person or by proxy at the annual meeting to nominate the person or persons specified in the notice; the class and number of shares of stock of the Corporation owned beneficially and of record by the shareholder giving the notice and by the beneficial owner, if any, on whose behalf the nomination is made; a description of all arrangements or understandings between or among any of the shareholder giving the notice, the beneficial owner on whose behalf the notice is given, each nominee, and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder giving the notice;

such other information regarding each nominee proposed by the shareholder giving the notice as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board; and the signed consent of each nominee to serve as a Director of the Corporation if so elected. At the request of the Board, any person nominated by the Board for election as a Director must furnish to the Secretary that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. The presiding officer of any annual meeting will, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed by this Section 2.03 of the Bylaws, and if he should so determine, he will so declare to the meeting and the defective nomination will be disregarded. A shareholder must also comply with all applicable requirements of the Exchange Act and the Regulations with respect to the matters set forth in this Section 2.03 of the Bylaws.

Section 2.04. Annual Meeting of the Board. The annual meeting of the Board shall be held immediately after the annual meeting of the shareholders and shall be the annual organizational meeting of the Directors-elect, at which meeting the new Board shall be organized, Committees of the Board shall be established, and the executive officers of the Corporation for the ensuing year shall be elected.

Section 2.05. Regular Board Meetings: Notice. Regular meetings of the Board shall be held at such places and times as shall be determined by resolution of the Board at its annual meeting. Notice of such regular meetings of the Board shall not be required to be given, except that whenever the time or place of such regular meetings shall be changed, notice of such action shall be given promptly by telephone or otherwise to each Director not participating in such action.

Section 2.06. Special Board Meetings: Notice. Special meetings of the Board may be called at any time by the Chairman or by two-thirds of the Directors, to be held at such place and times as shall be specified in the notice or waiver of notice thereof. Notice of every special meeting of the Board, stating the place, day and hour thereof, shall be given by telephone or otherwise to each Director at least twenty-four (24) hours before the time at which the meeting is to be held, unless such notice is waived pursuant to Section 7.05 of the Bylaws.

Section 2.07. Action by Consent in Writing. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board shall consent thereto in writing and the writing or writings shall be filed with the minutes of the proceedings of the Board.

Section 2.08. Organization. The Chairman shall preside at each meeting of the Board and the Secretary, or in his absence any Assistant Secretary, shall act as secretary at all meetings of the Board. In the event that the Chairman is absent, the presiding officer at such meeting shall be the Vice Chairman. In the absence of the Vice Chairman, the presiding officer at such meeting shall be such other member of the Board as the Chairman may designate. If the Chairman fails to designate such person, the presiding officer shall be selected by a majority of the Board in attendance at such meeting. In the absence of the Secretary or any Assistant Secretary, the presiding officer of the meeting shall designate any person to act as secretary of the meeting.

Section 2.09. Board Meetings by Telephone. One or more of the Directors may participate in any regular or special meeting of the Board by telephone conference or similar communications equipment by means of which all persons participating in the meeting are able to hear each other.

Section 2.10. Resignations. Any Director may resign at any time by delivering his letter of resignation to the Chairman with a copy to the Secretary. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon its receipt by the Chairman, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 2.11. Qualification of Directors. It shall be a qualification for membership on the Board that a Director not be a member of the board of directors or an officer or employee of a competitor (or an affiliate of a competitor) of the Corporation.

Section 2.12. Limitation of Director Liability. A Director of the Corporation shall not be personally liable for monetary damages as such for any action taken, or any failure to take any action, unless the Director has breached or failed to perform the duties of his office under Subchapter B of Chapter 17 of the Business Corporation Law of Pennsylvania ("BCL"), including Section 1712 thereof (relating to standard of care and justifiable reliance) and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness; provided, however, that the limitation of liability provided in this Section 2.12 shall not apply to the responsibility or liability of a director pursuant to any criminal statute or the liability of a director for payment of taxes pursuant to local, state or federal law. Neither the amendment nor the repeal of this Section 2.12 shall eliminate or reduce the effect of this Section 2.12 with respect to any matter occurring, or any cause of action, suit or claim that, but for this Section 2.12, would accrue or arise, prior to such amendment or repeal. If Subchapter B of Chapter 17 of the BCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by Subchapter B of Chapter 17, or any successor thereto under the BCL, as amended from time to time.

## ARTICLE III

## Committees

Section 3.01. Executive Committee: How Constituted and Powers. The Board may elect such Directors then in office, to constitute an Executive Committee (herein called the "Executive Committee"), provided, however, that the Chairman shall be a member of said Committee. During the intervals between meetings of the Board, the Executive Committee may exercise such powers of the Board as may be delegated to the Executive Committee by the Board.

Section 3.02. Organization. The Chairman shall act as chairman at all meetings of the Executive Committee and the Secretary shall act as secretary thereof. In the event that the Chairman is absent, the chairman at such meeting shall be such other member of the Executive Committee as the Chairman may designate. If the Chairman fails to designate such person, the chairman of such meeting shall be selected by a majority of the members of the Executive Committee in attendance at such meeting. In the absence of the Secretary, the chairman of the Executive Committee meeting shall designate a person to act as secretary of the meeting.

Section 3.03. Other Committees. The Board shall form an Audit Committee, a Compensation Committee, a Finance Committee, a Governance and Nominating Committee and such other committees as it may determine, which shall in each case consist of Directors elected by the Board. Committees may exercise such powers as the Board may by resolution determine and specify in their respective charters and such other resolutions as the Board may adopt.

Section 3.04. Procedures. A majority of all the members of any Committee of the Board may fix its rules of procedure, determine its action and fix the time and place of its meetings and specify what notice thereof, if any, shall be given, unless the Board shall otherwise by resolution provide.

Section 3.05. Action by Consent in Writing. Any action required or permitted to be taken at any meeting of any Committee may be taken without a meeting if all members of the Committee shall consent thereto in writing and the writing or writings shall be filed with the minutes of proceedings of the Committee.

Section 3.06. Meetings by Telephone. One or more members of a Committee may participate in any Committee meeting by telephone conference or similar communications equipment by means of which all persons participating in the meeting are able to hear each other.

Section 3.07. Resignations; Removal; Vacancies. Any member of a Committee of the Board may resign therefrom at any time by delivering a letter of resignation to the Chairman with a copy to the Secretary. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon its receipt by the Chairman; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The Board may remove a member of any Committee of the Board. Any vacancy in a Committee of the Board shall be filled by the vote of the Board and shall be effective upon delivery of a written designation of such appointment to the Secretary.

## ARTICLE IV

## Officers

Section 4.01. Officers. The Corporation may have the following officers as determined by the Board: a Chairman, a Vice Chairman, a Chief Executive Officer, a President, a Chief Operating Officer, a Chief Financial Officer, a General Counsel, one or more Vice Presidents (one or more of whom may be designated an Executive Vice President or a Senior Vice President), one or more Assistant Vice Presidents, a Treasurer, one or more Assistant Treasurers, a Secretary and one or more Assistant Secretaries, a Controller and one or more Assistant Controllers, and such other officers, if any, as the Board, or the Chairman upon the approval of the Board, may from time to time designate and appoint. Any two or more of the offices may be held by the same person, except that neither the Chairman, Vice Chairman, Chief Executive Officer, Chief Operating Officer, President nor the Chief Financial Officer can hold the office of the Secretary. The Board shall elect the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer and the General Counsel and the Board may elect, or delegate authority to the Chairman to appoint, other officers of the Corporation. Each officer elected by the Board shall hold office until the next succeeding annual meeting of the Board and thereafter until his successor shall have been selected and shall qualify, or until his death, resignation or removal.

Section 4.02. Removal. The Board may remove, either with or without cause, at any time, any officer elected by the Board; provided, however, that the removal shall be without prejudice to the contract rights, if any, of the person so removed. The Board may delegate to the Chairman the right to remove, either with or without cause, at any time, any officer the Chairman has appointed; provided, however, that the removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4.03. Resignations. Any officer may resign at any time by delivering a letter of resignation to the Chairman with a copy to the Secretary. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon its receipt by the Chairman; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.04. Vacancies. A vacancy caused by the death, resignation or removal of any officer elected by the Board shall be filled by an election by the Board, and such officer so elected by the Board shall serve for the unexpired portion of the term of the officer causing such vacancy. The Board may delegate to the Chairman the right to fill any vacancy caused by the death, resignation or removal of an officer appointed by the Chairman.

Section 4.05. Chairman. The Chairman shall have such powers and perform such duties as from time to time may be assigned to him by the Board. The Chairman shall, if present, preside at all meetings of the shareholders and at all meetings of the Board, and shall have full control over the meeting and procedures. The Chairman shall make a report of the state of the business of the Corporation at each annual meeting of the shareholders and from time to time the Chairman shall report to the shareholders and to the Board those corporate matters, which, in the Chairman's judgment, are required to be brought to their attention. If no other person is designated as the Chairman, the Chief Executive Officer shall have the duties of the Chairman.

Section 4.06. Vice Chairman. The Vice Chairman shall have such powers and perform such duties as from time to time may be assigned to him by the Board or by the Chairman.

Section 4.07. Chief Executive Officer. The Chief Executive Officer shall have such powers and perform such duties as from time to time may be assigned to him by the Board or by the Chairman. The Chief Executive Officer shall have general and active supervision and control of the over-all business and affairs of the Corporation. Unless otherwise directed by the Board, the Chief Executive Officer shall be the officer authorized to execute documents or take actions on behalf of the Corporation in its capacity as a shareholder or equity owner of any other entity. The Chief Executive Officer may sign, execute

and deliver in the name of the Corporation all contracts or other instruments requiring execution by the Corporation, except in cases where the signing, execution or delivery thereof shall be expressly delegated by the Board or by a duly authorized Committee of the Board to some other officer or agent of the Corporation or where any of them shall be required by law to be signed, executed or delivered by a person other than the Chief Executive Officer. The Chief Executive Officer may appoint from time to time such agents as may be deemed advisable for the prompt and orderly transaction of the business of the Corporation, prescribe their duties and the terms of their engagements, fix their compensation and dismiss such agents so appointed.

Section 4.08. Chief Operating Officer. The Chief Operating Officer shall have such powers and perform such duties as from time to time may be assigned to him by the Board or by the Chief Executive Officer. The Chief Operating Officer shall be charged with the supervision of the day-to-day operations of the Corporation.

Section 4.09. President. The President shall have such powers and perform such duties as from time to time may be assigned to him by the Board or by the Chief Executive Officer.

Section 4.10. Chief Financial Officer. The Chief Financial Officer shall have such powers and perform such duties as from time to time may be assigned to him by the Board or by the Chief Executive Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of the Corporation, using appropriate accounting principles; have supervision over and be responsible for the financial affairs of the Corporation; cause to be kept at the principal executive office of the Corporation and preserved for review as required by law or regulation all financial records of the Corporation; be responsible for the establishment of adequate internal control over the transactions and books of account of the Corporation; and be responsible for rendering to the proper officers and the Board upon request, and to the shareholders and other parties as required by law or regulation, financial statements of the Corporation.

