

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

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

For the quarterly period ended December 31, 1994

OR

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

Commission file number 1-9114

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

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

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

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

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

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

YES	X	NO
-----		-----

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

Class of Common Stock	Outstanding at January 31, 1995
-----	-----
\$.50 par value	79,363,349



MYLAN LABORATORIES INC. AND SUBSIDIARIES

INDEX

Page  
Number

PART I. FINANCIAL INFORMATION

ITEM 1: Financial Statements

Consolidated Balance Sheets - December 31, 1994  
and March 31, 1994 2A and 2B

Consolidated Statements of Earnings - Three and  
Nine Months Ended December 31, 1994 and 1993 3

Consolidated Statements of Cash Flows - Nine  
Months Ended December 31, 1994 and 1993 4

Notes to Consolidated Financial Statements -  
Three and Nine Months Ended December 31, 1994 5 and 6

ITEM 2: Management's Discussion and Analysis of  
Financial Condition and Results of  
Operations 7 and 8

PART II. OTHER INFORMATION

9



MYLAN LABORATORIES INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1994 Unaudited -----	March 31, 1994 Audited -----
Current Assets		
Cash and cash equivalents	\$150,601,000	\$ 75,526,000
Short-term investments	889,000	12,925,000
Accounts receivable	55,253,000	55,430,000
Inventories:		
Raw materials	26,001,000	26,138,000
Work in process	15,636,000	14,978,000
Finished goods	29,243,000	16,880,000
	-----	-----
	70,880,000	57,996,000
Prepaid income taxes	-	1,265,000
Deferred tax benefit	2,887,000	2,082,000
Other current assets	5,297,000	4,349,000
	-----	-----
Total Current Assets	285,807,000	209,573,000
Property, Plant and Equipment - at cost	127,162,000	115,114,000
Less accumulated depreciation	38,076,000	32,600,000
	-----	-----
	89,086,000	82,514,000
Investment in and Advances to Somerset	22,075,000	17,763,000
Intangible Assets		
net of accumulated amortization	29,726,000	33,228,000
Other Assets	81,533,000	60,247,000
	-----	-----
Total Assets	\$508,227,000	\$403,325,000
	=====	=====

See Notes to Consolidated Financial Statements



# LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1994 Unaudited -----	March 31, 1994 Audited -----
Current Liabilities		
Trade accounts payable	\$ 9,419,000	\$ 6,699,000
Income taxes payable	8,935,000	-
Other current liabilities	21,583,000	8,056,000
Cash dividend payable	11,904,000	3,171,000
	-----	-----
Total Current Liabilities	51,841,000	17,926,000
Long-Term Obligations	4,742,000	4,609,000
Deferred Income Taxes	1,531,000	821,000
Shareholders' Equity:		
Preferred stock, par value \$.50 per share, authorized 5,000,000 shares, issued and outstanding - none	-	-
Common stock, par value \$.50 per share, authorized 300,000,000 shares, issued 79,829,999 shares at December 31, 1994 79,697,295 shares at March 31, 1994	39,915,000	39,849,000
Additional paid in capital	55,673,000	54,272,000
Retained earnings	356,946,000	288,357,000
	-----	-----
	452,534,000	382,478,000
Less Treasury stock - at cost, 476,523 shares at December 31, 1994 and 495,864 shares at March 31, 1994		
Net Worth	2,421,000	2,509,000
	-----	-----
	450,113,000	379,969,000
	-----	-----
Total Liabilities and Shareholders' Equity	\$508,227,000	\$403,325,000
	=====	=====

See Notes to Consolidated Financial Statements





MYLAN LABORATORIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
UNAUDITED

	Three Months Ended December 31,		Nine Months Ended December 31,	
	1994	1993	1994	1993
NET SALES	\$104,271,000	\$ 66,436,000	\$285,430,000	\$182,699,000
COST AND EXPENSES:				
Cost of Sales	46,702,000	32,165,000	119,920,000	90,628,000
Research and Development	7,927,000	5,499,000	21,134,000	16,453,000
Selling and Administrative	14,982,000	14,292,000	44,323,000	36,768,000
	69,611,000	51,956,000	185,377,000	143,849,000
EQUITY IN EARNINGS OF SOMERSET	8,330,000	6,841,000	19,819,000	18,250,000
OTHER INCOME	2,494,000	4,634,000	5,013,000	7,481,000
EARNINGS BEFORE INCOME TAXES	45,484,000	25,955,000	124,885,000	64,581,000
INCOME TAX RATE	30%	15%	30%	14%
INCOME TAXES	13,645,000	3,832,000	37,258,000	8,908,000
NET EARNINGS	\$ 31,839,000	\$ 22,123,000	\$ 87,627,000	\$ 55,673,000
EARNINGS PER SHARE	\$ .40	\$ .28	\$ 1.10	\$ .71
WEIGHTED AVERAGE COMMON SHARES	79,336,000	79,091,000	79,275,000	78,876,000

The Company paid regular quarterly cash dividends of \$.03 per share from October 1992 to July 1993, \$.04 per share from October 1993 to July 1994 and \$.05 per share on October 14, 1994 and January 13, 1995. In addition, the Company paid a special one-time dividend of \$.10 per share on January 13, 1995.

See Notes to Consolidated Financial Statements



MYLAN LABORATORIES INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED DECEMBER 31, 1994 AND 1993

-----  
UNAUDITED  
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	1994	1993
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Earnings	\$ 87,627,000	\$55,673,000
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization	9,228,000	8,232,000
Deferred income taxes	(95,000)	(434,000)
Equity in the earnings of Somerset	(19,819,000)	(18,250,000)
Cash received from Somerset	15,506,000	15,267,000
Other non-cash items	13,345,000	8,113,000
Changes in operating assets and liabilities:		
Accounts receivable	(11,259,000)	(21,064,000)
Inventories	(13,213,000)	( 8,737,000)
Trade accounts payable	2,720,000	(806,000)
Income taxes payable	10,200,000	(8,869,000)
Other operating assets and liabilities	12,363,000	(3,869,000)
	-----	-----
Net cash provided from operating activities	106,603,000	25,256,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(12,048,000)	(21,064,000)
Increase in intangible and other assets	(5,853,000)	(1,214,000)
Proceeds from investment securities	16,252,000	-
Purchase of investment securities	(20,622,000)	-
	-----	-----
Net cash used in investing activities	(22,271,000)	(12,424,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividend paid	(10,306,000)	(7,861,000)
Payments on long-term obligations	(22,000)	(14,000)
Payments on acquisition obligations	-	(977,000)
Proceeds from exercise of stock options	1,071,000	795,000
	-----	-----
Net cash used in financing activities	(9,257,000)	(8,057,000)
	-----	-----
Net Increase in Cash and Cash Equivalents	75,075,000	4,775,000
Cash and Cash Equivalents - Beginning of Period	75,526,000	98,246,000
	-----	-----
Cash and Cash Equivalents - End of Period	\$150,601,000	\$103,021,000
	=====	=====
CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 21,000	\$ 23,000
Income Taxes	\$ 27,153,000	\$ 11,417,000

See Notes to Consolidated Financial Statements



MYLAN LABORATORIES INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
NINE MONTH PERIOD ENDED  
December 31, 1994

-----  
Unaudited  
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- A. In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of December 31, 1994 and March 31, 1994 together with the results of operations and cash flows for the interim periods ended December 31, 1994 and 1993. The consolidated results of operations for the three and nine months ended December 31, 1994 are not necessarily indicative of the results to be expected for the full year.
- B. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 1994 Annual Report and Report on Form 10-K.
- C. On October 10, 1994 the Company entered into a distribution agreement with STC Pharmaceuticals, Inc. (STC), a wholly owned subsidiary of Eli Lilly and Company (Lilly).

Under the terms of the agreement the Company is distributing a generic form of Lilly's oral antibiotic Ceclor on behalf of STC. The Company is being paid a fixed monthly fee for performing certain services related to the distribution of the product. Upon certain events, as defined in the agreement, the fixed monthly fee will convert to a variable amount predicated upon STC's net sales of the product.

Under the terms of the agreement, STC prepaid a portion of the first year's fixed fee. The portion of the prepayment relating to services rendered in the current quarter has been recognized as revenue and included in the Net Sales line of the Income Statement. The portion of the prepayment which relates to future periods is included as deferred revenue in the Other Accrued Liabilities line of the Balance Sheet. Revenues and gross profit resulting from this agreement did not have a material impact on the current quarter or year to date results of operations.



MYLAN LABORATORIES INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
NINE MONTH PERIOD ENDED  
December 31, 1994

-----  
Unaudited  
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- D. On December 21, 1994 the Company paid \$7,992,000 to acquire the 50% interest in a captive insurance company that it did not previously own. The final purchase price will be adjusted to reflect 50% of the audited net book value of the insurance company as of December 31, 1994. This transaction will not have a material impact on the Company's financial statements.
- E. Equity in Earnings of Somerset includes the Company's 50% portion of the net earnings of Somerset Pharmaceuticals Inc. (Somerset), certain management fees and amortization of intangible assets resulting from the acquisition of Somerset. Such intangible assets are being amortized over a 15 year period using the straight line method.

