



**TARO** Pharmaceutical Industries Ltd

## Taro Reports Record 2nd Quarter & Six-Month 2003 Results

July 24, 2003

HAWTHORNE, N. Y.--(BUSINESS WIRE)--July 24, 2003--

30th Consecutive Quarter of Record Sales;  
20th Consecutive Quarter of Record Net Income

### Second Quarter 2003 Highlights:

- Sales Increase 51% to \$74.8 Million
- Gross Profit Increases 62% to \$50.0 Million
- Net Income Increases 45% to \$14.8 Million, or \$0.50 Per Diluted Share
- Taro to launch ElixSure(TM) OTC products based on proprietary NonSpil(TM) delivery system

### Financial Highlights (\$000)

|                                | 3 Months Ended |          | %<br>Change | 6 Months Ended |          | %<br>Change |
|--------------------------------|----------------|----------|-------------|----------------|----------|-------------|
|                                | June 30,       | 2002     |             | June 30,       | 2002     |             |
| Sales                          | \$74,753       | \$49,583 | 51%         | \$143,721      | \$94,123 | 53%         |
| Gross Profit                   | \$50,007       | \$30,808 | 62%         | \$94,387       | \$59,649 | 58%         |
| Operating Income<br>Before R&D | \$27,604       | \$18,161 | 52%         | \$54,443       | \$35,257 | 54%         |
| Operating Income               | \$18,010       | \$11,914 | 51%         | \$36,126       | \$23,659 | 53%         |
| Net Income                     | \$14,818       | \$10,192 | 45%         | \$28,807       | \$20,067 | 44%         |
| Diluted EPS                    | \$0.50         | \$0.35   | \$0.97      | \$0.68         |          |             |

Taro Pharmaceutical Industries Ltd. (Nasdaq/NMS:TARO) today reported record sales and earnings for the Company's second quarter and six months ended June 30, 2003.

### Second Quarter 2003 Results

The second quarter of 2003 represents Taro's 30th consecutive quarter of record sales and 20th consecutive quarter of record net income.

Taro's second quarter sales increased 51% to \$74.8 million, compared with \$49.6 million in the second quarter of 2002. Gross profit for the quarter increased 62% to \$50.0 million, or 67% of sales, compared with \$30.8 million, or 62% of sales, for the second quarter of 2002.

Selling, general and administrative expenses for the quarter were \$22.4 million, or 30% of sales, compared with \$12.6 million, or 26% of sales, in the year-ago quarter. The increase in selling, general and administrative expenses as a percentage of sales primarily reflects costs associated with the Company's newly established proprietary product divisions, TaroPharma and Taro Consumer Healthcare Products.

Operating income before R&D expenses increased 52% to \$27.6 million, or 37% of sales, compared with \$18.2 million, or 37% of sales, for the second quarter of 2002. R&D expenses were \$9.6 million, or 13% of sales, compared with \$6.2 million, or 13% of sales, for the year-ago quarter. Operating income increased 51% to \$18.0 million, or 24% of sales, compared with \$11.9 million, or 24% of sales, in the second quarter of 2002.

Net income for the quarter increased 45% to \$14.8 million, or \$0.50 per diluted share, compared with \$10.2 million, or \$0.35 per diluted share, for the year-ago quarter.

"The Company has continued to produce excellent results in the second quarter," stated Barrie Levitt, M.D., Chairman of the Company, "while investing in our two new divisions for proprietary products: TaroPharma, the Company's platform for direct-to-physician marketing of proprietary products, and Taro Consumer Healthcare Products, our division for marketing proprietary over-the-counter products."

#### First Half 2003 Results

Taro's sales for the first half of 2003 increased 53% to \$143.7 million, compared with \$94.1 million for the same period in 2002. The Company's gross profit in the six-month period increased 58% to \$94.4 million, or 66% of sales, compared with \$59.6 million, or 63% of sales, for the same period in 2002.

Selling, general and administrative expenses for the period were \$39.9 million, or 28% of sales, compared with \$24.4 million, or 26% of sales, for the year-ago period.

Operating income before R&D expenses increased 54% to \$54.4 million, or 38% of sales, compared with \$35.3 million, or 37% of sales, for the first half of 2002. R&D expenses were \$18.3 million, or 13% of sales, compared with \$11.6 million, or 12% of sales, for the year-ago period. Operating income increased 53% to \$36.1 million, or 25% of sales, compared with \$23.7 million, or 25% of sales, for the same period of 2002.