Section 4.11. General Counsel. The General Counsel shall have such powers and perform such duties as from time to time may be assigned to him by the Board. The General Counsel shall be the chief legal officer of the Corporation and shall have general and active supervision and direction over the legal affairs of the Corporation.

Section 4.12. Vice Presidents. Each of the Vice Presidents (including each of the Executive Vice Presidents and Senior Vice Presidents) shall have such powers and perform such duties as from time to time may be assigned to him by the Board or by the Chief Executive Officer.

Section 4.13. The Secretary and Assistant Secretaries.

(a) The Secretary shall record all the proceedings of the meetings of the shareholders and the Board in one or more minute books kept for that purpose; see that all notices shall be duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the seal of the Corporation, and shall see that such seal, or, if authorized by the Board, a facsimile thereof, shall be affixed to any documents the execution of which on behalf of the Corporation shall be duly authorized and may attest such seal when so affixed; have charge, directly or through the transfer agent or transfer agents and registrar or registrars duly appointed, of the issue, transfer and registration of certificates for stock of the Corporation and of the records thereof; upon request, exhibit or cause to be exhibited at all reasonable times to the Board, at the place where they shall be kept, such records of the issue, transfer and registration of the certificates for stock of the Corporation; and in general, perform all duties incident to the office of Secretary and such duties as from time to time may be assigned to him by the Board or the Chief Executive Officer.

(b) At the request of the Secretary, or in his absence or inability to act, the Assistant Secretary, or if there be more than one, any of the Assistant Secretaries, shall perform the duties of the Secretary, and, when so acting, shall have the powers of, and be subject to all the restrictions upon, the Secretary. Each of the Assistant Secretaries shall perform such duties as from time to time may be assigned to him by the Board, the Chief Executive Officer or the Secretary.

Section 4.14. The Treasurer and Assistant Treasurers.

(a) The Treasurer shall have charge and custody of, and be responsible for, all funds, corporate securities and investments, notes and valuable effects of the Corporation; receive and give receipt for money due and payable to the Corporation from any sources whatsoever; deposit all such money to the credit of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Section 6.02 hereof, cause such funds to be disbursed by checks or drafts on the authorized depositories of the Corporation signed as provided in Section 6.01 hereof; and be responsible for the accuracy of the amounts of, and cause to be preserved proper vouchers for all moneys so disbursed; render to the Chief Executive Officer, the Chief Financial Officer, or the Board, whenever they, respectively, shall request the Treasurer so to do, an account of the financial condition of the Corporation and of all the Treasurer's transactions as such officer; upon request, exhibit or cause to be exhibited at all reasonable times, at the place where they shall be kept, the Treasurer's cash books and other records to the Board, the Chief Executive Officer or the Chief Financial Officer; and have such powers and perform such duties as from time to time may be assigned to him by the Board, the Chief Executive Officer or the Chief Financial Officer.

(b) At the request of the Treasurer, or in his absence or inability to act, the Assistant Treasurer, or if there be more than one, any of the Assistant Treasurers, shall perform the duties of Treasurer, and, so acting, shall have all the powers of, and be subject to all of the restrictions upon, the Treasurer. Each Assistant Treasurer shall perform such duties as from time to time may be assigned to him by the Board, the Chief Executive Officer, the Chief Financial Officer and the Treasurer.

Section 4.15. The Controller and Assistant Controllers.

(a) The Controller shall keep or cause to be kept correct records of the business and transactions of the Corporation and shall, upon request, at all reasonable times exhibit or cause to be exhibited such records to the Board at the place where such records shall be kept. The Controller shall have such powers and perform such duties as from time to time may be assigned to him by the Board, the Chief Executive Officer or the Chief Financial Officer.

(b) At the request of the Controller, or in case of his absence or inability to act, the Assistant Controller, or, if there be more than one, any of the Assistant Controllers, shall perform the duties of the Controller, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Controller. Each of the Assistant Controllers shall perform such duties as from time to time may be assigned to him by the Board, the Chief Executive Officer, the Chief Financial Officer or the Controller.

ARTICLE V

Shares of Capital Stock

Section 5.01. Share Certificates. Every owner of stock of the Corporation shall be entitled to have a certificate registered in such owner's name in such form as the Board shall prescribe, certifying the number of shares of stock of the Corporation owned by such owner. The certificates representing shares of stock shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the Chairman, the Chief Executive Officer, the President or a Vice President, duly authorized, and by the Secretary or an Assistant Secretary. Any or all of the signatures on any such certificate may be facsimiles. In case any officer or officers or transfer agent or registrar of the Corporation who shall have signed, or whose facsimile signature or signatures shall have been placed upon any such certificate shall cease to be such officer or officers or transfer agent or registrar before such certificate shall have been issued, such certificate may be issued by the Corporation with the same effect as though the person or persons who shall have signed such certificate, or whose facsimile signature or signatures shall have been placed thereupon, were such officer or officers or transfer agent or registrar at the date of issue. Records shall be kept of the amount of the stock of the Corporation issued and outstanding, the manner in which and the time when such stock was paid for, the respective names, alphabetically arranged, and the addresses of the persons, firms or corporations owning of record the stock represented by certificates for stock of the Corporation, the number, class and series of shares represented by such certificates, respectively, the time when each became an owner of record thereof, and the respective dates of such certificates, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be canceled and a new certificate or certificates shall not be issued in exchange for any existing certificate until such existing certificate shall have been so canceled except in cases provided for in Section 5.02 hereof.

Section 5.02. Lost, Stolen, Destroyed or Mutilated Certificates. New certificates for shares of stock may be issued to replace certificates lost, stolen, destroyed or mutilated upon such conditions as the Board may from time to time determine. If the registered owner of any stock of the Corporation notifies the Corporation of any loss, theft, destruction or mutilation of the certificate therefor the Corporation may, in its discretion, require the registered owner of the lost, stolen or destroyed certificate or his legal representatives to give the Corporation a bond in such sum, limited or unlimited, and in such form and with such surety or sureties, as the Corporation shall in its uncontrolled discretion determine, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate, or the issuance of such new certificate. The Corporation may, however, in its discretion refuse to issue any such new certificate except pursuant to legal proceedings under the laws of the Commonwealth of Pennsylvania.

Section 5.03. Regulations Relating to Shares. The Board shall have power and authority to make all such rules and regulations not inconsistent with these Bylaws as it may deem expedient, concerning the issue, transfer and registration of certificates representing shares of stock of the Corporation.

Section 5.04. Holders of Record. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder and owner in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by the laws of Commonwealth of Pennsylvania.

## ARTICLE VI
## Execution of Instruments; Deposit and Withdrawal of Corporate Funds

Section 6.01. Execution of Instruments Generally. The authority to sign any contracts and other instruments requiring execution by the Corporation may be conferred by the Board upon an authorized officer of the Corporation or upon any other person or persons designated by the Board. Any person having authority to sign on behalf of the Corporation may delegate, from time to time, by instrument in writing, all or any part of such authority to any other person or persons so authorized by the Board.

Section 6.02. General and Special Bank Accounts. The Board may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board may select, or as may be selected by any officer or officers or agent or agents of the Corporation to whom power in that respect shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Bylaws, as it may deem expedient.

## ARTICLE VII

## General Provisions

Section 7.01. Offices. The principal executive office of the Corporation shall be located at such place within or without the Commonwealth of Pennsylvania as the Board from time to time designates. The registered office of the Corporation shall be located at 1030 Century Building, 130 Seventh Street, Pittsburgh, Pennsylvania 15222 or at such other place within the Commonwealth of Pennsylvania as the Board from time to time designates.

Section 7.02. Corporate Seal. The Board shall prescribe the form of a suitable corporate seal, which shall contain the full name of the Corporation and the year and state of incorporation.

Section 7.03. Fiscal Year. The fiscal year of the Corporation shall commence on the first day of April and end on the thirty-first day of March in each year.

Section 7.04. Financial Reports to Shareholders. The Board shall cause the preparation of financial statements reflecting the financial condition and results of operations of the Corporation as of and for the period ending upon the close of each fiscal year, and shall engage independent certified public accountants to audit such financial statements. The Board shall cause such financial statements and reports of auditors to be furnished to the shareholders, and shall cause such other financial statements, if any, as it deems advisable to be furnished to the shareholders.

Section 7.05. Waiver of Notices. Whenever notice shall be required to be given by these Bylaws or by the Articles of Incorporation of the Corporation or by the BCL, a written waiver thereof, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 7.06. Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board or a Committee thereof.

Section 7.07. Reliance Upon Books, Reports and Records. Each Director, each member of any Committee designated by the Board, and each officer of the Corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation, including reports made to the Corporation by any of its officers, by an independent certified public accountant, by independent legal counsel, or by an appraiser.

Section 7.08. Gender. Any words in the masculine gender in these Bylaws shall be deemed to include the feminine gender.

## ARTICLE VIII

## Indemnification of Officers and Directors

Section 8.01. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative action, suit or proceeding (hereinafter a "proceeding"), whether brought by or in the name of the Corporation or otherwise, by reason of the fact that he is or was a Director or an officer of the Corporation or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a Director, officer, employee or agent or in any other capacity while serving as a Director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by law, including, but not limited to the BCL, as the same exists or may hereafter be amended (but, in the case of such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board.

Section 8.02. Right to Payment of Expenses. The right to indemnification conferred in Section 8.01 shall include the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such proceeding prior to its final disposition (hereinafter a "payment of expenses"). The rights to indemnification and to the payment of expenses conferred in Sections 8.01 and 8.02 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

Section 8.03. Right of Indemnitee to Bring Suit. If a claim under Section 8.01 or 8.02 of this Article is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for a payment of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, the indemnitee also shall be entitled to be paid the expense of prosecuting or defending such suit, including attorney's fees.

Section 8.04. Non-Exclusivity of Rights. The rights to indemnification and to the payment of expenses shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Articles of Incorporation, Bylaws, any agreement, any vote of shareholders or disinterested directors or otherwise.

Section 8.05. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the BCL.

Section 8.06. Indemnification of Employees, Assistants and Agents. The Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the payment of expenses to any employee, assistant or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and payment of expenses of Directors and officers of the Corporation.

Section 8.07. Constituent Corporations. For the purposes of this Article, references to "the Corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation, so that any person who is or was a Director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as if he had served the resulting or surviving corporation in the same capacity.

Section 8.08. Other Enterprises, Fines, Serving at Corporation's Request. For purposes of this Article, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise tax assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a Director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such Director, officer, employee, or agent with respect to any employee benefit plan, its participants, or beneficiaries.

