

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 2003**

OR

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

For the transition period from _____ to _____

Commission file number 1-9114

MYLAN LABORATORIES INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State of incorporation)

25-1211621
(I.R.S. Employer Identification No.)

1500 Corporate Drive
Suite 400
Canonsburg, Pennsylvania 15317
(Address of principal executive offices)
(Zip Code)

(724) 514-1800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

| <u>Class of Common Stock</u> | <u>Outstanding at August 5, 2003</u> |
|------------------------------|--------------------------------------|
| \$0.50 par value | 178,902,102 |

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MYLAN LABORATORIES INC. AND SUBSIDIARIES

FORM 10-Q
For the Quarterly Period Ended
June 30, 2003INDEX

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MYLAN LABORATORIES INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Earnings
(unaudited; in thousands, except per share amounts)

| Three Months Ended June 30, | 2003 | 2002 |
|---|-----------|-----------|
| Net revenues | \$331,408 | \$275,473 |
| Cost of sales | 153,979 | 127,871 |
| Gross profit | 177,429 | 147,602 |
| Operating expenses: | | |
| Research & development | 24,739 | 16,843 |
| Selling & marketing | 17,836 | 16,887 |
| General & administrative | 29,608 | 19,221 |
| Litigation settlements | (21,669) | — |
| Total operating expenses | 50,514 | 52,951 |
| Earnings from operations | 126,915 | 94,651 |
| Other income, net | 3,105 | 1,988 |
| Earnings before income taxes | 130,020 | 96,639 |
| Provision for income taxes | 46,157 | 34,790 |
| Net earnings | \$ 83,863 | \$ 61,849 |
| Earnings per common share: | | |
| Basic | \$ 0.47 | \$ 0.33 |
| Diluted | \$ 0.46 | \$ 0.32 |
| Weighted average common shares: | | |
| Basic | 180,147 | 188,928 |
| Diluted | 184,085 | 190,432 |
| Cash dividend declared per common share | \$ 0.03 | \$ 0.03 |

See Notes to Condensed Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited; in thousands)

| | June 30, 2003 | March 31, 2003 |
|---|------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 208,157 | \$ 258,902 |
| Marketable securities | 435,843 | 427,904 |
| Accounts receivable, net | 165,916 | 187,587 |
| Inventories | 258,166 | 237,777 |
| Deferred income tax benefit | 89,065 | 104,173 |
| Other current assets | 22,249 | 11,868 |
| Total current assets | 1,179,396 | 1,228,211 |
| Property, plant and equipment, net | 182,511 | 178,330 |
| Intangible assets, net | 145,571 | 150,256 |
| Goodwill | 102,649 | 102,581 |
| Investment in and advances to Somerset | 16,130 | 18,024 |
| Other assets | 66,484 | 67,821 |
| Total assets | \$1,692,741 | \$1,745,223 |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 54,537 | \$ 66,017 |
| Income taxes payable | 25,936 | 50,600 |
| Other current liabilities | 108,466 | 149,154 |
| Total current liabilities | 188,939 | 265,771 |
| Long-term obligations | 20,099 | 19,943 |
| Deferred income tax liability | 17,842 | 13,177 |
| Total liabilities | 226,880 | 298,891 |
| Shareholders' equity | | |
| Common stock | 100,684 | 100,301 |
| Additional paid-in capital | 365,974 | 354,501 |
| Retained earnings | 1,408,821 | 1,330,933 |
| Accumulated other comprehensive earnings | 4,369 | 3,718 |
| | 1,879,848 | 1,789,453 |
| Less: treasury stock at cost | 413,987 | 343,121 |
| Total shareholders' equity | 1,465,861 | 1,446,332 |
| Total liabilities and shareholders' equity | \$1,692,741 | \$1,745,223 |

See Notes to Condensed Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited; in thousands)

| Three Months Ended June 30, | 2003 | 2002 |
|---|------------|-----------|
| Cash flows from operating activities: | | |
| Net earnings | \$ 83,863 | \$ 61,849 |
| Adjustments to reconcile net earnings to net cash provided from operating activities: | | |
| Depreciation and amortization | 10,326 | 10,180 |
| Realized gain on sale of marketable securities | (528) | — |
| Deferred income tax expense (benefit) | 18,520 | (3,098) |
| Net earnings from equity method investees | 1,136 | 106 |
| Changes in estimated sales allowances | 6,442 | 12,363 |
| Other non-cash items | (197) | 797 |
| Gain from litigation settlements | (21,669) | — |
| Receipts from litigation settlements | 12,500 | — |
| Payments of litigation settlements | (32,630) | (4,014) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 15,548 | (38,405) |
| Inventories | (20,389) | (12,823) |
| Trade accounts payable | (11,480) | 6,667 |
| Income taxes | (23,760) | (15,006) |
| Other operating assets and liabilities, net | (7,103) | 3,046 |
| Net cash provided from operating activities | 30,579 | 21,662 |
| Cash flows from investing activities: | | |
| Capital expenditures | (9,634) | (5,762) |
| Purchase of marketable securities | (235,203) | (213,303) |
| Proceeds from sale of marketable securities | 228,777 | 163,404 |
| Other items, net | (223) | (66) |
| Net cash used in investing activities | (16,283) | (55,727) |
| Cash flows from financing activities: | | |
| Cash dividends paid | (6,031) | (5,055) |
| Purchase of common stock | (70,866) | (40,853) |
| Proceeds from exercise of stock options | 11,856 | 4,162 |
| Net cash used in financing activities | (65,041) | (41,746) |
| Net decrease in cash and cash equivalents | (50,745) | (75,811) |
| Cash and cash equivalents — beginning of period | 258,902 | 160,790 |
| Cash and cash equivalents — end of period | \$ 208,157 | \$ 84,979 |
| Additional disclosures: | | |
| Cash paid for income taxes | \$ 51,398 | \$ 52,893 |

See Notes to Condensed Consolidated Financial Statements

MYLAN LABORATORIES INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited; in thousands, except share and per share amounts)

1. General

In the opinion of management, the accompanying unaudited condensed consolidated financial statements (interim financial statements) of Mylan Laboratories Inc. and Subsidiaries (“Mylan” or “the Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q; therefore, as permitted under these rules, certain footnotes or other financial information included in audited financial statements have been condensed or omitted. The accompanying interim financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the interim results of operations, financial position and cash flows for the periods presented.

These interim financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2003.

Certain prior year amounts were reclassified to conform to the current year presentation. Such reclassifications had no impact on reported net earnings, earnings per share or shareholders’ equity.

The interim results of operations for the three months ended June 30, 2003, and the interim cash flows for the three months ended June 30, 2003, are not necessarily indicative of the results to be expected for the full fiscal year or any other future period.

On January 27, 2003, the Company effected a three-for-two split of its common stock. All share and per share amounts contained in the interim financial statements, and in these notes, were adjusted for all periods to reflect the stock split.

2. Revenue Recognition and Accounts Receivable

Revenue is recognized for product sales upon shipment when title and risk of loss transfer to the Company’s customers and when provisions for estimates, including discounts, rebates, price adjustments, returns, chargebacks and other promotional programs are reasonably determinable. Accounts receivable are presented net of allowances relating to these provisions. Such allowances were \$289,420 and \$283,013 as of June 30, 2003, and March 31, 2003. Other current liabilities include \$33,131 and \$33,096 at June 30, 2003, and March 31, 2003, for certain rebates and other adjustments that are payable to indirect customers.

3. Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (“FIN 46”). FIN 46 provides guidance with respect to the consolidation of certain entities, referred to as variable interest entities (“VIE”), in which an investor is subject to a majority of the risk of loss from the VIE’s activities, or is entitled to receive a majority of the VIE’s residual returns. This interpretation also provides guidance with respect to the disclosure of VIEs in which an investor maintains an interest, but is not required to consolidate. The provisions of FIN 46 are effective immediately for

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all VIEs created after January 31, 2003, or in which the Company obtains an interest after that date. For VIEs created before February 1, 2003, the provisions are effective July 1, 2003. The Company has not acquired an interest in or created a VIE after January 31, 2003. The Company has completed its assessment and determined that the adoption of FIN 46 will not have a material impact on the Company's financial position or results of operations.

4. Balance Sheet Components

Selected balance sheet components consist of the following:

| | June 30, 2003 | March 31, 2003 |
|--|-------------------|-------------------|
| Inventories: | | |
| Raw materials | \$ 112,856 | \$ 107,731 |
| Work in process | 37,651 | 33,990 |
| Finished goods | 107,659 | 96,056 |
| | <u>\$258,166</u> | <u>\$237,777</u> |
| Property, plant and equipment: | | |
| Land and improvements | \$ 9,089 | \$ 9,089 |
| Buildings and improvements | 114,951 | 108,156 |
| Machinery and equipment | 200,449 | 195,300 |
| Construction in progress | 17,265 | 20,346 |
| | <u>341,754</u> | <u>332,891</u> |
| Less — accumulated depreciation | <u>159,243</u> | <u>154,561</u> |
| | <u>\$ 182,511</u> | <u>\$ 178,330</u> |
| Other current liabilities: | | |
| Accrued rebates | \$ 33,131 | \$ 33,096 |
| Payroll and employee benefit plan accruals | 24,895 | 18,371 |
| Royalties and product license fees | 22,041 | 34,465 |
| Cash dividends payable | 5,974 | 6,031 |
| Current portion of long-term obligations | 1,586 | 1,586 |
| Litigation settlements | — | 32,630 |
| Other | 20,839 | 22,975 |
| | <u>\$108,466</u> | <u>\$149,154</u> |

5. Earnings per Common Share

Basic earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period adjusted for the dilutive effect of stock options outstanding. The effect of dilutive stock options on the weighted average number of common shares outstanding was 3,938,000 and 1,504,000 for the three months ended June 30, 2003 and 2002.