Net income increased 44% to \$28.8 million, or \$0.97 per diluted share, compared with \$20.1 million, or \$0.68 per diluted share, for the year-ago period.

#### Strong Financial Position

At June 30, 2003, Taro's total assets were \$498.1 million, an increase of \$118.3 million, compared with \$379.8 million at December 31, 2002.

Taro's financial condition was strengthened in June 2003 by the Company's completion of a \$60 million debt offering. Taro plans to utilize the proceeds from the debt offering for capital investments, potential acquisitions and general corporate purposes.

Total liabilities were \$191.8 million, an increase of \$82.3 million, compared with \$109.5 million at the end of 2002. The increase of \$82.3 million in total liabilities includes the \$60 million debt offering.

Shareholders' equity at June 30, 2003 was \$304.9 million, an increase of \$35.8 million, compared with \$269.1 million at the end of 2002.

#### Ammonium Lactate Cream Approved

In April, Taro's U.S. affiliate received approval of its Abbreviated New Drug Application ("ANDA") for ammonium lactate cream, 12% from the U.S. Food and Drug Administration ("FDA"). The product is bioequivalent to Bristol-Myers Squibb's Lac-Hydrin(R) cream. Ammonium lactate cream is a prescription product used for the treatment of dry, scaly skin (xerosis) and ichthyosis vulgaris and for temporary relief of itching associated with these conditions. According to industry sources, U.S. sales of ammonium lactate cream products were approximately \$34.5 million in 2002.

#### ElixSure(TM) Launch

In June 2003, Taro announced plans for the launch of a line of over-the-counter ("OTC") cough and cold products based on the Company's patented NonSpil(TM) liquid drug delivery system. Three single-symptom products will be marketed under Taro's ElixSure(TM) brand name. The ElixSure(TM) medications, for fever/pain, cough and congestion, will utilize the Company's unique spill-resistant delivery system, which pours like a liquid but resists spilling. These spill-resistant pediatric formulations are designed to provide parents with increased accuracy and ease of dosing. Taro is developing additional products using the NonSpil(TM) delivery system.

"Giving liquid medicines to children can be frustrating for parents, doctors and children at a time when the emphasis should be on comforting a sick child," said Dr. Levitt. "An unpleasant struggle often develops, which can result in spills, stains and inaccurate dosages of medicine. ElixSure's spill-resistant formulations may go a long way towards solving this problem. Of course, the success of the launch will depend upon consumer acceptance of this new delivery system," said Dr. Levitt.

The ElixSure(TM) product line will be launched by the Taro Consumer Healthcare Products division ("TCHP"). Earlier this year TCHP launched Kerasal(R), a unique, exfoliating moisturizer for the feet.

#### U.S. FDA Filings

Currently, Taro has 32 filings at the FDA. These consist of 29 ANDAs, including a tentative approval for Loratadine syrup, plus 2 unique supplemental ANDAs and one New Drug Application related to Taro's NonSpil(TM) liquid drug delivery system. The ANDAs address U.S. markets with annual sales in excess of \$1 billion.

#### Outlook

"We are continuing to invest in the expansion and diversification of Taro's manufacturing, marketing and research operations. These investments are building the infrastructure that we believe is required to support the Company's growth," said Dr. Levitt.

#### Conference Call

The Company will conduct a conference call to discuss second quarter and six month results on Thursday, July 24, 2003 at 11 a.m. Eastern Time (8 a.m. Pacific Time). The call will be available live via the Internet by accessing [www.taro.com](http://www.taro.com). An online replay will be available through July 31, 2003 on [www.taro.com](http://www.taro.com). A telephone replay will also be available through July 31, 2003 by dialing 1-800-428-6051 (domestic U.S.) or +973-709-2089 (international) and entering the passcode 300842 when prompted.

Taro 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.

For further information on Taro Pharmaceutical Industries Ltd., please visit the Company's website at [www.taro.com](http://www.taro.com).

SAFE HARBOR STATEMENT

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 uses of the proceeds of Taro's June 2003 debt offering, marketing of generic products such as Taro's ammonium lactate cream, 12%, marketing of proprietary products including Kerasal(R) and ElixSure(TM) products, the potential benefits of ElixSure(TM) products, initiatives undertaken by the TaroPharma and Taro Consumer Healthcare Products divisions, Taro's filings with the FDA, the expansion and diversification of Taro's operations and the Company's growth. 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, future demand and market size for products under development, marketplace acceptance of new or existing products, either generic or proprietary, and other risks detailed from time to time in the Company's SEC reports, including its 2002 Annual Report on Form 20-F.