Section 8.09. Effect of Amendment. Any amendment, repeal or modification of any provision of this Article by the shareholders or the Directors shall not adversely affect any right or protection of a Director or officer existing at the time of such amendment, repeal or modification.

Section 8.10. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each indemnitee as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

## ARTICLE IX

## Amendments

Section 9.01. Amendments. These Amended and Restated Bylaws may be amended, altered and repealed, and new Bylaws may be adopted, by the shareholders or the Board at any regular or special meeting.

## ARTICLE X

## Inapplicable Subchapters of Business Corporation Law of Pennsylvania

Section 10.01. Subchapter E. The provisions of Subchapter E to Chapter 25 of the BCL (successor to Section 910 of the BCL) shall not be applicable to this Corporation.

Section 10.02. Subchapter G. The provisions of Subchapter G to Chapter 25 of the BCL, as approved April 27, 1990, shall not be applicable to this Corporation.

Section 10.03. Subchapter H. The provision of Subchapter H to Chapter 25 of the BCL, as approved April 27, 1990, shall not be applicable to this Corporation.

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ARTICLE X

Inapplicable Subchapters of Business Corporation Law of Pennsylvania

MYLAN LABORATORIES INC.
1997 INCENTIVE STOCK OPTION PLAN

(AS AMENDED AND RESTATED EFFECTIVE JULY 26, 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)(ii)(A)). Certain provisions of this Plan have been amended from time to time. Generally Options (as defined in paragraph 3) granted under this Plan are governed by the provisions of the Plan in effect at the date of the grant of such Option. This Amended and Restated version of the Plan incorporates all Plan amendments adopted through July 26, 2000.

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, 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

(a) 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(j)).

(b) 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.

(c) 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)(vi).

5. ADMINISTRATION

(a) 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).

(i) 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:

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

(B) 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

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

(ii) 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 ("Regulation"), under the Internal Revenue Code of 1986, as amended ("Code"), when the Committee is acting to grant Options to those key employees who have the following employment status with the Corporation:

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

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

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

(iii) An Officer or director who also has an employment status described in clause (A), (B) or (C) of paragraph 5(a)(ii), shall also be limited to a maximum number of Options under the Plan as provided under paragraph 5(a)(vi).

(iv) 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 (A), (B) and (C) of paragraph 5(a)(ii) shall be substituted for the references to director or officer. In addition, the provisions of paragraph 5(a)(vi) shall apply.

(v) 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 (A), (B) or (C) of paragraph 5(a)(ii), 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)(i), or of outside directors as defined in Section 5(a)(ii).

(vi) In addition to any other limitation, the Committee shall not award to any Optionee options in any calendar year to purchase more than three hundred thousand (300,000) shares of Common Stock. Further, any Options awarded to such an employee which are thereafter canceled shall continue to count against the yearly 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) The Committee shall act in accord with the following:

(i) A majority of the members of the Committee shall constitute a quorum, and the action of a majority of the members present at a

meeting at which a quorum is present or authorized in writing by all members, shall be the action of the Committee.

(ii) A member participating in a meeting by telephone or similar communications equipment shall be deemed present for this purpose of establishing a quorum if the member or members who are present in person can hear him and he can hear them.

(c) The Committee shall have the power:

(i) 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:

(ii) to grant options:

(A) 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: and

(B) 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: and

(iii)to determine the number of shares for each Option, subject to paragraph 5(a)(vi);

(iv) to determine the time or times and the manner when each Option shall be exercisable and the duration of the exercise period.

(d) 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.

(e) 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

(a) Each Option granted under the Plan shall be evidenced by an agreement between the Company and the Optionee.

(b) The Agreement shall be in a form approved by the Committee and executed by the Optionee and a member of the Committee, or an officer of the Company to whom the Committee has delegated such authority.

(c) The Option shall be subject to the following expressed terms and conditions and to such other terms and conditions as the Committee may deem appropriate, including those imposed by Section 8 following amendment of the Plan requiring shareholder approval:

(i) 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.

(ii) 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.

(iii) 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.

(iv) Subject in each case to the provisions of paragraphs (i), (ii), (iii) and (v) of this Section 6(c), any Option meeting the requirements of Code Section 422 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:

(A) 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;

(B) 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;

(C) 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; and

(D) 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(c)(i)), 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.

(v) The Committee, in its sole discretion, however, may reduce or eliminate the limitations set forth in paragraph 6(c)(iv) (A), (B), (C) and (D) for Options granted to any employee having at least two years of continuous service with the Corporation or its subsidiaries.

The provisions of this paragraph 6(c) shall apply to options granted on and after July 26, 2000.

(d) (i) 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 6(c)(i), 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.

The provisions of this paragraph 6(d)(1) shall apply to options granted on and after January 26, 2000 but shall not apply to options grant on or after July 26, 2000.

(ii) Notwithstanding the limitations on vesting set forth above, if an Optionee's employment is terminated due to death, Permanent Disability (as defined in paragraph 6(f)(i)(B)), or Retirement (as defined in paragraph 6(f)(v)), 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 those set forth above may be imposed upon any Option granted to a nonemployee Optionee (or to an employee who is granted a Nonqualified Stock Option) at the sole and absolute discretion of the Committee.

The provisions of this paragraph 6(d) shall apply to options granted on or after July 26, 2000.

(e) 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) (i) If an Optionee who is an employee of the Corporation or its subsidiaries shall die:

(A) while an employee of the Corporation or its subsidiaries or

(B) 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"),

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 the 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, or in the instances to which paragraph (f)(i)(B) of this Section 6 applies, one (1) year after the date of termination of employment, but in no event later than the expiration date specified in paragraph (c)(i) of this Section 6.

(ii) 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 (c)(i) of this Section 6.

(iii) Unless a date of re-employment is identified at the time of a termination of employment that is the result of a reduction in force, the Optionee may exercise any Option to the extent that the Optionee may be entitled to do so, at any time, or from time to time, within three (3) months of the effective date of the reduction in force, but in no event later than the expiration date specified in paragraph (c)(i) of this Section 6.

(iv) 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, during the balance of the ten (10) year exercise period as set forth in paragraph (c)(1) of this Section 6, but in no event later than the expiration date specified in paragraph (c)(i) of this Section 6. If such an Optionee dies after Retirement but before such Optionee's Options have either been exercised or otherwise expired, such Options may be

exercised by the person to whom such options 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, during the balance of the (10) year exercise period set forth in paragraph (c)(i) of this Section 6, but in no event later than the expiration date specified in paragraph (c)(i) of this Section 6. In the event that such Optionee's Options were granted as Incentive Stock Options and they are not exercised within three (3) months after the termination of employment, such Options shall thereafter be deemed and become Nonqualified Stock Options.

(v) Retirement for purposes of exercising any Option(s) granted hereunder is defined as:

(A) the Optionee has reached age 55 and has accumulated at least ten (10) years of continuous service with the Company; or

(B) the Committee, in its sole discretion, has determined that the Optionee has retired regardless of age and service with the Company.

(vi) Except as provided by subparagraphs (i) through (iv) 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.

The provisions of this paragraph 6(f) shall apply to options granted on or after July 26, 2000.

(g) Each Nonqualified Stock Option shall be for a term of 10 years, subject to earlier termination as provided in paragraph 6(f), unless the Nonqualified Stock Option Agreement expressly provides for a different term, not in excess of ten (10) years, and/or expressly provides that the provisions of any or all of paragraph 6(f) shall not apply to cause the Nonqualified Stock Option to terminate earlier. A Nonqualified Stock Option shall not be exercisable after the expiration of its term. Except as otherwise provided in the Nonqualified Stock Option Agreement, 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 (c)(i) 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 (c)(i) of this Section 6.

The provisions of this paragraph 6(g) shall apply to options granted on or after July 26, 2000.

(h) 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:

(i) the Stock Option Committee has approved the proposed transfer in writing;

(ii) the proposed transfer is to be made without consideration;

(iii) 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 Code ss.501(c)(3); and

(iv) after transfer, each option transferred by the Optionee shall remain subject to the provisions of the Plan under which it was granted.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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

(a) 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.

(b) 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

(a) 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(c)(i) or the approval of the Corporation's shareholders no action of the Board of Directors or of the Committee may:

(i) extend the period during which Options may be granted as provided in paragraph 6(c)(i);

(ii) increase the number of shares reserved for Options pursuant to Section 4;

(iii) permit the granting of any Option at an Option price less than that determined in accordance with paragraph 6(c)(ii);

(iv) permit the granting of Options which expire beyond the period provided for in paragraph 6(c)(i);

(v) materially increase the benefits accruing to participants in the Plan;

(vi) materially modify the requirements for eligibility for participation in the Plan; or

(vii) otherwise cause Rule 16b-3 or the requirements for Incentive Stock Options to become inapplicable.

(b) 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.

(c) 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.

RETIREMENT BENEFIT AGREEMENT

This Retirement Benefit Agreement (the "Agreement") is entered into on this 14th day of March, 1995 (the "Effective Date") by and between:

Mylan Laboratories Inc.,
a Pennsylvania Corporation,
with offices located at
781 Chestnut Ridge Road,
Morgantown, WV 26505
(hereinafter referred to as
"Mylan" or "Company").

and

John P. O'Donnell,
an employee of Mylan
who resides at
24 Heather Drive
Morgantown, WV 26505
(hereinafter referred to as
"Employee" or "O'Donnell").

WHEREAS the Company and Employee, in recognition of Employee 's long and valuable contribution to the success of the Company, entered into a Salary Continuation Agreement on April 1, 1989; and

WHEREAS Employee continues to perform valuable services for the Company; and

WHEREAS in recognition of his continuing service to Mylan, the Company wishes to provide Employee with financial assistance with respect to certain Contingencies, in addition to that provided for in said April 1, 1989 Agreement; and

WHEREAS the Company and Employee wish to RESCIND, and to REPLACE said Salary Continuation Agreement with this Agreement;

WITNESSETH THEREFORE that in consideration of the additional benefits provided for hereunder, the premises and covenants set forth herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Company and Employee, intending to be legally bound, agree as follows:

## I. DEFINITIONS

Whenever used in the Agreement the following terms shall be defined as follows:

(a) "Advisor" or "Advisors" shall mean with respect to Employee any person including lawyers, accountants, estate planners and others, with whom he may wish to review and discuss the matters set forth herein.

(b) "Agreement" shall mean this Retirement Benefit Agreement which is entered into on the 14th day of March, 1995.

(c) "At-Will" shall mean with respect to the period of DeBone's employment with Mylan, that the Company is under no obligation to continue to employ DeBone for any period of time, and can terminate his employment at any time without notice, subject to certain statutory and regulatory requirements; and that Employee is under no obligation to remain employed by the Company, and can terminate his employment with Mylan at any time, without notice.