Antidilutive stock options of 3,187 and 1,063,500 were excluded from the diluted earnings per common share calculation for the three months ended June 30, 2003 and 2002.

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6. Intangible Assets

Intangible assets consist of the following components:

| | Weighted Average Life (years) | Original Cost | Accumulated Amortization | Net Book Value |
|--|-------------------------------------|------------------|-----------------------------|-------------------|
| <u>June 30, 2003</u> | | | | |
| Amortized intangible assets: | | | | |
| Patents and technologies | 19 | \$ 117,435 | \$37,669 | \$ 79,766 |
| Product rights and licenses | 12 | 104,843 | 48,832 | 56,011 |
| Other | 19 | 14,267 | 5,256 | 9,011 |
| | | <u>236,545</u> | <u>\$91,757</u> | <u>144,788</u> |
| Intangible assets no longer subject to amortization: | | | | |
| Trademarks | | | | 783 |
| | | | | <u>\$145,571</u> |

March 31, 2003

| | | | | |
|--|----|------------------|-----------------|------------------|
| Amortized intangible assets: | | | | |
| Patents and technologies | 19 | \$ 117,435 | \$36,126 | \$ 81,309 |
| Product rights and licenses | 12 | 107,273 | 48,301 | 58,972 |
| Other | 19 | 14,267 | 5,075 | 9,192 |
| | | <u>\$238,975</u> | <u>\$89,502</u> | <u>149,473</u> |
| Intangible assets no longer subject to amortization: | | | | |
| Trademarks | | | | 783 |
| | | | | <u>\$150,256</u> |

During the first quarter of fiscal 2004, the Company removed from the balance sheet certain intangible assets with an original cost of \$2,430. Such assets were fully amortized at June 30, 2003 and have no ongoing benefit to current operations.

Amortization expense for the three months ended June 30, 2003 and 2002 was \$4,685 and \$4,716 and is expected to be \$16,904, \$13,355, \$13,143, \$13,066 and \$13,006 for fiscal years 2005 through 2009, respectively.

7. Comprehensive Earnings

Comprehensive earnings consist of the following:

| Three Months Ended June 30, | 2003 | 2002 |
|--|-----------------|-----------------|
| Net earnings | \$83,863 | \$61,849 |
| Other comprehensive earnings net of tax: | | |
| Net unrealized gain on marketable securities | 994 | 2,126 |
| Reclassification for (gains) losses included in net earnings | (343) | 31 |
| | <u>651</u> | <u>2,157</u> |
| Comprehensive earnings | <u>\$84,514</u> | <u>\$64,006</u> |

Accumulated other comprehensive earnings, as reflected on the balance sheet, is comprised solely of the net unrealized gain on marketable securities, net of deferred income taxes.

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8. Common Stock

As of June 30, 2003 and March 31, 2003, there were 300,000,000 shares of common stock authorized with 201,367,904 and 200,602,841 shares issued. Treasury shares held as of June 30, 2003 and March 31, 2003 were 21,947,561 and 19,428,962.

In May 2002, the Board of Directors approved a Stock Repurchase Program to purchase up to 15,000,000 shares of the Company's outstanding common stock. During the three months ended June 30, 2003, the Company purchased 2,519,000 shares for approximately \$70,866. At June 30, 2003, 1,787,000 shares were available for purchase under this program. Subsequent to June 30, 2003, and through July 25, 2003, 563,000 additional shares were purchased for approximately \$18,563.

On July 25, 2003, the Company's shareholders approved an increase in the number of authorized shares of the Company's common stock from 300,000,000 to 600,000,000.

9. Stock Option Plans

Under the Mylan Laboratories Inc. 1997 Incentive Stock Option Plan ("the 1997 Plan"), as amended, up to 22,500,000 shares of the Company's common stock were available for grant to officers, employees, non-employee directors and non-employee consultants and agents as either incentive stock options or nonqualified stock options.

On July 25, 2003, Mylan shareholders approved the Mylan Laboratories Inc. 2003 Long-Term Incentive Plan ("the 2003 Plan"). Under the 2003 Plan, 15,000,000 shares of common stock are reserved for issuance to key employees, consultants, independent contractors and non-employee directors of Mylan through a variety of incentive awards including: stock options, stock appreciation rights, restricted shares and units, performance awards, other stock based awards and short-term cash awards. Upon approval of the 2003 Plan, the 1997 Plan was frozen and no further grants of stock options will be made under that plan.

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation* and SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123*, we account for our stock option plans under the intrinsic-value-based method as defined in Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

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| Three months ended June 30, | 2003 | 2002 |
|--|----------|----------|
| Net income, as reported | \$83,863 | \$61,849 |
| Deduct: Total compensation expense determined under the fair based method for all stock awards, net of related tax effects | (6,434) | (4,896) |
| Pro forma net income | \$77,429 | \$56,953 |
| Earnings per share: | | |
| Basic — as reported | \$ 0.47 | \$ 0.33 |
| Basic — pro forma | \$ 0.43 | \$ 0.30 |
| Diluted — as reported | \$ 0.46 | \$ 0.32 |
| Diluted — pro forma | \$ 0.42 | \$ 0.30 |

10. Segment Reporting

Segment net revenues represent revenues from unrelated third parties. For the Generic and Brand Segments, segment profit (loss) represents segment gross profit less direct research and development, selling and marketing and general and administrative expenses. Corporate/Other includes certain general and administrative expenses, such as legal expenditures, litigation settlements and non-operating income and expense.

The following table presents the results of operations for each of the Company's operating segments:

| Three Months Ended June 30, | 2003 | 2002 |
|-----------------------------|-----------|------------|
| Consolidated: | | |
| Net revenues | \$331,408 | \$275,473 |
| Pretax earnings | 130,020 | 96,639 |
| Generic: | | |
| Net revenues | \$255,228 | \$235,645 |
| Segment profit | 117,521 | 106,323 |
| Brand: | | |
| Net revenues | \$ 76,180 | \$ 39,828 |
| Segment profit (loss) | 9,739 | (414) |
| Corporate/Other: | | |
| Segment profit (loss) | \$ 2,760 | \$ (9,270) |

11. Contingencies

Legal Proceedings

(Dollar amounts in this Note 11 are as stated)

While it is not possible to determine with any degree of certainty the ultimate outcome of the following legal proceedings, the Company believes that it has meritorious defenses with respect to the claims asserted against it and intends to vigorously defend its position. An adverse outcome in any of these

proceedings could have a material adverse effect on the Company's financial position and results of operations.

Omeprazole

In fiscal 2000, Mylan Pharmaceuticals Inc. ("MPI") filed an Abbreviated New Drug Application ("ANDA") seeking approval from the Food and Drug Administration ("FDA") to manufacture and sell omeprazole delayed-release capsules, and made "Paragraph IV" certifications to several patents owned by AstraZeneca PLC ("AstraZeneca") that were listed in the FDA's "Orange Book." AstraZeneca filed suit against MPI and Mylan Laboratories Inc. ("Mylan Labs") in the United States ("U.S.") District Court for the Southern District of New York alleging infringement of several of AstraZeneca's patents. MPI has filed a motion for summary judgment as to all claims of infringement, and the summary judgment motion remains pending. On June 2, 2003, the FDA approved MPI's ANDA for the 10 mg and 20 mg strengths of omeprazole delayed-release capsules and, on August 4, 2003, Mylan Labs announced that MPI had commenced the sale of omeprazole 10 mg and 20 mg delayed-release capsules. On August 8, 2003, AstraZeneca announced its intention to seek leave to amend the pending lawsuit to assert claims against Mylan Labs, MPI and MPI's supplier, Esteve Quimica S.A. ("Esteve"), for unspecified money damages and a finding of willful infringement which could result in treble damages, injunctive relief, attorneys' fees, costs of litigation and such further relief as the court deems just and proper.

In addition, in November 2002, MPI filed suit in the U.S. District Court for the District of Delaware against Kremers Urban Development Company ("KUDCo") and several other companies affiliated with Schwarz Pharma AG (the "Schwarz Pharma Group") alleging KUDCo and the Schwarz Pharma Group are infringing U.S. patent 5,626,875 (the "'875 Patent") in connection with KUDCo's manufacture and sale of omeprazole capsules in the United States. The '875 Patent was issued to Esteve and licensed to MPI. Esteve joined the suit as a co-plaintiff with MPI in December 2002. KUDCo and the Schwarz Pharma Group asserted defenses and counterclaims in that action alleging the inventors listed on the '875 patent are not the actual inventors of the invention described therein, and further seeking money damages alleging the infringement action was not proper. On August 7, 2003, KUDCo and an individual filed a new lawsuit against MPI and Esteve in the U.S. District Court for the District of Columbia asserting claims that have not been asserted in the Delaware action. KUDCo and the individual allege that the individual is the sole inventor of the '875 Patent, that the individual owns the '875 Patent and has assigned his ownership interest in the '875 Patent to KUDCo, and that MPI and Esteve are infringing the '875 Patent. The new lawsuit seeks an order directing that the individual be listed as the sole inventor or a co-inventor of the '875 Patent and enjoining MPI from infringing the '875 Patent, together with costs and attorneys' fees.