TARO PHARMACEUTICAL INDUSTRIES LTD.

SUMMARY CONSOLIDATED BALANCE SHEETS

(US dollars in thousands)

|  | JUNE<br>30,<br>2003 | DECEMBER<br>31,<br>2002 |
|--|---------------------|-------------------------|
| -----  |                     |                         |
| Assets   |                     |                         |
| Current Assets:                                  |                     |                         |
| Cash and Cash Equivalents                        | \$152,780           | \$130,717               |
| Restricted Short-Term Bank Deposits              | 2,516               | 2,468                   |
| Accounts Receivable - Trade                      | 81,629              | 69,038                  |
| Accounts Receivable - Other and Prepaid Expenses | 10,926              | 12,453                  |
| Inventories                                      | 61,628              | 42,439                  |
| Total Current Assets                             | 309,479             | 257,115                 |
| Long Term Investments                            | 3,244               | 1,348                   |
| Property, Plant and Equipment, net               | 140,290             | 93,358                  |
| Deferred Taxes and Other Assets                  | 45,105              | 28,024                  |
| TOTAL ASSETS                                     | \$498,118           | \$379,845               |
| Liabilities and Shareholders' Equity             |                     |                         |
| Current Liabilities:                             |                     |                         |
| Short-Term Bank Credits                          | \$2,301             | \$2,310                 |
| Current Maturities of Long-Term Liabilities      | 20,916              | 7,962                   |
| Accounts Payable and Accrued Expenses            | 52,759              | 47,972                  |
| Total Current Liabilities                        | 75,976              | 58,244                  |
| Long -Term Liabilities                           | 111,332             | 47,127                  |
| Deferred Taxes and Other Liabilities             | 4,483               | 4,178                   |
| Total Liabilities                                | 191,791             | 109,549                 |
| Minority Interest                                | 1,403               | 1,159                   |
| Shareholders' Equity                             | 304,924             | 269,137                 |
| -----  |                     |                         |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY       | \$498,118           | \$379,845               |

TARO PHARMACEUTICAL INDUSTRIES LTD.

SUMMARY CONSOLIDATED STATEMENTS OF INCOME

(US dollars in thousands, except per share data)

|               | Quarter Ended |          | Six Months Ended |          |
|---------------|---------------|----------|------------------|----------|
|               | June 30,      |          | June 30          |          |
|               | 2003          | 2002     | 2003             | 2002     |
| -----         |               |          |                  |          |
| SALES         | \$74,753      | \$49,583 | \$143,721        | \$94,123 |
| Cost of Sales | 24,746        | 18,775   | 49,334           | 34,474   |
| Gross Profit  | 50,007        | 30,808   | 94,387           | 59,649   |

|  |          |          |          |          |
|--|----------|----------|----------|----------|
| Operating Expenses:                              |          |          |          |          |
| Selling, General and Administrative              | 22,403   | 12,647   | 39,944   | 24,392   |
| Operating Income before Research and Development | 27,604   | 18,161   | 54,443   | 35,257   |
| Research and Development                         | 9,594    | 6,247    | 18,317   | 11,598   |
| Operating Income                                 | 18,010   | 11,914   | 36,126   | 23,659   |
| Financial and Other Expenses Net                 | 321      | 157      | 583      | 99       |
|  | 17,689   | 11,757   | 35,543   | 23,560   |
| Taxes on Income                                  | 2,757    | 1,542    | 6,492    | 3,414    |
|  | 14,932   | 10,215   | 29,051   | 20,146   |
| Minority Share in Profits of Subsidiary          | 114      | 23       | 244      | 79       |
| NET INCOME                                       | \$14,818 | \$10,192 | \$28,807 | \$20,067 |

|                                     |        |        |        |        |
|-------------------------------------|--------|--------|--------|--------|
| Earnings per Ordinary Share         | \$0.51 | \$0.36 | \$1.00 | \$0.70 |
| Diluted Earnings per Ordinary Share | \$0.50 | \$0.35 | \$0.97 | \$0.68 |

Weighted Average Number of Shares:

|         |            |            |            |            |
|---------|------------|------------|------------|------------|
| BASIC   | 28,861,534 | 28,641,497 | 28,826,449 | 28,631,252 |
| DILUTED | 29,658,734 | 29,344,769 | 29,574,611 | 29,383,412 |

CONTACT: Taro Pharmaceutical Industries Ltd. Dan Saks, 914-345-9000 ext. 208  
Kevin Connelly, 914-345-9000 ext. 338

SOURCE: Taro Pharmaceutical Industries Ltd.