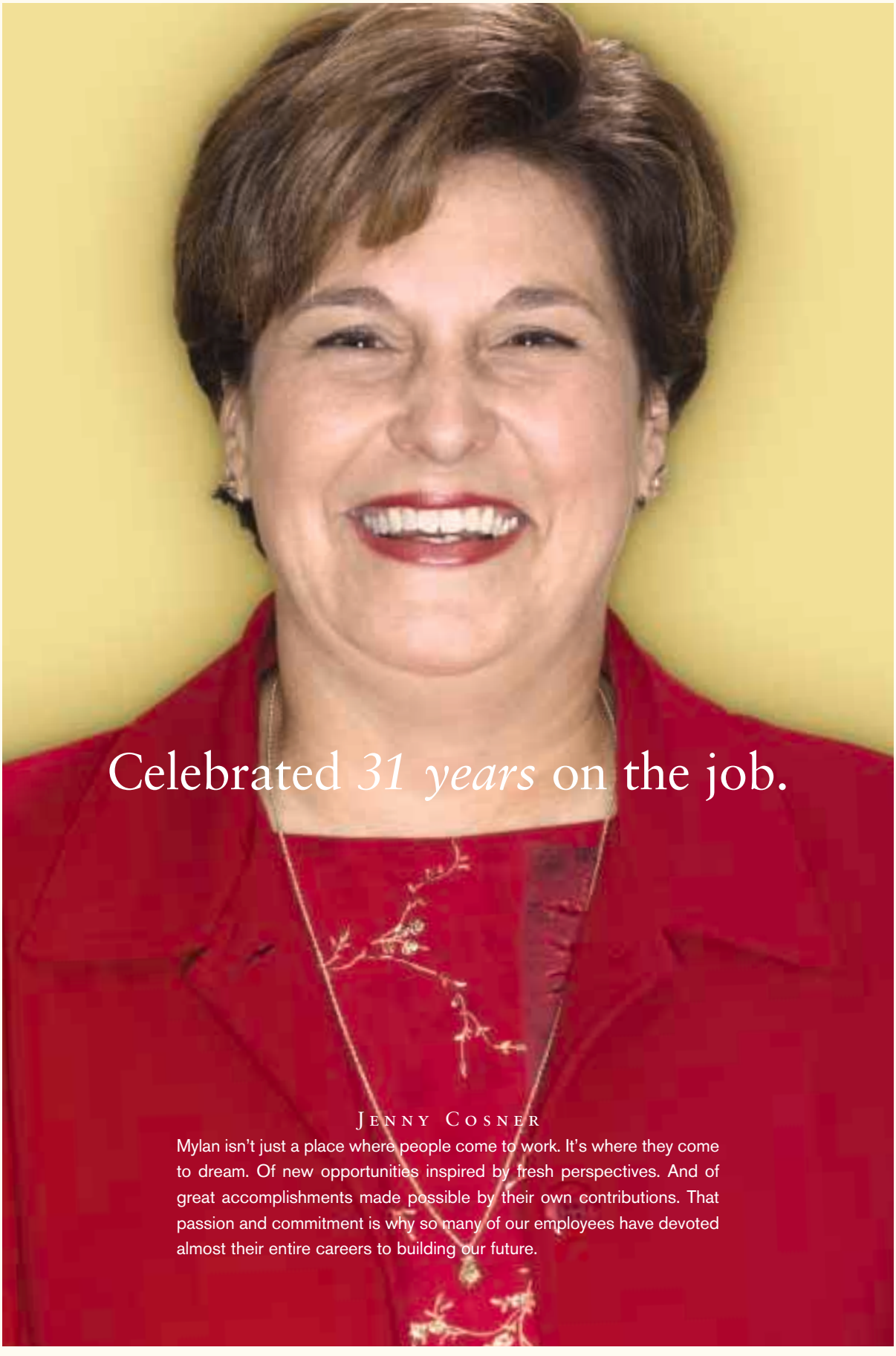
Today I...

Today, and every day…

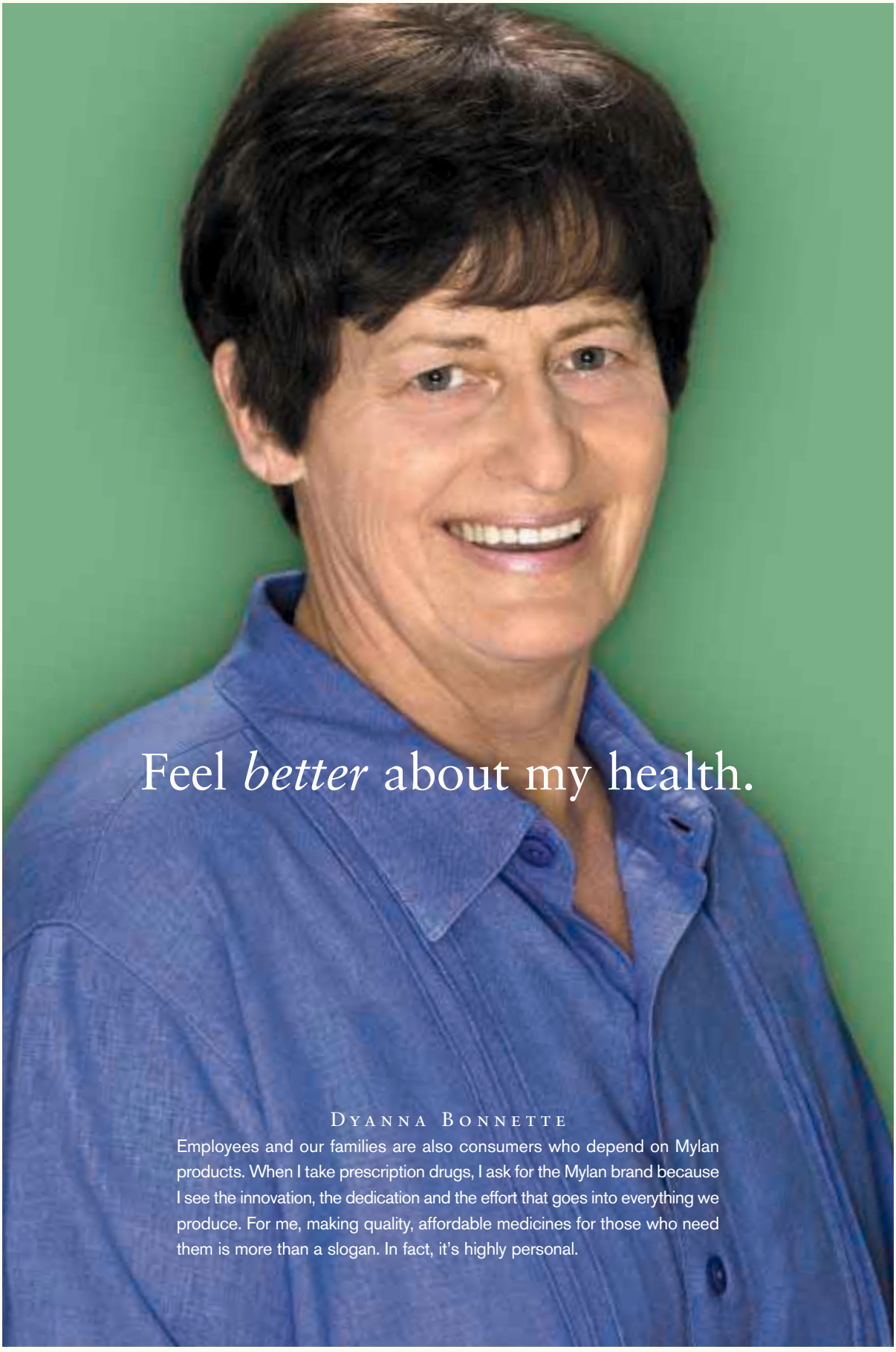
The story of Mylan Laboratories' success is a story about people. Our shareholders, who understand that unwavering dedication to our mission is the best way to build long-term value. The millions of patients helped by our pharmaceutical products. The pharmacists, wholesalers and retailers who depend on us to supply high-quality products. And the 2,500 employees of Mylan, whose tireless efforts to develop, manufacture and market quality, affordable medicines secure our reputation as an industry leader.



Celebrated *31 years* on the job.

Jenny Cosner

Mylan isn't just a place where people come to work. It's where they come to dream. Of new opportunities inspired by fresh perspectives. And of great accomplishments made possible by their own contributions. That passion and commitment is why so many of our employees have devoted almost their entire careers to building our future.



Feel *better* about my health.

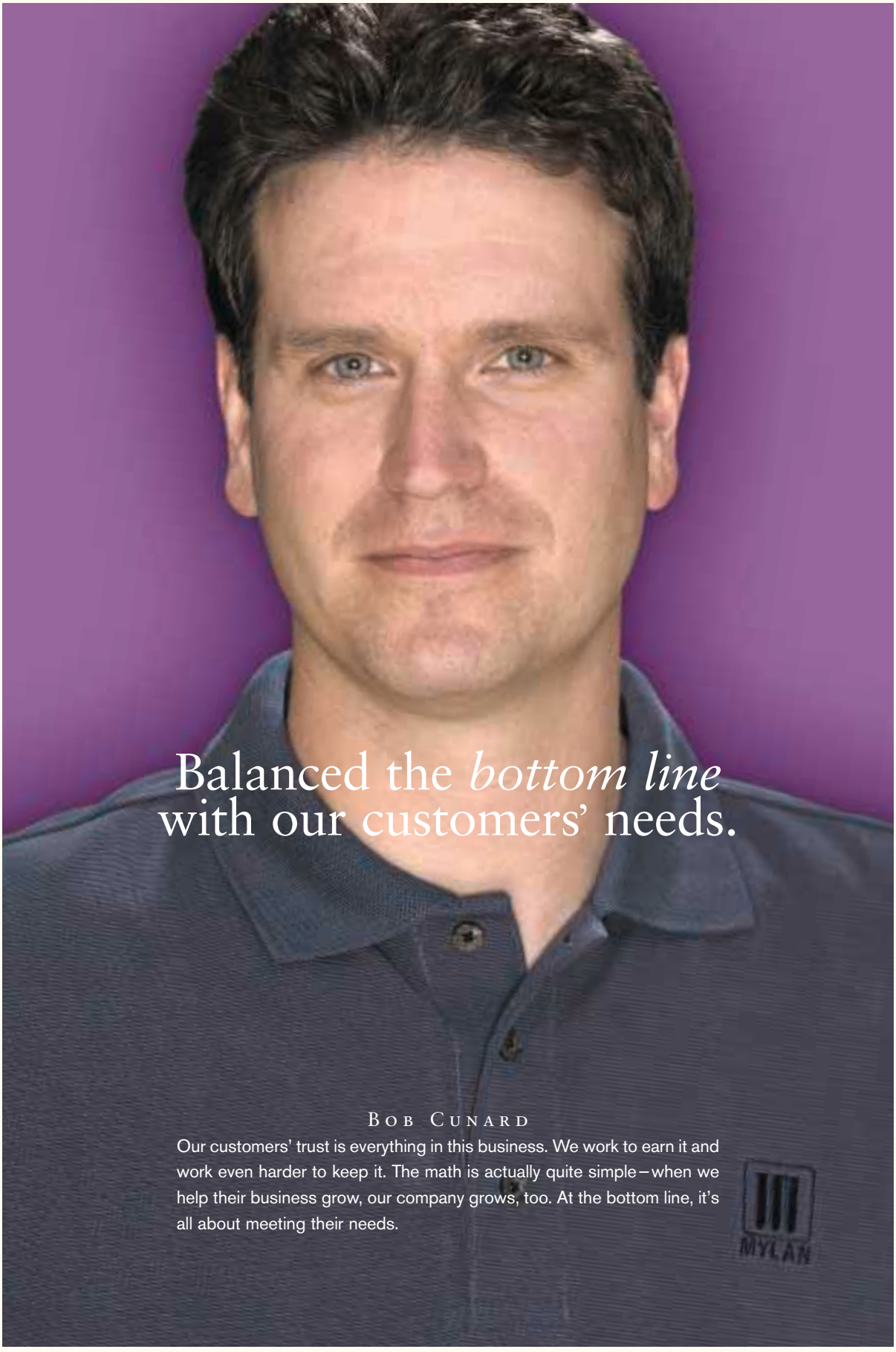
Dyanna Bonnette

Employees and our families are also consumers who depend on Mylan products. When I take prescription drugs, I ask for the Mylan brand because I see the innovation, the dedication and the effort that goes into everything we produce. For me, making quality, affordable medicines for those who need them is more than a slogan. In fact, it's highly personal.

Discovered a *unique solution* to a complex drug delivery problem.

Pavan Bhat, Ph.D.

The products we develop are like our children. We nurture them, working hard to make them the best they can be before we send them out into the world. It's gratifying to walk through our plant, see what I helped create roll off the manufacturing lines and know that my work touches people's lives.


Balanced the *bottom line*
with our customers' needs.
Bob Cunard
Our customers' trust is everything in this business. We work to earn it and work even harder to keep it. The math is actually quite simple—when we help their business grow, our company grows, too. At the bottom line, it's all about meeting their needs.
MYLAN

Tomorrow's promise is
even *more exciting* because of
all we achieved today.

Mylan's vision lives through the *imagination*, *dedication* and *integrity* of our people, who *understand* that we prosper by helping others to succeed.

DEAR SHAREHOLDER,

Mylan is a company that has always recognized the importance of people and their role in our success. Their willingness to embrace our values and put them into action each day fulfills our mission of making quality, affordable medicines available to those who need them.

We dedicate this annual report to the people of Mylan—our employees, our customers, our suppliers, our shareholders and everyone helped by our products.

Mylan achieved a number of record performance milestones in fiscal 2003 including:

- Net earnings of $272.4 million, a 5% improvement over prior year net earnings of $260.3 million.
- Diluted earnings per share of $1.45 compared to $1.36 in fiscal 2002.
- Net revenues of $1.27 billion, a 15% increase over fiscal 2002 revenues of $1.10 billion.
- Generic Segment net revenues of $1.01 billion, the first billion-dollar year for generics in our history.
- A 93% increase in net revenues for our Brand Segment, to $256.6 million.

During the year we also effected a 3-for-2 stock split and purchased 10.7 million shares of common stock as part of a share repurchase plan.

Our ability to achieve these operating results while remaining true to our values is a powerful testament to the dedication and hard work of our 2,500 employees. Our fiscal 2003 results reflect the strength of Mylan's entire product portfolio and our intense focus on building long-term value for our shareholders.

A STRONG PORTFOLIO NURTURES GROWTH

We believe our leadership in our industry is based upon the ability to develop and produce large volumes of a broad product portfolio that includes a focus on technically complex and challenging products. Our state-of-the-art manufacturing facilities allow us to produce over 95% of the doses we sell. These factors contribute to our ability to achieve strong operating results.

Simply put, wholesalers, retailers, pharmacists, physicians and their patients trust Mylan to deliver quality products at affordable prices. More than 50% of the products in our

generic portfolio rank first in market share based on the number of new and refilled prescriptions dispensed. Over 70% of our generic products rank first or second, as reported by the *IMS National Prescription Audit*.

We maintain a robust generic development pipeline by selectively screening R&D opportunities to identify those most closely matched to our capabilities and growth strategy. The FDA approved seven of our Abbreviated New Drug Applications (ANDAs) in fiscal 2003. We currently have 29 ANDAs, representing over $20 billion in fiscal 2002 brand sales, pending final FDA approval. While the number of ANDA filings is important, the number of ANDA approvals is a more meaningful indicator of our ability to create and bring new products to market—and Mylan excels in this regard. Over the past six fiscal years, we received FDA approval on 69 ANDAs.

Milan Puskar
Chairman

Mylan focuses the same dedication and expertise on opportunities to address unmet medical needs by aggressively pursuing New Drug Application (NDA) opportunities for Bertek Pharmaceuticals, our brand subsidiary. As an example, nebivolol, a new-generation beta blocker, is currently in Phase III clinical trials. We have targeted NDA submission for the fourth quarter of fiscal 2004.

Another promising development is the FDA's acceptance of Bertek's apomorphine NDA for use in the rescue of "off" episodes associated with Parkinson's disease. Currently, there are no approved rescue therapies in the United States for Parkinson's patients who experience sudden and debilitating episodes of total or partial immobility, known as "off" periods. This filing is further confirmation of our commitment and ability to develop new drugs that address unmet medical needs. Apomorphine has received Orphan Drug designation and we anticipate the corresponding Orphan Drug exclusivity period of seven years.