Paclitaxel

In June 2001, NAPRO Biotherapeutics Inc. ("NAPRO") and Abbott Laboratories Inc. ("Abbott") filed suit against Mylan Labs, MPI and UDL Laboratories Inc. ("UDL") in the U.S. District Court for the Western District of Pennsylvania. Plaintiffs allege that the manufacture, use and sale of MPI's paclitaxel product infringes certain patents owned by NAPRO and allegedly licensed to Abbott. Plaintiffs seek unspecified damages plus interest, a finding of willful infringement which could result in treble damages, injunctive relief, attorneys' fees, costs of litigation and such equitable and other relief as the court deems just and proper. MPI began selling its paclitaxel product in July 2001.

Pricing Litigation and Medicaid Investigation

MPI, along with a number of other pharmaceutical manufacturers, has been named as a defendant in four lawsuits filed in the state courts of California in which the plaintiffs allege the defendants unlawfully, unfairly and fraudulently manipulated the reported average wholesale price of various products, allegedly

to increase third-party reimbursements to others for their products. One of these lawsuits was voluntarily dismissed by the plaintiff. None of the three remaining cases has been certified as a class action, although all three cases seek class action and representative status. The three remaining cases have been transferred to the “Average Wholesale Price” multi-district litigation proceedings in the U.S. District Court for the District of Massachusetts. MPI has filed a motion to dismiss all claims against it. Plaintiffs seek equitable relief in the form of disgorgement and restitution, attorneys’ fees and costs of litigation.

On June 26, 2003, UDL and MPI received letters from the U.S. House of Representatives Energy and Commerce Committee requesting information about certain drug products sold by UDL and MPI, in connection with the Committee’s investigation into pharmaceutical reimbursement and rebates under Medicaid.

Other Litigation

The Company is involved in various other legal proceedings that are considered normal to its business. While it is not feasible to predict the ultimate outcome of such other proceedings at this time, the Company believes that the ultimate outcome of such other proceedings will not have a material adverse effect on its financial position or results of operations.

Previously Reported Matters That Have Been Resolved

Nifedipine

In February 2001, Biovail Laboratories Inc. (“Biovail”) filed suit against Mylan Labs, MPI and Pfizer Inc. (“Pfizer”) alleging antitrust violations with respect to agreements entered into between the Company and Pfizer regarding nifedipine. The parties have agreed to a settlement pursuant to which Biovail has dismissed the lawsuit with prejudice and granted the Company a release of all claims relating to nifedipine. The Company has also been named as a defendant in five other putative class action suits alleging antitrust claims based on the same alleged conduct. Two of the class actions have been dismissed in their entirety, and the remaining actions have been dismissed in part and consolidated into a single proceeding. The plaintiffs in the remaining actions are seeking unspecified compensatory and treble damages, attorneys’ fees, costs of litigation, restitution, disgorgement, and declaratory and injunctive relief.

Lorazepam and Clorazepate

On March 31, 2003, the Company announced a tentative settlement of a direct purchaser class action related to the sale of lorazepam and clorazepate for a total amount of \$35.0 million. The Company’s co-defendants agreed to an initial contribution of approximately \$7.0 million toward the \$35.0 million settlement. The Company’s obligation was accrued at March 31, 2003. During the first quarter of fiscal 2004, this settlement received final court approval. Upon receiving such approval, the Company recorded a gain of approximately \$10.0 million related to additional contributions which the co-defendants agreed in April 2004 to make to the Company. This additional \$10.0 million reduces the Company’s share of the total settlement to approximately \$18.0 million. The Company is to receive the \$10.0 million in five annual payments of \$2.0 million each. This settlement does not include several related cases, and the Company does not believe that an adverse result in any of the remaining lorazepam and clorazepate cases, collectively or individually, would have a material adverse effect on the Company’s financial position or results of operations.

Zagam®

Mylan Labs, Mylan Caribe Inc. and Bertek Pharmaceuticals, Inc. filed suit against Aventis Pharmaceuticals, Inc., successor in interest to Rhone-Poulenc Rorer Pharmaceuticals, Inc.; Rhone-Poulenc Rorer Pharmaceuticals, LTD; Rorer Pharmaceutical Products, Inc.; Rhone-Poulenc Rorer, S.A., and their affiliates in the U.S. District Court for the Western District of Pennsylvania in May 2001, and the defendants counterclaimed. The Company previously identified this matter as a case in which an adverse outcome could have had a material adverse effect on the

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Company's financial position and results of operations. In April 2003, the Company entered into a settlement of the matter pursuant to which the Company received a payment of \$12.5 million, the dismissal of the defendants' counterclaims and termination of the agreements in question.

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

The following discussion addresses material changes in the results of operations and financial condition of Mylan Laboratories Inc. and Subsidiaries ("the Company", "Mylan" or "we") for the periods presented. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements, the related Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Results of Operations and Financial Condition included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2003, and the unaudited interim Condensed Consolidated Financial Statements and related Notes included in Item 1 of this Report on Form 10-Q.

On January 27, 2003, the Company effected a three-for-two split of its common stock. All share and per share amounts were adjusted for all periods to reflect the stock split.

This Report on Form 10-Q may contain "forward-looking statements." Such forward-looking statements may include, without limitation, statements about the Company's market opportunities, strategies, competition and expected activities and expenditures, and at times may be identified by the use of words such as "may," "will," "could," "should," "would," "project," "believe," "anticipate," "expect," "plan," "estimate," "forecast," "potential," "intend," "continue" and variations of these words or comparable words. Forward-looking statements inherently involve risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the risks described below under "Risk Factors" in this Item 2. The Company undertakes no obligation to update any forward-looking statements.

Results of Operations

Mylan's first quarter was highlighted by record net revenues of \$331.4 million, an increase of 20% or \$55.9 million over the same prior year period, as well as record net earnings and diluted earnings per share. Net earnings increased 36% or \$22.0 million to \$83.9 million and diluted earnings per share increased by \$0.14 per share to \$0.46. This increase is the result of increased sales by both the Generic and Brand Segments, as well as gains from certain litigation settlements which amounted, net of tax, to \$0.08 per diluted share.

The following table illustrates the financial results for the consolidated company and by operating segment:

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Segment Results (in thousands)

| Three Months Ended June 30, | 2003 | 2002 |
|-----------------------------|-----------|------------|
| Consolidated: | | |
| Net revenues | \$331,408 | \$275,473 |
| Gross profit | 177,429 | 147,602 |
| Research and development | 24,739 | 16,843 |
| Selling and marketing | 17,836 | 16,887 |
| General and administrative | 29,608 | 19,221 |
| Litigation settlements | (21,669) | — |
| Other income, net | 3,105 | 1,988 |
| Pretax earnings | \$130,020 | \$ 96,639 |
| Generic Segment: | | |
| Net revenues | \$255,228 | \$235,645 |
| Gross profit | 138,455 | 124,483 |
| Research and development | 13,487 | 10,014 |
| Selling and marketing | 2,756 | 2,748 |
| General and administrative | 4,691 | 5,398 |
| Segment profit | \$117,521 | \$106,323 |
| Brand Segment: | | |
| Net revenues | \$ 76,180 | \$ 39,828 |
| Gross profit | 38,974 | 23,119 |
| Research and development | 11,252 | 6,829 |
| Selling and marketing | 15,080 | 14,139 |
| General and administrative | 2,903 | 2,565 |
| Segment profit (loss) | \$ 9,739 | \$ (414) |
| Corporate/Other: | | |
| Profit (loss) | \$ 2,760 | \$ (9,270) |

Segment net revenues represent revenues from unrelated third parties. For the Generic and Brand Segments, segment profit (loss) represents segment gross profit less direct research and development, selling and marketing and general and administrative expenses. Corporate/Other includes certain general and administrative expenses, such as legal expenditures, litigation settlements and non-operating income and expense.

Quarter Ended June 30, 2003, Compared to Quarter Ended June 30, 2002*Net Revenues and Gross Profit*

Net revenues for the current quarter increased 20% or \$55.9 million to \$331.4 million, compared to \$275.5 million in the prior year quarter. Both the Generic Segment and the Brand Segment contributed to the increase in net revenues. For the Generic Segment, net revenues increased by 8% or \$19.6 million to \$255.2 million in the first quarter of fiscal 2004 compared to \$235.6 million in the prior year first quarter. Brand Segment net revenues increased 91% or \$36.4 million to \$76.2 million from \$39.8 million.

The increase in Generic net revenues was driven by new products launched subsequent to June 30, 2002, which contributed net revenues of \$32.4 million, as well as overall favorable pricing. These increases were partially offset by lower volume on certain existing products. Volume and pricing are impacted by numerous factors, one of which is competition. The entrance into the market of other generic competition in the future could negatively impact the volume and pricing of certain of the Company's key products. In total, Generic volume

shipped was approximately 2.7 billion doses in the current quarter, compared to 2.9 billion doses in the same prior year period.

The majority of the increase in Brand Segment net revenues was the result of sales of AmnesteemTM which was launched late in fiscal 2003 by Bertek Pharmaceuticals Inc. (“Bertek”). Amnesteem accounted for sales of \$28.1 million, approximately 77% of the overall increase in net revenues. Despite the entrance into the market of additional competition since its launch, Amnesteem maintained a market share of approximately 40% throughout the current quarter. This competition, however, could have a negative impact on Amnesteem revenues during the remainder of the fiscal year.

In addition to the growth in net revenues from sales of Amnesteem, Brand net revenues increased as a result of the continued growth of other core products in the existing product portfolio, primarily Digitek®.