(d) "Change of Control" shall mean:

(1) The acquisition (other than from the Company) by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act"), excluding, for this purpose, the Company or its subsidiaries, or any employee benefit plan of the Company or its subsidiaries which acquires beneficial ownership of voting securities of the Company (within the meaning of Rule 13d-3 promulgated under the Exchange Act), or legal ownership of 20% or more of either the then outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(2) Individuals who, as of the date hereof, constitute the Board (as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(3) Approval by the shareholders of the Company of a reorganization,

merger, consolidation, or other action with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation, or other action do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, or of the sale of all or substantially all of the assets of the Company.

(e) "Contingency" shall mean Retirement or death.

(f) "Mylan" or "Company" shall mean Mylan Laboratories Inc., its subsidiaries and affiliates.

(g) "Net Present Value" ("NPV") shall mean the present value at any given time of the benefit to be paid, discounted at seven percent (7%) per annum.

(h) "Party" or "Parties" shall mean the Company or Employee, or both the Company and Employee depending upon which term is required by the context in which it is used.

(i) "Retire" or "Retirement" shall mean the day and date on which DeBone's employment with the Company is terminated by either Party for any reason other than death of the Employee.

(j) "Successor" shall mean any person, partnership, limited partnership, joint-venture, corporation, trust or any other entity or organization who, subsequent to the Effective Date, comes into possession of or acquires, either directly or indirectly, all or substantially all of the Company's business, assets or voting stock, or the right to direct the business activities and practices of the Company. B

II. RESCISSION OF PRIOR AGREEMENT

The Salary Continuation Agreement entered into by the Parties on April 1, 1989 and any and all other agreements, express or implied, which may have been entered into by them prior to the execution of this Agreement, including by way of example and not of limitation, any agreement which addresses or is related to salary continuation, deferred compensation, employment, or similar matters (excluding agreements related to stock options) are hereby RESCINDED by the mutual consent of the Parties hereto upon execution of this Agreement.

THEREFORE THE PARTIES ACKNOWLEDGE THAT ANY RIGHTS AND OBLIGATIONS SET FORTH IN ANY SUCH AGREEMENT, WHETHER EXPRESS OR IMPLIED, ARE FOREVER WAIVED, NULL AND VOID, AND UNENFORCEABLE AT LAW OR IN EQUITY.

III. RETIREMENT

3.1 Upon his Retirement from the Company, and if he is eligible to receive payments as provided for elsewhere herein, Employee shall receive an annual retirement benefit equal to the amount set forth below.

3.2 Should Employee Retire after the Effective Date but on or before March 31, 1996 he shall receive thirty six thousand dollars ($36,000.00) each year for ten (10) years.

3.3 Should Employee Retire after March 31, 1996 but on or before March 31, 1997 he shall receive seventy thousand dollars ($70,000.00) each year for ten (10) years.

3.4 Should Employee Retire after March 31, 1997 but on or before March 31, 1998 he shall receive eighty thousand dollars ($80,000.00) each year for ten (10) years.

3.5 Should Employee Retire after March 31, 1998 but on or before March 31, 1999 he shall receive ninety thousand dollars ($90,000.00) each year for ten (10) years.

3.6 Should Employee Retire after March 31, 1999 he shall receive one hundred thousand dollars ($100,000.00) each year for ten (10) years.

3.7 Should Employee become unable to perform the material and substantial duties of his position prior to March 31, 1999, he shall receive, pursuant to 4.1, one hundred thousand dollars ($100,000.00) each year for ten (10) years in lieu of any benefit specified in Sections 3.2 through 3.6 hereof.

3.8 The Company shall pay the amount due hereunder in equal or substantially equal monthly installments. The first of any such payments shall be made on the first day of the month following the month in which Employee Retires, and each subsequent payment shall be made on the first day of each successive month until Mylan's obligations with respect to such payments have been satisfied.

3.9 However, upon the written request of the Employee, Mylan may pay to Employee the NPV of any amount, or of the balance of any such amount, to which he is entitled hereunder in a lump-sum payment. If the Company grants the request for a lump sum payment, said payment shall be paid within thirty (30) days of the date of Employee's request.

IV. CAPACITY TO PERFORM DUTIES

4.1 The certification of a licensed physician selected by the Company as to Employee's inability to perform the material and substantial duties of his position shall be conclusive with respect to his status regarding the application of 3.7 hereof.

V. DEATH BENEFIT

5.1 The Company shall maintain for Employee's benefit during his employment with the Company life insurance policies in the aggregate amount of one million two hundred fifty thousand dollars ($1,250,000.00).

5.2 If the Employee's death occurs after Retirement, but before having received the entire benefit provided for under Article III hereof, the balance of the payments due thereunder shall be paid to Employee's beneficiary in a lump-sum payment equal to the NPV of the remaining payments.

VI. EFFECT OF CHANGE OF CONTROL

6.1 Upon a Change of Control DeBone shall receive, in lieu of the annual payments provided for under Article III, the NPV of One Hundred Thousand Dollars ($100,000.00) per year for ten (10) years; provided DeBone is employed by the Company at or immediately prior to the Change of Control.

6.2 If a Change of Control occurs after his retirement, but before having received the entire benefit provided for under Article III hereof, the balance of the payments due thereunder shall be paid to Employee in a lump-sum payment equal to the NPV of the remaining payments.

VII. SUCCESSORSHIP

This Agreement in its entirety shall be binding upon and enforceable against the Company and its Successors.

VIII. NO DUPLICATION OF PAYMENTS

Notwithstanding anything to the contrary which may be set forth elsewhere herein, under no circumstances is Employee or his beneficiary entitled to take benefits under more than any one article included in this Agreement.

IX. EMPLOYEE CONDUCT WITH RESPECT TO COMPETITORS

9.1 Employee agrees that he will not, without the prior written consent of the Company, directly or indirectly, whether as an employee, officer, director, independent contractor, consultant, stockholder, partner or otherwise, engage in or assist others to engage in or have any interest in any business which competes with the Company in any geographic area in which the Company markets or has marketed its products during the year preceding termination of DeBone's employment for the greater of:

(a) the period during which Employee receives monthly payments under this Agreement; or

(b) three (3) years following his receipt of a lump-sum payment hereunder.

9.2 Notwithstanding anything to the contrary set forth elsewhere herein, stock ownership in a competing business shall not be a breach of this Agreement, provided such stock is traded on a national exchange.

9.3 The Parties agree and acknowledge that the time, scope and geographic area and other provisions of this Agreement have been specifically negotiated by the Parties, and Employee specifically hereby agrees that such time, scope and geographic area and other provisions are reasonable under these circumstances. Employee further agrees that if, despite the express agreement of the Parties to this Agreement, a court should hold any portion of this Agreement unenforceable for any reason, the maximum restrictions of time, scope and geographic area reasonable under the circumstances, as determined by the court, will be substituted for the restrictions herein which such court may find to be unreasonable or unenforceable.

9.4 The Parties acknowledge that the breach of 10.1 will be such that the Company will not have an adequate remedy at law because the rights of the Company under this Agreement are of a specialized and unique character, and that immediate and irreparable damage will result to the Company if Employee breaches his obligations under 10.1. The Company may, in addition to any other remedies and damages available, seek an injunction in the courts of the State of West Virginia and the United States District Court for the Northern District of West Virginia to restrain any such breach. Employee represents and warrants that his expertise and capabilities are such that his obligations under 10.1 will not prevent him from earning a living.

X. CONSULTING SERVICES

10.1 During the five (5) year period beginning on the day following Employee's Retirement he shall, at the request of the Company, act in the capacity of a consultant for the Company, performing such services

as may be consistent with those performed by him during his Employee's employment. These services may be designated by the President of the Company, or his authorized representative, and shall be reasonable in scope duration and frequency.

10.2 The Company shall pay the Employee for such consulting services an hourly rate to be determined by the Parties at such time, but not less than one hundred fifty dollars ($150.00) per hour, payable monthly.

10.3 In addition to the foregoing, the Company shall reimburse the Employee monthly for any and all out-of-pocket expenses incurred by the Employee directly for the benefit of the business of the Company.

XI. ELIGIBILITY FOR PAYMENT

11.1 Any and all payments due hereunder, may be denied if not already begun, or terminated if they have begun, if in the Company's sole judgment Employee is either not eligible for such payments, or once such payments have begun is found to be or found to have been ineligible.

11.2 Employee shall not be eligible for any payments hereunder if the Company, in its sole discretion, finds that during or subsequent to his employment with the Company he:

(a) breaches, or has breached any term, provision or obligation enumerated herein;

(b) committed any act by commission or omission which materially and substantially adversely affects the Company's business or reputation; or

(c) is convicted of any violation of the Federal Food, Drug and Cosmetic Act, or the violation of any other statute of material relevance to the Company's business.

11.3 Should Employee be paid any benefits hereunder and thereafter be found ineligible, or to have been ineligible, he must return to the Company that portion of the benefit paid to him for the period of his ineligibility.

XII. RIGHT TO CONFER

12.1 Employee shall have the right, but not the obligation to:

(a) Confer with any Advisor of his choice prior to signing the Agreement; and

(b) Provide his Advisors with a true and complete copy of the Agreement, and any other pertinent documents which may be of assistance to his Advisors.

12.2 Should Employee decline the right to confer with his Advisors prior to executing this Agreement he shall execute an acknowledgement of same which shall then be incorporated herein by reference. (See Exhibit A)

XIII. NO PROMISE OF CONTINUED EMPLOYMENT

13.1 Employee acknowledges his employment with the Company is AT-WILL.

13.2 Nothing set forth herein shall constitute or be construed as a contract of employment except in so far as provided for under 13.1 hereof.

XIV. RESTRICTION OF ALIENABILITY

Benefits payable to the Employee or beneficiary shall not be subject to assignment, transfer, attachment, execution, garnishment, sequestration, or any other seizure under any legal or equitable process, whether on account of the Employee's or beneficiary's act or by operation of the law.

XV. CONTRACT ADMINISTRATOR

The Director of Taxation and Accounting of the Company, or other officer of Mylan designated by the Executive Committee of the Company is hereby named the Contract Administrator for purposes of assuring compliance with the terms and conditions set forth herein.

XVI. MODIFICATION

This Agreement may not be changed, amended or otherwise modified other than by a written statement; Provided, such statement is signed by both Parties, expresses their intent to change the Agreement, and specifically describes such changes.

XVII. HEADINGS

Except when referenced in the body of this Agreement article headings are set forth herein for the purpose of convenience only. Such headings shall not be considered or otherwise referred to when any question or issue arises with respect to the application or interpretation of any term or condition set forth herein.

XVIII. COUNTERPARTS

This Agreement may be executed in two or more counterparts, each of which is to be considered an original, and taken together as one and the same document.