Through internal development, in-licensing and strategic acquisitions, we will continue to capitalize on unique brand product opportunities.

NEW MANAGEMENT, UNCHANGING VALUES

Robert J. Coury
Vice Chairman and
Chief Executive Officer

In fiscal 2003, we continued the transition to the next generation of leadership for our company. Along with a new Chief Executive Officer, our executive management team now includes President and Chief Operating Officer Louis J. DeBone, Chief Financial Officer Edward J. Borkowski, Chief Scientific Officer John P. O'Donnell, Ph.D. and Chief Legal Officer Stuart Williams, Esq. In addition, a number of appointments and promotions at the corporate and divisional levels strengthened the management team. This mix of managers includes people who grew up with Mylan and individuals with outstanding records of success at other companies. Strong, visionary leadership built our company and is very much a part of our future.

Our management team is responsible for a variety of objectives. But none is more important than ensuring a continuation of the principles that have guided Mylan for the past 42 years. These principles are the most visible guardians of Mylan's culture, those unique beliefs and values so difficult to define but so clearly understood by every employee.

Our culture is best seen in action—in our work ethic, our integrity, our teamwork, our interactions with fellow employees, customers and suppliers and our belief in the importance of doing things the right way, or not at all.

Our culture also makes Mylan a great place to work. It helps us recruit talented candidates, and to maintain an extremely low employee turnover rate. Creating a workplace that supports both innovation and personal satisfaction is perhaps our greatest achievement. The accumulated intellectual capital of our employees—many of them with three or more decades of experience—is a priceless asset and a key to our future. Experienced employees with a passion for doing things the Mylan way have always been the cornerstone of our success. In March 2003, we granted stock options to more than 1,700 of these employees, aligning their interests even more closely with those of our shareholders.

POSITIONED FOR CONTINUED SUCCESS

Mylan enters fiscal 2004 with a solid product portfolio, a proven R&D strategy and unparalleled opportunities to extend the successes of the past into the future. We are committed to further strengthening our R&D and capital expenditure programs to ensure a strong product pipeline and manufacturing infrastructure to satisfy the ever-increasing needs of our customers.

Physician and consumer acceptance of generic pharmaceuticals is increasing as they gain a better understanding of the efficacy and value of our products. Physicians and other health care providers value the role we play in bringing affordable care to patients. Government agencies such as the FDA and other groups continue to educate the public and health care community with targeted information campaigns that reinforce the safety, efficacy and quality of generic drugs.

Our 2003 Annual Report recounts our successes and presents an overview of the opportunities that lie ahead from the perspective of the people who develop, manufacture, market and use our products. The people of Mylan are the source of our strength, stability, accomplishments and limitless potential. They enabled our past and are forging our future.

On behalf of the management team and the Board of Directors, we thank you for your continuing loyalty and support.

Milan Puskar
Chairman

Robert J. Coury
Vice Chairman and
Chief Executive Officer

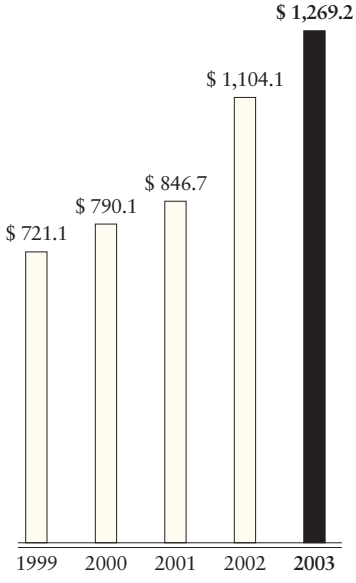
Financial Highlights

(in thousands, except per share data)

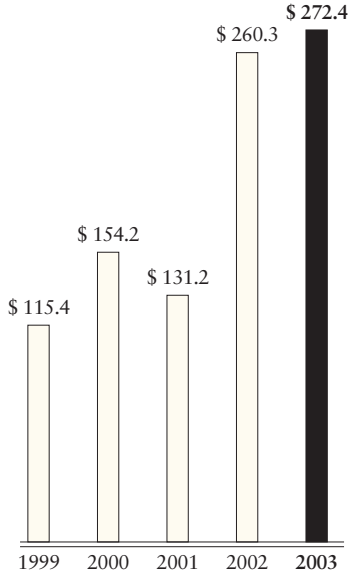
Fiscal year ended March 31,	2003	2002	2001[1]	2000	1999[2]
Net revenues	$ 1,269,192	$ 1,104,050	$ 846,696	$ 790,145	$ 721,123
Gross profit	671,436	623,939	382,175	420,768	381,781
Net earnings	272,353	260,251	131,208	154,246	115,409
Cash dividends paid	21,192	20,195	20,144	20,663	19,833
Per common share:					
Net earnings –					
Basic	$ 1.47	$ 1.38	$ 0.70	$ 0.80	$ 0.61
Diluted	$ 1.45	$ 1.36	$ 0.69	$ 0.79	$ 0.61
Cash dividends paid	$ 0.12	$ 0.11	$ 0.11	$ 0.11	$ 0.11
Shareholders' equity – diluted	$ 7.68	$ 7.34	$ 5.96	$ 6.16	$ 5.56
Net revenues per employee	$ 517	$ 496	$ 381	$ 343	$ 346

(1) Excludes the impact of the $147.0 million pretax litigation settlement.
(2) Includes acquired in-process research and development expense relating to the Penederm acquisition in October 1998.

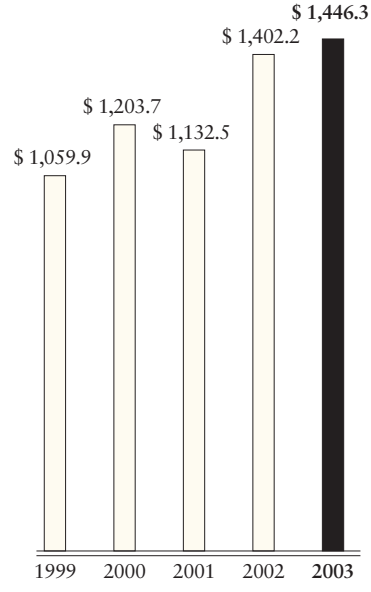
Net Revenues
(IN MILLIONS)



Net Earnings
(IN MILLIONS)



Shareholders' Equity
(IN MILLIONS)




Research can follow
many *directions*.
The challenge is
selecting the *right one*.

Product development is the essence of teamwork…
a delicate balance between technical and business disciplines.

The lifeblood of every pharmaceutical company is a consistent flow of new products that meet patients' needs. The challenge lies in selecting the right candidates for R&D investment.

GENERIC OPPORTUNITIES

The process of identifying and selecting products for our generic business is highly strategic, emphasizing the quality, rather than the quantity, of new product opportunities. These selections target our ability to develop robust formulations for products that are technically challenging to develop and produce.

Our experience with a variety of complex delivery systems—including extended release technologies such as erodible matrix tablets, encapsulated beads, tablet-within-a-capsule, multiple-delivery-within-a-capsule and transdermal delivery systems—provides the foundation for this selection process.

The depth of our resources and expertise gives us the ability to grow our generic product line without the need for extensive outside resources. Equally important is the integration of quality control, quality assurance and manufacturing in the early stages of the R&D process.

BRANDED OPPORTUNITIES

We apply this same strategy with respect to product selection for Bertek Pharmaceuticals. In

Our R&D effort for nebivolol includes a clinical evaluation of its efficacy for African-American patients, a population that is generally unresponsive to beta blockers. Other studies are designed to examine nebivolol's ability to control hypertension in patients not controlled on current drug therapies and its impact on exercise tolerance.

Making a Difference

ADOPTING ORPHANS

At Mylan, fulfilling unmet medical needs is an obligation that we take seriously. That's why we actively support the development of Orphan Drugs for medical disorders that affect fewer than 200,000 patients.

Our commitment to Orphan Drugs was recognized recently by the National Organization for Rare Disorders (NORD), which marked its 20th anniversary by honoring Mylan as one of 20 companies with significant achievements in rare disease research and Orphan Drug development. Mylan was cited for its support of Cystagon® and Sulfamylon® Powder for 5% Topical Solution.

Cystagon combats the devastating effects of nephropathic cystinosis, a rare genetic disorder affecting approximately 400 children worldwide. Cystinosis causes cystine proteins to accumulate and crystallize in body tissues, disrupting cell function and damaging organs. Progressive degradation of renal function is the most pronounced effect—without proper treatment, end-stage renal failure invariably occurs within the first decade of life. While Cystagon can cause nausea, vomiting, diarrhea, and lack of appetite, Cystagon reduces or halts destructive cystine buildup and helps the kidneys to function properly. It was introduced in 1994.

Sulfamylon Solution was introduced in 1998 for victims of severe burns. An adjunctive topical antimicrobial agent, Sulfamylon is used under moist dressings that cover meshed autografts—extremely fine, net-like skin grafts—placed over excised burn wounds. Although some patients reported pruritis and skin maceration in the area covered by the dressing, sulfamylon helps burn victims resist infection as grafts take hold and skin regenerates.

In January 2003, the FDA accepted our NDA for a third potential Orphan Drug product, apomorphine. Upon approval, apomorphine will be the only rescue therapy for Parkinson's disease patients who experience intermittent full or partial paralysis, known as "off" episodes.

Without the support of pharmaceutical companies like Mylan, many breakthrough Orphan Drug discoveries would never be available to the patients who need them. We're proud of our role in making these life-saving medicines available.

Our researchers believe that creating the best product possible is the only goal worth pursuing.

addition to AB-rated generics that benefit from a brand sales approach, our ability to successfully execute NDAs creates exciting opportunities for new products that address unmet medical needs.

The R&D effort for apomorphine demonstrates this commitment. In January 2003, the FDA accepted our NDA for apomorphine, which shows the potential for rapidly restoring motor skills following the onset of "off" episodes in Parkinson's disease patients. If approved by the FDA, it will be the only rescue therapy for treating this condition. Apomorphine has received Orphan Drug designation and, upon approval, we expect to be awarded seven years of Orphan Drug exclusivity.

Nebivolol, a new-generation beta blocker, is in Phase III clinical trials, with NDA submission targeted for the fourth quarter of fiscal 2004. Part of our development program includes the evaluation of nebivolol's ability to control hypertension in patients not currently controlled on other antihypertensive drug therapies, its efficacy for African-American patients and its impact on exercise tolerance compared to the most widely prescribed beta blocker.

EXPERIENCE THAT PAYS OFF

Our researchers possess a high degree of scientific and technical proficiency, an eagerness to embrace and take ownership of challenges, a willingness to seek the advice of colleagues and the belief that creating the best product possible is the only goal worth pursuing. Along with NDAs for branded products, our R&D investments yield a steady stream of ANDAs for generic products.

We have committed to a record R&D budget for fiscal 2004 as we increase our investment in our future, confident of our ability to develop and bring important, new products to market.

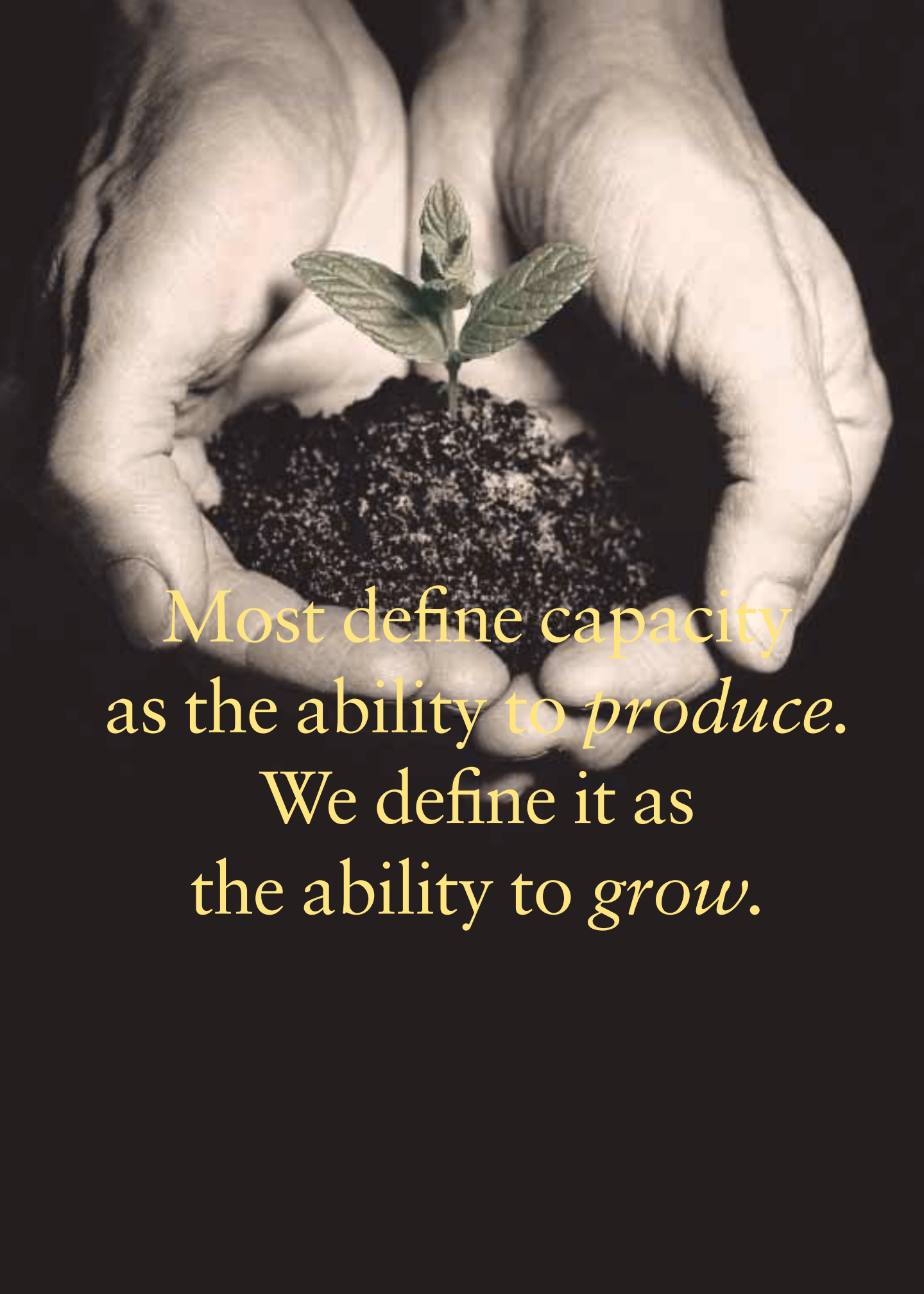
When you supply the largest pharmaceutical wholesalers and retailers in the business, unexpected increases in product demand are normal course of business. Meeting that demand is what we do best.

Mylan's manufacturing capability is one of our greatest strengths. Our ability to manufacture large volumes of complex products enables us to sustain sales growth across a broad product portfolio and to capitalize on new product opportunities. We manufacture over 95% of the doses we sell. We believe this is a unique advantage that allows us to meet our customers' changing needs. It also enables us to continuously improve manufacturing processes and efficiencies, while maintaining quality and providing outstanding service.

Our financial strength enables us to invest continuously in our manufacturing capabilities and infrastructure to support our growth.

We rely on proven raw material suppliers to provide special quality materials. With more than 11 billion doses produced in our manufacturing facilities, reliable suppliers ensure that materials are on hand not only to meet normal production levels, but to respond quickly to unanticipated orders.

Ongoing capital improvement programs at company locations in West Virginia, Vermont, Illinois and Puerto Rico keep our manufacturing, packaging and storage facilities, as well as equipment and processes, at state-of-the-art levels to support rising product demand.



Most define capacity
as the ability to *produce*.
We define it as
the ability to *grow*.

Quality is more than a regulatory requirement for us—it is an objective that extends across our entire manufacturing process.

Mylan's extensive and sophisticated manufacturing infrastructure gives us the flexibility to respond quickly and decisively to unexpected shifts in production requirements. Unlike pharmaceutical companies that rely on contract manufacturers for a large percentage of their products, we decide what is produced and when.

Our modern facilities are located strategically to attract and retain highly skilled employees. In every community where we operate, Mylan is known as a great place to work. Our culture breeds an accomplishment-oriented yet familial work atmosphere that draws the best people and offers them the opportunity to build a satisfying career.

Our combination of a dedicated, knowledgeable workforce and an extremely low attrition rate creates the special human asset that is essential for growing capacity.

QUALITY NEVER SLEEPS

Quality is more than a regulatory requirement for us—it is an objective that permeates our entire manufacturing process.