Condensed unaudited financial information of Somerset for the three and nine month periods ended December 31, 1994 and 1993 are as follows: (in thousands)

	Three Months Ended December 31, -----		Nine Months Ended December 31, -----	
	1994 ----	1993 ----	1994 ----	1993 ----
Net Sales	\$44,208	\$36,422	\$100,703	\$88,107
Costs and Expenses	(21,744)	(19,470)	(49,881)	(40,789)
Income Taxes	( 8,017)	( 5,070)	(16,573)	(15,220)
	-----	-----	-----	-----
Net Earnings	\$14,447	\$11,882	\$ 34,249	\$32,098
	=====	=====	=====	=====

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





PART 1 - FINANCIAL INFORMATION

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
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Results of Operations  
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Net sales for the three and nine months ended December 31, 1994 were a record high \$104,271,000 and \$285,430,000 representing increases over the prior year comparable periods of 57% and 56% respectively. These improvements are primarily attributable to the launch of new generic products, in particular cimetidine, flurbiprofen and glipizide, which the Company began shipping during the quarter ended June 30, 1994.

Gross margin as a percent of net sales increased from 52% for the quarter ended December 31, 1993 to 55% this year and from 50% for the nine months ended December 31, 1993 to 58% this year. The rates for the current periods reflect the higher margins generally realized on new generic products in the short term after introduction. Due to the competitive nature of the generic pharmaceutical industry the sales and gross margin recognized for the three and nine months ended December 31, 1994 are not necessarily indicative of the results to be expected in future quarters.

Research and development expenditures for the three and nine month periods ended December 31, 1994 increased 44% to \$7,927,000 and 28% to \$21,134,000 over the prior year comparable periods. These increases are indicative of the Company's commitment to new and increased product development throughout the Company.

Selling and administrative expenses were 14% and 16% of net sales for the three and nine months ended December 31, 1994 as compared to 22% and 20% for the three and nine months ended December 31, 1993. Factors contributing to the overall rise in selling and administrative expenses include advertising, promotion and legal expenses associated with new products and payroll and related costs.

Equity in earnings of Somerset continues to provide a solid return for the Company. Somerset's contribution to net earnings per share for the three and nine month periods was \$.09 and \$.22 in 1994 and \$.08 and \$.21 in 1993.



## Liquidity and Capital Resources and Financial Condition

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Working capital increased from \$191,647,000 at March 31, 1994 to \$233,966,000 at December 31, 1994 as a result of continued strong operations. The ratio of current assets to current liabilities was 5.5 to 1 at December 31, 1994 and 11.7 to 1 at March 31, 1994. The decrease in the current ratio is primarily attributable to the special one-time dividend of \$.10 per share that was paid on January 15, 1995 and increases in income taxes payable, deferred revenue and accrued payroll and related costs.

Net cash provided from operating activities was \$106,603,000 for the nine months ended December 31, 1994 compared to \$25,256,000 for the same period last year. The change is primarily due to higher net earnings, the timing of tax payments and the increases in other current liabilities mentioned above. Other non-cash items includes allowances for potential credits and rebates which generally escalate with new product launches.

Additions to property, plant and equipment amounted to \$12,048,000 for the nine months ended December 31, 1994. The Company completed a new warehouse at its distribution center in Greensboro, North Carolina along with other capital improvement projects at its other facilities. In December the Company began construction on a new 152,000 square foot research and development facility in Morgantown, West Virginia. Funding is to be provided from operations.



PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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- (a) Exhibit 27 required by Item 601(c) of Regulation S-X filed herewith.
- (b) Reports on Form 8-K - there were no reports on Form 8-K filed during the nine months ended December 31, 1994.

SIGNATURES

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

Mylan Laboratories Inc.  
(Registrant)

DATE February 9, 1995  
-----

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

DATE February 7, 1995  
-----

/s/ Frank A. DeGeorge  
-----  
Frank A. DeGeorge  
Director of Accounting and Taxation



3-MOS

MAR-31-1995

DEC-31-1994

150,601,000

889,000

55,253,000

0

70,880,000

285,807,000

127,162,000

38,076,000

508,227,000

51,841,000

0

39,915,000

0

0

410,198,000

508,227,000

285,430,000

285,430,000

119,920,000

119,920,000

65,457,000

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21,000

124,885,000

37,258,000

87,627,000

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