XIX. GOVERNING LAW

Any an all actions between the Parties regarding the interpretation or application of any term or provision set forth herein shall be governed by and interpreted in accordance with the substantive laws, and not the law of conflicts, of the State of West Virginia. The Company and Employee each do hereby respectively consent and agree that the courts of the State of West Virginia shall have jurisdiction, and venue shall properly lie with the courts of the State of West Virginia, with respect to any and all actions brought hereunder.

XX. SINGULAR OR PLURAL

The singular form of any noun or pronoun shall include the plural when the context in which such word is used is such that it is apparent the singular is intended to include the plural and vice versa.

XXI. ASSIGNMENT

The Agreement may not be assigned by either Party, without the written authorization of the other Party. A Successor shall not be considered an assignee for purposes of this Article.

XXII. ENTIRE AGREEMENT

The terms and conditions set forth herein contain the entire agreement between the Company and Employee, and supersede any and all prior agreements or understandings (whether express or implied) between the Parties with respect to the matters set forth herein.

XXIII. SURVIVAL

Articles I, II, IX, X, XI, XIX, and XXIII shall survive any expiration or termination of this Agreement.

XXIV. TERM

The term of this Agreement shall begin on the Effective Date and shall end on the date on which Mylan makes the last payment to which it is obligated hereunder.

IN WITNESS of their agreement to the terms and conditions set forth herein the Company and Employee have caused the following signatures to be affixed hereto:

MYLAN LABORATORIES INC. John P. O'Donnell

BY:_____ BY:_____

TITLE:_____ DATE:_____

DATE:_____

ACKNOWLEDGEMENT

I, John P. O'Donnell, hereby acknowledge and understand that I have been given the opportunity to review and discuss the terms of the Agreement with an Advisor of my choice prior to signing the Agreement. I have decided that it is not necessary for me to discuss this matter with an Advisor, and therefore I decline the opportunity to do so.

No one has discouraged me or otherwise attempted to influence me with regard to my decision to decline the opportunity to discuss this matter with my Advisors. My refusal of this offer is entirely my own and is made without any reservation or conditions whatsoever.

WITNESSED BY:

_____ DATE:_____ BY:_____ DATE:_____

_____ DATE:_____

Exhibit 10.13

# TRANSITION AND SUCCESSION AGREEMENT

This Transition and Succession Agreement (hereinafter referred to as "Agreement" or "the Agreement") is entered into as of the 10th day of November, 1999, by and between:

Mylan Laboratories Inc.,
a Pennsylvania Corporation,
with offices located at
1030 Century Building
Pittsburgh, Pennsylvania 15222
(hereinafter referred to as "Mylan" or "Company")

and

----------,
an employee of Mylan,
who resides at the address
set forth under the employee's signature
(hereinafter referred to as "Employee" or "You")

## RECITALS

WHEREAS, the Board of Directors of Mylan (the "Board") considers it essential to the best interests of the shareholders to promote a stable employment environment which minimizes distractions that could interfere with the ability of employees of the Company, particularly certain key employees, to discharge their duties in a responsible and efficient manner;

WHEREAS, the Board recognizes the inherent uncertainties and distractions among its key employees which can arise with respect to continuation of employment with the Company under circumstances in which the Company might receive a proposal, whether solicited by the Company, or otherwise, concerning possible Change of Control;

WHEREAS, the Company wishes to promote and perpetuate a work environment in which distractions and uncertainties, particularly those resulting from a Potential Change of Control or a Change of Control, are minimized; and

WHEREAS, Employee has been identified as a key employee whose continued and dedicated service to the Company is considered to be in the best interests of the shareholders.

WITNESSETH, therefore, that in consideration of the promises and covenants set forth herein, the obligations assumed hereunder, and other good and valuable consideration, the sufficiency and receipt of all which are hereby acknowledged, the Company and Employee, intending to be legally bound, agree as follows:

## I. DEFINITIONS

Wherever used in this Agreement, capitalized terms shall be defined as stated in this Article, and words, phrases, and terms parenthetically defined elsewhere in the body of the Agreement shall throughout the Agreement be defined by the meanings therein provided.

1.1 "Affiliate" shall mean any person, partnership, corporation, organization, or entity ("Person") that; (a) directly or indirectly controls, (b) is directly or indirectly controlled by, or (c) is under common control with the Company. A Person shall be regarded as controlling an entity, if; (i) it owns fifty percent (50%) or more of the voting stock or other ownership interest of such other entity; or (ii) it directly or indirectly possesses sufficient authority to direct the adoption and execution of the policies, management, and operations of such Party by any means whatsoever.

1.2 "Cause" shall mean only Your willful and substantial misconduct with respect to the business and affairs of the Company; Your gross neglect of duties, dishonesty or deliberate disregard of any material rule or policy of the Company; Your commission of an act involving embezzlement or fraud or a felony pertaining to antitrust, taxes, medicare/medicaid fraud or abuse or the development, approval, manufacturing, distribution or sale of prescription drug products or medical devices or Your commission of a similar felony.

1.3 Change Of Control shall mean a change of control of a nature that would be required to be reported in response to Item 6 (e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided that, without limitation, such a Change of Control shall be deemed to have occurred if (a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as determined for purposes of Regulation 13D-G under the Exchange Act as currently in effect), other than a Company-sponsored employee benefit plan, directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; or (b) during any period of two consecutive years, individuals who at the beginning of such period

constitute the Board and any new director, whose election to the Board or nomination for election to the Board by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors

then still in office who either were directors at the beginning of the period or whose election to the Board or nomination for election to the Board by the Company 's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; or (c) the stockholders of the Company approve (i) a merger or consolidation of the Company with any corporation or other entity other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding immediately thereafter securities representing more than eighty percent (80%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation (ii) a plan of complete liquidation of the Company or an (iii) agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; PROVIDED, HOWEVER, that if such a merger, consolidation, plan of liquidation or sale of substantially all assets is not consummated following such stockholder approval and the transaction is abandoned, then the Change of Control shall be deemed not to have occurred. Notwithstanding the foregoing, in no event shall a Change of Control be deemed to occur as the result of the formation of a Holding Company.

1.4 "Company" shall mean Mylan and its Subsidiaries and Affiliates.

1.5 "Contract Payment(s)" shall mean any payment or benefit to be received by You pursuant to the terms of this Agreement.

1.6 "Date of Termination of Employment" shall mean: the date Your employment with the Company is terminated, which, if such termination occurs during a Potential Change of Control Period or after a Change of Control and (i) if Your employment is terminated by the Company for any reason other than Cause, or (ii) by You for anything other than Good Reason, other than those described in Section 8.1 hereof shall not be less than thirty (30) days from the date such Notice of Termination of Employment is given.

1.7 "Disability" shall mean Your permanent and total disability as such term is defined under Section 22(e) (3) of the Internal Revenue Code of 1986, as amended (the "Code"). Any question as to the existence of Your Disability upon which You and the Company cannot agree shall be determined by a qualified independent physician selected by You (or, if You are unable to make such selection, such selection shall be made by any adult member of Your immediate family or Your legal representative). The determination of such physician made in writing to the Company and to You shall be final and conclusive for all purposes addressed or contemplated pursuant to or under this Agreement.

1.8 "Effective Date" shall mean the day and date first hereinabove entered.

1.9 "Employee" shall mean the name of the employee appearing on page one (1) of this Agreement.

1.10 "Good Reason" shall mean the occurrence, without Your express written consent, with respect to subparagraphs (a) through (g), (i), and (j) of any of the following circumstances unless, in the case of paragraphs (a), (e), (f), (g), or (h) hereof, such circumstances are fully corrected prior to the Date of Termination of Employment specified in the Notice of Termination of Employment given in respect thereof:

(a) the assignment to You of any duties or responsibilities inconsistent with Your status as an employee of the Company, Your removal from that position, or a substantial diminution in the nature or status of Your responsibilities and authority from those in effect immediately prior to the Change of Control, or during a Potential Change of Control;

(b) a reduction in Your annual base salary in effect on the date of this Agreement, as increased thereafter and prior to the Change of Control, or failure to pay You annual wages in an amount equal to the average annual amount of wages (base salary plus bonus) paid to you during each of the three (3) calendar years ending immediately prior to the Change of Control;

(c) the relocation of the office in which You are based at the commencement of a Potential Change of Control or at the time of a Change of Control to a location more than thirty (30) miles from its location as of the Effective Date;

(d) the failure by the Company to pay to You any portion of any installment of deferred compensation, or lump sum under any deferred compensation program of the Company within seven (7) days after you give the Company written notice of the failure to pay such compensation when it is due;

(e) the failure by the Company to continue in effect any incentive compensation plan in which You participate prior to the Change of Control, unless an equitable alternative compensation arrangement (embodied in an ongoing substitute or alternative plan) has been provided for You, or the failure by the Company to continue Your participation in any such incentive plan on the same basis, both in terms of the amount of benefits provided and the level of Your participation relative to other participants, as existed at the time of the Change of Control;

(f) except as required by law, (i) the failure by the Company to continue to provide You with benefits at least as favorable as those enjoyed by You under the employee benefit and welfare plans of the Company including, without limitation, profit sharing, life insurance, medical, dental, health and accident, disability, deferred compensation, retirement and savings plans, in which You were participating at the time of a Potential Change of Control or a Change of Control, (ii) the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive You of any material fringe benefit enjoyed by You at the time of a Potential Change of Control or a Change of Control, or the failure by the Company to provide You with the number of paid vacation days and holidays to which You are entitled at the time of the Change of Control;

(g) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement;

(h) any purported termination of Your employment which is not effected pursuant to a Notice of Termination of Employment satisfying the requirements set forth herein for such notice (for purposes of this Agreement, no such purported termination shall be effective);

(i) if the Company continues to exist and be a company registered under the Securities Exchange Act of 1934, as amended, after the Change of Control and continues to have in effect the Stock Option Plan, or a stock option plan substantially similar to the Stock Option Plan, the failure of the Company to grant to You options for a number of shares of Common Stock of the Company that as a percentage of the outstanding stock of the Company is at least as great as the average annual percentage of the outstanding Common Stock of the Company with respect to which you received options during the three calendar years immediately prior to the Change of Control, which options are on terms, including pricing relative to the market price at the time of grant, that are at least as favorable as the terms of grant last made to you prior to the Change of Control;

(j) failure to include You in any program or plan of benefits (including, but not limited to stock option and defined compensation plans), and in like amounts or coverage, which is provided or otherwise offered to other employees of like or similar positions, duties, responsibilities, or status following a Change of Control;

(k) Your Disability.

1.11 "Holding Company" shall mean a company that as the result of a reorganization, merger, consolidation or other transaction holds all of the outstanding voting securities of the Company, if immediately following the transaction all or substantially all of the individuals or entities who were beneficial owners of voting securities of the Company immediately prior to the transaction hold voting securities of the Holding Company having substantially the same rights and in substantially the same proportions as they held in the Company immediately prior to the transaction.