Our quality control and manufacturing staffs monitor each stage of the manufacturing process, from in-coming raw materials through finished product packaging. No product is shipped by Mylan unless it meets both FDA mandated standards and our strict internal standards for quality.

The desire to do things the right way also stimulates a continuous improvement program. As an example, in fiscal 2003, employees in our Morgantown packaging facilities achieved their sixth consecutive year of double-digit productivity increases. These achievements are the result of our employees taking the initiative to constantly improve our processes.

UNMATCHED CAPACITY

Our investment in facilities, equipment and people gives us an unmatched combination of capacity growth and quality that supports Mylan's customers year after year.

The ability to manufacture what we sell, at competitive prices and to be a reliable supplier are crucial components of our growth strategy. The major wholesalers and retail pharmacy chains require significant quantities of our products to keep their customers satisfied. Mylan is prepared to grow with their rising demands.

Making a Difference

PUTTING YOUR VALUES INTO ACTION

Teamwork, the desire to give your all and caring for others are deeply rooted in Mylan's culture, reflecting the values of the closely-knit communities where our employees live and work.

We saw these values in action when Tom Konchesky, Gene Tritchler and Camille Mikalik–employees of our Morgantown production facility–risked their lives to save three children trapped in a burning house following a natural gas explosion.

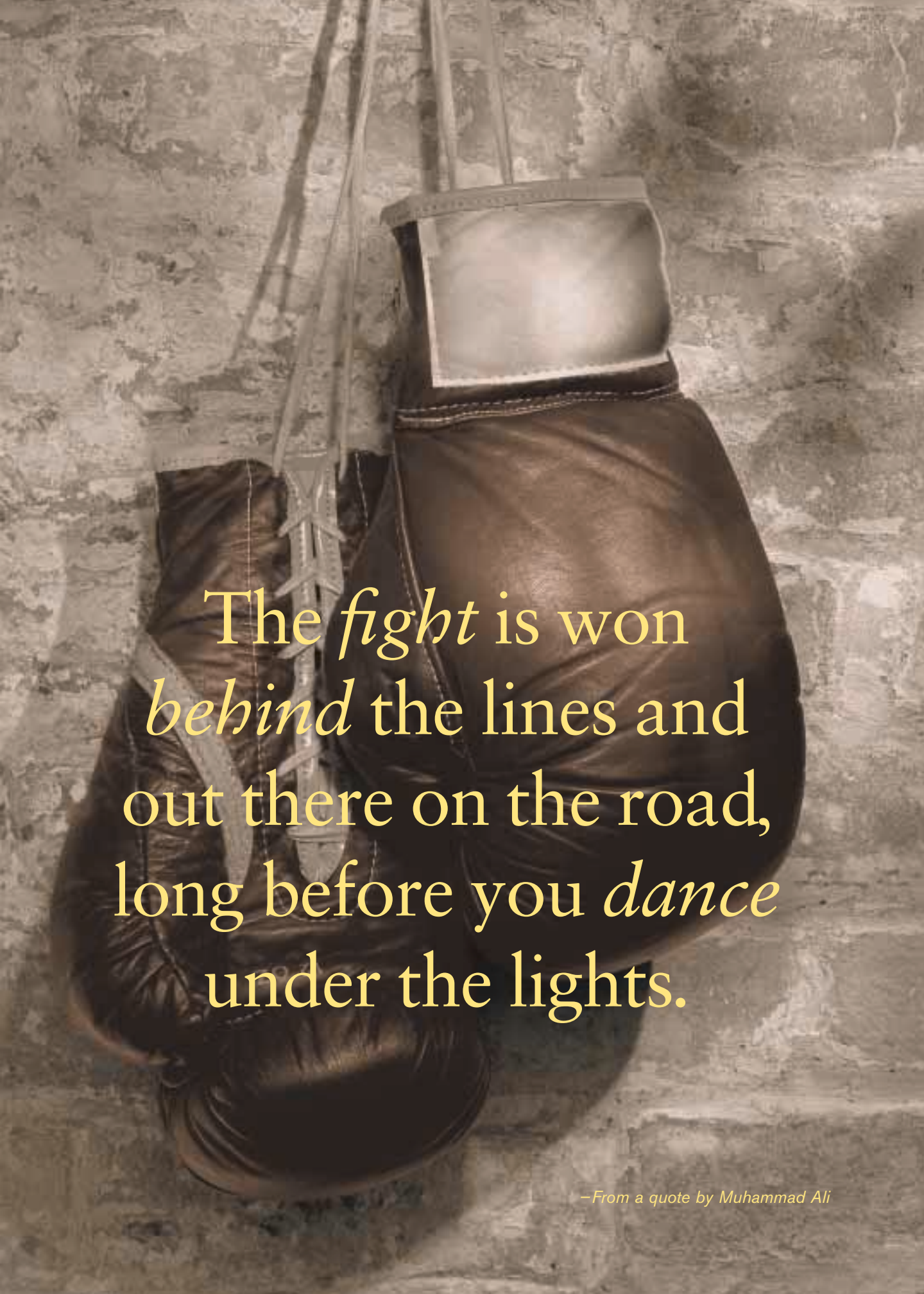
Together with two other passersby, the men charged into the wreckage to find the children. While Mikalik supported a section of the collapsed roof on his back to create an opening, they pulled two of the children to safety seconds before a 20-foot fireball erupted right where they had been trapped. Tritchler spotted the third child in the rubble, was thrown backward as leaking gas ignited and flared under him, but held his ground and pulled her to safety.

Miraculously, the children escaped life-threatening injury.

Hailed as heroes, the men insist that they were simply in the right place at the right time.

"When someone needs help, you don't think about the danger, you just do it," Konchesky says. "We're just glad that we happened by when we were needed."

From manufacturing to management, everyone at Mylan is ready to take that extra step to be sure our products reflect the quality that patients expect… and we demand.



–From a quote by Muhammad Ali

How do you create a market? Hit the ground running. Build relationships that grow each time you interact. Exceed expectations with quality products and the support physicians need to prescribe them with confidence. Generate sales for your retail customers.

Our marketing and sales professionals know that satisfied customers measure you by your ability to help them succeed. In today's dynamic, highly competitive marketplace, Mylan's reliability as a supplier is increasingly important to wholesalers, retailers, physicians and the consumers they serve. Our extensive product portfolio, manufacturing capacity, customer-focused service and commitment to long-term support of our product lines provide stability to meet their needs.

Bertek Pharmaceuticals' vision is to become a leading sales and marketing organization for brand product opportunities. Bertek's 175-person sales organization knows the work of building a brand company takes place on the road. Obtaining the trust of physicians to prescribe our products and paving the way for new product introductions is our goal. Our sales people are the front-line contacts with physicians and pharmacists, answering the tough questions, listening to their concerns, providing personalized service and leveraging Mylan's reputation for quality to establish our brand identity. They helped produce a record year for Bertek and are executing an important growth strategy for Mylan.

DEMONSTRATING OUR VALUE

In the same way that a pharmacist or doctor shapes a patients' image of a retailer or medical center, our sales and marketing professionals personify Mylan. Customers rely on their Mylan

Mylan's reliability as a supplier is increasingly important to wholesalers, retailers, physicians and the consumers they serve.

representatives for more than a dependable product supply. They support our customers by providing everything from product samples and inventory control measures to information, pricing, order processing and shipment tracking to help make them more efficient. Every experience they have with us reinforces their knowledge that we deliver on our promises.

The relationship among Bertek's field sales representatives and the physicians they serve was demonstrated again in fiscal 2003. Our representatives proved instrumental in the successful introduction of Amnesteem®, our branded isotretinoin product. Bertek's ability to quickly gain market share through its sales force was particularly impressive given the stringent risk management and patient education programs associated with this product. It is also reflective of the relationships built by our dedicated sales professionals while marketing other Bertek dermatological products.

Introduced in November 2002, Amnesteem captured over 47% of the market share for isotretinoin capsules in less than six months. Amnesteem's success underscores the opportunities to build on our technical and marketing expertise through new opportunities for both branded pharmaceuticals and AB-rated generics in Bertek's growing portfolio.

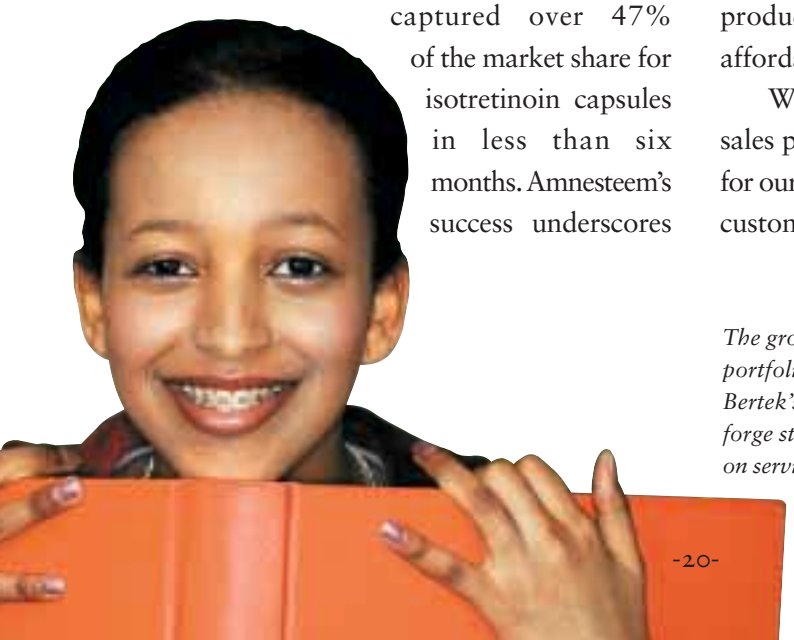
Mylan is also focused on serving the institutional and long-term care markets through UDL Laboratories, our unit-dose packaging and marketing subsidiary. UDL offers a large unit-dose generic product line, meeting the needs of this growing market with enhanced, specialty packaging, including features like full bar coding for each dose, to help reduce dispensing errors.

RELIABLE SALES, RELIABLE GROWTH

Today, more than half of our generic products rank #1 in new and refilled prescriptions dispensed and over 70% rank first or second in their categories based on the number of prescriptions filled.

Bertek is establishing itself as a reliable supplier with a growing portfolio of branded products that offer physicians and their patients affordable, effective alternatives.

We believe the efforts of our marketing and sales professionals will continue to drive demand for our generic and branded products, and build the customer satisfaction that secures our reputation.



The growth of our branded dermatology product portfolio demonstrates the professionalism of Bertek's sales organization, which works hard to forge strong relationships with physicians based on service, mutual trust and respect.

Making a Difference

WHAT A DIFFERENCE A FEW YEARS MAKE

Natalie Stack was just four years old when she graced the cover of our 1995 Annual Report. That was the year we introduced Cystagon®, which helps combat the potentially fatal effects of a rare genetic disorder called nephropathic cystinosis.

Over the past eight years, a daily regimen of Cystagon has prevented the buildup of cystine proteins in Natalie's body tissue and preserved her renal function, enabling her to gain weight, height and strength. Most important of all, Cystagon lets Natalie enjoy the things that every 12-year-old loves to do. She maintains a high-honor grade average in school, takes jazz dance lessons, travels abroad with her family and looks forward to her teen years with an eagerness that every young girl deserves to feel.

Look at Natalie today–a beautiful, happy adolescent. It's easy to understand why we believe so strongly in supporting Orphan Drugs like Cystagon.

"Every day is a joy for her," says Nancy Stack, her mother. "We're filled with the hope that we can make her life longer and better."

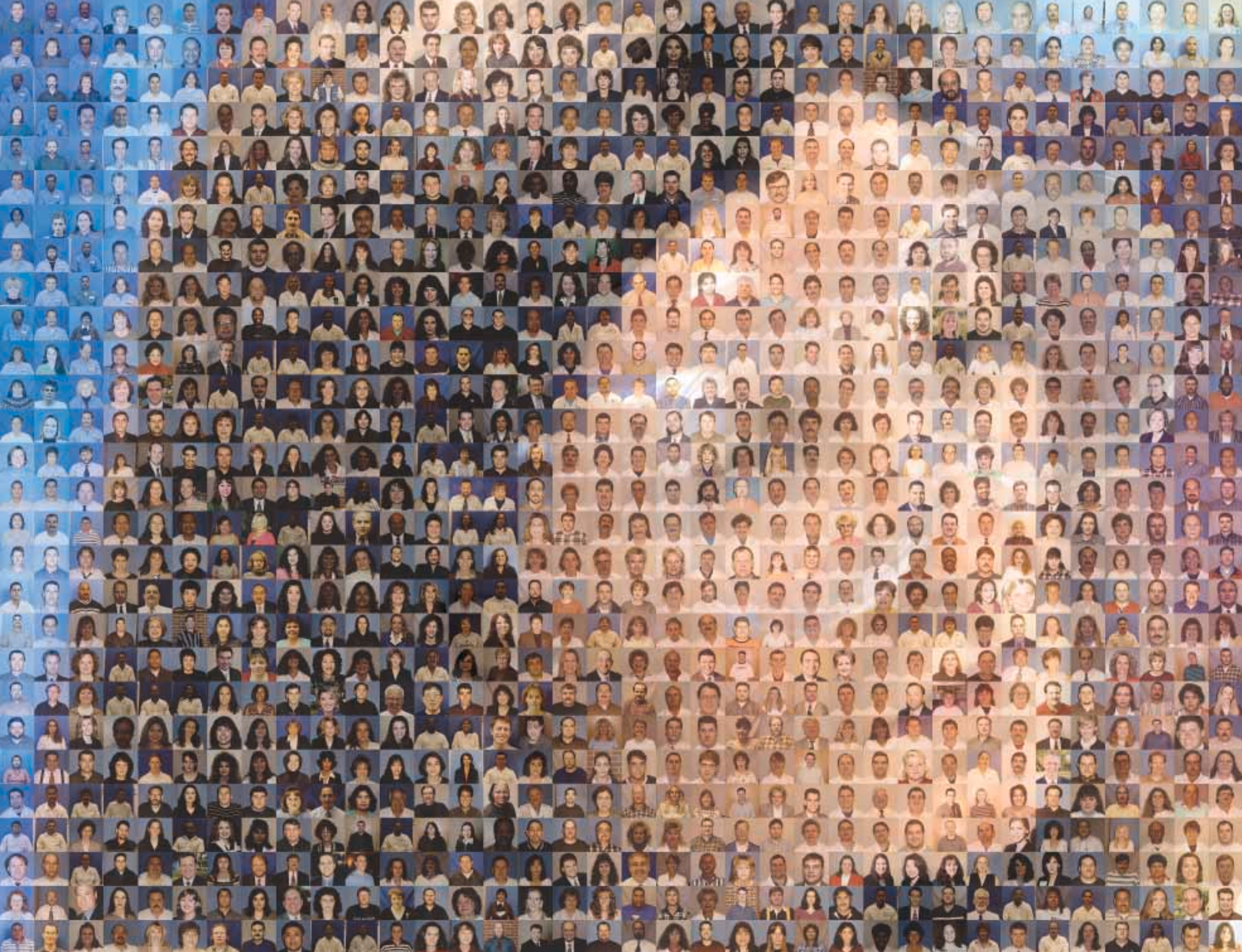
So are we.

Dedicated, attentive service and support by our sales professionals give physicians the confidence to prescribe our products and ensure that retailers have the right Mylan products on hand to meet their customers' needs.

It is amazing how much you can accomplish

when it doesn't matter who gets the credit.

–Harry S. Truman



What we accomplished *today* reflects our past and readies us for *what lies ahead.*

Success is not the destination. It is the journey. It is the ability to see the possibilities before they are obvious to others. It is the sum of countless small efforts by people doing the right thing.

For Mylan, that journey is ongoing. We helped pioneer the generic drug industry and continue to set the standards for reliability and quality. We are redefining our role as a generic pharmaceutical company with a growing portfolio of branded products. Each day, Mylan employees rise eagerly to the challenge of raising the performance bar higher—finding the right opportunities, creating and manufacturing products that make better health care more affordable and serving our customers to help drive both their growth and ours.

What excites us most of all is the knowledge that our past success is just a hint of what we can achieve. We can't wait for tomorrow.