In August 2003, Mylan Pharmaceuticals Inc. (“MPI”) commenced the sale of 10 mg and 20 mg omeprazole delayed-release capsules for which it had received FDA approval on June 2, 2003. Revenue and earnings from omeprazole in subsequent quarters will be dependent upon numerous factors including market acceptance of the product, the impact on volume and pricing from future competition and the resolution of certain pending legal matters. See Note 11 to the Condensed Consolidated Financial Statements for additional discussion.

The Company’s gross profit for the first quarter of fiscal 2004 increased 20% or \$29.8 million to \$177.4 million from \$147.6 million in the same prior year period and remained constant as a percentage of net revenues at approximately 54%. Generic gross profit increased 11% or \$14.0 million to \$138.5 million from \$124.5 million, while Generic gross margin increased slightly to 54% from 53%. Brand gross profit increased 69% or \$15.9 million to \$39.0 million from \$23.1 million as a result of increased revenues, while Brand gross margin declined from 58% to 51%. The lower Brand gross margin is the result of sales of Amnesteem which contribute a lower gross margin than the majority of the Brand Segment’s other core products due to royalties paid under a supply and distribution agreement.

Operating Expenses

Research and development (“R&D”) expenses for the current quarter increased 47% or \$7.9 million to \$24.7 million from \$16.8 million, driven by increases in both the Generic and Brand Segments. Generic Segment R&D expenses increased by \$3.5 million or 35% as a result of increased studies, increases in the amount and timing of Abbreviated New Drug Application (“ANDA”) submissions, including planned submissions and the expansion of the R&D infrastructure. Brand Segment R&D expenses increased by \$4.4 million or 65% primarily due to ongoing clinical studies on nebivolol, a beta-blocker for which Bertek has obtained the exclusive United States (“U.S.”) and Canadian rights. The Company expects an overall increase in R&D expenses in fiscal 2004.

Selling and marketing expenses for the current quarter increased 6% or \$0.9 million to \$17.8 million from \$16.9 million. This increase was driven entirely by the Brand Segment, and is primarily the result of pre-marketing activities related to apomorphine.

General and administrative expenses for the quarter increased 54% or \$10.4 million to \$29.6 million from \$19.2 million. The majority of this increase is the result of higher Corporate expenses, driven by increased legal expenses, as well as payroll and payroll related costs.

Litigation Settlements

Included in the first quarter of fiscal 2004 results were gains of \$21.7 million related to the favorable resolution of certain legal matters. Of this amount, \$12.5 million relates to a settlement reached during the first quarter with respect to the marketing and manufacturing of Zagam®. The remainder of the gain relates to future payments to be made to Mylan totaling \$10.0 million from Mylan's co-defendants in the lorazepam and clorazepate litigation. This \$10.0 million represents a partial reimbursement of the settlement funds paid by Mylan toward the settlement announced in fiscal 2003. These additional payments were agreed to by the co-defendants and the settlement received final approval from the judge overseeing the litigation in the first quarter of fiscal 2004.

Other Income, net

Other income, net of non-operating expenses, increased \$1.1 million over the prior year quarter. The increase was primarily due to an increase in interest and dividend income, partially offset by lower income from investments which are accounted for under the equity method.

Liquidity and Capital Resources

The Company's primary source of liquidity continues to be cash flows from operating activities, which was \$30.6 million for the three months ended June 30, 2003. Working capital as of June 30, 2003, was \$990.5 million, an increase of \$28.1 million from March 31, 2003.

Cash used in investing activities for the three months ended June 30, 2003, was \$16.3 million. Of the Company's \$1.7 billion of total assets at June 30, 2003, 38% or \$644.0 million was held in cash, cash equivalents and marketable securities. Investments in marketable securities consist primarily of high-quality government and commercial paper. These investments are highly liquid and are available for operating needs. As these instruments mature, the funds are generally reinvested in instruments with similar characteristics.

Capital expenditures during the three months ended June 30, 2003, were \$9.6 million. These expenditures were primarily for machinery and equipment used in the Company's manufacturing facilities, as well as for certain expansion projects. As these planned expansions of the Company's manufacturing facilities continue, capital expenditures for the remainder of fiscal 2004 are expected to increase significantly.

Cash used in financing activities was \$65.0 million for the three months ended June 30, 2003, consisting primarily of cash paid to purchase the Company's common stock. In May 2002, the Board of Directors (the "Board") approved a stock repurchase program that authorized the purchase of up to 15.0 million shares of the Company's outstanding common stock. Through fiscal 2003, 10.7 million shares had been purchased under this program. In the first quarter of fiscal 2004, an additional 2.5 million shares were purchased for \$70.9 million. Subsequent to June 30, 2003 and through July 25, 2003, an additional 0.6 million shares were purchased for approximately \$18.6 million.

Mylan continues to pay quarterly cash dividends. In fiscal 2003, the Board voted to increase the quarterly dividend from 2.67 cents per share to 3.33 cents per share. Dividend payments totaled \$6.0 million during the first quarter of fiscal 2004.

During the first quarter of fiscal 2004, Mylan paid \$32.6 million related to the settlement of certain legal matters that were resolved and accrued for in fiscal 2003. Additionally, in the first quarter, Mylan received \$12.5 million with respect to a settlement related to contracts for the marketing and manufacture of Zagam®.

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In the first quarter of fiscal 2004, the Company sold its ownership interest in a foreign entity back to that entity for approximately \$15.0 million. According to the agreement, Mylan will receive \$10.0 million in fiscal 2004 and the remainder in fiscal 2005.

In the first quarter of fiscal 2004, Mylan received notice that the lessee of an office building owned by Mylan would be exercising its purchase option on this building. The purchase price of \$12.0 million was received during the second quarter of fiscal 2004.

The Company is involved in various legal proceedings that are considered normal to its business (see Note 11 to Condensed Consolidated Financial Statements). While it is not feasible to predict the outcome of such proceedings, an adverse outcome in any of these proceedings could materially affect the Company's financial position and results of operations.

The Company is actively pursuing, and is currently involved in, joint projects related to the development, distribution and marketing of both generic and brand products. Many of these arrangements provide for payments by the Company upon the attainment of specified milestones. While these arrangements help to reduce the financial risk for unsuccessful projects, fulfillment of specified milestones or the occurrence of other obligations may result in fluctuations in cash flows from operating activities.

In order to provide additional operating leverage, if necessary, the Company maintains a revolving line of credit with a commercial bank providing for borrowings of up to \$50.0 million. As of June 30, 2003, no funds have been advanced under this line of credit. Additionally, the Company is continuously evaluating the potential acquisition of products, as well as companies, as a strategic part of its future growth. Consequently, the Company may utilize current cash reserves or incur additional indebtedness to finance any such acquisitions, which could impact future liquidity.

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"). FIN 46 provides guidance with respect to the consolidation of certain entities, referred to as variable interest entities ("VIE"), in which an investor is subject to a majority of the risk of loss from the VIE's activities, or is entitled to receive a majority of the VIE's residual returns. This interpretation also provides guidance with respect to the disclosure of VIEs in which an investor maintains an interest, but is not required to consolidate. The provisions of FIN 46 are effective immediately for all VIEs created after January 31, 2003, or in which the Company obtains an interest after that date. For VIEs created before February 1, 2003, the provisions are effective July 1, 2003. The Company has not acquired an interest in or created a VIE after January 31, 2003. The Company has completed its assessment and determined that the adoption of FIN 46 will not have a material impact on the Company's financial position or results of operations.

Risk Factors

The following risk factors could have a material adverse effect on our business, financial position or results of operations. These risk factors may not include all of the important factors that could affect our business or our industry or that could cause our future financial results to differ materially from historic or expected results or cause the market price of our common stock to fluctuate or decline. Please refer to our other periodic reports filed with the Securities and Exchange Commission (the "SEC") including our Annual Report on Form 10-K for the fiscal year ended March 31, 2003.

OUR FUTURE REVENUE GROWTH AND PROFITABILITY ARE DEPENDENT UPON OUR ABILITY TO DEVELOP AND LICENSE, OR OTHERWISE ACQUIRE, AND INTRODUCE NEW PRODUCTS ON A TIMELY BASIS IN RELATION TO OUR COMPETITORS' PRODUCT INTRODUCTIONS. OUR FAILURE TO DO SO SUCCESSFULLY COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Our future revenues and profitability will depend, to a significant extent, upon our ability to successfully develop and license, or otherwise acquire, and commercialize new generic and patent or statutorily protected (usually brand) pharmaceutical products in a timely manner. Product development is inherently risky, especially for new drugs for which safety and efficacy have not been established, and the market is not yet proven. The development and commercialization process, particularly with regard to new drugs, also requires substantial time, effort and financial resources. We may not be successful in commercializing any of the products that we are developing on a timely basis, if at all, which could adversely affect our product introduction plans, financial position and results of operations and could cause the market value of our common stock to decline.

U.S. Food and Drug Administration ("FDA") approval is required before any prescription drug product, including generic drug products, can be marketed. The process of obtaining FDA approval to manufacture and market new and generic pharmaceutical products is rigorous, time-consuming, costly and largely unpredictable. We may be unable to obtain requisite FDA approvals on a timely basis for new generic or brand products that we may develop, license or otherwise acquire. The timing and cost of obtaining FDA approvals could adversely affect our product introduction plans, financial position and results of operations and could cause the market value of our common stock to decline.