1.12 "Mylan" shall mean Mylan Laboratories Inc.

1.13 "Notice of Termination of Employment" shall mean a notice which shall state the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Your employment under the provision so indicated.

1.14 "Other Payment" shall mean any payment or other benefit received or, to be received, by You in connection with termination of Your employment or contingent upon a Change of Control pursuant to any plan, or arrangement or agreement with the Company other than this Agreement.

1.15 "Party" shall mean either the Company or You.

1.16 "Payments" shall mean Contract Payments and/or Other Payments.

1.17 "Potential Change of Control" shall be deemed to have occurred if: (a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change of Control; (b) any person (including the Company) publicly announces an intention to take or to consider taking actions, which if consummated, would constitute a Change of Control; (c) any person becomes the beneficial owner, directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company's then outstanding securities; or (d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change of Control of the Company has occurred. A Potential Change of Control, and the "Potential Change of Control Period" relating thereto, shall be deemed to end, when the agreement referred to in clause (a) of the immediately preceding sentence is terminated; when the person making a public announcement described in clause (b) announces the termination of his previously announced intention or effort or has made no further such announcements or efforts for a period of six months; six months after a person who becomes the beneficial owner of securities as described in clause (c) of the immediately preceding sentence last increases the percentage ownership of the combined voting power of the Company's outstanding voting securities he beneficially owns; or the Board withdraws the resolution described in clause (d) of the immediately preceding sentence or six months after the Board last took action with respect to the subject matter of such resolution.

1.18 "Retirement" shall mean Your voluntary termination of employment with the Company in accordance with the Company's retirement policy (excluding early retirement) generally applicable to its salaried employees or in accordance with any retirement arrangement established by the Company with Your consent with respect to You.

1.19 "Separation Period" shall mean the period commencing on the first anniversary of a Change of Control and ending ninety (90) days thereafter.

1.20 "Stock Option Plan" shall mean the Mylan Laboratories Inc. 1997 Incentive Stock Option Plan and any successor thereto implemented prior to a Change of Control.

1.21 "Subsidiary" shall mean any corporation, partnership, limited partnership, or other entity in which the Company owns more than one-half (1/2) of the equity interest, assets, or voting stock or voting control of such entity.

1.22 "Voluntary Termination" shall mean Your resignation from employment with the Company for anything other than Good Reason.

1.23 "You" or "Your" shall refer to Employee.

II. SCOPE

As an inducement for You to remain employed by the Company during a Potential Change of Control and for a period of two (2) years after a Change of Control, the Company agrees, subject to the rights of each Party during the Separation Period, to provide the benefits as set forth in Article VIII of this Agreement in the event of a Change of Control.

III. TERM OF AGREEMENT

3.1 The term of this Agreement shall begin on the Effective Date and shall continue in full force and effect unless and until it is terminated as set forth elsewhere herein.

3.2 This Agreement may be terminated at any time, other than during a Potential Change of Control Period or following a Change of Control, by the Company upon the giving of at least twelve (12) months prior written notice of termination.

IV. TERMINATION OF THE AGREEMENT

The term of this Agreement shall expire on the first to occur of the following events:

(i) termination of this Agreement pursuant to Section 3.2 hereof;

(ii) termination of Your employment by either You or the Company other than during a Potential Change of Control Period or following a Change of Control; and

(iii) the second anniversary of a Change of Control.

V. CONTINUATION OF EMPLOYMENT

You agree that, subject to the terms and conditions of this Agreement, in the event of a Potential Change of Control occurring after the Effective Date, You; (i) will not Voluntarily terminate Your employment with the Company for a period of six (6) months from the date on which such Potential Change of Control occurs; and (ii) for a period of two (2) years following a Change of Control, subject to the terms set forth elsewhere herein. If more than one Potential Change of Control occurs during the term of this Agreement, the provisions of the preceding sentence shall be applicable to each such Potential Change of Control occurring prior to the occurrence of a Change of Control.

VI. TERMINATION FOLLOWING CHANGE OF CONTROL

6.1 If a Change of Control shall have occurred, You shall be entitled to the benefits provided for herein upon the subsequent termination of Your employment with the Company during the term of this Agreement unless such termination is a result of; (a)Your Retirement; or (b) Voluntary Resignation without Good Reason; or (c) by the Company for Cause.

6.2 Notwithstanding anything set forth to the contrary in Section 6.1 above, if You Voluntarily Terminate Your Employment for any reason during the Separation Period, You shall be entitled to receive the Contract Payments.

VII. NOTICE OF TERMINATION OF EMPLOYMENT

Any purported termination of Your employment during a Potential Change of Control Period or after a Change of Control by: (i) the Company; or (ii) by You shall be communicated by written Notice of Termination of Employment to the other Party.

VIII. COMPENSATION UPON TERMINATION

During a Potential Change of Control and following a Change of Control, upon termination of Your employment, under the circumstances contemplated below, You shall be entitled to the following benefits:

8.1 If Your employment is terminated by the Company for Cause, or by You other than for Good Reason, the Company shall pay You Your full base salary and bonus, if any, through the Date of Termination of Employment at the rate in effect at the time Notice of Termination of Employment is given, and shall also pay to You any Other Payments due and payable to you, if any.

8.2 If Your employment with the Company is terminated; (i) by the Company for other than Cause; (ii) by You for Good Reason; or (iii) as a result of Your death during the period beginning with the first anniversary of a Change of Control, and ending on the second anniversary of the Change of Control, or if Your employment with the Company is terminated by You for any reason during the Separation Period (any of the foregoing events being "Qualifying Events"), You shall receive the Contract Payments as provided for elsewhere herein, and Other Payments, if any. In addition:

(a) Upon the occurrence of a Qualifying Event, the Company shall pay to You in a lump sum on a date that is not later than the fifth (5th) day following the Date of Termination of Employment as severance pay (a) an amount equal to 2.99 times the amount of base salary and cash bonus paid by the Company as reflected on Your Wage and Tax Statement (Form W-2) for the tax year immediately preceding the date of the Qualifying Event which resulted in the Company's obligation to pay the amounts provided for herein.

(b) You, together with Your dependents, will continue following such termination of employment to participate fully, with no contribution to the cost required of You or them, in all accident, hospitalization, medical and health and life insurance plans maintained or sponsored by the Company immediately prior to the Change of Control or the beginning of the Potential Change of Control Period, as the case may be, or receive substantially the equivalent coverage (or the full value thereof in cash) from the Company, until the third anniversary of such termination.

(c) The Contract Payments to be made to You pursuant to this Article shall not be reduced by the amount of any Other Payments or the value of any benefit received or to be received by You in connection with Your termination of employment or contingent upon a Change of Control of the Company (whether payable pursuant to the terms of this Agreement or any other agreement, plan or arrangement with the Company, or predecessor or successor of the Company, or any person whose actions result in a Change of Control of the Company).

8.3 Anything in this Agreement to the contrary notwithstanding, if it is determined that any payment or distribution by the Company to or for Your benefit (whether paid or payable or distributed or distributable under the terms of this Agreement or otherwise) (a "Payment") would be nondeductible by Company for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of amounts payable to or distributable to or for Your benefit under this Section ("Agreement Payments") or, if You so elect, the aggregate present value of other Payments (exclusive of any other Payments under this Agreement) shall be reduced (but not below zero) to the Reduced Amount.

8.4 For purposes of this Agreement, the "Reduced Amount" shall be the amount which maximizes the aggregate present value of Agreement Payments or Payments, as the case may be, without causing any Payment to be nondeductible because of Section 280G of the Code. The determination to be made under this Agreement shall be binding upon the Company and You and shall be made within twenty (20) days after the Your Date of Termination by Deloitte and Touche LLP (the "Accounting Firm"), which shall be compensated by the Company and shall provide detailed calculations thereof to the Company and to You. However, You shall elect which and how much of the Agreement Payments or other Payments shall be reduced consistent with the calculations. Present value, for purposes of the calculations under this Agreement, shall be determined in accordance with Section 280G(d)(4) of the Code.

8.5 As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm under this Agreement, it is possible that Agreement Payments may be paid or distributed by the Company which should not be paid or distributed ("Overpayment") or that additional Agreement Payments which have not been paid or distributed by the Company should be paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount under this Agreement. If the Accounting Firm determines that an Overpayment has been made, any of the Overpayment shall be treated for all purposes as a loan to You which You shall repay to Company, together with interest at a rate equal to one hundred twenty percent (120%) of the applicable Federal rate provided for in Section 7872(f)(2) of the Code. However, no amount shall be payable by You to the Company (or if paid by You to the Company shall be returned to the Executive) if and to the extent the payment would not reduce the amount which is subject to taxation under Section 4999 of the Code. If the Accounting Firm determines that an Underpayment has occurred, any of the Underpayment shall be paid promptly by the Company to or for Your benefit together with interest at a rate equal to one hundred twenty percent (120%) of the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

8.6 You shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by You as the result of employment by another employer or by retirement benefits received after the Date of Termination or otherwise.

IX. DATE OF TERMINATION OF EMPLOYMENT

Within thirty (30) days after any Notice of Termination of Employment is received, the recipient of such notice shall have ten (10) days to notify the Party providing said notice that a dispute exists with respect to such notice. The Date of Termination of Employment shall then become null and void, and the actual Date of Termination of Employment shall become the date on which the

dispute is resolved, either by mutual written agreement of the Parties, by a binding arbitration award, or the decision of a court of competent jurisdiction, from which no appeal is or can be taken; provided further that the Date of Termination of Employment shall be extended by a notice of dispute only if such notice is given in good faith and the Party giving such notice pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay Your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and bonus) and continue You as a participant in all incentive compensation, benefit and insurance plans in which You were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Article. Amounts paid under this Article are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

X. SUCCESSOR; BINDING AGREEMENT

10.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company is required to perform it. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle You to compensation from the Company in the same amount and on the same terms as You would be entitled hereunder if You had terminated Your employment for Good Reason following a Change of Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination of Employment. As used in this Agreement, "Company" shall mean the Company as hereinabove defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10.2 This Agreement shall inure to the benefit of and be enforceable by Your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If You should die while any amount would still be payable to You hereunder if You had continued to live, all such amount, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Your devisee, legatee or other designee or, if there is no such designee, to Your estate.

10.3 Within twenty (20) days after a Change of Control Date, the Company shall deposit in a trust designed in accordance with Revenue Procedure 92-64 or any successor thereto having a trustee independent of the Company and any successor thereto an amount equal to the total amount necessary to make the payments contemplated by Section 8.2. The Executive shall be entitled to receive funds held in such trust from the trustee upon the Executive's delivery to the trustee of a written certification by the Executive that a termination of his employment has occurred and that, as a result, the Executive is entitled to payment under Article VIII of this Agreement. Any funds which the Executive so receives shall be credited against the amount owed by the Company to the Executive pursuant to this agreement. The Company shall pay any and all expenses of establishing and maintaining the trust.

