

TEVA PHARMACEUTICAL INDUSTRIES LTD

Form 424B5

January 23, 2004

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Filed pursuant to Rule 424(B)(5)

Registration No. 333-111144

PROSPECTUS SUPPLEMENT

(To Prospectus dated January 16, 2004)

**\$1,000,000,000**

## **Teva Pharmaceutical Finance II, LLC**

**0.50% Series A Convertible Senior Debentures due 2024**

**0.25% Series B Convertible Senior Debentures due 2024**

**Payment of principal and interest unconditionally guaranteed by and convertible into American Depositary Receipts of**

## **Teva Pharmaceutical Industries Limited**

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This is an offering by Teva Pharmaceutical Finance II, LLC ( *Teva Finance* ) of \$400,000,000 of its 0.50% Series A Convertible Senior Debentures due 2024 and \$600,000,000 of its 0.25% Series B Convertible Senior Debentures due 2024. *Teva Finance* will pay interest on the debentures on February 1 and August 1 of each year, beginning August 1, 2004. Payment of all principal and interest payable on the debentures are unconditionally guaranteed by Teva Pharmaceutical Industries Limited ( *Teva* ).

Holders of the debentures may convert them into American Depositary Receipts of Teva, at a rate of 13.1925 ADRs per \$1,000 principal amount in the case of the Series A debentures and 14.1819 ADRs per \$1,000 principal amount in the case of the Series B debentures (equal to a conversion price of approximately \$75.80 per ADR in the case of the Series A debentures and approximately \$70.51 per ADR in the case of the Series B debentures), subject to adjustment as described in this prospectus supplement, only during specified periods following the occurrence of one of the following events:

- the trading price of Teva's ADRs over a specified period of time is more than 130% of the conversion price;
- the trading price of the debentures over a specified period of time is less than 98% of the average conversion value;

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the senior unsecured debt rating assigned to Teva by Standard and Poor's is below BB+;  
Teva Finance has called the debentures for redemption; or  
a specified corporate transaction.

On or after August 1, 2008, in the case of the Series A debentures and on or after February 1, 2010, in the case of the Series B debentures, Teva Finance may redeem some or all of the debentures of that series at a redemption price equal to the principal amount of the debentures, plus accrued and unpaid interest.

Holders of the Series A debentures may require Teva Finance to repurchase their Series A debentures on August 1, 2008, February 1, 2014 and February 1, 2019. Holders of the Series B debentures may require Teva Finance to repurchase their Series B debentures on February 1, 2010, February 1, 2014 and February 1, 2019. Holders of the debentures may require Teva Finance to repurchase their debentures upon a change of control or a termination of trading.

Teva's ADRs are quoted on the Nasdaq National market under the symbol of "TEVA". The last reported sale price of the ADRs on January 21, 2004, was \$58.76 per ADR. Each ADR currently represents one ordinary share of Teva. Our ordinary shares are traded on the Tel Aviv Stock Exchange.

The debentures will be unsecured senior obligations of Teva Finance, and the guarantee will be an unsecured senior obligation of Teva. Teva Finance is an indirect subsidiary of Teva. As of September 30, 2003, Teva had approximately \$1,968.5 million of outstanding indebtedness.

*Investing in the debentures involves risks. See **Risk Factors** beginning on page S-6 of this prospectus supplement and page 3 of the accompanying prospectus.*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Series A		Per Series B	
	Debenture	Total	Debenture	Total
Offering Price	100.000%	\$ 400,000,000	100.000%	\$ 600,000,000
Underwriting Discount	1.625%	\$ 6,500,000	1.625%	\$ 9,750,000
Proceeds to Teva Finance (before expenses)	98.375%	\$ 393,500,000	98.375%	\$ 590,250,000

We have granted the underwriters 30-day options to purchase up to an additional \$60,000,000 aggregate principal amount of Series A debentures and \$90,000,000 aggregate principal amount of Series B debentures to cover over-allotments.

Lehman Brothers, on behalf of the underwriters, expects to deliver the debentures on or about January 27, 2004.