Contents

Selected Financial Data

(in thousands, except per share data)

Fiscal year ended March 31,	2003	2002	2001	2000	1999
Statements of Earnings:					
Net revenues	$ 1,269,192	$ 1,104,050	$ 846,696	$ 790,145	$ 721,123
Cost of sales	597,756	480,111	464,521	369,377	339,342
Gross profit	671,436	623,939	382,175	420,768	381,781
Operating expenses:					
Research and development	86,748	58,847	64,385	49,121	61,843
Selling and administrative	173,070	169,913	151,212	148,688	122,468
Acquired in-process research and development	–	–	–	–	29,000
Litigation settlements, net	(2,370)	–	147,000	–	–
Earnings from operations	413,988	395,179	19,578	222,959	168,470
Equity in (loss) earnings of Somerset	(4,573)	(4,719)	(1,477)	(4,193)	5,482
Other income, net	17,098	17,863	39,912	23,977	18,342
Earnings before income taxes	426,513	408,323	58,013	242,743	192,294
Provision for income taxes	154,160	148,072	20,885	88,497	76,885
Net earnings	$ 272,353	$ 260,251	$ 37,128	$ 154,246	$ 115,409
March 31,					
Selected balance sheet data:					
Total assets	$ 1,745,223	$ 1,619,880	$ 1,472,500	$ 1,343,865	$ 1,208,433
Working capital	962,440	891,598	589,955	600,249	476,259
Long-term obligations	19,943	23,883	25,263	31,903	27,958
Total shareholders' equity	1,446,332	1,402,239	1,132,536	1,203,722	1,059,905
Per common share data:					
Net earnings					
Basic	$ 1.47	$ 1.38	$ 0.20	$ 0.80	$ 0.61
Diluted	$ 1.45	$ 1.36	$ 0.20	$ 0.79	$ 0.61
Shareholders' equity – diluted	$ 7.68	$ 7.34	$ 5.96	$ 6.16	$ 5.56
Cash dividends declared and paid	$ 0.12	$ 0.11	$ 0.11	$ 0.11	$ 0.11
Weighted average common shares outstanding:					
Basic	185,859	188,288	188,682	193,830	188,376
Diluted	188,220	191,052	190,124	195,336	190,734

In fiscal 2003, we settled three outstanding legal matters for a net gain of $2,370. In fiscal 2001, we reached a tentative settlement with the Federal Trade Commission, States Attorneys General and certain private parties with regard to lawsuits filed against the Company relating to lorazepam and clorazepate. Excluding the litigation settlement of $147,000, net earnings for fiscal 2001 were $131,208, or $0.69 per diluted share. This settlement was approved by the court and made final in February 2002.

All share and per share amounts for all periods presented have been adjusted to reflect a three-for-two stock split which was effected on January 27, 2003.

The following discussion and analysis should be read in conjunction with the fiscal 2003 Consolidated Financial Statements and related Notes to Consolidated Financial Statements included elsewhere in this report. All references to fiscal years shall mean the twelve-month period ended March 31. All share and per share amounts for all periods presented have been adjusted to reflect a three-for-two stock split which was effected on January 27, 2003.

Overview

Mylan Laboratories Inc. and its subsidiaries ("the Company" or "Mylan") develop, manufacture, market and distribute generic and brand pharmaceutical products. Results for fiscal 2003 surpassed the record year that the Company experienced in fiscal 2002, achieving new highs in net revenues, earnings and earnings per share. The Company's record earnings were driven by increased earnings from operations and were achieved as we increased our investment in research and development by nearly $28.0 million over the prior year. Net revenues exceeded the $1.00 billion mark for the second straight year, reaching $1.27 billion compared to $1.10 billion in fiscal 2002. This revenue growth was driven by both of the Company's operating segments: the Generic Segment, which represented 80% of total net revenues for fiscal 2003, and the Brand Segment, which represented 20% of total net revenues for fiscal 2003.

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

(in thousands)	Fiscal 2003	Fiscal 2002	Fiscal 2001	Change 2003/2002	Change 2002/2001
Consolidated:					
Net revenues	$ 1,269,192	$ 1,104,050	$ 846,696	15%	30%
Gross profit	671,436	623,939	382,175	8%	63%
Research and development	86,748	58,847	64,385	47%	(9%)
Selling and marketing	65,625	59,913	59,238	10%	1%
General and administrative	107,445	110,000	91,974	(2%)	20%
Litigation settlements, net	(2,370)	–	147,000	–	(100%)
Earnings from operations	413,988	395,179	19,578	5%	1918%
Other income, net	17,098	17,863	39,912	(4%)	(55%)
Equity in loss of Somerset	(4,573)	(4,719)	(1,477)	3%	(219%)
Pretax earnings	426,513	408,323	58,013	4%	604%
Generic Segment:					
Net revenues	1,012,617	971,075	675,118	4%	44%
Gross profit	531,106	552,736	273,111	(4%)	102%
Research and development	44,562	33,814	47,204	32%	(28%)
Selling and marketing	11,160	12,430	14,342	(10%)	(13%)
General and administrative	21,341	23,424	24,450	(9%)	(4%)
Earnings from operations	454,043	483,068	187,115	(6%)	158%
Brand Segment:					
Net revenues	256,575	132,975	171,578	93%	(22%)
Gross profit	140,330	71,203	109,064	97%	(35%)
Research and development	42,186	25,033	17,181	69%	46%
Selling and marketing	54,465	47,483	44,896	15%	6%
General and administrative	10,997	14,899	20,841	(26%)	(29%)
Earnings from operations	32,682	(16,212)	26,146	302%	(162%)
Corporate/Other:					
General and administrative	75,107	71,677	46,683	5%	54%
Litigation settlements, net	(2,370)	–	147,000	–	(100%)
Other income, net	17,098	17,863	39,912	(4%)	(55%)
Equity in loss of Somerset	(4,573)	(4,719)	(1,477)	3%	(219%)

Segment net revenues represent revenues from unrelated third parties. For the Generic and Brand Segments, earnings from operations represent segment gross profit less direct research and development, selling and marketing, and general and administrative expenses. Corporate/Other includes legal costs, goodwill amortization, other corporate administrative expenses, and other income and expense. Additionally, in fiscal 2003, Corporate/Other includes a net gain of $2,370 for litigation settlements. In fiscal 2001, Corporate/Other includes expense of $147,000 for the settlement with the Federal Trade Commission and related litigation.

Results of Operations

Fiscal 2003 Compared to Fiscal 2002

Net Revenues and Gross Profit

Net revenues for fiscal 2003 were $1.27 billion compared to $1.10 billion for fiscal 2002, an increase of 15% or $165.1 million. Both the Generic Segment and the Brand Segment contributed to the overall increase in net revenues. Generic Segment net revenues increased $41.5 million or 4% over the prior year while Brand Segment net revenues increased $123.6 million or 93% over the prior year.

Generic Segment net revenues exceeded one billion dollars for the first time in the Company's history, reaching $1.01 billion compared to $971.1 million in fiscal 2002. The increase in net revenues is the result of new products launched in fiscal 2003, which contributed net revenues of $79.5 million, as well as increased volume on existing products. These increases were partially offset by unfavorable pricing as a result of the loss of exclusivity on buspirone in February 2002. Following the entrance into the market of other generic competition, both price and volume erosion are considered normal in the pharmaceutical industry.

Excluding buspirone, Generic Segment net revenues increased $188.9 million, or 24% over the prior year. Generic volume shipped, excluding unit dose, was approximately 11.2 billion doses in fiscal 2003, compared to 10.2 billion doses in fiscal 2002.

Fiscal 2003 was a strong year for Mylan's Brand Segment as well. The Brand Segment generated net revenues of $256.6 million, an increase of $123.6 million or 93% over fiscal 2002. Approximately 50% or $61.2 million of this increase is the result of the launch of Amnesteem® in the third quarter of fiscal 2003. Amnesteem is prescribed for the treatment of severe recalcitrant nodular acne. Amnesteem was able to achieve a market share of approximately 45% into May of 2003 despite the entrance into the market of other generic competition in March 2003 and April 2003. However, as a result of this competition, revenue and earnings from Amnesteem could be negatively impacted during fiscal 2004.

In addition to Amnesteem, the increase in Brand Segment net revenues was driven by increased volume and favorable pricing. These increases were the result of continued growth of products in the Company's existing product portfolio, primarily Digitek® and phenytoin.

Consolidated gross profit for fiscal 2003 was $671.4 million, or 53% of net revenues, compared to $623.9 million, or 57% of net revenues in fiscal 2002. For the Generic Segment, gross profit for fiscal 2003 decreased by $21.6 million to $531.1 million from $552.7 million in fiscal 2002 and decreased as a percentage of net revenues from 57% to 52%. The decrease is primarily due to the loss of exclusivity on buspirone, which resulted in sales of buspirone contributing less to gross profit in fiscal 2003 and at lower gross margins. Margins on the Generic Segment's remaining core products were relatively stable.

Brand Segment gross profit for fiscal 2003 increased by $69.1 million to $140.3 million from $71.2 million in fiscal 2002 and increased as a percentage of net revenues from 54% to 55% on the strength of the Company's existing product portfolio. The increase in gross profit percentage was realized despite the fact that sales of Amnesteem contribute lower gross margins than the majority of the Brand Segment's other core products due to royalties paid under a supply and distribution agreement.

Research and Development

Research and development expenses for fiscal 2003 were $86.7 million or 7% of net revenues compared to $58.8 million, or 5% of net revenues, in fiscal 2002, which represents an increase of $27.9 million or 47%. The increase was realized in both the Generic Segment (increase of $10.7 million or 32%) and the Brand Segment (increase of $17.2 million or 69%).

The increase in the Generic Segment is the result of increased studies, an increase in the amount and timing of ANDA submissions, including planned submissions, during fiscal 2003, and the expansion of the research and development infrastructure.

The Brand Segment currently is incurring significant research and development expenses related to ongoing clinical studies on nebivolol, a product for the treatment of hypertension. As the clinical development program for nebivolol progresses and clinical development programs for other products are initiated, it is expected that Brand Segment research and development expenses will increase.

Selling and Marketing

Selling and marketing expenses for fiscal 2003 were $65.6 million compared to $59.9 million in fiscal 2002. As a percentage of sales, selling and marketing expenses were 5% in both years. Generic Segment selling and marketing expenses for fiscal 2003 decreased $1.3 million or 10%. Brand Segment selling and marketing expenses increased $7.0 million or 15% to $54.5 million in fiscal 2003 from $47.5 million in fiscal 2002. This increase was the result of increased promotion of existing products, as well as costs associated with the launch of Amnesteem.

General and Administrative

General and administrative expenses were $107.4 million or 8% of net revenues in fiscal 2003, a decrease of $2.6 million or 2% from fiscal 2002. This decrease is attributed to lower expenses in both the Generic and Brand Segments, partially offset by increased Corporate expenses.

Generic Segment general and administrative expenses decreased $2.1 million or 9% to $21.3 million in fiscal 2003. Brand Segment general and administrative expenses decreased $3.9 million or 26% to $11.0 million in fiscal 2003. The decrease in general and administrative expenses is primarily the result of the absence of certain costs incurred in the prior year with respect to the write-off of uncollectible accounts and the Brand Segment's relocation of its corporate offices.

Corporate general and administrative expenses for fiscal 2003 were $75.1 million compared to $71.7 million in fiscal 2002. This increase is due primarily to higher legal costs and increased payroll and related costs, partially offset by lower amortization expense as goodwill no longer is amortized as a result of the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Intangible Assets*, on April 1, 2002.

Litigation Settlements

A net gain of $2.4 million was recorded in fiscal 2003 with respect to the settlement of various lawsuits. This net gain is composed of a $35.0 million gain on a settlement with Bristol-Myers Squibb, which resolved all disputes between the companies related to buspirone and paclitaxel. This gain was partially offset by a loss of $27.9 million plus interest related to the settlement of a class action lawsuit filed against the Company concerning the Company's 1998 lorazepam and clorazepate litigation and an unfavorable arbitration decision of $4.2 million plus interest in connection with a dispute involving verapamil ER.

Earnings from Operations

Consolidated earnings from operations were $414.0 million or 33% of net revenues in fiscal 2003, compared to $395.2 million or 36% of net revenues in fiscal 2002. The Generic Segment generated earnings from operations of $454.0 million or 45% of net revenues in fiscal 2003 compared to $483.1 million or 50% of net revenues in fiscal 2002. For the Brand Segment, earnings from operations in fiscal 2003 were $32.7 million compared to a loss from operations of $16.2 million in fiscal 2002. Operating margin for the Brand Segment in fiscal 2003 was 13%. Because of the additional investment in research and development and selling and marketing that generally is required for branded products, the Brand Segment's operating margin tends to be lower than that of the Generic Segment.

Other Income, Net

Other income, net of other expenses, was $17.1 million in fiscal 2003 compared to $17.9 million in fiscal 2002. This decrease of $0.8 million is the result of lower earnings from our limited liability partnership investments, which yielded a loss of $2.1 million in fiscal 2003 compared to income of $7.2 million in fiscal 2002 and a $5.7 million impairment charge recorded on an investment which Mylan holds in a foreign entity, partially offset by net realized gains of $12.8 million on the sale of marketable securities.

Equity in Loss of Somerset

We own a 50% equity interest in Somerset Pharmaceuticals, Inc. ("Somerset") and account for this investment using the equity method of accounting. The recorded loss in Somerset for fiscal 2003 was $4.6 million compared to a loss of $4.7 million in fiscal 2002.

Somerset is engaged in the manufacturing and marketing of Eldepryl® (selegiline), its sole commercial product, which is used for the treatment of Parkinson's disease. Somerset continues to conduct research and development activities related to new indications and delivery technologies for selegiline and other products. As Somerset continues these research and development activities, its earnings may continue to be adversely affected.

Income Taxes

The effective tax rate for fiscal 2003 was 36.1% compared to 36.3% for fiscal 2002. The decrease in the effective tax rate was primarily due to the favorable tax impact of the adoption of SFAS No. 142.

Fiscal 2002 Compared to Fiscal 2001

Net Revenues and Gross Profit

Net revenues for fiscal 2002 were $1.10 billion compared to $846.7 million for fiscal 2001, an increase of 30% or $257.4 million. This increase in net revenues is attributed to increased net revenues for the Generic Segment of $296.0 million, which was partially offset by a decrease in net revenues for the Brand Segment of $38.6 million.

Generic Segment net revenues for fiscal 2002 increased 44% to $971.1 million from $675.1 million for fiscal 2001. This increase is primarily attributed to sales of our buspirone products, as well as the launch of new products (excluding buspirone 5mg, 10mg and 30mg) in fiscal 2002. The buspirone products contributed net revenues of $167.7 million or 57% of fiscal 2002's growth, while new products contributed net revenues of $69.7 million or 24% of fiscal 2002's growth. The remaining increase is attributed to the growth of core generic products of $77.8 million, which was partially offset by lost revenues of $19.2 million due to the sale of the liquids facility in Florida. The growth of core generic products is partially attributed to the elimination of end of quarter promotional programs in the prior year.

The 180-day market exclusivity period, as provided by the Waxman-Hatch Act, for buspirone 15mg expired in late September 2001. However, the FDA withheld additional approvals for generics until late February 2002. Generic Segment net revenues in fiscal 2002 benefited significantly from the extended exclusivity period. Since other generic pharmaceutical companies entered the buspirone market, the Generic Segment experienced substantial pricing and volume pressures.

Because of the significant uncertainties surrounding when the FDA would approve additional buspirone 15mg ANDAs, we could not reasonably estimate the amount of potential price adjustments that would occur as a result of the additional approvals. For the quarterly periods ended September 2001 and December 2001, revenues on certain shipments were deferred until such uncertainties were resolved. Such uncertainties were resolved either upon our customers' sale of this product or when the FDA approved additional generics in late February 2002. For the quarterly period ended March 2002, we were able to estimate potential price adjustments on the remaining deferred shipments and, therefore, recognized revenue related to such shipments.

Brand Segment net revenues for fiscal 2002 decreased 22% to $133.0 million from $171.6 million for the prior year. This decrease is primarily attributed to the decision to discontinue end of quarter promotional programs in an effort to normalize our customer buying patterns and more effectively manage our business.

Gross profit for fiscal 2002 was $623.9 million or 57% of net revenues compared to $382.2 million or 45% of net revenues for fiscal 2001. This increase of 63% or $241.7 million is attributed to increased gross profit for our Generic Segment of $279.6 million, primarily contributed by buspirone and new products, which was partially offset by decreased gross profit for our Brand Segment of $37.9 million.

Research and Development

Research and development expenses for fiscal 2002 were $58.8 million or 5% of net revenues compared to $64.4 million or 8% of net revenues in fiscal 2001, a decrease of 9% or $5.6 million. This decrease is largely due to the timing of projects currently in development by our Generic Segment, as well as a decrease in in-licensing milestones compared to the prior year.

Selling and Marketing

Selling and marketing expenses for fiscal 2002 were $59.9 million or 5% of net revenues, relatively unchanged compared to $59.2 million or 7% of net revenues in fiscal 2001.

General and Administrative

General and administrative expenses were $110.0 million or 10% of net revenues for fiscal 2002 compared to $92.0 million or 11% of net revenues for fiscal 2001. This increase is attributed to an increase in Corporate general and administrative expenses of $25.0 million, partially offset by a decrease of $5.9 million in the Brand Segment general and administrative expenses.

Corporate general and administrative expenses for fiscal 2002 were $71.7 million compared to $46.7 million in fiscal 2001. This increase is largely due to increases in expenses relating to retirement benefits for executives and management employees of $10.6 million, as well as the expense associated with the funding of a charitable foundation of $5.0 million.

Brand general and administrative expenses for fiscal 2002 were $14.9 million compared to $20.8 million in fiscal 2001. This decrease is largely due to a $7.8 million impairment charge in fiscal 2001 for the intangible assets associated with our brand product Zagam®, partially offset by increased relocation expenses as our Brand Segment completed its move to Research Triangle Park, North Carolina.

Litigation Settlement

In fiscal 2001, the Company recorded expense of $147.0 million for a settlement with the Federal Trade Commission, States Attorneys General and certain private parties with regard to lawsuits filed against the Company relating to lorazepam and clorazepate. No such expense was recorded in fiscal 2002.

Other Income, Net

Other income, net of other expenses, was $17.9 million in fiscal 2002 compared to $39.9 million in fiscal 2001. This decrease of $22.0 million is primarily attributed to a $9.2 million favorable litigation settlement and a $4.4 million gain from the sale of certain intangible assets in fiscal 2001. Additionally, investment income from our limited liability partnership investments was $6.8 million less in fiscal 2002 than was recognized in fiscal 2001. In fiscal 2002 and 2001, we liquidated $9.5 million and $52.2 million, respectively, in our investment in a certain limited liability partnership.

Equity in Loss of Somerset

The recorded loss in Somerset for fiscal 2002 was $4.7 million compared to a loss of $1.5 million in fiscal 2001. This $3.2 million increase in loss is primarily attributed to decreased sales, which were partially offset by reduced operating expenses, and the prior year loss being reduced by a recapture of income tax expenses as a result of a favorable Internal Revenue Service audit.

Income Taxes

The effective tax rate for fiscal 2002 was 36.3% compared to 36.0% for fiscal 2001. This increase in the effective tax rate was due to increased domestic taxable income, partially offset by favorable increases in certain tax credits.

Liquidity and Capital Resources

Cash provided from operations continues to be the primary source of funds to operate and expand our business. Cash flows from operations were $313.1 million in fiscal 2003. Included in cash flows from operations for fiscal 2003 were net increases in working capital of $70.8 million to $962.4 million from $891.6 million in fiscal 2002. We believe that our working capital and cash provided by operating activities are sufficient to meet operating needs. Of the $1.75 billion in total assets, 39% or $686.8 million is held in cash, cash equivalents and marketable securities. The table below summarizes cash and cash equivalents and marketable securities at March 31, 2003 and 2002:

(in thousands)	2003	2002
Cash and cash equivalents	$ 258,902	$ 160,790
Marketable securities	427,904	456,266
	$ 686,806	$ 617,056

Investments in marketable securities are primarily high-quality government and commercial paper. These investments are highly liquid and available for operating needs. Upon maturity, they generally are reinvested in instruments with similar characteristics.

During fiscal 2003, we received $35.0 million as the result of a settlement with Bristol-Myers Squibb resolving all disputes between the companies with respect to buspirone and paclitaxel. Additionally during fiscal 2003, two other lawsuits were resolved which resulted in a liability of $32.6 million, which is included on the balance sheet in other current liabilities (see Note 17 to the Consolidated Financial Statements). Subsequent to March 31, 2003, a tentative settlement was reached between Mylan and the co-defendants in one of the above cases, whereby the co-defendants agreed to pay an additional $10.0 million. Mylan will receive this $10.0 million in five annual installments of $2.0 million. Also subsequent to March 31, 2003, Mylan reached a settlement with Aventis Pharmaceuticals, Inc. ("Aventis"), whereby Mylan will receive $12.5 million from Aventis in return for its agreement to settle claims related to contracts for the marketing and manufacturing of Zagam®.

In fiscal 2001, a deposit of $135.0 million was placed into escrow, and a liability of $147.0 million was recorded as a result of a tentative settlement of the FTC litigation. With the final court approval in February 2002, the amount held in escrow and the liability were relieved from the consolidated balance sheet. Final payments representing attorneys' fees of $8.0 million and $4.0 million were made in March 2002 and May 2002, respectively.

In May 2002, the Board of Directors (the "Board") approved a Stock Repurchase Program that authorized the purchase of up to 15,000,000 shares of the Company's outstanding common stock. Such purchases could have a material effect on cash, cash equivalents and marketable securities. In fiscal 2003, 10.7 million shares of common stock were purchased for $240.5 million. Subsequent to March 31, 2003 and through May 28, 2003, 2.0 million shares of common stock were purchased for $55.4 million. The Company expects to purchase the remaining 2.3 million shares authorized under this program in fiscal 2004. In fiscal 2001, 7,282,650 shares of common stock were purchased for $91.5 million under a program approved by the Board in April 1997.

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 (see Note 8 to Consolidated Financial Statements). As of March 31, 2003, no funds had been advanced under this line of credit. The acquisition of new products, as well as other companies, will play a strategic role in our growth. Consequently, such acquisitions may require additional indebtedness, which would impact future liquidity.

Capital expenditures during fiscal 2003 were $32.6 million compared to $20.6 million during fiscal 2002. These expenditures were primarily made to acquire machinery and equipment for our production facilities. In fiscal 2004, capital expenditures will increase significantly primarily as the result of planned expansions of our manufacturing facilities.

Subsequent to March 31, 2003, 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.

The Company continues to pay quarterly cash dividends. In fiscal 2003, the Board of Directors voted to increase the quarterly dividend from 2.67 cents per share to 3.33 cents per share. Dividend payments totaled $21.2 million during fiscal 2003 and $20.2 million during fiscal 2002. In fiscal 2003, we received $30.4 million from the exercise of stock options issued through our stock option plans compared to $20.9 million in fiscal 2002.

Payments for state and federal income taxes increased to $171.4 million during fiscal 2003 compared to $152.1 million for fiscal 2002.

The Company is involved in various legal proceedings (see Note 17 to 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 our cash flows.

Application of Critical Accounting Policies

Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements, which were prepared in accordance with accounting principles generally accepted in the United States of America. Included within these policies are certain policies which contain critical accounting estimates and, therefore, have been deemed to be "critical accounting policies." Critical accounting estimates are those which require management to make assumptions about matters that were uncertain at the time the estimate was made and for which the use of different estimates, which reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. The Company has identified the following to be its critical accounting policies: the determination of revenue provisions; the determination of impairment of goodwill and intangibles; and the impact of existing legal matters. These critical accounting policies affect each of the operating segments.

Revenue Provisions

Revenue is recognized for product sales upon shipment when title and risk of loss have transferred to the customer and when provisions for estimates, including discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determinable. Accruals for these provisions are presented in the Consolidated Financial Statements as reductions to net revenues and accounts receivable and within other current liabilities. Accounts receivable are presented net of allowances relating to these provisions, which were $283.0 million and $210.1 million at March 31, 2003 and 2002, respectively. Other current liabilities include $33.1 million and $26.1 million at March 31, 2003 and 2002, respectively, for certain rebates and other adjustments that are paid to indirect customers. Provisions for estimated discounts, rebates, promotional and other credits, require a limited degree of subjectivity and are simple in nature, yet combined represent a significant portion of the provisions. These provisions are estimated based on historical payment experience, historical relationship to revenues, estimated customer inventory levels and contract terms. Such provisions are determinable due to the limited number of assumptions and consistency of historical experience. Others, such as price adjustments, returns and chargebacks, require management to make more subjective judgments. These provisions are discussed in further detail below.

Price Adjustments – Price adjustments, also referred to as "shelf stock adjustments," are credits issued to reflect decreases in the selling prices of our products that our customers have remaining in their inventories at the time of the price reduction. Decreases in our selling prices are discretionary decisions made by us to reflect market conditions. Amounts recorded for estimated shelf stock adjustments are based upon specified terms with direct customers, estimated launch dates of competing products, estimated declines in market price and estimates of inventory held by the customer. We regularly monitor these and other factors and evaluate our reserves and estimates as additional information becomes available.

Returns – Consistent with industry practice, we maintain a return policy that allows our customers to return product within a specified period prior to and subsequent to the expiration date. Our estimate of the provision for returns is based upon our historical experience with actual returns. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future returns. We continually monitor our provision for returns and make adjustments when we believe that actual product returns may differ from established reserves.

Chargebacks - The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. The Company markets products directly to wholesalers, distributors, retail pharmacy chains, mail order pharmacies and group purchasing organizations. The Company also markets products indirectly to independent pharmacies, managed care organizations, hospitals, nursing homes and pharmacy benefit management companies, collectively referred to as "indirect customers." Mylan enters into agreements with its indirect customers to establish contract pricing for certain products. The indirect customers then independently select a wholesaler from which to actually purchase the products at these contracted prices. Mylan will provide credit to the wholesaler for any difference between the contracted price with the indirect party and the wholesaler's invoice price. Such credit is called a chargeback. The provision for chargebacks is based on expected sell-through levels by our wholesaler customers to indirect customers, as well as estimated wholesaler inventory levels. We continually monitor our provision for chargebacks and make adjustments when we believe that actual chargebacks may differ from established reserves.

Impairment of Goodwill and Intangible Assets

The Company has recorded on its balance sheet both goodwill and intangible assets, which consist of patents and technologies, product rights, brand names and trademarks. Historically, goodwill and intangible assets were reviewed for impairment when events or other changes in circumstances had indicated that the carrying amount of the assets may not be recoverable. In conjunction with the adoption of the Financial Accounting Standards Board ("FASB") SFAS No. 142 and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in fiscal 2003, the Company tested all goodwill and intangible assets for impairment. Impairment of goodwill and indefinite-lived intangibles is determined to exist when the fair value is less than the carrying value of the assets being tested. Impairment of definite-lived intangibles is determined to exist when undiscounted cash flows related to the assets are less than the carrying value of the assets. In assessing impairment, valuations were prepared with the assistance of third parties. Because this process involved management making estimates with respect to future sales volumes, pricing, new product launches, anticipated cost environment and overall market conditions and because these estimates formed the basis for the determination of whether or not an impairment charge should be recorded, these estimates were considered to be critical accounting estimates. As of April 1, 2002, the implementation date for SFAS No. 142 and SFAS No. 144, the Company determined through its estimates that no impairment of goodwill or intangible assets existed. As such, no impairment was recorded. The Company will continue to assess the carrying value of its goodwill and intangible assets in accordance with SFAS No. 142 and SFAS No. 144 or when conditions merit.

Legal Matters

The Company is involved in various legal proceedings, some of which involve claims for substantial amounts. An estimate is made to accrue for a loss contingency relating to any of these legal proceedings if it is probable that a liability was incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Because of the subjective nature inherent in assessing the outcome of litigation and because the potential that an adverse outcome in a legal proceeding could have a material impact on the Company's financial position or results of operations, such estimates are considered to be critical accounting estimates. After review, it was determined at March 31, 2003 that, for each of the various unresolved legal proceedings in which we are involved, the conditions mentioned above were not met. As such, no accrual was recorded. The Company will continue to evaluate all legal matters as additional information becomes available.

Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 142, which provides that goodwill and intangible assets with indefinite lives no longer will be amortized, but will be subject to at least annual impairment tests. Intangible assets with finite lives will continue to be amortized over their useful lives. Furthermore, SFAS No. 142 requires that the useful lives of intangible assets acquired before June 30, 2001 be reassessed and the remaining amortization periods adjusted accordingly.

We adopted the provisions of SFAS No. 142 effective April 1, 2002. Goodwill and other indefinite-lived intangible assets no longer are amortized. Intangible assets determined to have indefinite lives were tested for potential impairment, and no impairments were indicated. The transitional assessment of goodwill for impairment, as of April 1, 2002, was completed during the quarter ended September 30, 2002, with no indication of impairment. An independent valuation specialist assisted in the determination of the fair values used to test for impairment. Assuming the adoption of SFAS No. 142 had occurred on April 1, 2000 and goodwill and other indefinite-lived assets no longer were amortized, net earnings for fiscal 2002 and 2001 would have increased by $7.2 million for both fiscal years, and earnings per basic and diluted share would have increased by $0.04 per share and $0.03 per share, respectively.

SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred rather than when a commitment to an exit plan is made. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not believe that the adoption of this statement will have a material effect on its financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure an amendment of FASB Statement No. 123*, which amends SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS No. 148 provides alternatives for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the existing disclosure requirements for all companies with stock-based compensation plans and establishes disclosure requirements for interim periods. In accordance with SFAS No. 123, Mylan will continue to account for its stock option plan using the intrinsic-value-based method as defined in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. The disclosure provisions of SFAS No. 148 have been adopted.

The FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued, and it requires the recognition of a liability at fair value by a guarantor at the inception of a guarantee. The disclosure requirements of FIN 45 have been adopted by the Company (see Note 15 to the Consolidated Financial Statements). The initial recognition and measurement provisions of FIN 45 are effective on a prospective basis for all guarantees issued or modified after December 31, 2002. Mylan has not issued or modified any material guarantees since December 31, 2002.

In January 2003, the 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. Management is currently assessing the impact that further adoption of this interpretation will have on the Company's Consolidated Financial Statements.

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. Additional 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. Professional portfolio managers manage the majority of our investments. 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 March 31, 2003 and 2002:

(in thousands)	2003	2002
Marketable debt securities	$ 419,135	$ 435,499
Marketable equity securities	8,769	20,767
	$ 427,904	$ 456,266

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. Of the $419.1 million invested in marketable debt securities at March 31, 2003, $192.0 million will mature within one year. This short duration to maturity creates minimal exposure to fluctuations in market values for these investments. A significant change in current interest rates could affect the market value of the remaining $227.1 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 $11.4 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 March 31, 2003, a 10% change in the market value of these investments would result in a $0.9 million change in marketable equity securities.

Forward-Looking Statements

The statements set forth in this Annual Report concerning the manner in which we intend to conduct our future operations, potential trends that may impact future results of operations, and our beliefs or expectations about future operations are forward-looking statements. The following statements that we make in this Annual Report, in other filings made with the SEC, in press releases, on our website, or in other contexts (including statements made by our authorized representatives, either orally or in writing), are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995:

(i) any statement regarding possible or assumed future results of operations of our business, the markets for our products, anticipated expenditures, regulatory developments or competition;

(ii) any statement preceded by, followed by or that includes the words "intends," "estimates," "believes," "expects," "anticipates," "should," "could," or the negative or other variations of these or other similar expressions; and

(iii) other statements regarding matters that are not historical facts.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. We undertake no duty to update these forward-looking statements, even though our situation may change in the future.

Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including the discussion under the caption "Risk Factors" in Item I of the Company's Annual Report on Form 10-K.

Consolidated Balance Sheets

(in thousands, except share and per share data)

March 31,	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 258,902	$ 160,790
Marketable securities	427,904	456,266
Accounts receivable, net	187,587	150,054
Inventories	237,777	195,074
Deferred income tax benefit	104,173	92,642
Prepaid expenses and other current assets	11,868	11,819
Total current assets	1,228,211	1,066,645
Property, plant and equipment, net	178,330	166,531
Intangible assets, net	150,256	168,846
Goodwill	102,581	102,272
Investment in and advances to Somerset	18,024	22,720
Other assets	67,821	92,866
Total assets	$ 1,745,223	$ 1,619,880

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(in thousands, except share and per share data)

March 31,	2003	2002
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Trade accounts payable	$ 66,017	$ 36,534
Income taxes payable	50,600	61,192
Current portion of long-term obligations	1,586	16
Cash dividends payable	6,031	5,067
Litigation settlements	32,630	4,014
Other current liabilities	108,907	68,224
Total current liabilities	265,771	175,047
Long-term obligations	19,943	23,883
Deferred income tax liability	13,177	18,711
Total liabilities	298,891	217,641
Shareholders' equity		
Preferred stock – par value $0.50 per share		
Shares authorized: 5,000,000		
Shares issued: none	–	–
Common stock – par value $0.50 per share		
Shares authorized: 300,000,000		
Shares issued: 200,602,841 in 2003 and 198,300,792 in 2002	100,301	99,150
Additional paid-in capital	354,501	316,669
Retained earnings	1,330,933	1,080,736
Accumulated other comprehensive earnings	3,718	7,920
	1,789,453	1,504,475
Less treasury stock – at cost		
Shares: 19,428,962 in 2003 and 8,719,550 in 2002	343,121	102,236
Total shareholders' equity	1,446,332	1,402,239
Total liabilities and shareholders' equity	$ 1,745,223	$ 1,619,880

See Notes to Consolidated Financial Statements.

Consolidated Statements of Earnings

(in thousands, except per share data)

Fiscal year ended March 31,	2003	2002	2001
Net revenues	$ 1,269,192	$ 1,104,050	$ 846,696
Cost of sales	597,756	480,111	464,521
Gross profit	671,436	623,939	382,175
Operating expenses:			
Research and development	86,748	58,847	64,385
Selling and marketing	65,625	59,913	59,238
General and administrative	107,445	110,000	91,974
Litigation settlements, net	(2,370)	–	147,000
Earnings from operations	413,988	395,179	19,578
Equity in loss of Somerset	(4,573)	(4,719)	(1,477)
Other income, net	17,098	17,863	39,912
Earnings before income taxes	426,513	408,323	58,013
Provision for income taxes	154,160	148,072	20,885
Net earnings	$ 272,353	$ 260,251	$ 37,128
Earnings per common share:			
Basic	$ 1.47	$ 1.38	$ 0.20
Diluted	$ 1.45	$ 1.36	$ 0.20
Weighted average common shares outstanding:			
Basic	185,859	188,288	188,682
Diluted	188,220	191,052	190,124

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(in thousands, except share and per share data)

Fiscal year ended March 31,	2003	2002	2001
Common stock– shares issued:			
Shares at beginning of year	198,300,792	196,034,643	195,416,352
Fractional shares issued relative to the stock split	942	–	–
Stock options exercised	2,301,107	2,266,149	618,291
Shares at end of year	200,602,841	198,300,792	196,034,643
Treasury stock:			
Shares at beginning of year	(8,719,550)	(8,597,870)	(1,340,247)
Shares acquired upon the exercise of stock options	(15,212)	(121,680)	(6,248)
Issuance of treasury stock	–	–	31,275
Stock purchases	(10,694,200)	–	(7,282,650)
Shares at end of year	(19,428,962)	(8,719,550)	(8,597,870)
Common shares outstanding	181,173,879	189,581,242	187,436,773
Common stock, $0.50 par:			
Balance at beginning of year	$ 99,150	$ 98,017	$ 97,709
Stock options exercised	1,151	1,133	308
Balance at end of year	100,301	99,150	98,017
Additional paid-in capital:			
Balance at beginning of year	316,669	290,315	283,824
Fractional shares issued relative to the stock split	33	–	–
Stock options exercised	29,627	22,645	5,289
Issuance of treasury shares	–	–	102
Tax benefit of stock option plans	8,172	3,709	1,100
Balance at end of year	354,501	316,669	290,315
Retained earnings:			
Balance at beginning of year	1,080,736	840,741	823,570
Net earnings	272,353	260,251	37,128
Dividends declared ($0.12 per share for fiscal 2003, $0.11 per share for fiscal 2002 and 2001)	(22,156)	(20,256)	(19,957)
Balance at end of year	1,330,933	1,080,736	840,741
Accumulated other comprehensive earnings:			
Balance at beginning of year	7,920	2,983	6,936
Net unrealized (loss) gain on marketable securities	(4,202)	4,937	(3,953)
Balance at end of year	3,718	7,920	2,983
Treasury stock, at cost:			
Balance at beginning of year	(102,236)	(99,520)	(8,316)
Shares acquired upon the exercise of stock options	(344)	(2,716)	(109)
Issuance of treasury stock	–	–	361
Stock purchases	(240,541)	–	(91,456)
Balance at end of year	(343,121)	(102,236)	(99,520)
Total shareholders' equity	$ 1,446,332	$ 1,402,239	$ 1,132,536
Comprehensive earnings:			
Net earnings	$ 272,353	$ 260,251	$ 37,128
Other comprehensive (loss) earnings, net of tax:			
Net unrealized holding gains (losses) on securities	4,140	5,195	(2,863)
Reclassification for gains included in net earnings	(8,342)	(258)	(1,090)
Other comprehensive (loss) earnings, net of tax	(4,202)	4,937	(3,953)
Comprehensive earnings	$ 268,151	$ 265,188	$ 33,175

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(IN THOUSANDS)

Fiscal year ended March 31,	2003	2002	2001
Cash flows from operating activities:			
Net earnings	$ 272,353	$ 260,251	$ 37,128
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Depreciation and amortization	40,580	46,111	42,392
Realized gain on sale of marketable securities	(12,829)	(398)	(1,676)
Gain on sale of certain intangible assets	–	–	(4,367)
Deferred income tax benefit	(22,025)	(36,021)	(28,222)
Equity in loss of and cash received from Somerset	3,760	4,901	1,840
Loss (earnings) from limited liability partnerships	2,086	(7,113)	(13,957)
Changes in estimated sales allowances	79,895	95,728	34,343
Write-down of investments and intangible assets	7,571	2,982	11,131
Litigation settlements, net	(2,370)	–	147,000
Receipts from litigation settlements	35,000	–	–
Litigation settlement deposits	(4,014)	(7,986)	(135,000)
Other non-cash items	3,214	1,162	2,531
Changes in operating assets and liabilities:			
Accounts receivable	(113,155)	4,563	(70,590)
Inventories	(42,558)	(30,696)	(17,203)
Trade accounts payable	29,183	(12,394)	30,947
Income taxes	4,801	30,553	29,064
Other operating assets and liabilities, net	31,651	(5,172)	580
Net cash provided from operating activities	313,143	346,471	65,941

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(in thousands)

Fiscal year ended March 31,	2003	2002	2001
Cash flows from investing activities:			
Proceeds from (purchase of):			
Capital assets	(32,595)	(20,621)	(24,651)
Reduction of investment in a limited liability partnership	1,359	9,535	52,207
Sale of certain intangible assets	–	–	12,800
Sale of fixed assets	30	4,848	1,076
Other and intangible assets	(2,528)	(8,195)	(7,520)
Marketable securities	(821,902)	(819,038)	(104,029)
Sale of marketable securities	871,904	426,045	141,782
Net cash provided from (used in) investing activities	16,268	(407,426)	71,665
Cash flows from financing activities:			
Payments on long-term obligations	–	(8,095)	(5,987)
Cash dividends paid	(21,192)	(20,195)	(20,144)
Purchase of common stock	(240,541)	–	(91,456)
Proceeds from exercise of stock options	30,434	20,852	5,671
Net cash used in financing activities	(231,299)	(7,438)	(111,916)
Net increase (decrease) in cash and cash equivalents	98,112	(68,393)	25,690
Cash and cash equivalents – beginning of year	160,790	229,183	203,493
Cash and cash equivalents – end of year	$ 258,902	$ 160,790	$ 229,183
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ –	$ 238	$ 867
Income taxes	$ 171,382	$ 152,145	$ 20,052
Non-cash investing activities:			
Marketable securities received from liquidation of investment in limited liability partnership	$ 16,445	$ –	$ –

See Notes to Consolidated Financial Statements.

Note 1.

Nature of Operations

Mylan Laboratories Inc. and its subsidiaries ("the Company" or "Mylan") are engaged in the development, manufacture and distribution of pharmaceutical products for resale by others. The principal markets for these products are proprietary and ethical pharmaceutical wholesalers and distributors, drug store chains, drug manufacturers, institutions, and public and governmental agencies within the United States.

Note 2.

Summary of Significant Accounting Policies

Principles of Consolidation. The Consolidated Financial Statements include the accounts of Mylan Laboratories Inc. and those of its wholly-owned and majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents. Cash equivalents are composed of highly liquid investments with an original maturity of three months or less at the date of purchase.

Marketable Securities. Marketable securities are classified as available for sale and are recorded at fair value based on quoted market prices, with net unrealized gains and losses, net of income taxes, reflected in accumulated other comprehensive earnings as a component of shareholders' equity. Net gains and losses on sales of securities available for sale are computed on a specific security basis and included in other income.

Concentrations of Credit Risk. Financial instruments that potentially subject us to credit risk consist principally of interest-bearing investments and accounts receivable.

We invest our excess cash in high-quality, liquid money market instruments (principally commercial paper, and government and government agency notes and bills) maintained by financial institutions. We maintain deposit balances at certain of these financial institutions in excess of federally insured amounts.

We perform ongoing credit evaluations of our customers and generally do not require collateral. Approximately 61% and 64% of the accounts receivable balances represent amounts due from four customers at March 31, 2003 and 2002, respectively. Total allowances for doubtful accounts were $8,438,000 and $6,622,000 at March 31, 2003 and 2002, respectively.

Inventories. Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out method. Provisions for potentially obsolete or slow-moving inventory are made based on our analysis of inventory levels, historical obsolescence and future sales forecasts.

Property, Plant and Equipment. Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed and recorded on a straight-line basis over the assets' estimated service lives (3 to 10 years for machinery and equipment and 15 to 39 years for buildings and improvements). We periodically review the original estimated useful lives of assets and make adjustments when appropriate. Depreciation expense was $20,780,000, $19,729,000 and $19,075,000 for fiscal years 2003, 2002 and 2001, respectively.

Intangible Assets. Intangible assets are stated at cost less accumulated amortization. Amortization is generally recorded on a straight-line basis over estimated useful lives ranging from 2 to 20 years. We periodically review the original estimated useful lives of assets and make adjustments when appropriate.

Impairment of Long-Lived Assets. The carrying values of long-lived assets, which includes property, plant and equipment and intangible assets with definite lives, are evaluated periodically in relation to the expected future cash flows of the underlying assets. Adjustments are made in the event that estimated undiscounted net cash flows are less than the carrying value.

Goodwill and indefinite-lived intangibles are tested at least annually for impairment. Impairment is determined to exist when the fair value is less than the carrying value of the assets being tested.

Other Assets. Investments in business entities in which we have the ability to exert significant influence over operating and financial policies (generally 20% to 50% ownership) are accounted for using the equity method. Under the equity method, investments are initially recorded at cost and adjusted for dividends and undistributed earnings and losses.

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

Other assets are periodically reviewed for other-than-temporary declines in fair value. Other-than-temporary declines in fair value are identified by evaluating market conditions and the entity's ability to achieve forecast and regulatory submission guidelines, as well as the entity's overall financial condition.

Revenue Recognition. We recognize revenue for product sales upon shipment when title and risk of loss pass to our customers and when provisions for estimates, including discounts, rebates, price adjustments, returns, chargebacks, and other promotional programs, are reasonably determinable. The following briefly describes the nature of each provision and how such provisions are estimated.

Discounts are reductions to invoiced amounts offered to our customers for payment within a specified period and are estimated upon shipment utilizing historical customer payment experience.

Rebates are offered to our key customers to promote customer loyalty and encourage greater product sales. These rebate programs provide that upon the attainment of pre-established volumes or the attainment of revenue milestones for a specified period, the customer receives credit against purchases. Other promotional programs are incentive programs periodically offered to our customers. We are able to estimate provisions for rebates and other promotional programs based on the specific terms in each agreement at the time of shipment.

Consistent with industry practice, we maintain a return policy that allows our customers to return product within a specified period prior to and subsequent to the expiration date. Our estimate of the provision for returns is based upon our historical experience with actual returns.

Price adjustments, also referred to as "shelf stock adjustments" are credits issued to reflect decreases in the selling prices of our products which our customer has remaining in its inventory at the time of the price reduction. Decreases in our selling prices are discretionary decisions made by us to reflect market conditions. Amounts recorded for estimated shelf stock adjustments are based upon specified terms with direct customers, estimated launch dates of competing products, estimated declines in market price and estimates of inventory held by the customer.

We have agreements with certain indirect customers, such as independent pharmacies, managed care organizations, hospitals, nursing homes and pharmacy benefit management companies, which establish contract prices for certain of our products. The indirect customers then independently select a wholesaler from which to actually purchase the products at these contracted prices. Mylan will provide credit to the wholesaler for any difference between the contracted price with the indirect party and the wholesaler's invoice price. Such credit is called a chargeback. The provision for chargebacks is based on expected sell-through levels by our wholesaler customers to indirect customers, as well as estimated wholesaler inventory levels.

Accounts receivable are presented net of allowances relating to the above provisions, which were $283,013,000 and $210,074,000 at March 31, 2003 and 2002, respectively. Other current liabilities include $33,096,000 and $26,140,000 at March 31, 2003 and 2002, respectively, for certain rebates and other adjustments that are paid to indirect customers.

Three of our customers accounted for 20%, 16% and 14%, respectively, of net revenues in fiscal 2003 and 14%, 15% and 14%, respectively, of net revenues in fiscal 2002. Two of our customers accounted for 14% and 11%, respectively, of net revenues in fiscal 2001.

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

Advertising Costs. Advertising costs are expensed as incurred and amounted to $6,381,000, $7,315,000 and $7,250,000 in fiscal years 2003, 2002 and 2001, respectively.

Income Taxes. Income taxes have been provided for using an asset and liability approach in which deferred income taxes reflect the tax consequences on future years of events that we have already recognized in the financial statements or tax returns. Changes in enacted tax rates or laws will result in adjustments to the recorded tax assets or liabilities in the period that the new tax law is enacted.

Stock Split. 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 Consolidated Financial Statements, and in these notes, have been adjusted for all periods to reflect the stock split.

Earnings per Common Share. Basic earnings per common share is computed by dividing net earnings by the weighted average common shares outstanding for the period. Diluted earnings per common share is computed by dividing net earnings by the weighted average common shares outstanding adjusted for the dilutive effect of stock options granted, excluding antidilutive shares, under our stock option plans (see Note 12). Antidilutive shares of 3,236,100, 195,000 and 5,384,930 were excluded from the diluted earnings per common share calculation for fiscal years 2003, 2002 and 2001, respectively.

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

(in thousands, except per share data) Fiscal	2003	2002	2001
Net earnings	$ 272,353	$ 260,251	$ 37,128
Weighted average common shares outstanding	185,859	188,288	188,682
Assumed exercise of dilutive stock options	2,361	2,764	1,442
Diluted weighted average common shares outstanding	188,220	191,052	190,124
Earnings per common share:			
Basic	$ 1.47	$ 1.38	$ 0.20
Diluted	$ 1.45	$ 1.36	$ 0.20

Stock Options. In accordance with the provisions of Financial Accounting Standards Board ("FASB") 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:

(in thousands, except per share data) Fiscal year ended March 31,	2003	2002	2001
Net income, as reported	$ 272,353	$ 260,251	$ 37,128
Deduct: Total compensation expense determined under fair value based method for all stock awards, net of related tax effects	(19,909)	(20,284)	(11,308)
Pro forma net income	$ 252,444	$ 239,967	$ 25,820
Earnings per share:			
Basic — as reported	$ 1.47	$ 1.38	$ 0.20
Basic — pro forma	$ 1.36	$ 1.27	$ 0.14
Diluted — as reported	$ 1.45	$ 1.36	$ 0.20
Diluted — pro forma	$ 1.36	$ 1.26	$ 0.14

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

Reclassification. Certain prior year amounts were reclassified to conform to the fiscal 2003 presentation.

Fiscal Year. Our fiscal year ends on March 31. All references to fiscal year shall mean the 12 months ended March 31.

Recent Accounting Pronouncements. In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*, which provides that goodwill and intangible assets with indefinite lives will no longer be amortized but will be subject to at least annual impairment tests. Intangible assets with finite lives will continue to be amortized over their useful lives. Furthermore, SFAS No. 142 requires that the useful lives of intangible assets acquired before June 30, 2001 be reassessed and the remaining amortization periods adjusted accordingly.

We adopted the provisions of SFAS No. 142 effective April 1, 2002. Goodwill and other indefinite-lived intangible assets are no longer amortized. Intangible assets determined to have indefinite lives were tested for potential impairment, and no impairments were indicated. The transitional assessment of goodwill for impairment, as of April 1, 2002, was completed during the quarter ended September 30, 2002, with no indication of impairment. An independent valuation specialist assisted in the determination of the fair values used to test for impairment. Assuming the adoption of SFAS No. 142 had occurred on April 1, 2000 and goodwill and other indefinite-lived assets were no longer amortized, net earnings for fiscal years 2002 and 2001, would have increased by $7,204,000 for both years to $267,455,000 and $44,332,000, respectively, and earnings per basic and diluted share would have increased by $0.04 per share and $0.03 per share, respectively.

SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred rather than when a commitment to an exit plan is made. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not believe that the adoption of this statement will have a material effect on its financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, which amends SFAS No. 123. SFAS No. 148 provides alternatives for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, this statement amends the existing disclosure requirements for all companies with stock-based compensation plans and establishes disclosure requirements for interim periods. In accordance with SFAS No. 123, Mylan will continue to account for its stock option plan using the intrinsic-value-based method as defined in APB Opinion No. 25. The disclosure provisions of SFAS No. 148 have been adopted.

The FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued, and it requires the recognition of a liability at fair value by a guarantor at the inception of a guarantee. The disclosure requirements of FIN 45 have been adopted by the Company (see Note 15). The initial recognition and measurement provisions of FIN 45 are effective on a prospective basis for all guarantees issued or modified after December 31, 2002. Mylan has not issued or modified any material guarantees since December 31, 2002.

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Note 3.

Balance Sheet Components

Selected balance sheet components consist of the following at March 31, 2003 and 2002:

(in thousands)	2003	2002
Inventories:		
Raw materials	$ 107,731	$ 74,782
Work in process	33,990	31,056
Finished goods	96,056	89,236
	$ 237,777	$ 195,074
Property, plant and equipment:		
Land and improvements	$ 9,089	$ 9,039
Buildings and improvements	108,156	107,901
Machinery and equipment	195,300	174,080
Construction in progress	20,346	11,193
	332,891	302,213
Less accumulated depreciation	154,561	135,682
	$ 178,330	$ 166,531
Other current liabilities:		
Payroll and employee benefit plan accruals	$ 18,371	$ 18,936
Accrued rebates	33,096	26,140
Royalties and product license fees	34,465	12,363
Other	22,975	10,785
	$ 108,907	$ 68,224

Note 4.

Investment in and Advances to Somerset

In November 1988, we acquired 50% of the outstanding common stock of Somerset Pharmaceuticals, Inc. ("Somerset"). We account for this investment using the equity method of accounting.

Equity in loss of Somerset includes our 50% portion of Somerset's financial results, as well as expense for amortization of intangible assets resulting from the acquisition of our interest in Somerset. Such intangible assets are being amortized using the straight-line basis over 15 years. Amortization expense was $924,000 in each of fiscal years 2003, 2002 and 2001.

Note 5.

Marketable Securities

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

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
March 31, 2003				
Debt securities	$ 416,774	$ 2,456	$ 95	$ 419,135
Equity securities	5,344	4,048	623	8,769
	$ 422,118	$ 6,504	$ 718	$ 427,904
March 31, 2002				
Debt securities	$ 435,592	$ 567	$ 660	$ 435,499
Equity securities	8,535	13,219	987	20,767
	$ 444,127	$ 13,786	$ 1,647	$ 456,266

Net unrealized gains on marketable securities are reported net of tax of $2,068,000 and $4,219,000 in fiscal 2003 and fiscal 2002, respectively.

Maturities of debt securities at market value as of March 31, 2003 are as follows:

(in thousands)	
Mature within one year	$ 192,047
Mature in one to five years	75,946
Mature in five years and later	151,142
	$ 419,135

Gross gains of $13,650,000, $1,263,000 and $2,732,000 and gross losses of $821,000, $865,000 and $1,056,000 were realized during fiscal years 2003, 2002 and 2001, respectively.

Note 6.

Goodwill and Intangible Assets

Intangible assets, excluding goodwill, consist of the following components:

(in thousands)	Weighted Average Life (years)	Original Cost	Accumulated Amortization	Net Book Value
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
		$ 238,975	$ 89,502	149,473
Intangible assets no longer subject to amortization:				
Trademarks				783
				$ 150,256
March 31, 2002				
Amortized intangible assets:				
Patents and technologies	19	$ 119,663	$ 32,056	$ 87,607
Product rights and licenses	12	107,907	36,950	70,957
Other	20	24,380	14,881	9,499
		251,950	83,887	168,063
Trademarks		1,331	548	783
		$ 253,281	$ 84,435	$ 168,846

During fiscal 2003, the Company removed from the balance sheet certain intangible assets with an original cost of $13,368,000. Such assets were fully amortized at March 31, 2002 and have no ongoing benefit to current operations. Other intangibles consist principally of non-compete agreements, customer lists and contracts.

Amortization expense for fiscal years 2003, 2002 and 2001 was $18,864,000, $26,382,000 and $23,317,000, respectively, and is expected to be $18,369,000, $16,904,000, $13,355,000, $13,143,000 and $13,066,000 for fiscal years 2004 through 2008, respectively. In accordance with SFAS No. 142, the Company ceased the amortization of goodwill effective April 1, 2002.

Included in general and administrative expenses in fiscal 2001, was a charge of $7,770,000 for the write-off of an intangible asset related to a product license agreement for Zagam®. No such write-offs occurred in fiscal 2003 or fiscal 2002.

Note 7.

Other Assets

Other assets consist of the following components at March 31, 2003 and 2002:

(in thousands)	2003	2002
Pooled asset funds	$ 6,316	$ 26,144
Cash surrender value	37,306	35,825
Other investments	24,199	30,897
	$ 67,821	$ 92,866

Pooled asset funds represent our interest in a limited liability partnership fund that invests in common and preferred stocks, bonds and money market funds. In fiscal 2001, we began to liquidate similar investments in an effort to reduce the impact of market fluctuations. The total amounts liquidated in fiscal 2003 and fiscal 2002 were $17,804,000 and $9,535,000. The remaining investment in the limited liability partnership fund is accounted for using the equity method. We record our share of earnings or losses as other income or expense with the offsetting entry to the corresponding investment account. Earnings (losses) on the pooled asset funds included in other income amounted to ($2,086,000), $7,113,000 and $13,957,000 in fiscal years 2003, 2002 and 2001, respectively. At March 31, 2003 and 2002, the carrying amounts of these investments approximated fair value.

Cash surrender value is related to insurance policies on certain officers and key employees and the value of split-dollar life insurance agreements with certain former executive officers.

Other investments principally consist of an investment in a foreign entity and a building held for sale. Our investment in a foreign entity is accounted for using the cost method of accounting and was $14,273,000 as of March 31, 2003 and $20,000,000 as of March 31, 2002. The March 31, 2003 balance reflects a charge of $5,727,000 recorded in the fourth quarter of fiscal 2003 to adjust the carrying value of this investment to its estimated fair value. Subsequent to March 31, 2003, the Company sold its ownership interest in this foreign entity back to that entity for approximately $15,000,000. According to the agreement, Mylan will receive $10,000,000 in fiscal 2004 and the remainder in fiscal 2005.

As a result of a settlement in August 2000, we received the rights to an office building in Santa Monica, California. The building is currently being leased to the former owner under an operating lease that expires in October 2003. The lease agreement allows the former owner to purchase the building upon expiration of the lease.

Based on a periodic review of other investments, excluding the investment in a foreign entity as discussed above, for other-than-temporary declines in fair value, we recorded adjustments of $566,000, $1,821,000 and $2,670,000 in fiscal years 2003, 2002 and 2001, respectively, to reduce the carrying value of other assets to their estimated fair value. Such adjustments were recorded as reductions to other income.

Note 8.

Revolving Line of Credit

In March 2003, we renewed our agreement with a commercial bank for a revolving line of credit. This one-year line of credit allows Mylan to borrow up to $50,000,000, on an unsecured basis, at an interest rate based on the published daily London Interbank Offered Rate. At the Company's option, it may elect an alternative base rate as the interest rate by giving written notice to the lender. The agreement does not contain any significant financial covenants. At March 31, 2003 and 2002, we had no outstanding borrowings under this line of credit.

Note 9.

Long-Term Obligations

Long-term obligations consist of the following components at March 31, 2003 and 2002:

(in thousands)	2003	2002
Deferred compensation	$ 18,351	$ 19,682
Deferred revenue	–	1,948
Retirement benefits	2,901	2,029
Other	277	240
Total long-term obligations	21,529	23,899
Less: Current portion of long-term obligations	1,586	16
Long-term obligations, net of current portion	$ 19,943	$ 23,883

Deferred compensation consists of the discounted future payments under individually negotiated agreements with certain key employees and directors. The agreements with certain key employees provide for annual payments ranging from $18,000 to $1,000,000 to be paid over periods commencing at retirement and ranging from ten years to life.

In fiscal 2000, we recorded $9,238,000 in deferred revenue relating to a license and supply agreement. Revenue recognized relating to this agreement in fiscal years 2003, 2002 and 2001 was $1,948,000, $3,897,000 and $3,393,000, respectively.

Note 10.

Income Taxes

Income taxes consist of the following components:

(in thousands) Fiscal	2003	2002	2001
Federal:			
Current	$ 156,823	$ 161,977	$ 45,463
Deferred	(18,127)	(32,150)	(26,100)
	138,696	129,827	19,363
State and Puerto Rico:			
Current	17,211	20,809	3,772
Deferred	(1,747)	(2,564)	(2,250)
	15,464	18,245	1,522
Income taxes	$ 154,160	$ 148,072	$ 20,885
Pretax earnings	$ 426,513	$ 408,323	$ 58,013
Effective tax rate	36.1%	36.3%	36.0%

Temporary differences and carryforwards that result in the deferred tax assets and liabilities are as follows at March 31, 2003 and 2002:

(in thousands)	2003	2002
Deferred tax assets:		
Employee benefits	$ 9,901	$ 9,630
Contractual agreements	13,923	7,248
Intangible assets	10,058	8,780
Accounts receivable allowances	87,539	84,440
Inventories	3,810	3,191
Investments	9,077	8,271
Federal tax loss carryforwards	1,002	5,025
Tax credit carryforwards	3,175	5,446
Total deferred tax assets	138,485	132,031
Deferred tax liabilities:		
Plant and equipment	10,682	12,515
Intangible assets	33,048	35,519
Investments	3,688	10,008
Other	71	58
Total deferred tax liabilities	47,489	58,100
Deferred tax asset, net	$ 90,996	$ 73,931
Classification in the Consolidated Balance Sheets:		
Deferred income tax benefit – current	$ 104,173	$ 92,642
Deferred income tax liability – noncurrent	13,177	18,711
Deferred tax asset, net	$ 90,996	$ 73,931

Deferred tax assets relating to net operating loss carryforwards and research and development tax credit carryforwards were acquired in fiscal 1999 with the acquisition of Penederm. The utilization of these assets is subject to certain limitations set forth in the Internal Revenue Code. In both fiscal 2003 and 2002, we utilized approximately $10,709,000 of the acquired net operating loss carryforwards to reduce the respective tax liability by approximately $3,748,000 each year. As of March 31, 2003 and 2002, we have approximately $2,707,000 and $13,415,000, respectively, of acquired federal tax loss carryforwards of which $644,000 will expire in fiscal 2012 and the remaining amount will expire in fiscal 2013. Acquired federal tax credit carryforwards of $2,092,000 at March 31, 2003 will expire in fiscal years 2004 through 2013. Federal tax credit carryforwards at March 31, 2002 totaled $2,151,000.

We also have $567,000 of research and development tax credits that were deferred until fiscal 2004 due to recent tax law changes.

A reconciliation of the statutory tax rate to the effective tax rate is as follows:

Fiscal	2003	2002	2001
Statutory tax rate	35.0%	35.0%	35.0%
State and Puerto Rico income taxes, net	2.6%	2.8%	2.4%
Nondeductible amortization	0.2%	0.6%	4.0%
Tax credits	(1.8%)	(2.1%)	(6.5%)
Other items	0.1%	0.0%	1.1%
Effective tax rate	36.1%	36.3%	36.0%

Tax credits result principally from operations in Puerto Rico and from qualified research and development expenditures, including orphan drug research. State income taxes are shown net of the federal deduction benefit.

Operations in Puerto Rico benefit from incentive grants from the government of Puerto Rico, which partially exempt the Company from income, property and municipal taxes. In fiscal 2001, a new tax grant was negotiated with the government of Puerto Rico extending tax incentives until fiscal 2010. This grant exempts all earnings during this grant period from tollgate tax upon repatriation of cash to the United States. In fiscal 2001, approximately $109,000,000 of cash from pre-fiscal 2001 earnings was repatriated to the United States. Prepaid tollgate tax of $1,508,000 was credited to the government of Puerto Rico to cover the tax due upon this repatriation.

Under Section 936 of the U.S. Internal Revenue Code, Mylan is a "grandfathered" entity and is entitled to the benefits under such statute through fiscal 2006. Our Section 936 federal tax credits totaled approximately $4,732,000 each year in fiscal 2003 and fiscal 2002.

Our federal income tax returns have been audited by the Internal Revenue Service through fiscal 2000.

Note 11.

Preferred and Common Stock

In fiscal 1985, the Board of Directors (the "Board") authorized 5,000,000 shares of $0.50 par value preferred stock. No shares of the preferred stock have been issued.

The Board adopted a Shareholder Rights Plan (the "Rights Plan") in fiscal 1996. The Rights Plan was adopted to provide our Board with sufficient time to assess and evaluate any takeover bid and explore and develop a reasonable response. Effective November 1999, the Rights Plan was amended to eliminate the special rights held by continuing directors. The Rights Plan will expire on September 5, 2006 unless it is extended or such rights are earlier redeemed or exchanged.

In May 2002, the Board approved a Stock Repurchase Program to purchase up to 15,000,000 shares of our outstanding common stock. This Stock Repurchase Program will be administered through open market or privately negotiated transactions. The purchase of common stock under this program will be at market prices. In fiscal 2003, 10,694,000 shares of common stock were purchased for approximately $240,541,000. Subsequent to March 31, 2003, and through May 28, 2003, 1,988,000 shares of common stock were purchased for approximately $55,357,000. In fiscal 2001, we completed a previously approved program with the purchase of 7,282,650 shares for $91,456,000.

In fiscal 2003, the Board approved, subject to approval by the shareholders, an increase in the number of authorized shares of common stock to 600,000,000. The meeting of shareholders is scheduled to take place in July 2003.

Note 12.

Stock Option Plan

In 1997, the Board adopted and the shareholders approved the *Mylan Laboratories Inc. 1997 Incentive Stock Option Plan* (the "Plan"), as amended. Under the Plan, up to 22,500,000 shares of the Company's common stock may be granted to officers, employees, non-employee directors and non-employee consultants and agents as either incentive stock options or nonqualified stock options. Options, which may be granted at not less than fair market value on the date of the grant, generally may be exercised within ten years from the date of grant. Nonqualified stock option grants generally vest on the date of grant or equally on the anniversary date of the grant for the first three years. Incentive stock option grants generally have one of the following two vesting schedules: 1) 25% two years from the date of grant, 25% at the end of year three and the remaining 50% at the end of year four or 2) 20% per year for five years. As of March 31, 2003, 4,477,229 shares are available for future grants.

In June 1992, the Board adopted the *1992 Non-employee Director Stock Option Plan* (the "Directors' Plan"), which was approved by the shareholders in April 1993. A total of 900,000 shares of the Company's common stock were reserved for issuance upon the exercise of stock options which vest at grant and may be granted at not less than fair market value on the date of grant. Options may be exercised within ten years from the date of grant. This plan expired on June 23, 2002.

Additional stock options are outstanding from the expired 1986 Incentive Stock Option Plan and other plans assumed through acquisitions.

The following table summarizes stock option activity:

	Number of Shares Under Option	Weighted Average Exercise Price Per Share
Outstanding at March 31, 2000	6,895,171	$ 12.29
Options granted	4,883,550	16.25
Options exercised	(618,291)	8.71
Options forfeited	(391,048)	16.27
Outstanding at March 31, 2001	10,769,382	14.15
Options granted	5,509,498	17.61
Options exercised	(2,266,149)	10.40
Options forfeited	(1,169,470)	16.86
Outstanding at March 31, 2002	12,843,261	16.05
Options granted	5,849,352	25.05
Options exercised	(2,301,107)	23.37
Options forfeited	(465,852)	19.00
Outstanding at March 31, 2003	**15,925,654**	**19.69**

The following table summarizes information about stock options outstanding as of March 31, 2003:

	Options Outstanding			Options Exercisable	
Ranges of Exercise Price Per Share	Number of Shares	Average Life[1]	Average Price[2]	Number of Shares	Average Price[2]
$ 4.66 – $ 16.21	2,412,535	6.14	$ 13.55	2,091,726	$ 13.28
16.46 – 17.01	2,100,972	7.82	16.59	1,405,349	16.62
17.21 – 17.21	3,176,273	8.20	17.21	845,866	17.21
17.38 – 18.71	2,959,413	8.07	18.18	1,496,637	18.21
19.10 – 28.75	2,134,961	9.16	21.68	748,108	21.19
29.04 – 29.04	3,141,500	9.99	29.04	18,228	29.04
$ 4.66 – $ 29.04	15,925,654	8.30	19.69	6,605,914	16.55

(1) Weighted average contractual life remaining in years.

(2) Weighted average exercise price per share.

The number of shares exercisable and the associated weighted average exercise price as of March 31, 2002 and 2001 were 5,248,092 shares at $14.19 per share and 5,112,958 shares at $11.50 per share, respectively.

SFAS No. 123 requires the calculation of the fair value of options granted during each fiscal year. The fair value of options granted in fiscal years 2003, 2002 and 2001, using the Black-Scholes option pricing model, and the assumptions used are as follows:

Fiscal	2003	2002	2001
Volatility	**44.0%**	48.0%	36.0%
Risk-free interest rate	**3.1%**	4.8%	5.5%
Dividend yield	**0.5%**	0.6%	0.6%
Expected term of options (in years)	**6.0**	5.4	5.8
Weighted average fair value per option	**$ 11.04**	$ 8.34	$ 6.66

Pro forma disclosure of net income and earnings per share had the Company applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation using the above assumptions is displayed in Note 2.

In consideration for the exercise of stock options, we received and recorded into treasury stock 15,212 shares valued at $344,000 in fiscal 2003, 121,680 shares valued at $2,716,000 in fiscal 2002 and 6,248 shares valued at $109,000 in fiscal 2001.

Note 13.

Employee Benefits

The Company has a plan covering substantially all employees to provide for limited reimbursement of postretirement supplemental medical coverage. In addition, in December 2001, the Supplemental Health Insurance Program for Certain Officers of Mylan Laboratories was adopted to provide full postretirement medical coverage to certain officers and their spouse and dependents. These plans generally provide benefits to employees who meet minimum age and service requirements. We account for these benefits under SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The amounts accrued related to these benefits were not material at March 31, 2003 and 2002.

We have defined contribution plans covering essentially all of our employees. Our defined contribution plans consist primarily of a 401(k) retirement plan with a profit sharing component for non-union employees and a 401(k) retirement plan for union employees. Profit sharing contributions are made at the discretion of the Board. The 401(k) company matching contributions are based upon employee contributions or service hours, depending upon the plan. Total employer contributions to all plans for fiscal years 2003, 2002 and 2001 were $9,742,000, $9,756,000 and $4,784,000, respectively.

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

The production and maintenance employees at the Company's manufacturing facilities in Morgantown, West Virginia, are covered under a collective bargaining agreement which expires in April 2007. These employees represent approximately 27% of the Company's total workforce at March 31, 2003.

Note 14.

Segment Reporting

We have two reportable operating segments, a Generic Segment and a Brand Segment, based on differences in products, marketing or regulatory approval. Additionally, certain general and administrative expenses, such as legal expenditures, litigation settlements, and non-operating income and expenses are reported in Corporate/Other.

Generic pharmaceutical products are therapeutically equivalent to a brand name product and are marketed primarily to wholesalers, retail pharmacy chains, mail-order pharmacies and group purchasing organizations. These products are approved for distribution by the U.S. Food and Drug Administration ("FDA") through the Abbreviated New Drug Application ("ANDA") process.

Brand pharmaceutical products are generally new, patent-protected products marketed directly to health care professionals. These products are approved by the FDA primarily through the New Drug Application ("NDA") process. Our Brand Segment also includes off-patent brand products, which have prescriber and customer loyalties and brand recognition, as well as branded generics which are responsive to promotional efforts.

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

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

(in thousands) Fiscal Year Ended March 31,	2003	2002	2001
Net revenues			
Generic	$ 1,012,617	$ 971,075	$ 675,118
Brand	256,575	132,975	171,578
Consolidated	$ 1,269,192	$ 1,104,050	$ 846,696
Depreciation and amortization expense			
Generic	$ 19,607	$ 20,365	$ 19,772
Brand	17,555	17,336	16,037
Corporate/Other	3,418	8,410	6,583
Consolidated	$ 40,580	$ 46,111	$ 42,392
Segment profit (loss)			
Generic	$ 454,043	$ 483,068	$ 187,115
Brand	32,682	(16,212)	26,146
Corporate/Other	(60,212)	(58,533)	(155,248)
Consolidated	$ 426,513	$ 408,323	$ 58,013
Property, plant and equipment additions			
Generic	$ 25,400	$ 14,313	$ 18,883
Brand	5,335	5,369	5,231
Corporate/Other	1,860	939	537
Consolidated	$ 32,595	$ 20,621	$ 24,651
March 31,			
Segment assets			
Generic	$ 536,171	$ 470,405	$ 631,629
Brand	213,016	209,603	251,801
Corporate/Other	996,036	939,872	589,070
Consolidated	$ 1,745,223	$ 1,619,880	$ 1,472,500

In fiscal 2003, Corporate/Other includes a net gain of $2,370 for litigation settlements. In fiscal 2001, Corporate/Other includes the expense of $147,000 for the settlement with the Federal Trade Commission and related litigation (see Note 17).

Note 15.

Commitments

We lease certain real property, primarily an office complex in Research Triangle Park, North Carolina, and several warehouses and other facilities, under various operating lease arrangements that expire over the next eight years. These leases generally provide us with the option to renew the lease at the end of the lease term. We have also entered into agreements to lease vehicles, which are typically 24 to 36 months, for use by our sales force and key employees. For fiscal years 2003, 2002 and 2001, we made lease payments of $5,640,000, $4,812,000 and $4,301,000, respectively.

Future minimum lease payments under these commitments are as follows:

(in thousands) Fiscal	Operating Leases
2004	3,084,000
2005	1,991,000
2006	1,672,000
2007	1,671,000
2008	1,849,000
Thereafter	611,000
	$ 10,878,000

We have entered into various product licensing and development agreements. In some of these arrangements, we provide funding for the development of the product or to obtain rights to the use of the patent, through milestone payments, in exchange for marketing and distribution rights to the product. Milestones represent the completion of specific contractual events, and it is uncertain if and when these milestones will be achieved. In the event that all projects are successful, milestone and development payments of approximately $16,000,000 would be paid over the next four years.

We have entered into employment agreements with certain executives that provide for compensation and certain other benefits. These agreements provide for severance payments under certain circumstances. Additionally, we have split-dollar life insurance agreements with certain retired executives.

In the normal course of business, Mylan periodically enters into employment, legal settlement and other agreements which incorporate indemnification provisions. While the maximum amount to which Mylan may be exposed under such agreements cannot be reasonably estimated, the Company maintains insurance coverage which management believes will effectively mitigate the Company's obligations under these indemnification provisions. No amounts have been recorded in the financial statements with respect to the Company's obligation under such agreements.

Note 16.

Related Parties

In July 2002, the Company terminated an agreement with a consulting firm that had been controlled by Mylan's Chief Executive Officer. This agreement was terminated prior to the Chief Executive Officer accepting his position with Mylan. Under the agreement, the consulting firm provided strategic advisory services to Mylan. While the agreement was in effect during fiscal 2003 and in fiscal years 2002 and 2001, the consulting firm was paid $380,000, $1,565,000 and $125,000, respectively.

A director of the Company is the chief executive officer of a bank in which the Company had on deposit $10,011,000 and $7,155,000 in a money market account representing 4% and 5% of the bank's total deposits at March 31, 2003 and 2002, respectively.

In February 2003, a director of the Company, who also became an officer of the Company in March 2002, terminated an "of counsel" relationship he had with a law firm that has been providing legal services to the Company for over 15 years. Fees paid to that firm for legal services rendered to the Company totaled $6,302,000, $3,325,000 and $1,218,000 in fiscal years 2003, 2002 and 2001, respectively.

A member of the Company's management is a consultant to a company that provides services to assist Mylan with its biostudies. He is currently a minority shareholder of that company; however, in prior years, was the principal owner. His son is the owner of a company that performs registry services for a product marketed by the Company. These agreements have varying terms with the latest expiring in 2010 and provide for the reimbursement of services on a cost plus basis. This member of management is also an investor in a company that provides on-site medical units to certain subsidiaries and whose son is a principal officer. Total expenses for all the services provided under these related party arrangements were $14,959,000, $8,356,000 and $9,405,000 in fiscal years 2003, 2002 and 2001, respectively.

Mylan holds an equity interest in a supplier. During fiscal years 2003, 2002 and 2001, Mylan paid $3,715,000, $18,287,000 and $1,168,000, respectively, to the supplier in return for certain raw materials used in production and $3,698,000 and $350,000 in fiscal 2003 and fiscal 2002, respectively, for royalties under a product licensing agreement with this supplier. No royalties were paid in fiscal 2001.

Note 17.

Contingencies

Legal Proceedings

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.

Paclitaxel

In June 2001, NAPRO Biotherapeutics Inc. ("NAPRO") and Abbott Laboratories Inc. ("Abbott") filed suit against the Company in the U.S. District Court for the Western District of Pennsylvania. Plaintiffs allege that the Company's manufacture, use and sale of its 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. The Company began selling its paclitaxel product in July 2001.

Nifedipine

In February 2001, Biovail Laboratories Inc. ("Biovail") filed suit against the Company and Pfizer Inc. ("Pfizer") in the U.S. District Court for the Eastern District of Virginia alleging antitrust violations with respect to agreements entered into between the Company and Pfizer regarding nifedipine. The Company filed a motion to transfer the case to the U.S. District Court for the Northern District of West Virginia, which was granted. The Company has 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, as well as Biovail, are seeking unspecified compensatory and treble damages, attorneys' fees, costs of litigation, restitution, disgorgement, and declaratory and injunctive relief.

Average Wholesale Price Litigation

The Company, 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. Plaintiffs seek equitable relief in the form of disgorgement and restitution, attorneys' fees and costs of litigation.

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, 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

Verapamil ER

In July 2001, Biovail filed a demand for arbitration against the Company with the American Arbitration Association. The dispute related to a supply agreement under which the Company supplied extended-release verapamil to Biovail. The Company previously identified this matter as a case in which an adverse outcome could have had a material adverse effect on the Company's financial position and results of operations. On March 31, 2003, the Company announced that an award had been entered by the arbitrators in Biovail's favor in the amount of approximately $4.2 million, plus interest, and the transfer to Biovail of certain know-how relating to the manufacture of verapamil. This amount was accrued for at March 31, 2003.

Zagam®

The Company 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. Federal District Court for the Western District of Pennsylvania in May 2001, and the defendants counterclaimed against the Company. The Company previously identified this matter as a case in which an adverse outcome could have had a material adverse effect on the 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 is to receive a payment of $12.5 million, the dismissal of the defendants' counterclaims and termination of the agreements in question.

Buspirone

In fiscal 2003, the Company reached an agreement in principle with Bristol-Myers Squibb ("BMS") which would resolve all disputes between the companies related to buspirone and paclitaxel, BMS' Buspar® and Taxol®, respectively, when finalized. That settlement has now become final and the Company has received a one-time payment of approximately $35.0 million, and non-exclusive, paid-up, royalty free, irrevocable licenses under any applicable BMS patents to manufacture, market and sell buspirone and paclitaxel. The $35.0 million is included in litigation settlements, net in the Consolidated Statements of Earnings.

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. Mylan's obligation was accrued at March 31, 2003. The co-defendants' contribution was subsequently increased by agreement with Mylan by an additional $10.0 million, which reduces Mylan's share of the total settlement to approximately $18.0 million. Mylan is to receive the $10.0 million in five annual payments of $2.0 million each. On April 11, 2003, the U.S. District Court for the District of Columbia granted tentative approval of the settlement of the class action. 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.

Independent Auditors' Report

Board of Directors and Shareholders
Mylan Laboratories Inc.:

We have audited the accompanying consolidated balance sheets of Mylan Laboratories Inc. and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Mylan Laboratories Inc. and subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for goodwill effective April 1, 2002.

Deloitte & Touche LLP
Pittsburgh, Pennsylvania
April 30, 2003 (May 28, 2003 as to Note 11)

Quarterly Financial Data

(in thousands, except per share data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year[1]
Fiscal 2003					
Net revenues	$ 275,473	$ 319,539	$ 320,494	$ 353,686	$ 1,269,192
Gross profit	147,602	166,732	169,576	187,526	671,436
Net earnings	61,849	68,229	68,432	73,843	272,353
Earnings per share:					
Basic	$ 0.33	$ 0.36	$ 0.37	$ 0.41	$ 1.47
Diluted	$ 0.32	$ 0.36	$ 0.37	$ 0.40	$ 1.45
Share prices[2]:					
High	$ 21.27	$ 22.62	$ 23.27	$ 29.04	$ 29.04
Low	$ 16.77	$ 18.33	$ 19.73	$ 23.66	$ 16.77
Fiscal 2002					
Net revenues	$ 237,933	$ 286,328	$ 297,191	$ 282,598	$ 1,104,050
Gross profit	121,859	163,777	177,372	160,931	623,939
Net earnings	50,648	64,136	78,176	67,291	260,251
Earnings per share:					
Basic	$ 0.27	$ 0.34	$ 0.41	$ 0.36	$ 1.38
Diluted	$ 0.27	$ 0.34	$ 0.41	$ 0.35	$ 1.36
Share prices[2]:					
High	$ 21.21	$ 23.77	$ 25.27	$ 24.13	$ 25.27
Low	$ 16.01	$ 18.87	$ 20.90	$ 19.64	$ 16.01

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

(2) New York Stock Exchange symbol: MYL

Board of Directors

Milan Puskar
Chairman of the Board

Robert J. Coury
Vice Chairman of the Board & Chief Executive Officer, Mylan Laboratories Inc.

Wendy Cameron
Former Vice President, Cameron Coca-Cola Bottling Company, Inc.

Laurence S. DeLynn
Retired Consultant

John C. Gaisford, MD
Director of Burn Research, West Penn Hospital

Douglas J. Leech
Chairman, President & CEO of Centra Bank, Inc. and Centra Financial Holdings, Inc.

Joseph C. Maroon, MD
Professor, Heindl Scholar in Neuroscience & Vice Chairman of the Department of Neurosurgery, University of Pittsburgh Medical Center

Patricia A. Sunseri
Senior Vice President, Public Relations, Mylan Laboratories Inc.

C.B. Todd
Retired, Former President & Chief Operating Officer, Mylan Laboratories Inc.

Randall L. Vanderveen, Ph.D.
Dean of the School of Pharmacy and the Graduate School of Pharmaceutical Science at Duquesne University

Stuart A. Williams, Esq.
Chief Legal Officer, Mylan Laboratories Inc.

Executive Officers

Robert J. Coury
Vice Chairman of the Board & Chief Executive Officer

Louis J. DeBone
President & Chief Operating Officer

Edward J. Borkowski
Chief Financial Officer

Stuart A. Williams, Esq.
Chief Legal Officer

John P. O'Donnell, Ph.D.
Chief Scientific Officer

Corporate Headquarters

Mylan Laboratories Inc.
1500 Corporate Drive, Suite 400
Canonsburg, Pennsylvania 15317
(724) 514-1800
www.mylan.com

NYSE Listing

Mylan common stock is listed
on the New York Stock Exchange.
(ticker symbol: MYL)

Certified Public Accountants

Deloitte & Touche LLP
Pittsburgh, Pennsylvania 15222

Annual Meeting of Shareholders

Friday, July 25, 2003, at 10:00 a.m.
The Westin Convention Center
1000 Penn Avenue
Pittsburgh, Pennsylvania 15222

Dividend Reinvestment Program

Shareholders of record have the opportunity to automatically reinvest their dividends in the Company's stock through this Automatic Dividend Reinvestment and Stock Purchase Plan. For more information and an enrollment form, visit our web site at http://www.mylan.com/shareholder/drip/

Shareholder Account Information

American Stock Transfer & Trust Company is the transfer agent, registrar, dividend disbursing agent and dividend reinvestment agent for the Company. Shareholders of record with questions about lost certificates, lost or missing dividend checks or notification of change of address should contact:
American Stock Transfer & Trust Company
59 Maiden Lane, Plaza Level
New York, NY 10038
(800) 937-5449
www.amstock.com

Form 10-K

A copy of the Company's Annual Report on Form 10-K may be obtained without charge through the Investor Relations Department at (724) 514-1800.
E-mail: investor_relations@mylan.com
Other SEC filings and company information, including press releases, can be found at http://www.mylan.com/shareholder

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