XI. NONCOMPETITION AGREEMENT

11.1 In consideration, among other things, for the provisions of Section 8.2 hereof, You agree that during a period commencing on the Date of Termination of Employment relating to a termination that entitles you to the Contract Payments and ending one year thereafter (the "Covenant Period"), You will not, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, partner, director or otherwise with, or (other than through the ownership of not more than five percent (5%) of the voting stock of any publicly held corporation) have any financial interest in, or aid or assist anyone else in the conduct of, a business which at the time of such termination competes in the United States with a business conducted by the Company or by any group, division or subsidiary of the Company (collectively with the Company, the "Company Group") on the Date of Termination. Notwithstanding the foregoing, Your employment by a business that competes with the business of the Company, or retention of You as a consultant by any such business shall not violate this paragraph if Your duties and actions for the business are solely for groups, divisions or subsidiaries that are not engaged in a business that competes with a business conducted by the Company. No business shall be deemed to be a business conducted by the Company unless the Company was engaged in the business at the Date of Termination of Employment and continues to be engaged in the business and at least twenty-five percent (25%) of the Company's consolidated gross sales and operating revenues, or net income, is derived from, or at least twenty-five percent (25%) of the Company's consolidated assets are devoted to, such business and no business shall be deemed to compete with a business conducted by the Company unless at least twenty-five percent (25%) of the consolidated gross sales and operating revenues, or net income, of any consolidated group that includes the business, is derived from, or at least twenty-five percent (25%) of the consolidated assets of any such consolidated group are devoted to, such business.

11.2 During the Covenant Period, You shall not solicit on behalf of himself or any other person the services, as employee, consultant or otherwise, of any person who on the Date of Termination of Employment is employed by the Company Group, whether or not such person would commit any breach of his contract of service in leaving such employment, except for any employee (a) whose employment is terminated by the Company or any successor thereof prior to such solicitation of such employee, (b) who initiates discussions regarding such employment without any solicitation by You, (c) who responds to any public advertisement unless such advertisement is designed to target, or has the effect of targeting, employees of the Company, or (d) who is initially solicited for a position other than by You and without any suggestion or advice from You. Nothing herein shall restrict businesses which employ You or retain You as an executive from soliciting from time to time employees of the Company, if (x) such solicitation occurs in the ordinary course of filling the business's employment needs, and (y) the solicitation is made by persons at the business other than You who have not become aware of the availability of any specific employees as a result of the advice of You.

11.3 Sections 11.1 and 11.2 shall be of no force or effect if Your employment is terminated and You are not as a result thereof entitled to any payments or benefits under Section 8.2 hereof or if, within twenty (20) days after the date of the termination of his employment, he waives his right to such payments and benefits in writing.

XII. ENFORCEMENT OF RIGHTS

12.1 Should it become necessary for You in Your sole discretion to retain legal counsel to represent You with respect to any dispute which may arise between You and the Company regarding the interpretation, application, or enforcement (an "Action") of any term or provision set forth in this Agreement, the Company will pay to You an amount equal to any legal fees and expenses ("Expenses") incurred by You with respect to any such Action.

12.2 Payment to You of the Expenses shall be made within fifteen (15) days of receipt by the Company of an invoice(s) by Your counsel. The Company shall not require a detailed statement of Expenses before paying the invoice, but reserves the right to demand and receive detailed invoices at the conclusion of the Action.

12.3 If the Company fails to timely make any payment to the You that is required to be made hereunder, the amount not timely paid shall bear interest after the date it is due hereunder at the rate of 18% per annum until it is paid.

XIII. EMPLOYMENT STATUS

Except as expressly set forth herein, this Agreement does not create any new, or enlarge, Your employment rights beyond those of an at-will employee. As such, You are not obligated to remain employed with the Company for any particular period of time and the Company is not required to employ You for any specified period. Unless otherwise specifically provided for herein, You may terminate Your employment with the Company at any time and for any reason, and likewise, the Company may terminate Your employment at any time for any reason.

XIV. NOTICE

For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, or by Federal Express or other recognized overnight delivery service, addressed to the address set forth on the first page of this Agreement with respect to the Company and on the signature page with respect to You, provided that all notices to the Company shall be directed to the attention of the Vice President and General Counsel of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

XV. VALIDITY

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

XVI. COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

XVII. ARBITRATION

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator' s award in any court having jurisdiction; provided, however, that You shall be entitled to seek specific performance of Your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

XVIII. OTHER DUTIES

Each of the Parties shall perform all other duties and acts, execute and deliver all other documents, and provide all other information and assistance, whether or not specifically provided for herein, as may be reasonably necessary, beneficial or appropriate to further the purposes and carry out the intent of this Agreement.

XIX. WAIVER

19.1 The waiver by either Party to this Agreement of a breach of any provision of the Agreement or of any right contained herein shall not operate as or be construed as a waiver of any subsequent breach or right granted herein.

19.2 Your continued employment shall not constitute consent to or be construed as a waiver of any rights with respect to any facts or circumstances regarding or constituting Good Reason.

XX. DOCUMENT PREPARATION

The Parties acknowledge that this Agreement is a product of negotiations and that no inference should be drawn regarding the drafting of this document.

XXI. HEADINGS

Article headings are set forth herein for the purpose of convenience only. Such headings shall not be considered or otherwise referred to when interpreting or applying any term, provision or condition set forth herein.

XXII. SINGULAR AND PLURAL

The singular form of any noun or pronoun shall include the plural when the context in which such a word is used is such that it is apparent the singular is intended to include the plural.

XXIII. GOVERNING LAW

The laws of the State of West Virginia shall be determinative of any controversies arising hereunder as to the application or interpretation of any term or provision set forth herein.

XXIV. MODIFICATION

This Agreement may be changed, amended, or otherwise modified by, and only by, a written statement or amendment executed by You and the Company that expresses their intent to change the Agreement and specifically describes such change(s).

IN WITNESS of their Agreement to the terms and conditions contained herein Mylan and Employee have caused the following signatures to be affixed hereto as of the day and year first set forth above.

EMPLOYEE

_____

ADDRESS: _____

_____

MYLAN LABORATORIES INC.

BY:
TITLE:

## PREAMBLE

Mylan Laboratories Inc. (the "Company") hereby establishes the Mylan Laboratories Inc. Executives' Retirement Savings Plan (the "Plan"), effective as of the date specified herein. The Company intends to establish and maintain the plan as an unfunded retirement plan for a select group of management or highly compensated employees.

The purpose of the Plan is to permit designated executives of the Company to accumulate additional retirement income through a nonqualified deferred compensation plan that enables them to make elective deferrals

## ARTICLE ONE

## DEFINITIONS

As used in this Plan, the following capitalized words and phrases have the meanings indicated, unless the context requires a different meaning:

1.01 "Account" means amounts credited to a Participant under the Plan.

1.02 "Allocation Date" means the last day of any Plan Year.

1.03 "Beneficiary" means the person or persons designated by a Participant, or otherwise entitled, to receive any amount credited to his Account that remains undistributed at his death.

1.04 "Board of Directors" or "Board" means the board of directors of the Mylan Laboratories Inc.

1.05 "Company" means, Mylan Laboratories Inc. a Pennsylvania corporation, and such of its subsidiaries and affiliates as determined by the Board of Mylan Laboratories Inc. and any successors thereto.

1.06 "Compensation" means the aggregate compensation paid to a Participant by the Company for a Plan Year, including salary, overtime pay, commissions, bonuses and all other items that constitute wages within the meaning of IRC ss.3401(a) or are required to be reported under IRC ss.6041(d), ss.6051(a)(3) or ss.6052. Compensation also includes Salary Reduction Accruals under this Plan and any elective deferrals under cash-or-deferred arrangements or cafeteria plans that are not includible in gross income by reason of IRC ss.125 or ss.402(a)(8), but does not include any other amounts contributed pursuant to, or received under, this Plan or any other plan of deferred compensation.

1.07 "Effective Date" means April 1, 2000, or if later, the date on which the Board of Directors adopts this Plan.

1.08 "Eligible Employee" means any officer of the Company who is determined by the Board to be eligible to participate.

1.09 "Participant" means any Eligible Employee who satisfies the conditions for participation in the Plan set forth in Section 2.01.

1.10 "Plan" means the Mylan Laboratories Inc. Executives' Retirement Savings Plan, as set forth herein and as from time to time amended.

1.11 "Plan Administrator" means the person or committee appointed in accordance with Section 7.01 to administer the Plan.

1.12 "Plan Year" means the accounting year of the Plan, which ends on March 31.

1.13 "Salary Reduction Accrual" means an amount credited to the Account pursuant to a Salary Reduction Agreement.

1.14 "Salary Reduction Agreement" means an agreement between a Participant and the Company, under which the Participant agrees to a reduction in his Compensation and the Company agrees to credit him with Salary Reduction Accruals under this Plan.

1.15 "Termination of Employment" means a Participant's or former Participant's separation from the service of the Company (including all affiliates of the Company) by reason of his resignation, retirement, discharge or death.

1.16 "Trust" or "Trust Fund" means any trust established to hold amounts set aside by the Company in accordance with Section 4.04.

1.17 "Trustee" means the trustee of the applicable Trust or Trust Fund and any additional or successor trustees of such Trust Fund.

1.18 "Valuation Date" means any Allocation Date and any other date as of which the value of Participants' Accounts is determined.

## ARTICLE TWO

## Participation in the Plan

2.01 Commencement of Participation: An employee of the Company becomes a Participant on the date on which he satisfies both of the following conditions:

(a) he is an Eligible Employee, and

(b) he has executed a valid Salary Reduction Agreement that is still in effect.

2.02 Cessation of Participation: If a Participant ceases to satisfy either of the conditions set forth in Section 2.01, his participation in this Plan terminates immediately, except that his Account will continue to be held for his benefit and will be distributed to him in accordance with the provisions of Article Six. He may resume participation as of any date on which he again satisfies the conditions of Section 2.01.

## ARTICLE THREE

## Accounts Under the Plan

3.01 Establishment of Accounts: Accounts are established under the Plan to record the liability of the Company to Participants. All Accounts are maintained on the books of the Company, and unless otherwise required because of the establishment of a separate Trust Fund, the Company is under no obligation to segregate any assets to provide for these liabilities.

3.02 Valuation of Accounts: All Accounts are valued as of each Allocation Date and as of any other Valuation Date fixed by the Plan Administrator.

3.03 Method of Valuing Account: The value of an Account as of any Valuation Date is equal to the fair market value of the Account as determined on the books and records of the Company or, if a Trust Fund is otherwise established, the fair market value of the Account's interest in the Trust Fund.