The ANDA process often results in the FDA granting final approval to a number of ANDAs for a given product at the time a patent claim for a corresponding brand product or other market exclusivity expires. This often forces us to face immediate competition when we introduce a generic product into the market. Additionally, 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, as well as reduced margins, for generic products compared to brand products. New generic market entrants generally cause continued price and margin erosion over the generic product life cycle.

The Waxman-Hatch Act provides for a period of 180 days of generic marketing exclusivity for each ANDA applicant that is first to file an ANDA containing a certification of invalidity, non-infringement or unenforceability related to a patent listed with respect to a reference drug product, commonly referred to as a Paragraph IV certification. During this exclusivity period, the FDA cannot grant final approval to any other generic equivalent. If an ANDA containing a Paragraph IV certification is successful, it generally results in higher market share, net revenues and gross margin for that applicant. Even if we obtain FDA approval for our generic drug products, if we are not the first ANDA applicant to challenge a listed patent for such a product, we may lose significant advantages to a competitor who filed its ANDA containing such a challenge. Such a situation could have a material adverse effect on our ability to market that product profitably, our financial position and results of operations, and the market value of our common stock could decline.

OUR APPROVED PRODUCTS MAY NOT ACHIEVE EXPECTED LEVELS OF MARKET ACCEPTANCE, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR PROFITABILITY, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

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Even if we are able to obtain regulatory approvals for our new pharmaceutical products, generic or brand, the success of those products is dependent upon market acceptance. Levels of market acceptance for our new products could be impacted by several factors, including:

- the availability of alternative products from our competitors;
- the price of our products relative to that of our competitors;
- the timing of our market entry;
- the ability of our customers to market our products effectively to the retail level; and
- the acceptance of our products by government and private formularies.

Some of these factors are not within our control. Our new products may not achieve expected levels of market acceptance. Additionally, continuing studies of the proper utilization, safety and efficacy of pharmaceutical 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. These situations, should they occur, could have a material adverse effect on our profitability, financial position and results of operations, and the market value of our common stock could decline.

A RELATIVELY SMALL GROUP OF PRODUCTS MAY REPRESENT A SIGNIFICANT PORTION OF OUR NET REVENUES OR NET EARNINGS FROM TIME TO TIME. IF THE VOLUME OR PRICING OF ANY OF THESE PRODUCTS DECLINES, IT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Sales of a limited number of our products often represent a significant portion of our net revenues and net earnings. If the volume or pricing of our largest selling products declines in the future, our business, financial position and results of operations could be materially adversely affected, and the market value of our common stock could decline.

WE FACE VIGOROUS COMPETITION FROM OTHER PHARMACEUTICAL MANUFACTURERS THAT THREATENS THE COMMERCIAL ACCEPTANCE AND PRICING OF OUR PRODUCTS, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

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:

- proprietary processes or delivery systems;
- larger research and development and marketing staffs;
- larger production capabilities in a particular therapeutic area;
- more experience in preclinical testing and human clinical trials;
- more products; or
- more experience in developing new drugs and financial resources, particularly with regard to brand manufacturers.

Any of these factors and others could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

BECAUSE THE PHARMACEUTICAL INDUSTRY IS HEAVILY REGULATED, WE FACE SIGNIFICANT COSTS AND UNCERTAINTIES ASSOCIATED WITH OUR EFFORTS TO COMPLY WITH APPLICABLE REGULATIONS. SHOULD WE FAIL TO COMPLY WE COULD EXPERIENCE MATERIAL ADVERSE EFFECTS ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

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The pharmaceutical industry is subject to regulation by various federal and state governmental authorities. For instance, we must comply with FDA requirements with respect to the manufacture, labeling, sale, distribution, marketing, advertising, promotion and development of pharmaceutical products. Failure to comply with FDA and other governmental regulations can result in fines, disgorgement, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of FDA's review of New Drug Applications ("NDAs") or ANDAs, 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 regulatory compliance programs and policies and have had a favorable compliance history, there is no guarantee that these programs, as currently designed, will meet regulatory agency standards in the future. Additionally, despite our efforts at compliance, there is no guarantee that we may not be deemed to be deficient in some manner in the future. If we were deemed to be deficient in any significant way, our business, financial position and results of operations could be materially affected and the market value of our common stock could decline.

In addition to the new drug approval process, the FDA also regulates the facilities and operational procedures that we use to manufacture our products. We must register our facilities with the FDA. All products manufactured in those facilities must be made in a manner consistent with current Good Manufacturing Practices ("cGMP"). Compliance with cGMP regulations requires substantial expenditures of time, money and effort in such areas as production and quality control to ensure full technical compliance. The FDA periodically inspects our manufacturing facilities for compliance. FDA approval to manufacture a drug is site-specific. Failure to comply with cGMP regulations at one of our manufacturing facilities could result in an enforcement action brought by the FDA which could include withholding the approval of NDAs, ANDAs or other product applications of that facility. If the FDA were to require one of our manufacturing facilities to cease or limit production, our business could be adversely affected. Delay and cost in obtaining FDA approval to manufacture at a different facility also could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

We are subject, as are generally all manufacturers, to various federal, state and local laws regulating working conditions, as well as environmental protection laws and regulations, including those governing the discharge of materials into the environment. Although we have not incurred significant costs associated with complying with environmental provisions in the past, if changes to such environmental laws and regulations are made in the future that require significant changes in our operations or if we engage in the development and manufacturing of new products requiring new or different environmental controls, we may be required to expend significant funds. Such changes could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE EXPEND A SIGNIFICANT AMOUNT OF RESOURCES ON RESEARCH AND DEVELOPMENT EFFORTS THAT MAY NOT LEAD TO SUCCESSFUL PRODUCT INTRODUCTIONS. FAILURE TO SUCCESSFULLY INTRODUCE PRODUCTS INTO THE MARKET COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

Much of our development effort is focused on technically difficult-to-formulate products and/or products that require advanced manufacturing technology. We conduct research and development primarily to enable us to manufacture and market FDA-approved pharmaceuticals in accordance with FDA regulations. Typically, research expenses related to the development of innovative compounds and the filing of NDAs are significantly greater than those

expenses associated with ANDAs. As we continue to develop new products, our research expenses will likely increase. Because of the inherent risk associated with research and development efforts in our industry, particularly with respect to new drugs, our research and development expenditures may not result in the successful introduction of FDA approved new pharmaceutical products. Also, after we submit an NDA or ANDA, the FDA may request that we conduct additional studies, and as a result, we may be unable to reasonably determine the total research and development costs to develop a particular product. Finally, we cannot be certain that any investment made in developing products will be recovered, even if we are successful in commercialization. To the extent that we expend significant resources on research and development efforts and are not able, ultimately, to introduce successful new products as a result of those efforts, our business, financial position and results of operations may be materially adversely affected, and the market value of our common stock could decline.

A SIGNIFICANT PORTION OF OUR NET REVENUES ARE DERIVED FROM SALES TO A LIMITED NUMBER OF CUSTOMERS. ANY SIGNIFICANT REDUCTION OF BUSINESS WITH ANY OF THESE CUSTOMERS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

A significant portion of our net revenues are derived from sales to a limited number of customers. As such, a reduction in or loss of business with one customer, or if one customer were to experience difficulty in paying us on a timely basis, our business, financial position and results of operations could be materially adversely affected, and the market value of our common stock could decline.

THE USE OF LEGAL, REGULATORY AND LEGISLATIVE STRATEGIES BY COMPETITORS, BOTH BRAND AND GENERIC, MAY INCREASE OUR COSTS ASSOCIATED WITH THE INTRODUCTION OR MARKETING OF OUR GENERIC PRODUCTS OR COULD DELAY OR PREVENT SUCH INTRODUCTION. THESE FACTORS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Our competitors, both brand and generic, often pursue strategies to prevent or delay competition from generic alternatives to brand products. These strategies include, but are not limited to:

- seeking to establish regulatory and legal obstacles that would make it more difficult to demonstrate bioequivalence;
- initiating legislative efforts in various states to limit the substitution of generic versions of brand pharmaceuticals;
- filing suits for patent infringement that automatically delay FDA approval of many generic products;
- introducing “second-generation” products prior to the expiration of market exclusivity for the reference product, which often materially reduces the demand for the first generic product for which we seek FDA approval;
- obtaining extensions of market exclusivity by conducting trials of brand drugs in pediatric populations as discussed below;
- persuading the FDA to withdraw the approval of brand name drugs for which the patents are about to expire, thus allowing the brand name company to obtain new patented products serving as substitutes for the products withdrawn;
- seeking to obtain new patents on drugs for which patent protection is about to expire; and
- filing a citizen petition with the FDA, which often results in delays of our approvals.

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

Some companies have lobbied Congress for amendments to the Waxman-Hatch legislation that would give them additional advantages over generic competitors. For example, although the term of a company's drug patent can be extended to reflect a portion of the time an 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 permitted. If proposals like these were to become effective, our entry into the market and our ability to generate revenues associated with new products may be delayed, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE DEPEND ON THIRD-PARTY SUPPLIERS AND DISTRIBUTORS FOR THE RAW MATERIALS, PARTICULARLY THE CHEMICAL COMPOUND(S) COMPRISING THE ACTIVE PHARMACEUTICAL INGREDIENT, THAT WE USE TO MANUFACTURE OUR PRODUCTS, AS WELL AS CERTAIN FINISHED GOODS. A PROLONGED INTERRUPTION IN THE SUPPLY OF SUCH PRODUCTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND THE MARKET VALUE OF OUR COMMON STOCK COULD DECLINE.

