



**TARO** Pharmaceutical Industries Ltd

## Taro Reports Record Third Quarter and Nine-Month 2002 Results; 27th Consecutive Quarter of Record Sales 17th Consecutive Quarter of Record Net Income

October 24, 2002

HAWTHORNE, N.Y., Oct 24, 2002 (BUSINESS WIRE) -- Taro Pharmaceutical Industries Ltd. (Nasdaq/NMS: TARO)

### 3rd Quarter 2002 Highlights:

- Sales Increase 35% to \$55.5 Million
- Net Income Increases 58% to \$11.6 Million, or \$0.39 Per Diluted Share

### Facility Acquired for New U.S. Research Center

### Financial Highlights (\$000)(1)

3 Months Ended 9 Months Ended  
September 30, September 30,

	3 Months Ended September 30,			9 Months Ended September 30,		
	2002	2001	% Change	2002	2001	% Change
Net Sales	\$55,482	\$41,043	35%	\$149,605	\$105,771	41%
Gross Profit	\$33,923	\$25,788	32%	\$93,572	\$66,589	41%
Operating Income						
Before R&D	\$20,856	\$14,850	40%	\$56,113	\$35,401	59%
Operating Income	\$14,074	\$9,940	42%	\$37,733	\$21,579	75%
Net Income	\$11,563	\$7,338	58%	\$31,630	\$16,169	96%
EPS (diluted)	\$0.39	\$0.29		\$1.08	\$0.64	

(1) Except per share data.

Taro Pharmaceutical Industries Ltd. (Nasdaq/NMS: TARO) today reported record results for the Company's third quarter and the nine-month period ended September 30, 2002.

### Third Quarter Results

The third quarter results represent the Company's 27th consecutive quarter of record sales and its 17th consecutive quarter of record net income.

Third quarter 2002 sales increased 35% to \$55.5 million from \$41.0 million in the third quarter of 2001. Taro's gross profit in the third quarter of 2002 increased 32% to \$33.9 million, or 61% of sales, up from \$25.8 million, or 63% of sales, in the third quarter of the prior year. Selling, general and administrative expenses decreased as a percentage of sales to 24%, or \$13.1 million, compared with 27% of sales, or \$10.9 million, in the third quarter of 2001.

Operating income before R&D expenses increased to \$20.9 million, or 38% of sales, from \$14.9 million, or 36% of sales, for the third quarter of 2001. R&D expenses increased to \$6.8 million, or 12% of sales, compared with \$4.9 million, also 12% of sales, for the third quarter of 2001.

Net income for the quarter increased 58% to \$11.6 million, or \$0.39 per diluted share, compared with \$7.3 million, or \$0.29 per diluted share, for the third quarter of 2001.

"Growth in our business continued in the third quarter, even when compared to the third quarter of 2001, which was an outstanding quarter for Taro," stated Barrie Levitt, M.D., Chairman of the Company.

### Nine-Month Results

For the nine-month period ended September 30, 2002, sales increased 41% to a record \$149.6 million, compared with \$105.8 million for the same period in 2001. Taro's gross profit for the nine-month period increased by 41% to \$93.6 million, or 63% of sales, from \$66.6 million, also 63% of sales, for the same period in 2001. Selling, general and administrative expenses for the nine-month period decreased as a percentage of sales to 25%, or \$37.5 million, compared with 29% of sales, or \$31.2 million, for the same period in 2001.

Operating income before R&D expenses was \$56.1 million, or 38% of sales, up from \$35.4 million, or 33% of sales, for the same period in the prior year. R&D expenses increased to \$18.4 million, or 12% of sales, from \$13.8 million, or 13% of sales, for the same period in 2001.

Net income for the nine-month period increased 96% to a record \$31.6 million, or \$1.08 per diluted share, compared with \$16.2 million, or \$0.64 per diluted share, for the same period in 2001.

## Balance Sheet

At September 30, 2002, total assets were \$346.7 million, compared with \$307.8 million at the end of 2001. Cash and cash equivalents were \$135.1 million, compared with \$150.7 million at the end of 2001.

For the nine-month period, property, plant and equipment increased \$24.8 million to \$78.9 million. Deferred taxes and other assets, including those related to the acquisition of certain assets of Thames Pharmacal, Inc., increased \$8.0 million to \$27.4 million.

Shareholder's equity at September 30, 2002 was \$249.9 million, compared with \$218.4 million at the end of 2001.

## Facility Purchased to Establish New Research Operations

In August, the Company's U.S. subsidiary, Taro Pharmaceuticals U.S.A., Inc., ("Taro USA"), purchased a one-third interest in a building to house its U.S. research and development operations. After renovations, Taro USA will occupy 37,000 square feet of the newly purchased space, which is located in Hawthorne, New York.

"Taro is expanding its commitment to research and development," said Dr. Levitt. "This new center will enable us to augment our R&D operations in Israel and Canada by tapping into the large pool of pharmaceutical research talent in the New York tri-state area."