## ARTICLE FOUR

## Accrual of Benefits

4.01 Type of Contribution: For any Plan Year, Salary Reduction Accruals are credited to each Participant to the extent specified in his Salary Reduction Agreement in effect for the Plan Year.

4.02 Timing of Accruals: Salary Reduction Accruals are deemed to accrue on the date on which the Participant would otherwise have received the Compensation that he elected to defer.

4.03 Salary Reduction Agreements:

(a) Authorization of Salary Reduction Accruals: By executing a Salary Reduction Agreement with respect to a Plan Year, a Participant may elect to have Salary Reduction Accruals credited under the Plan on his behalf. The current salary and bonus of a Participant who executes a Salary Reduction Agreement are reduced by the amounts specified in his election, and an equal amount is accrued under the Plan in accordance with Section 4.01. A Salary Reduction Agreement may specify either a dollar amount or a percentage reduction and may specify whether the reduction is applied to regular salary, to bonus or to both. Salary Reduction Agreements may not be made with respect to Compensation other than salary and bonuses.

(b) Timing of Salary Reduction Agreements: A Salary Reduction Agreement with respect to any Plan Year beginning after 2000 must be executed no later than the last day of the preceding Plan Year. A Salary Reduction Agreement for the Plan Year beginning during 2000 must be executed on or before the original date of execution of this Plan. No Salary Reduction Agreement may be amended or revoked after the last day on which it could have been executed, except that an agreement is automatically revoked if the Participant who executed it ceases to be eligible to participate in the Plan.

4.04 Contributions to Trust Fund: The Company shall establish a Trust Fund and make contributions to it corresponding to any or all amounts accrued under Section 4.01. These contributions are credited with income, expense, gains and losses in accordance with the investment experience of the Trust Fund. The Plan Administrator may direct the Trustee to establish investment funds within the Trust Fund and to permit Participants to direct the allocation of their Account balances among these funds in accordance with rules prescribed by the Plan Administrator. The Plan Administrator may alter the available funds or the procedures for allocating Account balances among them at any time.

4.05 Status of the Trust Fund: Notwithstanding any other provision of this Plan, all assets of the Trust Fund remain the property of the Company and are subject to the claims of its creditors. No Participant has any priority claim on Trust assets or any security interest or other right in or to them superior to the rights of general creditors of the Company.

4.06 Nonalienability: A Participant's rights under this Plan may not be voluntarily or involuntarily assigned or alienated. If a Participant attempts to assign his rights or enters into bankruptcy proceedings, his right to receive payments personally under the Plan will terminate, and the Plan Administrator may apply them in such manner as will, in its judgment, serve the best interests of the Participant.

## ARTICLE FIVE

## Distributions to Participants

5.01 Election of Distribution Date and Manner of Distribution: Each Salary Reduction Agreement must specify when and in what form benefits accrued under the Plan while the agreement is in effect will be distributed to the Participant or his Beneficiary. A Participant may elect any date and form of distribution that is acceptable to the Plan Administrator. The Participant and the Plan Administrator may agree to change the time or manner of distribution specified in a Salary Reduction Agreement, but only with respect to benefits accrued after the date on which the change becomes effective.

5.02 Type of Property to be Distributed: All distributions from the Plan to Participants and Beneficiaries are made in cash, unless the Plan Administrator determines that other property should be distributed.

5.03 Manner of Distribution to Minors or Incompetents: If at any time any distributee is, in the judgment of the Plan Administrator, legally, physically or mentally incapable of receiving any distribution due to him, the distribution may, if the Plan Administrator so directs, be made to the guardian or legal representative of the distributee, or, if none exists, to any other person or institution that, in the Plan Administrator's judgment, will apply the distribution in the best interests of the intended distributee.

5.04 Election of Beneficiary:

(a) Designation or Change of Beneficiary by Participant: When an Eligible Employee qualifies for participation in the Plan, the Plan Administrator will send him a Beneficiary designation form, on which he may designate one or more Beneficiaries and successor Beneficiaries. A Participant may change his Beneficiary designation at any time by filing the prescribed form with the Plan Administrator. The consent of the Participant's current Beneficiary is not required for a change of Beneficiary, and no Beneficiary has any rights under this Plan except as are provided by its terms. The rights of a Beneficiary who predeceases the Participant who designated him immediately terminate, unless the Participant has specified otherwise.

(b) Beneficiary if No Election is Made: Unless a different Beneficiary has been elected, the Beneficiary of any Participant who is lawfully married on the date of his death is his surviving spouse. The Beneficiary of any other Participant who dies without having designated a Beneficiary is his estate.

## ARTICLE SIX

## AMENDMENT OR TERMINATION OF THE PLAN

6.01 Company's Right to Amend Plan: The Board of Directors may, at any time and from time to time, amend, in whole or in part, any of the provisions of this Plan or may terminate it as a whole or with respect to any Participant or group of Participants. Any such amendment is binding upon all Participants and their Beneficiaries, the Trustee, the Plan Administrator and all other parties in interest.

6.02 When Amendments Take Effect: A resolution amending or terminating the Plan becomes effective as of the date specified therein.

6.03 Restriction on Retroactive Amendments: No amendment may be made that retroactively deprives a Participant of any benefit accrued before the date of the amendment.

## ARTICLE SEVEN

## PLAN ADMINISTRATION

7.01 The Plan Administrator: The Plan is administered by the Company, which may appoint an individual or a committee to administer the Plan. Mr. Michael Goode, Corporate Director of Human Resources for the Company, is hereby appointed to administer the Plan to serve in such capacity until he either resigns or his successor is appointed by the Board of Directors.

7.02 Powers of the Administrator: In carrying out its duties with respect to the general administration of the Plan, the Plan Administrator has, in addition to any other powers conferred by the Plan or by law, the following powers:

(a) to determine all questions relating to eligibility to participate in the Plan;

(b) to compute and certify to the Trustee the amount and kind of distributions payable to Participants and their Beneficiaries;

(c) to maintain all records necessary for the administration of the Plan that are not maintained by the Company or the Trustee;

(d) to interpret the provisions of the Plan and to make and publish such rules for the administration of the Plan as are not inconsistent with the terms thereof;

(e) to establish and modify the method of accounting for the Plan or the Trust;

(f) to employ counsel, accountants and other consultants to aid in exercising its powers and carrying out its duties hereunder; and

(g) to perform any other acts necessary and proper for the administration of the Plan, except those that are to be performed by the Trustee.

7.03 Indemnification:

(a) Indemnification of Individuals Appointed by the Company: The Company agrees to indemnify and hold harmless any individual appointed to administer the Plan against any and all expenses and liabilities arising out of his action or failure to act in such capacity, excepting only expenses and liabilities arising out of his own willful misconduct or gross negligence. This right of indemnification is in addition to any other rights to which any such individual may be entitled.

(b) Liabilities for Which Members of the Committee are Indemnified: Liabilities and expenses against any individual appointed to administer the Plan is indemnified hereunder include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought against him or the settlement thereof.

(c) Company's Right to Settle Claims: The Company may, at its own expense, settle any claim asserted or proceeding brought against any individual appointed to administer the Plan when such settlement appears to be in the best interests of the Company.

7.04 Claims Procedure: If a dispute arises between the Plan Administrator and a Participant or Beneficiary over the amount of benefits payable under the Plan, the Participant or Beneficiary may file a claim for benefits by notifying the Plan Administrator in writing of his claim. The Plan Administrator will review and adjudicate the claim. If the claimant and the Administrator are unable to reach a mutually satisfactory resolution of the dispute, it will be submitted to arbitration under the rules of the American Arbitration Association. Each Participant, for himself, his Beneficiaries, his heirs, successors and assigns, agrees, by the execution of a Salary Reduction Agreement, that arbitration will be the sole means of resolving disputes arising under the Plan and waives any right, at law or equity, to litigate any such dispute in a court of law.

The costs of arbitration, including the costs of the arbitrator, shall be borne equally by the parties, except that each such party shall bear the costs of its own legal representation including attorney's fees and expenses and the costs of witnesses.

7.05 Expenses of the Administrator: The Administrator shall serve without compensation for services as such. All expenses shall be paid by the Company.

## ARTICLE EIGHT

## MISCELLANEOUS

8.01 Plan Not a Contract of Employment: The adoption and maintenance of the Plan does not constitute a contract between the Company and any Participant and is not a consideration for the employment of any person. Nothing herein contained gives any Participant the right to be retained in the employ of the Company or derogates from the right of the Company to discharge any Participant at any time without regard to the effect of such discharge upon his rights as a Participant in the Plan.

8.02 No Rights Under Plan Except as Set Forth Herein: Nothing in this Plan, express or implied, is intended, or shall be construed, to confer upon or give to any person, firm, association, or corporation, other than the parties hereto and their successors in interest, any right, remedy, or claim under or by reason of this Plan or any covenant, condition, or stipulation hereof, and all covenants, conditions and stipulations in this Plan, by or on behalf of any party, are for the sole and exclusive benefit of the parties hereto.

8.03 "Rules of Construction"

(a) Governing Law: The construction and operation of this Plan are governed by the laws of the Commonwealth of Pennsylvania except as such laws are preempted by the Employee Retirement Income Security Act of 1974, as amended.

(b) Headings: The headings of Articles, Sections and Subsections are for reference only and are not to be utilized in construing the Plan.

(c) Gender: Unless clearly inappropriate, all pronouns of whatever gender refer indifferently to persons or objects of any gender.

(d) Singular and Plural: Unless clearly inappropriate, singular terms refer also to the plural number and vice versa.

(e) Severability: If any provision of this Plan is held illegal or invalid for any reason, the remaining provisions are to remain in full force and effect and to be construed and enforced in accordance with the purposes of the Plan as if the illegal or invalid provision did not exist.

IN WITNESS WHEREOF, Mylan Laboratories Inc. has caused these presents to be executed by its duly authorized officer and its corporate seal to be hereunto affixed by authority of its Board of Directors this _____ day of 2000.

MYLAN LABORATORIES INC.

Corporate Seal

By _____

CONSENT TO SERVE

I, Michael Goode, in my capacity as Corporate Director of Human Resources for Mylan Laboratories Inc., hereby agree to serve as the Plan Administrator of the Mylan Laboratories Inc. Employees' Retirement Savings Plan.

Dated: ----------

- ----------  ----------

Witness  Michael Goode

MYLAN LABORATORIES INC.

EXECUTIVES' RETIREMENT SAVINGS PLAN

MYLAN LABORATORIES INC.
EXECUTIVES' RETIREMENT SAVINGS PLAN

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EXHIBIT 21.1

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 |
| 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 8, 2001, appearing in this Annual Report on Form 10-K of Mylan Laboratories Inc. for the year ended March 31, 2001.

DELOITTE & TOUCHE LLP
Pittsburgh, Pennsylvania
June 22, 2001