We typically purchase the active ingredient (i.e. the chemical compounds that produce the desired therapeutic effect in our products), and other materials and supplies that we use in our manufacturing operations, as well as certain finished products, from many different foreign and domestic suppliers. Additionally, we maintain safety stocks in our raw materials inventory, and in certain cases where we have listed only one supplier in our applications with the FDA, have received FDA approval to use alternative suppliers should the need arise. However, there is no guarantee that we will always have timely and sufficient access to a critical raw material or finished product. A prolonged interruption in the supply of a single-sourced active ingredient or finished product could cause our financial position and results of operations to be materially adversely affected, and the market value of our common stock could decline. In addition, our manufacturing capabilities could be impacted by quality deficiencies in the products which our suppliers provide, which could have a material adverse effect on our business, financial position and results of operations, and the market value of our common stock could decline.

WE USE SEVERAL MANUFACTURING FACILITIES TO MANUFACTURE OUR PRODUCTS. HOWEVER, A SIGNIFICANT NUMBER OF OUR GENERIC PRODUCTS ARE PRODUCED AT ONE LOCATION. PRODUCTION AT THIS FACILITY COULD BE INTERRUPTED, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Although we have other facilities, we produce a significant number of our generic products at our largest manufacturing facility. A significant disruption at that facility, even on a short-term basis, could impair our ability to produce and ship products to the market on a timely basis, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE MAY EXPERIENCE DECLINES IN THE SALES VOLUME AND PRICES OF OUR PRODUCTS AS THE RESULT OF THE CONTINUING TREND TOWARD CONSOLIDATION OF CERTAIN CUSTOMER GROUPS, SUCH AS THE WHOLESALE DRUG DISTRIBUTION AND RETAIL PHARMACY INDUSTRIES, AS WELL AS THE EMERGENCE OF LARGE BUYING GROUPS. THE RESULT OF SUCH DEVELOPMENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We make a significant amount of our sales 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. This consolidation may result in these groups gaining additional purchasing leverage and consequently increasing the product pricing pressures facing our business. Additionally, the emergence of large buying groups representing independent retail pharmacies and the prevalence and influence of managed care organizations and similar institutions potentially enable those groups to attempt to extract price discounts on our products. The result of these developments may have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL AND OTHER PROPRIETARY PROPERTY IN AN EFFECTIVE MANNER, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Our patents on our brand products may not prevent other companies from developing functionally equivalent products or from challenging the validity or enforceability of our patents. If our patents are found to be non-infringed, invalid or not enforceable, we could experience an adverse effect on our ability to commercially promote patented products. We could be required to enforce our patent or other intellectual property rights through litigation, which can be protracted and involve significant expense and an inherently uncertain outcome. Any negative outcome could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

OUR COMPETITORS MAY ALLEGE THAT WE ARE INFRINGING THEIR INTELLECTUAL PROPERTY, FORCING US TO EXPEND SUBSTANTIAL RESOURCES IN RESULTING LITIGATION, THE OUTCOME OF WHICH IS UNCERTAIN. ANY UNFAVORABLE OUTCOME OF SUCH LITIGATION COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Companies that produce brand pharmaceutical products routinely bring litigation against ANDA applicants who seek FDA approval to manufacture and market generic forms of their branded products. These companies allege patent infringement or other violations of intellectual property rights as the basis for filing suit against an ANDA applicant. Litigation often involves significant expense or can delay or prevent introduction of our generic products.

There may also be situations where the Company uses its business judgment and decides to market and sell products, notwithstanding the fact that allegations of patent infringement(s) by our competitors have not been finally resolved by the courts. The risk involved in doing so can be substantial because the remedies available to the owner of a patent for infringement include, among other things, damages measured by the profits lost by the patent owner and not by the profits earned by the infringer. In the case of a willful infringement, the definition of which is unclear, such damages may be trebled. Moreover, because of the discount pricing typically involved with bioequivalent products, patented brand products generally realize a substantially higher profit margin than bioequivalent products. An adverse decision in a case such as this or in other similar litigation could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE MAY EXPERIENCE REDUCTIONS IN THE LEVELS OF REIMBURSEMENT FOR PHARMACEUTICAL PRODUCTS BY GOVERNMENTAL AUTHORITIES, HMOS OR OTHER THIRD-PARTY PAYERS. ANY SUCH REDUCTIONS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL

POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Various governmental authorities and private health insurers and other organizations, such as HMOs, provide reimbursement to consumers for the cost of certain pharmaceutical products. Demand for our products depends in part on the extent to which such reimbursement is available. Third-party payers increasingly challenge the pricing of pharmaceutical products. This trend and other trends toward the growth of HMOs, managed healthcare and legislative healthcare reform create significant uncertainties regarding the future levels of reimbursement for pharmaceutical products. Further, any reimbursement may be reduced in the future, perhaps to the point that market demand for our products declines. Such a decline could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

LEGISLATIVE OR REGULATORY PROGRAMS THAT MAY INFLUENCE PRICES OF PRESCRIPTION DRUGS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Current or future federal or state laws and regulations may influence the prices of drugs and, therefore, could adversely affect the prices that we receive for our products. Programs in existence in certain states seek to set prices of all drugs sold within those states through the regulation and administration of the sale of prescription drugs to Medicaid and other recipients. Expansion of these programs could adversely affect the price we receive for our products and could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE ARE INVOLVED IN VARIOUS LEGAL PROCEEDINGS AND MAY EXPERIENCE UNFAVORABLE OUTCOMES OF SUCH PROCEEDINGS, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

We are involved in various legal proceedings including, but not limited to, product liability, breach of contract and claims involving Medicaid and Medicare reimbursements, some of which are described in our periodic reports and involve claims for substantial amounts of money or for other relief. If any of these legal proceedings were to result in an adverse outcome, the impact could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

With respect to product liability, the Company maintains commercial insurance to protect against and manage the risks involved in conducting its business. Although we carry insurance, we believe that no reasonable amount of insurance can fully protect against all such risks because of the potential liability inherent in the business of producing pharmaceuticals for human consumption. To the extent that a loss occurs, depending on the nature of the loss and the level of insurance coverage maintained, it could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE ENTER INTO VARIOUS AGREEMENTS IN THE NORMAL COURSE OF BUSINESS WHICH PERIODICALLY INCORPORATE PROVISIONS WHEREBY WE INDEMNIFY THE OTHER PARTY TO THE AGREEMENT. IN THE EVENT THAT WE WOULD HAVE TO PERFORM UNDER THESE INDEMNIFICATION PROVISIONS, IT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

In the normal course of business, we periodically enter into employment, legal settlement, and other agreements which incorporate indemnification provisions. We maintain insurance coverage which we believe will effectively mitigate our obligations under these indemnification provisions. However, should our obligation under an indemnification provision exceed our coverage or should coverage be denied, our business, financial position and results of operations could be materially affected and the market value of our common stock could decline.

OUR ACQUISITION STRATEGIES INVOLVE A NUMBER OF INHERENT RISKS. THESE RISKS COULD CAUSE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE A DECLINE IN THE MARKET VALUE OF OUR COMMON STOCK.

We continually seek to expand our product line through complementary or strategic acquisitions of other companies, products and assets, and through joint ventures, licensing agreements or other arrangements. Acquisitions, joint ventures and other business combinations involve various inherent risks, such as assessing accurately the values, strengths, weaknesses, contingent and other liabilities, regulatory compliance and potential profitability of acquisition or other transaction candidates. Other inherent risks include the potential loss of key personnel of an acquired business, our inability to achieve identified financial and operating synergies anticipated to result from an acquisition or other transaction and unanticipated changes in business and economic conditions affecting an acquisition or other transaction. International acquisitions, and other transactions, could also be affected by export controls, exchange rate fluctuations, domestic and foreign political conditions and the deterioration in domestic and foreign economic conditions.

We may be unable to realize synergies or other benefits expected to result from acquisitions, joint ventures and other transactions or investments we may undertake, or be unable to generate additional revenue to offset any unanticipated inability to realize these expected synergies or benefits. Realization of the anticipated benefits of acquisitions or other transactions could take longer than expected, and implementation difficulties, market factors and the deterioration in domestic and global economic conditions could alter the anticipated benefits of any such transactions. These factors could cause a material adverse effect on our business, financial position and results of operations and could cause a decline in the market value of our common stock.

OUR FUTURE SUCCESS IS HIGHLY DEPENDENT ON OUR CONTINUED ABILITY TO ATTRACT AND RETAIN KEY PERSONNEL. ANY FAILURE TO ATTRACT AND RETAIN KEY PERSONNEL COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

Because our success is largely dependent on the scientific nature of our business, it is imperative that we attract and retain qualified personnel in order to develop new products and compete effectively. If we fail to attract and retain key scientific, technical or management personnel, our business could be affected adversely. Additionally, while we have employment agreements with certain key employees in place, their employment for the duration of the agreement is not guaranteed. If we are unsuccessful in retaining all of our key employees, it could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

WE MAY MAINTAIN INVESTMENTS IN MARKETABLE DEBT AND/OR EQUITY SECURITIES, OTHER INVESTMENTS, BOTH PUBLICLY AND PRIVATELY HELD, AND MAY MAINTAIN DEPOSIT BALANCES AT FINANCIAL INSTITUTIONS IN EXCESS OF FEDERALLY INSURED AMOUNTS. WE MAY EXPERIENCE DECLINES IN THE MARKET VALUE OF THESE SECURITIES AND/OR LOSSES OF PRINCIPAL INVESTED OR AN UNINSURED LOSS OF DEPOSITED FUNDS. SIGNIFICANT DECLINES OR LOSSES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL

POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

To the extent that we maintain investments in marketable debt securities, marketable equity securities, and/or investments in other securities, both publicly and privately held, we are subject to many risks. Such risks include market risk associated with declines in the market values of such securities, interest rate risk and the risk of default. As a result of such risks, we could experience a substantial loss, or may even lose all, of the basis or principal we have invested in such securities. Any such declines or losses could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

THERE ARE INHERENT UNCERTAINTIES INVOLVED IN ESTIMATES, JUDGMENTS AND ASSUMPTIONS USED IN THE PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP. ANY CHANGES IN ESTIMATES, JUDGMENTS AND ASSUMPTIONS USED COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COULD CAUSE THE MARKET VALUE OF OUR COMMON STOCK TO DECLINE.

