

TEVA PHARMACEUTICAL INDUSTRIES LTD  
Form 6-K  
August 04, 2003  
**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16**

**under the Securities Exchange Act of 1934**

For the month of August 2003

Commission File Number 0-16174

**Teva Pharmaceutical Industries Limited**

(Translation of registrant's name into English)

**5 Basel Street, P.O. Box 3190**

**Petach Tikva 49131 Israel**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also hereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g(3)-2(b): 82-\_\_\_\_\_

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

(An Israeli Corporation)

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## TEVA PHARMACEUTICAL INDUSTRIES LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(U.S. dollars in millions, except earnings per ADR)

(Unaudited)

|   | Three Months Ended June 30, |          | Six Months Ended June 30, |            |
|---|-----------------------------|----------|---------------------------|------------|
|   | 2003                        | 2002     | 2003                      | 2002       |
| Net Sales   | \$ 764.4                    | \$ 572.0 | \$ 1,521.8                | \$ 1,117.1 |
| Cost of Sales                                       | 404.1                       | 324.9    | 813.1                     | 631.5      |
| Gross Profit  | 360.3                       | 247.1    | 708.7                     | 485.6      |
| Research and development expenses:                  |                             |          |                           |            |
| Total expenses                                      | 54.9                        | 44.8     | 104.6                     | 84.8       |
| Less - participations and grants                    | 6.4                         | 8.0      | 9.7                       | 12.9       |
|   | 48.5                        | 36.8     | 94.9                      | 71.9       |
| Selling, general and administrative expenses        | 129.9                       | 97.4     | 252.6                     | 189.5      |
|   | 181.9                       | 112.9    | 361.2                     | 224.2      |
| Income from GlaxoSmithKline litigation settlement   | 100.0                       | -        | 100.0                     | -          |
| Restructuring expenses                              | 7.4                         | -        | 7.4                       | -          |
| Operating income                                    | 274.5                       | 112.9    | 453.8                     | 224.2      |
| Financial expenses - net                            | 8.9                         | 3.6      | 12.9                      | 10.9       |
| Income before income taxes                          | 265.6                       | 109.3    | 440.9                     | 213.3      |
| Income taxes  | 54.9                        | 17.4     | 92.6                      | 35.7       |
|   | 210.7                       | 91.9     | 348.3                     | 177.6      |
| Share in profits of associated companies - net      | 0.1                         | 0.3      | 0.2                       | 0.7        |
| Minority interests in profits of subsidiaries - net | (0.4)                       | (0.3)    | (0.4)                     | (0.8)      |
| Net income  | \$ 210.4                    | \$ 91.9  | \$ 348.1                  | \$ 177.5   |
| Earnings per ADR:                                   |                             |          |                           |            |
| Basic   | \$ 0.79                     | \$ 0.35  | \$ 1.31                   | \$ 0.67    |
| Diluted   | \$ 0.75                     | \$ 0.34  | \$ 1.25                   | \$ 0.66    |

Weighted average number of ADRs (in millions):

|         |       |       |       |       |
|---------|-------|-------|-------|-------|
| Basic   | 265.6 | 264.4 | 265.3 | 264.4 |
| Diluted | 284.8 | 280.4 | 283.2 | 280.4 |

**The accompanying notes are an integral part of the condensed financial statements.**

\_\_\_\_(1)\_\_\_\_

## TEVA PHARMACEUTICAL INDUSTRIES LIMITED

## CONDENSED CONSOLIDATED BALANCE SHEETS

(U.S. dollars in millions)

|   | <b>June 30,</b><br>2003<br>Unaudited | <b>December 31,</b><br>2002<br>Audited |
|---|--------------------------------------|--|
| <b>ASSETS</b>   |                                      |  |
| <b>Current assets:</b>                                |                                      |  |
| Cash and cash equivalents                             | \$ 879.3                             | \$ 809.9                               |
| Short-term investments                                | 289.3                                | 235.7                                  |
| Accounts receivable:                                  |                                      |  |
| Trade   | 851.6                                | 855.8                                  |
| Other   | 285.1                                | 218.9                                  |
| Inventories   | 898.2                                | 781.1                                  |
| Total current assets                                  | 3,203.5                              | 2,901.4                                |
| <b>Investments and other assets</b>                   | 422.2                                | 313.5                                  |
| <b>Property, plant and equipment, net</b>             | 717.2                                | 675.4                                  |
| <b>Intangible assets and debt issuance costs, net</b> | 280.5                                | 176.2                                  |
| <b>Goodwill</b>                                       | 610.6                                | 560.3                                  |
| Total assets  | \$ 5,234.0                           | \$ 4,626.8                             |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |                                      |  |
| <b>Current liabilities:</b>                           |                                      |  |
| Short-term credit                                     | \$ 224.8                             | \$ 176.1                               |
| Accounts payable and accruals                         | 941.6                                | 785.7                                  |
| Convertible senior debentures                         | 565.1                                | 562.4                                  |
| Total current liabilities                             | 1,731.5                              | 1,524.2                                |
| <b>Long-term liabilities:</b>                         |                                      |  |
| Deferred income taxes                                 | 42.0                                 | 43.7                                   |
| Employee related obligations                          | 73.4                                 | 63.2                                   |
| Loans and other liabilities                           | 366.3                                | 351.4                                  |
| Convertible senior debentures                         | 810.0                                | 810.0                                  |
| Total long-term liabilities                           | 1,291.7                              | 1,268.3                                |