*Sole Book-Running Manager*

**LEHMAN BROTHERS**

*Joint Lead Managers*

**CREDIT SUISSE FIRST BOSTON**

**CITIGROUP**

*Co-Managers*

**BANC OF AMERICA SECURITIES LLC**

**DEUTSCHE BANK SECURITIES**

**GOLDMAN, SACHS & Co.**

**MERRILL LYNCH & Co.**

January 22, 2004

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This is not intended to be a complete description of the matters covered in this prospectus supplement and the accompanying prospectus and is subject to, and qualified in its entirety by, reference to the more detailed information and financial statements (including the notes thereto) included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Unless otherwise indicated, all references to the Company, we, our or Teva refer to Teva Pharmaceutical Industries Limited and its subsidiaries. All references to Teva Finance refer to Teva Pharmaceutical Finance II, LLC, an indirect subsidiary of Teva.*

**The Company**

We are a global pharmaceutical company producing drugs in all major treatment categories, including both generic and proprietary pharmaceutical products. We are one of the world's largest generic drug companies and have a leading position in the U.S. generic market.

Teva Pharmaceuticals USA, Inc. (Teva USA), our principal subsidiary, is one of the leading generic drug companies in the United States. As of November 2003, Teva USA marketed approximately 150 generic products representing more than 500 dosage strengths and packaging sizes, which are distributed in the United States.

We have also implemented a strategy of participating in the growth and development of the European market for generic products. Through our European subsidiaries, we manufactured, as of November 2003, approximately 300 generic products representing over 1,700 dosage strengths and packaging sizes, which are sold primarily in The Netherlands, the United Kingdom, Hungary and France.

The potential for future sales growth of our generic products lies in our pipeline of pending generic product registrations, as well as tentative approvals already granted. As of December 31, 2003, Teva had:

86 product applications, including products developed by Biovail and IMPAX, awaiting approval by the FDA, including thirteen tentative FDA approvals. Collectively, the brand name versions of these products had corresponding U.S. annual sales, as of September 30, 2003, exceeding \$62 billion; and

420 applications pending in Europe for 111 compounds in 240 formulations.

Teva is the leading pharmaceutical manufacturer in Israel, where it is incorporated and maintains its headquarters. During the first nine months of 2003, Teva generated approximately 62% of its revenue in North America, 26% in Europe and 12% in the rest of the world, predominately in Israel.

We were incorporated in Israel on February 13, 1944 and are the successor to a number of Israeli corporations, the oldest of which was established in 1901. Our executive offices are located at 5 Basel Street, P.O. Box 3190, Petach Tikva 49131 Israel, telephone number

972-3-926-7267.

**Teva Finance**

Teva Finance is a limited liability company that was formed on December 5, 2003 under the Delaware Limited Liability Company Act, as amended, to issue debt securities pursuant to the accompanying prospectus. Its address is 1090 Horsham Road, North Wales, Pennsylvania 19454, telephone number (215) 591-3000.

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**Recent Developments**

All of the conditions to the closing of our announced acquisition of SICOR Inc. ( SICOR ), including approval of the transaction by SICOR s stockholders and receipt of regulatory approvals have been met and we consummated the acquisition on January 22, 2004.

The aggregate consideration for the SICOR acquisition amounts to approximately \$3.4 billion comprised of approximately \$2 billion in cash and \$1.4 billion in American Depositary Receipts ( ADRs ), based on the value of our ADRs at the close of trading on January 21, 2004.

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**The Offering**

Issuer	Teva Pharmaceutical Finance II, LLC, an indirect, wholly owned subsidiary of Teva Pharmaceutical Industries Limited which has no assets or operations other than in connection with this offering.
Securities Offered	\$400 million in aggregate principal amount of 0.50% Series A Convertible Senior Debentures due 2024 and \$600 million in aggregate principal amount of 0.25% Series B Convertible Senior Debentures due 2024. The debentures will be convertible into ADRs of Teva. Teva Finance has granted the underwriters 30-day options to purchase up to an additional \$60 million in aggregate principal amount of Series A debentures and up to an additional \$90 million in aggregate principal amount of Series B debentures.
Guarantee	Teva will irrevocably and unconditionally guarantee the punctual payment when due of the principal of and interest and additional tax amounts as described in Description of the Debentures and the Guarantee Additional Tax Amounts, if any, on the debentures.
Maturity	Both the Series A debentures and the Series B debentures will mature on February 1, 2024, unless earlier redeemed, repurchased or converted.
Interest Payment Dates	For both the Series A debentures and the Series B debentures, February 1 and August 1, beginning August 1, 2004, and at maturity.
Interest Rate	0.50% per year in the case of the Series A debentures and 0.25% per year in the case of the Series B debentures, subject to adjustment. See Description of the Debentures and the Guarantee Interest and Interest Rate Adjustments.
Optional Conversion by Holders	<p>                     Holders may convert the debentures, unless previously redeemed or repurchased, into Teva's ADRs initially at a conversion rate of 13.1925 ADRs per \$1,000 principal amount of debentures in the case of the Series A debentures (equal to an initial conversion price of approximately \$75.80 per ADR) and a conversion rate of 14.1819 ADRs per \$1,000 principal amount of debentures in the case of the Series B debentures (equal to an initial conversion price of approximately \$70.51 per ADR), in each case, subject to adjustment. See Description of the Debentures and the Guarantee Conversion Rights Conversion Rate Adjustments. The debentures may only be converted prior to February 1, 2024, under the following circumstances:                 </p>