The consolidated and condensed consolidated financial statements included in the periodic reports we file with the SEC are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities, revenues, expenses and income. This includes, but is not limited to, estimates, judgments and assumptions used in the adoption of the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets* and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets (including goodwill and other intangible assets), liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk primarily from changes in the market values of investments in marketable debt and equity securities. Additionally, investments are made in overnight deposits, money market funds and marketable securities with maturities of less than three months. These instruments are classified as cash equivalents for financial reporting purposes and have minimal or no interest rate risk due to their short-term nature. The majority of our investments are managed by professional portfolio managers. We also invest in nonpublic securities that are classified as other assets on our balance sheet and do not consider these investments to be market risk sensitive.

The following table summarizes the investments in marketable debt and equity securities which subject the Company to market risk at June 30, 2003 and March 31, 2003:

| (in thousands) | June 30, 2003 | March 31, 2003 |
|-------------------|------------------|-------------------|
| Debt securities | \$428,175 | \$419,135 |
| Equity securities | 7,668 | 8,769 |
| | <u>\$435,843</u> | <u>\$427,904</u> |

Marketable Debt Securities

The primary objectives for the marketable debt securities investment portfolio are liquidity and safety of principal. Investments are made to achieve the highest rate of return while retaining principal. The investment policy limits investments to certain types of instruments issued by institutions and government agencies with investment-grade credit ratings. At June 30, 2003, the Company had invested \$428.2 million in marketable debt securities, of which \$56.1 million will mature within one year and \$372.1 million will mature after one year. The short duration to maturity creates minimal exposure to fluctuations in market values for investments that will mature within one year. However, a significant change in current interest rates could affect the market value of the remaining \$372.1 million of marketable debt securities that mature after one year. A 5% change in the market value of the marketable debt securities that mature after one year would result in an \$18.6 million change in marketable debt securities.

Marketable Equity Securities

Marketable equity securities are primarily managed by professional portfolio managers whose investment objective is to increase fund value through purchasing undervalued common stocks and holding these securities for a period of time. These portfolio managers are continually evaluating the portfolio to ensure that it meets our investment objectives. As of June 30, 2003, a 10% change in the market value of these investments would result in a \$0.8 million change in marketable equity securities.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2003. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. In addition, during the period covered by this report, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, and no corrective actions taken with regard to significant deficiencies or material weaknesses in such controls.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal Proceedings

For a description of the material pending legal proceedings to which the Company is a party, please see our Annual Report on Form 10-K for the year ended March 31, 2003. During the quarter ended June 30, 2003, there were no material developments with respect to such proceedings and there have been no new material developments not previously disclosed other than as described below.

Omeprazole

In fiscal 2000, MPI filed an ANDA seeking FDA approval to manufacture and sell omeprazole delayed-release capsules, and made “Paragraph IV” certifications to several patents owned by AstraZeneca PLC (“AstraZeneca”) that were listed in the FDA’s “Orange Book.” AstraZeneca filed suit against MPI and Mylan Laboratories Inc. (“Mylan Labs”) in the United States (“U.S.”) District Court for the Southern District of New York alleging infringement of several of AstraZeneca’s patents. MPI has filed a motion for summary judgment as to all claims of infringement, and the summary judgment motion remains pending. On June 2, 2003, the FDA approved MPI’s ANDA for the 10 mg and 20 mg strengths of omeprazole delayed-release capsules and, on August 4, 2003, Mylan Labs announced that MPI had commenced the sale of omeprazole 10 mg and 20 mg delayed-release capsules. On August 8, 2003, AstraZeneca announced its intention to seek leave to amend the pending lawsuit to assert claims against Mylan Labs, MPI and MPI’s supplier, Esteve Quimica S.A. (“Esteve”), for unspecified money damages and a finding of willful infringement which could result in treble damages, injunctive relief, attorneys’ fees, costs of litigation and such further relief as the court deems just and proper.

In addition, in November 2002, MPI filed suit in the U.S. District Court for the District of Delaware against Kremers Urban Development Company (“KUDCo”) and several other companies affiliated with Schwarz Pharma AG (the “Schwarz Pharma Group”) alleging KUDCo and the Schwarz Pharma Group are infringing U.S. patent 5,626,875 (the “’875 Patent”) in connection with KUDCo’s manufacture and sale of omeprazole capsules in the United States. The ‘875 Patent was issued to Esteve and licensed to MPI. Esteve joined the suit as a co-plaintiff with MPI in December 2002. KUDCo and the Schwarz Pharma Group asserted defenses and counterclaims in that action alleging the inventors listed on the ‘875 patent are not the actual inventors of the invention described therein, and further seeking money damages alleging the infringement action was not proper. On August 7, 2003, KUDCo and an individual filed a new lawsuit against MPI and Esteve in the U.S. District Court for the District of Columbia asserting claims that have not been asserted in the Delaware action. KUDCo and the individual allege that the individual is the sole inventor of the ‘875 Patent, that the individual owns the ‘875 Patent and has assigned his ownership interest in the ‘875 Patent to KUDCo, and that MPI and Esteve are infringing the ‘875 Patent. The new lawsuit seeks an order directing that the individual be listed as the sole inventor, or a co-inventor of the ‘875 Patent and enjoining MPI from infringing the ‘875 Patent, together with costs and attorneys’ fees.

Nifedipine

In February 2001, Biovail Laboratories Inc. (“Biovail”) filed suit against Mylan Labs, MPI and Pfizer Inc. (“Pfizer”) alleging antitrust violations with respect to agreements entered into between the Company and Pfizer regarding nifedipine. During the first quarter of fiscal 2004, the parties agreed to a settlement pursuant to which Biovail has dismissed the lawsuit with prejudice and granted the Company a release of all claims relating to nifedipine.

Lorazepam and Clorazepate

On March 31, 2003, the Company announced a tentative settlement of a direct purchaser class action related to the sale of lorazepam and clorazepate for a total amount of \$35.0 million. Mylan’s co-defendants agreed to an initial contribution of approximately \$7.0 million toward the \$35.0 million settlement. During the first quarter of fiscal 2004, this settlement received final court approval. Upon receiving such approval, the Company recorded a gain of approximately \$10.0 million related to additional contributions which the co-defendants agreed in April 2004 to make to Mylan. This additional \$10.0 million reduces Mylan’s share of the total settlement to approximately \$18.0 million.

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Mylan is to receive the \$10.0 million in five annual payments of \$2.0 million each. This settlement does not include several related cases, and the Company does not believe that an adverse result in any of the remaining lorazepam and clorazepate cases, collectively or individually, would have a material adverse effect on the Company's financial position or results of operations.

Zagam®

In April 2003, the Company entered into a settlement in the suit which it had filed against Aventis Pharmaceuticals, Inc., successor in interest to Rhone-Poulenc Rorer Pharmaceuticals, Inc.; Rhone-Poulenc Rorer Pharmaceuticals, LTD; Rorer Pharmaceutical Products, Inc.; Rhone-Poulenc Rorer, S.A., and their affiliates in the U.S. District Court for the Western District of Pennsylvania in May 2001. Pursuant to the settlement, the Company received a payment of \$12.5 million, counterclaims filed by the defendant were dismissed and the agreements at issue in the litigation were terminated.

Other Litigation

The Company is involved in various other legal proceedings that are considered normal to its business. While it is not feasible to predict the ultimate outcome of such other proceedings at this time, the Company believes that the ultimate outcome of such other proceedings will not have a material adverse effect on its financial position or results of operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

- 3.1 Amended and Restated Articles of Incorporation of the registrant, as amended to date.
- 3.2 By-laws of the registrant, as amended to date, filed as Exhibit 3.2 to the Form 10-K for the fiscal year ended March 31, 2003, and incorporated herein by reference.
- 31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b. Reports on Form 8-K

On May 9, 2003, the Company filed a Report on Form 8-K announcing earnings for the fiscal year ended March 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q for the quarterly period ended June 30, 2003, to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|-----------------|--|
| | Mylan Laboratories Inc. (Registrant) |
| August 13, 2003 | By: /s/ Robert J. Coury <hr/> |
| | Robert J. Coury Chief Executive Officer |
| August 13, 2003 | /s/ Edward J. Borkowski <hr/> |
| | Edward J. Borkowski Chief Financial Officer <i>(Principal financial officer)</i> |
| August 13, 2003 | /s/ Gary E. Sphar <hr/> |
| | Gary E. Sphar Vice President, Corporate Controller <i>(Principal accounting officer)</i> |

MYLAN LABORATORIES INC.

**AMENDED AND RESTATED ARTICLES OF INCORPORATION,
AS AMENDED**

(as filed in the Department of State on December 1, 1972,
as amended as of December 21, 1981, June 29, 1984,
August 22, 1988, April 29, 1993, August 26, 1996 and August 7, 2003)

1. The name of the corporation is Mylan Laboratories Inc.
 2. The address of its registered office in this Commonwealth is c/o Corporation Service Company, Dauphin County, Pennsylvania.
 3. The corporation is organized under the provisions of the Business Corporation Law, and shall have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which corporations may be incorporated under the Business Corporation Law.
 4. The term of existence of the corporation is perpetual.
 5. A. The aggregate number of shares which the corporation shall have authority to issue is 605,000,000 shares, consisting of 600,000,000 shares of common stock, par value \$0.50 per share (hereinafter referred to as the "Common Stock"), and 5,000,000 shares of preferred stock, par value \$0.50 per share (hereinafter referred to as the "Preferred Stock").

B. The class of Preferred Stock may be divided into and issued from time to time in one or more series. The designations, the relative preferences and participating, optional and other special rights, and the qualifications, limitations or restrictions of each such series, if any, may differ from these of any and all other series; and the board of directors is hereby expressly authorized to fix and determine, by resolution or resolutions prior to the issuance of any shares of any series of the Preferred Stock, the designations, preferences, relative, participating, optional and other special rights and the qualifications, limitations or restrictions of such series, including, without limiting the generality of the foregoing, the following:
 - (i) The date and time at which, and the terms and conditions on which, dividends, if any, on such series of Preferred Stock may be paid and may be cumulative;
 - (ii) The right, if any, of the holders of shares of such series of Preferred Stock to vote and the manner of voting, except as may otherwise be provided by paragraph 6 hereof or by the Pennsylvania Business Corporation Law;
-

(iii) The right, if any, of the holders of shares of such series of Preferred Stock to convert the same into or exchange the same for other classes of stock of the corporation and the terms and conditions for such conversion and exchange;

(iv) The redemption price or prices, if any, and the time at which, and the terms and conditions on which, the shares of such series of Preferred Stock may be redeemed;

(v) The terms of the sinking fund or redemption or purchase account, if any, to be provided for such series of Preferred Stock;

(vi) The rights of the holders of shares of such series of Preferred Stock upon the voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding up of the corporation; and

(vii) The number of shares which shall constitute any such series, which number may at any time or from time to time be increased or decreased, but not below the number of shares thereof then outstanding.

C. Holders of Common Stock shall be entitled to one vote per share in the election of directors and in all other matters submitted for action by the holders of Common Stock.

D. Except for and subject to those rights expressly granted in or by virtue of subparagraph B of this paragraph 5 to the holders of the Preferred Stock, or except as may be provided by the laws of the Commonwealth of Pennsylvania, the holders of the Common Stock shall have exclusively all other rights of shareholders.

The following is a statement of the designations, preferences, voting rights, limitations and special rights in respect of the Series A Junior Participating Preferred Stock.

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 300,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, (a) that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights, or warrants or upon the conversion of any outstanding securities issued by the corporation convertible into Series A Preferred Stock; and (b) no increase shall cause the aggregate number of all shares of Preferred Stock that the corporation is authorized to issue to be greater than is authorized by these Amended and Restated Articles of Incorporation.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any other series of Preferred Stock of the corporation (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$0.50 per share (the "Common Stock"), of the corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September, and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the First Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holder of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the shareholders of the corporation. In the event the corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or in any other Statement with Respect to Shares or other amendment of the Articles of Incorporation creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the corporation having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution, or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution, or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution, or winding up) to the Series A Preferred Stock, provided that the corporation may at any time redeem, purchase, or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the corporation ranking junior (either as to dividends or upon dissolution, liquidation, or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The corporation shall not permit any subsidiary of the corporation to purchase or otherwise acquire for consideration any shares of stock of the corporation unless the corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Articles of Incorporation, or in any other Articles of Amendment creating a series of Preferred Stock, par value \$0.50 per share, or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution, or Winding Up. Upon any liquidation, dissolution, or winding up of the corporation, no distribution shall be made (1) to the holder of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution, or winding up) to the Series A Preferred Stock unless the holders of shares of Series A Preferred Stock outstanding shall have received out of the assets of the Company available for distribution to its shareholders after payment or provision for payment of any securities ranking senior to the Series A Preferred Stock, for each share of Series A Preferred Stock, subject to adjustment as hereinafter provided, (A) \$1000.00 plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared to the date of such payment or, (B) if greater than the amount specified in clause (1)(A) of this sentence, an amount equal to 1000 times the aggregate amount to be distributed per share to holders of Common Stock, as the same may be adjusted as herein provided, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution, or winding up) with the Series A Preferred Stock, unless simultaneously therewith distributions are made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution, or winding up. In the event the corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the provision in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the corporation shall enter into any consolidation, merger, combination, or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash, and/or any other property, then in any such case each share

Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision or adjustment hereinafter set forth, equal to 1000 times the aggregate amount of stock, securities, cash, and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all other series of the corporation's Preferred Stock.

Section 10. Amendment. The Articles of Incorporation of the corporation shall not be amended in any manner that would materially alter or change the powers, preferences, or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

6. The shareholders of the corporation shall not have cumulative voting rights.

7. Except as provided in subparagraph B below, no corporate action of a character described in subparagraph A below, and no agreement, plan or resolution providing therefor, shall be valid or binding upon the corporation unless such corporate action shall have been approved in compliance with all applicable provisions of the Pennsylvania Business Corporation Law and these Articles and shall have been authorized by the affirmative vote of at least seventy-five (75%) percent of the outstanding shares of Common Stock entitled to vote, given in person or by proxy, at a meeting called for such purpose.

A. Corporate actions subject to the voting requirements of this paragraph 7 shall be:

(i) any merger or consolidation to which the corporation and an interested person are parties; or

(ii) any sale, lease, exchange or other disposition, in a single transaction or series of related transactions, of all or substantially all or a substantial part of the properties or assets of the corporation to an interested person; or

(iii) the adoption of any plan or proposal for the liquidation or dissolution of the corporation under or pursuant to which the rights or benefits inuring to an interested person or different in kind or character from the rights or benefits inuring to the other holders of Common Stock; or

(iv) any transaction of a character described in clause (i), (ii) or (iii) above involving an affiliate or associate of an interested person or involving an associate of any such affiliate.

B. The voting requirements of this paragraph 7 shall not apply to any transaction of a character described in clause (i), (ii), (iii) or (vi) of subparagraph A above should any of the following obtain with respect to the transaction.

(a) The Board of Directors shall have approved the transaction by a majority vote of all directors prior to the time the interested person connected with the transaction became an interested person.

(b) The Board of Directors shall have approved the transaction prior to consummation thereof by a majority vote of all directors disregarding the vote of each director who was an interested person, or an affiliate, associate or agent of such interested person, or an associate or agent of any such affiliate.

C. For purposes of this paragraph 7, the following definitions shall apply:

(i) "Affiliate" shall mean a person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with another person.

(ii) "Associate" shall mean any corporation or organization of which a person is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent or more of any class of equity securities; or any trust or estate in which a person has a ten percent or larger beneficial interest or as to which a person serves as a trustee or in a similar fiduciary capacity; or any relative or spouse of a person and any relative of a spouse, who has the same residence as such person.

(iii) "Beneficial Ownership" shall mean all shares directly or indirectly owned by a person and all shares which a person has the right to acquire through the exercise of any option, warrant or right (whether or not currently

exercisable), through the conversion of a security, pursuant to the power to revoke a trust, discretionary account or similar arrangement, pursuant to automatic termination of a trust, discretionary account or similar arrangement or otherwise. All shares shall be deemed indirectly owned by a person as to which such person enjoys benefits substantially equivalent to those of ownership by reason of any contract, understanding, relationship, agreement or other arrangement, including without limitation any written or unwritten agreement to act in concert.

(iv) "Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract or otherwise.

(v) "Interested Person" shall mean any person who beneficially owns ten percent or more of the outstanding shares of Common Stock of the corporation.

(vi) "Person" shall mean an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any unincorporated organization, a government or political subdivision thereof, a person acting through or in concert with one or more other persons and any other entity.

(vii) "Substantial Part" shall mean more than twenty percent of the total consolidated assets of the corporation, as shown on its consolidated balance sheet as of the end of the most recent fiscal year.

D. The affirmative vote of the holders of at least seventy-five percent of the outstanding shares of Common Stock entitled to vote shall be required to amend or repeal this paragraph 7.

* * *

**Certification of CEO Pursuant to
Securities Exchange Act Rules 13a-15(c) and 15d-15(e)
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert J. Coury, Chief Executive Officer of Mylan Laboratories Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mylan Laboratories Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period[s] presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ Robert J. Coury

Robert J. Coury
Chief Executive Officer

**Certification of CFO Pursuant to
Securities Exchange Act Rules 13a-15(c) and 15d-15(e)
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Edward J. Borkowski, Chief Financial Officer of Mylan Laboratories Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mylan Laboratories Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period[s] presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ Edward J. Borkowski

Edward J. Borkowski
Chief Financial Officer

**CERTIFICATION of CEO and CFO PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Mylan Laboratories Inc. (the "Company") for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2003

/s/ Robert J. Coury

Robert J. Coury
Chief Executive Officer

/s/ Edward J. Borkowski

Edward J. Borkowski
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished in accordance with Securities and Exchange Commission Release No. 34-47551 and shall not be considered filed as part of the Form 10-Q.