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|   |            |            |
|---|------------|------------|
| Total liabilities   | 3,023.2    | 2,792.5    |
| <b>Minority interests</b>   | 5.2        | 4.9        |
| <b>Shareholders` equity:</b>  |            |            |
| Ordinary shares of NIS 0.10 par value;<br>June 30, 2003 and December 31, 2002:<br>authorized - 999.6 million shares; issued and<br>outstanding - 264.0 million shares and<br>263.2 million shares, respectively | 34.0       | 33.9       |
| Additional paid-in capital  | 493.5      | 481.5      |
| Deferred compensation   | (0.1)      | (0.1)      |
| Retained earnings   | 1,656.8    | 1,345.7    |
| Accumulated other comprehensive income  | 70.6       | 17.3       |
| Cost of company shares held by subsidiaries - June 30, 2003<br>and December 31, 2002 - 4.5 million ordinary shares<br>and 4.6 million ordinary shares, respectively   | (49.2)     | (48.9)     |
| Total shareholders` equity  | 2,205.6    | 1,829.4    |
| Total liabilities and shareholders` equity  | \$ 5,234.0 | \$ 4,626.8 |

**The accompanying notes are an integral part of the condensed financial statements.**

\_\_\_\_(2)\_\_\_\_

## TEVA PHARMACEUTICAL INDUSTRIES LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in millions)

(Unaudited)

|  | Three Months Ended<br>June 30, |                | Six Months Ended June<br>30, |                |
|--|--------------------------------|----------------|------------------------------|----------------|
|  | 2003                           | 2002           | 2003                         | 2002           |
| <b>Cash flows from operating activities:</b>   |                                |                |                              |                |
| Net Income   | \$ 210.4                       | \$ 91.9        | \$ 348.1                     | \$ 177.5       |
| Adjustments to reconcile net income to net cash<br>provided by operating activities: |                                |                |                              |                |
| Income and expenses not involving cash flows*  | (63.9)                         | 16.9           | (56.5)                       | 36.6           |
| Changes in certain assets and liabilities  | (48.4)                         | 21.1           | 10.1                         | 18.9           |
| <b>Net cash provided by operating activities</b>                                     | <b>98.1</b>                    | <b>129.9</b>   | <b>301.7</b>                 | <b>233.0</b>   |
| <b>Cash flows from investing activities:</b>   |                                |                |                              |                |
| Purchase of property, plant and equipment  | (47.7)                         | (41.6)         | (84.6)                       | (69.0)         |
| Acquisition of subsidiaries  | -                              | (153.6)        | -                            | (153.6)        |
| Acquisition of intangible assets   | (4.6)                          | (6.6)          | (10.0)                       | (8.3)          |
| Proceeds from sale of property, plant and equipment                                  | 0.1                            | 4.0            | 0.5                          | 11.8           |
| Acquisition of long-term investments and other assets                                | (88.3)                         | (4.0)          | (171.6)                      | (161.5)        |
| Proceeds from sale of long term investments  | 53.2                           | 3.9            | 58.4                         | 3.9            |
| Net decrease (increase) in short-term investments                                    | (65.0)                         | 10.0           | (41.5)                       | 20.5           |
| <b>Net cash used in investing activities</b>   | <b>(152.3)</b>                 | <b>(187.9)</b> | <b>(248.8)</b>               | <b>(356.2)</b> |
| <b>Cash flows from financing activities:</b>   |                                |                |                              |                |
| Proceeds from exercise of options by employees                                       | 6.8                            | 1.8            | 16.8                         | 2.6            |
| Cost of acquisition of Company shares, net of proceeds from<br>sale                  | 0.3                            | (1.7)          | (0.3)                        | (2.6)          |
| Discharge of long-term loans and other long-term liabilities                         | (0.5)                          | (0.6)          | (3.7)                        | (0.8)          |
| Net increase (decrease) in short-term credit   | 12.4                           | (15.9)         | 32.8                         | (54.5)         |



|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Dividends paid  | (19.0)   | (12.8)   | (37.0)   | (23.3)   |
| <b>Net cash provided by (used in) financing activities</b>              | -        | (29.2)   | 8.6      | (78.6)   |
| <b>Translation differences on cash balances of certain subsidiaries</b> | 4.1      | 9.7      | 7.9      | 9.2      |
| <b>Net increase (decrease) in cash and cash equivalents</b>             | (50.1)   | (77.5)   | 69.4     | (192.6)  |
| <b>Balance of cash and cash equivalents at beginning of period</b>      | 929.4    | 653.8    | 809.9    | 768.9    |
| <b>Balance of cash and cash equivalents at end of period</b>            | \$ 879.3 | \$ 576.3 | \$ 879.3 | \$ 576.3 |

\* In connection with the settlement agreement with GlaxoSmithKline ("GSK") the Company received product rights relating to Purinethol<sup>®</sup> and recorded a one-time non cash income of \$100 million (before taxes) representing the value of the product rights, see Note 9.