## FDA Filings

The Company has 15 Abbreviated New Drug Applications on file with the U.S. Food and Drug Administration, including one tentative approval. In addition, Taro has multiple regulatory filings in Canada, Israel and other countries around the world.

## Outlook

"Over the near term, Taro will focus on prudent investments in research, acquisitions, and increasing manufacturing capacity," said Dr. Levitt. "Our commitment is to ensure that we provide our customers with a continuous supply of the highest quality healthcare products."

## Conference Call

The Company will conduct a conference call to discuss third quarter and nine-month results on Thursday, October 24, 2002 at 11:30 a.m. Eastern Time (8:30 a.m. Pacific Time). The call will be available live via the Internet by accessing [www.taro.com](http://www.taro.com). For those who cannot listen to the live broadcast, an online replay will be available through October 31, 2002 on [www.taro.com](http://www.taro.com). A telephone replay will also be available through October 31, 2002 by dialing 800-428-6051 (domestic U.S.) or +973-709-2089 (international) and entering the passcode 264620 when prompted.

Taro Pharmaceutical Industries Ltd. is a multinational, science-based pharmaceutical company dedicated to meeting the needs of its customers through the discovery, development, manufacturing and marketing of the highest quality healthcare products.

Certain statements in this release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements that are not describing historical facts, and comments concerning new research operations in the U.S., investments in research and acquisitions, increasing manufacturing capacity, and distribution. Although Taro Pharmaceutical Industries Ltd. believes the expectations reflected in such forward-looking statements to be based on reasonable assumptions, it can give no assurances that its expectations will be attained. Factors that could cause actual results to differ include general economic conditions, industry and market conditions, slower than anticipated penetration of new markets, changes in the Company's financial position, regulatory actions and legislative actions in the countries in which Taro operates, and other risks detailed from time to time in the Company's SEC reports, including its 2001 Annual Report on Form 20-F.

## TARO PHARMACEUTICAL INDUSTRIES LTD. SUMMARY CONSOLIDATED BALANCE SHEETS (US dollars in thousands)

	SEPT. 30, 2002	DEC. 31, 2001
	-----	-----
Assets		
Current Assets:		
Cash and Cash Equivalents	\$135,132	\$150,732
Restricted Short-Term Bank Deposits	2,446	2,416
Accounts Receivable - Trade	56,277	41,131
Accounts Receivable - Other and Prepaid Expenses	9,691	8,134
Inventories	35,840	29,081
	-----	-----
Total Current Assets	239,386	231,494
Long Term Investments	1,040	2,838
Property, Plant and Equipment, net	78,858	54,024
Deferred Taxes and Other Assets	27,428	19,406

TOTAL ASSETS	----- \$346,712 =====	----- \$307,762 =====
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-Term Bank Credits	\$2,503	\$2,221
Current Maturities of Long-Term Liabilities	7,239	6,010
Accounts Payable and Accrued Expenses	32,061	26,552
	-----	-----
Total Current Liabilities	41,803	34,783
Long -Term Liabilities	49,406	49,285
Deferred Taxes and Other Liabilities	4,732	4,554
	-----	-----
Total Liabilities	95,941	88,622
Minority Interest	865	776
Shareholders' Equity	249,906	218,364
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$346,712 =====	\$307,762 =====

TARO PHARMACEUTICAL INDUSTRIES LTD.  
SUMMARY CONSOLIDATED STATEMENTS OF INCOME  
(US dollars in thousands, except per share data)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
SALES	\$55,482	\$41,043(1)	\$149,605	\$105,771(1)
Cost of Sales	21,559	15,255	56,033	39,182
	-----	-----	-----	-----
Gross Profit	33,923	25,788	93,572	66,589
Operating Expenses:				
selling, General				
and Administrative	13,067	10,938(1)	37,459	31,188(1)
	-----	-----	-----	-----
Operating Income before				
Research and Development	20,856	14,850	56,113	35,401
Research and Development	6,782	4,910	18,380	13,822
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Operating Income	14,074	9,940	37,733	21,579
Financial Expenses - Net	283	860	379	2,692
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	13,791	9,080	37,354	18,887
Other Income - Net	34	(9)	31	152
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	13,825	9,071	37,385	19,039
Taxes on Income	2,252	1,712	5,666	2,846
	-----	-----	-----	-----
	11,573	7,359	31,719	16,193
Minority Share in				
Profits of Subsidiary	10	21	89	24
	-----	-----	-----	-----
NET INCOME	\$11,563	\$7,338	\$31,630	\$16,169
	=====	=====	=====	=====
Earnings per				
Ordinary Share	\$0.40	\$0.34	\$1.10	\$0.74
Diluted Earnings				
per Ordinary Share	\$0.39	\$0.29	\$1.08	\$0.64
Weighted Average				
Number of Shares-				
BASIC EPS	28,659,401	21,877,833	28,641,209	21,724,762
DILUTED EPS	29,372,390	25,517,223	29,380,312	25,298,287

(1) Reclassified.

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