during any conversion period, as described below, if the trading price of Teva's ADRs for at least 20 trading days in the 30-trading-day period ending on the first day of the conversion period was more than 130% of the conversion price in effect per ADR at that thirtieth trading day;



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during the five business-day period following any 10-consecutive-trading-day period in which the average of the trading prices for the debentures for that 10 trading-day period was less than 98% of the average conversion value (as described under Description of the Debentures and the Guarantee Conversion Rights Conversion upon Satisfaction of Market Price Conditions ) for the debentures during that period;

during any period in which the senior unsecured debt rating assigned to Teva by Standard & Poor's is below BB+, or during which Standard & Poor's has no such rating;

if Teva Finance has called the debentures for redemption; or

upon the occurrence of the specified corporate transactions.

See Description of the Debentures and the Guarantee Conversion Rights.

**Optional Redemption by Teva Finance**

On or after August 1, 2008 in the case of the Series A debentures and on or after February 1, 2010 in the case of the Series B debentures, Teva Finance may redeem some or all of the debentures of that series at a price equal to 100% of the principal amount of such debentures, plus accrued and unpaid interest. See Description of the Debentures and the Guarantee Optional Redemption by Teva Finance.

**Right of Holders to Require Repurchase**

Each holder of the debentures may require Teva Finance to repurchase some or all of the holder's debentures at 100% of their principal amount, plus accrued and unpaid interest

in the case of the Series A debentures, on August 1, 2008, February 1, 2014 and February 1, 2019;

in the case of the Series B debentures, on February 1, 2010, February 1, 2014 and February 1, 2019; and

in connection with both the Series A debentures and the Series B debentures, in certain circumstances involving a change of control of Teva or upon a termination of trading of its securities.

With respect to a repurchase of the Series A debentures on August 1, 2008, a repurchase of the Series B debentures on February 1, 2010 or in certain circumstances involving a change of control, Teva Finance

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may choose to pay the repurchase price in cash or in Teva's ADRs or a combination of cash and Teva's ADRs. See Description of the Debentures and the Guarantee Repurchase at Option of Holders.

If you choose to require Teva Finance to repurchase your debentures and Teva Finance chooses to pay the repurchase price in ADRs, the number of ADRs will equal the repurchase price divided by the average trading price of the ADRs for the five consecutive days ending on and including the third day prior to the repurchase date, subject to adjustments.

Use of Proceeds

Teva Finance intends to on-lend the net proceeds from this offering to Teva USA. Teva USA will, in turn, use these funds to refinance short term bank borrowings incurred at LIBOR (one month) plus 0.94% to pay a portion of the purchase price paid in the SICOR acquisition.

Form, Denomination and Registration

The debentures will be issued only in fully registered form without coupons and in minimum denominations of \$1,000. The debentures will be evidenced by one or more global debentures, in fully registered form and without coupons, deposited with the trustee of the debentures, as custodian for DTC. Beneficial interests in the global debentures will be shown on, and transfers will be effected through, records maintained by DTC and its participants and indirect participants.

Absence of a Public Market for the Debentures

The debentures are new securities. An active or liquid market may not develop for the debentures.

Nasdaq Symbol for Teva's ADRs

Teva's ADRs are traded on the Nasdaq National Market under the symbol TEVA.

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**RISK FACTORS**

*Before you invest in the debentures, you should carefully consider the risks involved. Accordingly, you should carefully consider the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including the risk factors listed below and in the accompanying prospectus. See Forward-Looking Statements.*

**We may experience difficulties in integrating SICOR's business with our existing business.**

The acquisition of SICOR involves the integration of two companies that have previously operated independently. The difficulties of combining the companies' operations include:

the necessity of coordinating and consolidating geographically separated organizations, systems and facilities; and

integrating the management and personnel of SICOR and Teva, maintaining employee morale and retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses and the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have an adverse effect on the business, results of operations, financial conditions or prospects of the combined company after the merger.

Achieving the anticipated benefits of the acquisition will depend in part upon whether we can integrate our businesses in an efficient and effective manner. For example, we do not currently have significant relationships with the U.S. hospital customer segment which is the principal customer base of SICOR, and we do not currently have a biogenerics business. We may not accomplish this integration process smoothly or successfully. If management is unable to successfully integrate the operations of the two companies, the anticipated benefits of the acquisition may not be realized.

**We may not be able to repurchase the debentures, if required, upon a change of control, a termination of trading or upon your exercise of your rights to cause Teva Finance to repurchase your debentures.**

In certain circumstances involving a change of control of Teva, a termination of trading of its securities or upon your exercise of your rights to cause Teva Finance to repurchase your debentures, you may require us to repurchase some or all of your debentures. Our ability to repurchase the debentures in such event may be limited by law or by the terms of agreements we may enter into. If we are restricted from issuing Teva ADRs to pay the repurchase price, as permitted under the indenture, we may not have sufficient financial resources or may not be able to arrange financing to pay the repurchase price in cash.

**Future sales of our ordinary shares and ADRs in the public market could lower our stock price.**

We have a substantial number of ordinary shares and ADRs subject to stock options and outstanding convertible securities (including the debentures offered by this prospectus supplement). We cannot predict the effect, if any, that future sales of our ordinary shares and ADRs or the availability of our ordinary shares and ADRs for future sale, will have on the market price of our ordinary shares and ADRs. Sales of substantial amounts of ordinary shares or ADRs, including shares issued upon the exercise of stock options or warrants or the conversion of our convertible securities, or the perception that such sales could occur, may adversely affect prevailing market prices for our ordinary shares and ADRs or the debentures.

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**There may not be a liquid market for the debentures and you may not be able to sell your debentures at attractive prices or at all.**

The debentures are a new issue of securities for which there is currently no trading market. Although one or more of the underwriters have advised us that they currently intend to make a market in the notes, they are not obligated to do so and may discontinue their market-making activities at any time without notice. We do not intend to apply for listing of the debentures on any exchange or any automated quotation system. If an active market for the debentures fails to develop or be sustained, the trading price of the debentures could fall, and even if an active trading market were to develop, the debentures could trade at prices that may be lower than the initial offering price. The trading price of the debentures will depend on many factors, including:

prevailing interest rates and interest rate volatility;

the markets for similar securities;

our financial condition, results of operations and prospects;

the publication of earnings estimates or other research reports and speculation in the press or investment community;

changes in our industry and competition; and

general market and economic conditions.

As a result, we cannot assure you that you will be able to sell the debentures at attractive prices or at all.

**A downgrade, suspension or withdrawal of the rating assigned by a rating agency to the debentures, if any, could cause the liquidity or market value of the debentures to decline significantly.**

We cannot assure you what rating, if any, will be assigned to the debentures. In addition, we cannot assure you that any rating so assigned will remain for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency if in that rating agency's judgment future circumstances relating to the basis of the rating, such as adverse changes in our business, so warrant.

**Because Teva is a foreign corporation, you may have difficulties enforcing your rights under the guarantee of the debentures against Teva.**

Most of Teva's directors and officers reside outside of the United States. Service of process on them may be difficult to effect in the United States. Furthermore, because a substantial portion of Teva's assets are located in Israel, any judgment obtained in the United States against us or any of our directors and officers may not be collectible within the United States.

An Israeli court may declare a foreign civil judgment for liquidated amounts enforceable if it finds that:

- (1) the judgment was rendered by a court which was, according to Israeli law, competent to render it;
- (2) the judgment is no longer appealable;
- (3) the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy in Israel; and
- (4) the judgment can be executed in the state in which it was given.

A foreign judgment will not be declared enforceable by Israeli courts if it was given in a state, the laws of which do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of Israel. An Israeli court also will not declare a foreign judgment enforceable if it is proved to the Israeli court that:

- (1) the judgment was obtained by fraud;

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- (2) there was no due process;
- (3) the judgment was given by a court not competent to render it according to the laws of private international law in Israel;
- (4) the judgment is at conflict with another judgment that was given in the same matter between the same parties and which is still valid;  
or
- (5) at the time the action was brought to the foreign court a claim in the same matter and between the same parties was pending before a court or tribunal in Israel.

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**FORWARD LOOKING STATEMENTS**

This prospectus supplement contains or incorporates by reference forward looking statements. In particular, these statements include, among other things, statements relating to:

our business strategy;

the development of our products;

our projected capital expenditures;

our liquidity; and

the results of the SICOR acquisition.

This prospectus contains or incorporates by reference forward-looking statements which express the beliefs and expectations of management. Such statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include the impact of pharmaceutical industry regulation, the difficulty of predicting U.S. Food and Drug Administration and other regulatory authority approvals, the regulatory environment and changes in the health policies and structures of various countries, acceptance and demand for new pharmaceutical products and new therapies, the impact of competitive products and pricing, uncertainties regarding market acceptance of innovative products newly launched, currently being sold or in development, the impact of restructuring of clients, reliance on strategic alliances, reliance on a strategy of acquiring companies, including risks related to our acquisition of SICOR, exposure to product liability claims, dependence on patent and other protections for our innovative products, exposure to potential patent liability damages for products sold at risk, for example, prior to the final adjudication of patent issues, fluctuations in currency, exchange and interest rates, operating results and other factors that are discussed in this prospectus and in our other filings made with the SEC.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any additional disclosures we make in our Annual Reports on Form 20-F and our 6-K reports to the SEC. Also note that we provide a cautionary discussion of risks and uncertainties under Risk Factors above and in the accompanying prospectus. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed here or in the accompanying prospectus could also adversely affect us. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.

**RATIO OF EARNINGS TO FIXED CHARGES**

Our ratio of earnings to fixed charges in accordance with U.S. GAAP for the periods presented are as follows:



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	(Unaudited)	Year Ended December 31,				
	Nine Months Ended September 30, 2003	2002	2001	2000	1999	1998
Ratio of earnings to fixed charges	16.00	9.43	7.58	4.70	5.30	4.09

Teva Finance did not have any operations for the relevant periods.

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The following table sets forth as of September 30, 2003:

On a historical basis;

On a pro-forma basis to give effect to the acquisition of SICOR, the related short-term financing and the conversion of the 1.5% Convertible Senior Debentures due 2005, in October 2003; and

On an as adjusted pro-forma basis to give further effect to the issuance and sale of the debentures (assuming no exercise of the underwriters' over-allotment options) and the application of the net proceeds we receive.

You should read this table together with the unaudited consolidated financial statements and the notes thereto and our supplemental financial data incorporated by reference in this prospectus supplement.

The number of outstanding ordinary shares includes ordinary shares held by our subsidiaries but excludes:

approximately 0.4 million ordinary A shares, which do not confer on their holder voting rights or rights to appoint directors, and approximately 2.4 million non-voting ordinary shares held by one of our subsidiaries;

an aggregate of approximately 18.9 million ordinary shares issuable upon exercise of options under our stock option plans; and

the shares issued by a Canadian subsidiary that are exchangeable into 6.3 million of our ordinary shares.

	September 30, 2003 (Unaudited)		
	Actual	Pro forma	Pro forma as adjusted
	US Dollars in Millions		
Short-term debt, including current maturities	232.3	265.9	265.9
SICOR acquisition short-term debt financing		1,130.0	147.3
1.50% Convertible Senior Debentures due 2005(1)(2)	566.5		
0.75% Convertible Senior Debentures due 2021(1)	360.0	360.0	360.0
<b>Total short-term debt</b>	<b>1,158.8</b>	<b>1,755.9</b>	<b>773.2</b>
0.375% Convertible Senior Debentures due 2022(1)	450.0	450.0	450.0
0.50% Series A Convertible Senior Debentures due 2024			400.0
0.25% Series B Convertible Senior Debentures due 2024			600.0

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Other long-term debt, net of current maturities	359.7	373.3	373.3
<b>Total long-term debt</b>	<b>809.7</b>	<b>823.3</b>	<b>1,823.3</b>
<b>Shareholders' equity:</b>			
Share capital and additional paid-in capital: ordinary shares of NIS 0.10 par value: authorized 999.6 million shares; issued and outstanding actual 264.2 million shares; pro forma and pro forma as adjusted 299.7 million(3)			
	34.0	34.8	34.8
Additional paid-in capital	499.1	2,557.3	2,557.3
Deferred compensation	(0.1)	(0.1)	(0.1)
Retained earnings	1,794.2	1,094.2	1,094.2
Accumulated other comprehensive loss	110.7	110.7	110.7
Cost of Teva shares held by subsidiaries	(50.1)	(50.1)	(50.1)
<b>Total shareholders' equity</b>	<b>2,387.8</b>	<b>3,746.8</b>	<b>3,746.8</b>
<b>Total capitalization</b>	<b>4,356.3</b>	<b>6,326.0</b>	<b>6,343.3</b>

- (1) See Note 7 of the notes to our consolidated financial statements for the year ended December 31, 2002 incorporated by reference in this prospectus for a discussion of these securities.
- (2) Subsequent to September 30, 2003, substantially all of the 1.50% Convertible Senior Debentures due 2005 were converted into our ADRs.
- (3) See Note 9 of the notes to our consolidated financial statements for the year ended December 31, 2002 incorporated by reference in this prospectus for a discussion of these securities.

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**USE OF PROCEEDS**

Teva Finance estimates that it will receive net proceeds of approximately \$982.7 million (\$1,130.3 million if the underwriters' over-allotment options are exercised in full). Teva Finance intends to on-lend the net proceeds from this offering to Teva USA. Teva USA will, in turn, use these funds to refinance short term bank borrowings incurred at LIBOR (one month) plus 0.94% to pay a portion of the purchase price paid in the SICOR acquisition.

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**DESCRIPTION OF THE DEBENTURES AND THE GUARANTEE**

Teva Finance will issue the debentures under an indenture, to be dated as of January 27, 2004, among Teva Finance, Teva and The Bank of New York, as trustee, as supplemented by a supplemental indenture to be dated as of January 27, 2004. The terms of the debentures include those provided in the indenture.

The following description is only a summary of the material provisions of the debentures, the indenture and the guarantee. We urge you to read these documents in their entirety because they, and not this description, define your rights as holders of these debentures. You may request copies of these documents at our address set forth under Prospectus Supplement Summary The Company.

When we refer to Teva in this section, we refer only to Teva Pharmaceutical Industries Limited. When we refer to Teva Finance in this section, we refer to Teva Pharmaceutical Finance II, LLC, an indirect, wholly owned subsidiary of Teva organized under the laws of the State of Delaware.

**Brief Description of the Debentures**

The debentures will be:

limited to \$400 million aggregate principal amount (plus an additional \$60 million aggregate principal amount if the underwriter's option is exercised in full) with respect to the Series A debentures and limited to \$600 million aggregate principal amount (plus an additional \$90 million aggregate principal amount if the underwriter's option is exercised in full) with respect to the Series B debentures, both series being subject to reopening at the discretion of Teva Finance;

accruing interest at a rate of 0.50% with respect to the Series A debentures and at a rate of 0.25% with respect to the Series B debentures;

general unsecured obligations of Teva Finance;

convertible into ADRs of Teva at an initial conversion rate of 13.1925 ADRs per \$1,000 principal amount (which is equivalent to a conversion price of approximately \$75.80 per ADR) with respect to the Series A debentures and an initial conversion rate of 14.1819 ADRs per \$1,000 principal amount (which is equivalent to a conversion price of approximately \$70.51 per ADR) with respect to the Series B debentures, under the conditions and subject to adjustment described under Conversion Rights and Distribution of Teva Ordinary Shares Instead of Teva ADRs ;

redeemable at Teva Finance's option on or after August 1, 2008 with respect to the Series A debentures and on or after February 1, 2010 with respect to the Series B debentures, in either case at the principal amount, plus accrued and unpaid interest;

subject to repurchase by Teva Finance at your option on August 1, 2008, February 1, 2014 and February 1, 2019 with respect to the Series A debentures and February 1, 2010, February 1, 2014 and February 1, 2019 with respect to the Series B debentures or, in the

case of both series, if a change of control or a termination of trading as defined in this prospectus supplement occ