**The accompanying notes are an integral part of the condensed financial statements.**

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TEVA PHARMACEUTICAL INDUSTRIES LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(U.S. dollars in millions)

(Unaudited)

**NOTE 1 - Basis of Presentation:**

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial condition and results of operations of Teva Pharmaceutical Industries Limited (the "Company"). These consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company's audited financial statements included in the Company's report on Form 20-F for the year ended December 31, 2002, as filed with the Securities and Exchange Commission. The results of operations for the three months and six months ended June 30, 2003 are not necessarily indicative of results that could be expected for the entire fiscal year.

**NOTE 2 - Earnings per American Depositary Receipt ("ADR"):**

Basic earnings per ADR are computed by dividing net income by the weighted average number of ADRs/ordinary shares and ordinary "A" shares (including special shares exchangeable into ordinary shares), outstanding during the period, net of Company shares held by subsidiaries.

In computing diluted earnings per ADR, basic earnings per ADR are adjusted to take into account the potential dilution that could occur upon: (1) the conversion of the convertible senior debentures due 2005, using the if-converted method, by adding to net income interest expense on these debentures and issuance costs, net of tax benefits, and by adding the weighted average number of shares issued upon assumed conversion of these debentures (no account was taken of the potential dilution that could occur upon the conversion of the convertible senior debentures due 2021 and 2022, since as at June 30, 2003, the conditions necessary for conversion of such debentures have not been satisfied); and (2) the exercise of options granted under employee stock option plans, using the treasury stock method.

Subsequent to June 30, 2003, the conditions for conversion of the debentures due 2021 and 2022 have been satisfied. Accordingly, diluted earnings per ADR for the third quarter of 2003 will be calculated after taking into account the potential dilution that could occur upon the conversion of such debentures.

**NOTE 3 - Stock based compensation:**

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The Company accounts for its employee stock option plans using the intrinsic value based method of accounting prescribed by APB 25 and related interpretations. The following table illustrates the effect on net income and earning per ADR, assuming the Company had applied the fair value recognition provisions of FAS 123 (as amended by FAS 148) to its stock-based employee compensation:

|   | Three Months Ended                   |         | Six Months Ended |          |
|---|--------------------------------------|---------|------------------|----------|
|   | June 30,<br>2003                     | 2002    | June 30,<br>2003 | 2002     |
|   | In millions, except earnings per ADR |         |                  |          |
| Net income, as reported   | \$ 210.4                             | \$ 91.9 | \$ 348.1         | \$ 177.5 |
| Add: amortization of deferred compensation related to employee stock option plans, included in condensed consolidated statements of income, net of related tax Effect | *                                    | *       | *                | *        |
| Deduct: amortization of deferred compensation, at fair value, net of related tax effect   | 14.6                                 | 15.5    | 27.9             | 30.2     |
| Pro forma net income  | \$ 195.8                             | \$ 76.4 | \$ 320.2         | \$ 147.3 |
| Earnings per ADR  |                                      |         |                  |          |
| Basic - as reported   | \$ 0.79                              | \$ 0.35 | \$ 1.31          | \$ 0.67  |
| Basic - pro forma   | \$ 0.74                              | \$ 0.29 | \$ 1.21          | \$ 0.56  |
| Diluted - as reported   | \$ 0.75                              | \$ 0.34 | \$ 1.25          | \$ 0.66  |
| Diluted - pro forma   | \$ 0.69                              | \$ 0.28 | \$ 1.14          | \$ 0.55  |

\* Represents an amount of less than \$0.1 million

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TEVA PHARMACEUTICAL INDUSTRIES LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(U.S. dollars in millions)

(Unaudited)

**NOTE 4 - Inventories:**

Inventories consisted of the following:

|  | June 30,<br>2003<br>Unaudited | December 31,<br>2002<br>Audited |
|--|-------------------------------|---------------------------------|
| Raw and packaging materials                  | \$ 244.1                      | \$ 210.8                        |
| Products in process                          | 145.5                         | 133.4                           |
| Finished products                            | 412.9                         | 370.4                           |
| Purchased products                           | 73.8                          | 60.1                            |
|  | 876.3                         | 774.7                           |
| Materials in transit and payments on account | 21.9                          | 6.4                             |
|  | \$ 898.2                      | \$ 781.1                        |

**NOTE 5 - Comprehensive income:**

Comprehensive income for the Company is as follows: