TEVA PHARMACEUTICAL INDUSTRIES LTD
Form 6-K
March 15, 2004

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 March 2004

Commission File Number 0-16174

Explanatory Note: The purpose of this filing on Form 6-K is to file the 2003 audited financial statements of Sicor Inc., which the registrant acquired on January 22, 2004.

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 ___X___ 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 __X__

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

SICOR Inc.

Consolidated Financial Statements

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Report of Independent Auditors

Board of Directors and Stockholders

SICOR Inc.

We have audited the accompanying consolidated balance sheets of SICOR Inc. as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders` equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company`s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SICOR Inc. at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 3, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, in 2002.

/s/ Ernst & Young LLP

San Diego, California

March 5, 2004

SICOR Inc.

Consolidated Balance Sheets

(in thousands, except par value data)

	December 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 197,649	$ 169,914
Short-term investments	103,327	29,909
Accounts receivable, net	95,407	84,707
Inventories, net	105,858	75,870
Deferred income tax assets	28,227	20,161
Other current assets	28,611	19,659
Total current assets	559,079	400,220
Long-term investments	102,137	130,416
Property and equipment, net	214,609	186,616
Goodwill	65,733	69,640
Intangibles, net	41,393	41,382
Other noncurrent assets	19,720	35,104
Total assets	$ 1,002,671	$ 863,378
LIABILITIES AND STOCKHOLDERS` EQUITY		
Current liabilities:		
Accounts payable	$ 41,708	$ 41,272
Accrued payroll and related expenses	11,809	10,546
Other accrued liabilities	59,002	44,851
Short-term borrowings	31,037	29,356
Current portion of long-term debt and capital leases	4,187	7,096
Total current liabilities	147,743	133,121
Other long-term liabilities	5,852	6,254
Long-term debt and capital leases, less current portion	7,362	24,018
Deferred income tax liabilities	12,820	14,535
Total liabilities	173,777	177,928
Commitments and contingencies		
Stockholders` equity:		
Common stock, $0.01 par value, 250,000 shares authorized, 119,883 and 117,470 shares issued and outstanding at December 31, 2003 and December 31, 2002, respectively	1,199	1,175
Additional paid-in capital	811,578	788,224
Deferred compensation	(243)	(855)

Retained earnings (accumulated deficit)	2,522	(105,173)
Accumulated other comprehensive income	13,838	2,079
Total stockholders' equity	828,894	685,450
Total liabilities and stockholders` equity	$ 1,002,671	$ 863,378

See accompanying notes.

SICOR Inc.

Consolidated Statements of Income

(in thousands, except per share data)

	Years Ended December 31, 2003	2002	2001
Net product sales	$ 555,065	$ 456,025	$ 369,832
Costs and expenses:			
Cost of sales	250,630	207,287	190,355
Research and development	35,085	23,260	21,008
Selling, general and administrative	80,077	64,620	60,339
Merger costs *(Note 1)*	7,421	-	-
Amortization of acquired intangibles	4,351	3,773	6,159
In-process research and development	-	-	21,700
Write-down of long-lived assets	-	1,229	3,462
Interest and other, net	(185)	(1,991)	1,149
Total costs and expenses	377,379	298,178	304,172
Income before income taxes	177,686	157,847	65,660
(Provision) benefit for income taxes	(69,991)	(29,570)	13,592
Net income	107,695	128,277	79,252
Dividends on preferred stock	-	(580)	(6,000)
Net income applicable to common shares	$ 107,695	$ 127,697	$ 73,252
Net income per share:			
- Basic	$0.91	$1.10	$0.70
- Diluted	$0.89	$1.06	$0.67
Shares used in calculating per share amounts:			
- Basic	118,619	116,448	103,932
- Diluted	121,655	120,181	108,571

See accompanying notes.

SICOR Inc.

Consolidated Statement of Stockholders` Equity For the Thre

(in thousands)

	Convertible Preferred Stock		Common Stock		**Additional Paid-in**	**Deferred**
	Shares	Amounts	Shares	Amounts	Capital	Compensatio
Balance at December 31, 2000	1,600	$ 16	99,792	$ 998	$ 589,319	$ (351)
Comprehensive income (loss):						
Net income						
Foreign currency translation adjustments						
Unrealized gain on securities available-for-sale						
Comprehensive income						
Issuance of common stock			13,008	130	209,806	
Common stock issued for acquisition			1,500	15	37,661	
Issuance of warrants					2,505	
Tax benefit resulting from exercises of stock options					748	
Cash dividends on preferred stock					(6,000)	
Nonemployee stock compensation					1,433	
Deferred compensation - stock options					1,411	(1,411)
Amortization of unearned compensation						404
Balance at December 31, 2001	1,600	16	114,300	1,143	836,883	(1,358)
Comprehensive income:						
Net income						
Foreign currency translation adjustments						
Unrealized gain on securities available-for-sale						
Comprehensive income						
Issuance of common stock			2,070	21	34,922	
Preferred stock redemption	(1,600)	(16)	1,100	11	(87,499)	
Tax benefit resulting from exercises of stock options					4,289	
Cash dividends on preferred stock					(580)	
Deferred compensation - stock options					209	(209)
Amortization of unearned compensation						712
Balance at December 31, 2002	-	-	117,470	1,175	788,224	(855)
Comprehensive income:						
Net income						
Foreign currency translation adjustments						
Comprehensive income						
Issuance of common stock			2,413	24	20,340	
Tax benefit resulting from exercises of stock options					3,014	
Amortization of unearned compensation						612
Balance at December 31, 2003	-	$ -	119,883	$ 1,199	$ 811,578	$ (243)

See accompanying notes

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SICOR Inc.

Consolidated Statements of Cash Flows (in thousands)

	Years Ended December 31,		
	2003	2002	2001
Cash flows from operating activities:			
Net income	$ 107,695	$ 128,277	$ 79,252
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,040	20,370	16,201
Amortization of acquired intangibles	4,351	3,773	6,159
In-process research and development	-	-	21,700
Deferred income taxes	(8,229)	(32,218)	(32,080)
Stock-based compensation	612	712	1,837
Tax benefit resulting from exercises of stock options	3,014	4,289	748
Write-down of long-lived assets	-	1,229	3,462
Change in operating assets and liabilities:			
Accounts receivable	(7,043)	(16,528)	(7,808)
Inventories	(24,546)	(17,333)	(7,198)
Other current and noncurrent assets	(6,103)	3,747	(6,064)
Accounts payable and other	11,099	41,540	16,825
Net cash provided by operating activities	104,890	137,858	93,034
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	72,320	99,466	95,181
Purchases of investments	(117,459)	(196,283)	(119,067)
Purchases of property and equipment	(39,949)	(39,162)	(42,952)
Decrease (increase) in compensating balance and other	11,796	(598)	(16,220)
Net cash used in investing activities	(73,292)	(136,577)	(83,058)
Cash flows from financing activities:			
Redemption of preferred stock	-	(63,832)	-
Cash dividends on preferred stock	-	(580)	(6,000)
Issuance of common stock and warrants, net	19,161	9,973	209,936
Change in short-term borrowings	(3,642)	(777)	(3,042)
Issuance of long-term debt and capital lease obligations, net	1,110	3,302	2,059
Principal payments on long-term debt and capital lease obligations	(22,934)	(8,018)	(9,713)
Net cash (used in) provided by financing activities	(6,305)	(59,932)	193,240
Effect of exchange rate changes on cash	2,442	1,997	298
Increase (decrease) in cash and cash equivalents	27,735	(56,654)	203,514
Cash and cash equivalents at beginning of period	169,914	226,568	23,054
Cash and cash equivalents at end of period	$ 197,649	$ 169,914	$ 226,568
Supplemental disclosure of cash flow information:			

Interest paid	$ 1,620	$ 2,578	$ 4,256
Income taxes paid	82,406	16,577	10,194
Supplemental schedule of non-cash investing and financing activities:			
Common stock issued in connection with preferred stock redemption	-	23,672	-
Fair value of assets acquired, net of cash	-	-	68,107
Liabilities assumed	-	-	(30,209)

See accompanying notes.

SICOR Inc.

Notes to Consolidated Financial Statements

December 31, 2003

1. Basis of Presentation

Organization

SICOR Inc. ("SICOR" or the "Company") is a specialty pharmaceutical company with principal operations located in the United States, Italy, Mexico, and Lithuania. SICOR was incorporated November 17, 1986 in the state of Delaware and is headquartered in Irvine, California.

On January 22, 2004, the Company became a wholly-owned subsidiary of TEVA Pharmaceutical Industries Limited ("TEVA") pursuant to the Agreement and Plan of Merger dated October 31, 2003, and approved by the Company`s shareholders on January 16, 2004. On January 22, 2004, each outstanding share of the Company`s common stock was converted into $16.50 in cash and 0.1906 of a TEVA American Depository Receipt ("ADR"). Based upon the NASDAQ closing price of TEVA`s ADRs on January 21, 2004, the combined per share consideration for each outstanding share of the Company`s common stock amounted to $27.70. The Company ceased being a stand-alone public company upon its acquisition by TEVA.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Affiliated companies in which the Company does not have a controlling interest are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SICOR Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of interest and non-interest bearing checking and savings accounts, money market funds, U.S. treasuries and government agencies' securities. The carrying amounts approximate fair value due to the short-term maturities of these instruments. As of December 31, 2003 and 2002, cash and cash equivalents held in foreign accounts consisted of $13.9 million and $7.6 million, respectively.

Short-Term Investments

The Company`s short-term and long-term debt securities are classified as held-to-maturity as of December 31, 2003, because the Company has the positive intent and ability to hold the securities until maturity. Held-to-maturity securities are stated at cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest and other income. Realized gains and losses and declines in value, judged to be other than temporary, are included in interest and other income. The cost of securities sold is based on the specific identification method.

Concentration of Credit Risk

The Company invests its excess cash in U.S. government securities and debt instruments of financial institutions and corporations with strong credit ratings. The Company has established guidelines relative to diversification of its cash investments and their maturities intended to maintain lower risk and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

The Company performs ongoing credit evaluations of its customers` financial condition, and generally does not require collateral. Allowances are maintained for potential credit losses and such losses have been within management`s expectations. The Company`s four largest customers accounted for approximately 49% and 57% of net accounts receivable at December 31, 2003 and 2002, respectively. Also, see Note 14.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method.

SICOR Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. Expenditures for maintenance, repairs and renewals of relatively minor items are generally charged to expense as incurred. Renewals of significant items are capitalized. Depreciation is computed on the straight-line method, over the following estimated useful lives: building and building improvements - 10 to 20 years; machinery and equipment - 3 to 15 years; office furniture and equipment - 3 to 12 years.

Goodwill and Intangible Assets

The Company has recorded goodwill for the excess purchase price over the estimated fair values of tangible and intangible assets acquired and liabilities assumed in acquisitions. In accounting for the acquisitions, a portion of the purchase price was allocated to various identifiable intangible assets, including developed technology and trademarks, based on their fair values at the date of acquisition. The excess purchase price over the estimated fair value of the net assets acquired has been assigned to goodwill, which beginning in 2002 is not being amortized, but is subject to an annual impairment test. Additionally, the Company has recorded intangible assets related to the purchase of proprietary technology rights, which is amortized on the straight-line method over the following estimated useful lives: technology rights - 5 years; developed technology - 10 to 17 years; and trademarks - 30 years.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including certain identifiable intangibles, for impairment whenever events or changes in circumstances indicate that the total amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows from the use of the asset and its eventual disposition are less than its carrying amount.

Financial Instruments

The carrying amounts of cash, accounts receivable, short-term and long-term debt, and variable-rate debt approximate fair value. The Company estimates that the carrying value of long-term fixed rate debt approximates fair value based on the Company`s estimated current borrowing rates for debt with similar maturities.

Research and Development Expenses

All costs of research and development, including those incurred in relation to the Company`s collaborative agreements, are expensed in the period incurred.

SICOR Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenues from product sales upon transfer of title and risk of loss, which generally occurs upon shipment of product, satisfactory evaluation of trade conditions, levels of inventory in the distribution channel, and final determination that all contractual obligations related to the earnings process are satisfied. The Company estimates and records sales deductions that arise due to wholesaler chargebacks, Medicaid and other rebates, administrative fees, and early payment discounts. Additionally, reserves are established to reduce revenues recorded for estimated product returns at the time of sale based on historical trends and at any time that such reserves become evident. Reserves for potential price reductions for inventory in the hands of distributors and wholesalers are established when such amounts are deemed to be probable and estimable.

At December 31, 2003, the Company deferred $6.7 million of revenue based on an analysis of inventories in the distribution channel.

Earnings Per Share

Basic earnings per share ("EPS") includes no dilution and is computed by dividing net income applicable to common shares by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the effect of additional common shares issuable upon exercise of stock options outstanding, warrants, and other dilutive securities. The calculations of basic and diluted weighted average shares outstanding are as follows (in thousands, except per share data):

	Years ended December 31		
	2003	2002	2001
Numerator:			
Net income applicable to common shares	$ 107,695	$ 127,697	$ 73,252
Denominator:			
Weighted average common shares - basic	118,619	116,448	103,932
Dilutive securities:			
Stock options	2,563	2,420	2,918
Warrants	336	1,027	1,308
Conversion options	137	286	413
Weighted average common shares - diluted	121,655	120,181	108,571
Earnings per share - basic	$ 0.91	$ 1.10	$ 0.70
Earnings per share - diluted	0.89	1.06	0.67

SICOR Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Options with exercise prices above market totaled 19,000 in 2003, 1.6 million in 2002, and 1.1 million in 2001, and have been excluded from the number of weighted average common shares used to calculate diluted EPS since they are not dilutive.

Stock-Based Compensation

As permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, the Company accounts for common stock options granted to employees using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and its related interpretations and, thus, recognizes no compensation expense for options granted with exercise prices equal to or greater than the fair value of the Company`s common stock on the date of the grant.

When the exercise price of the employee or director stock options is less than the estimated fair value of the underlying stock on the grant date, the Company records deferred compensation for the difference and amortizes this amount to expense on a straight-line basis over the vesting period of the options.

Deferred compensation for options granted to nonemployees has been determined in accordance with SFAS No. 123, and Emerging Issues Task Force ("EITF") 96-18, using the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured. Deferred charges for options granted to nonemployees are periodically remeasured as the underlying options vest.

Pro forma information regarding net income and net income per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock plans under the fair value method of that statement. The fair value was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Option Grant		
	2003	2002	2001
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	50.1%	57.3%	57.3%
Risk-free interest rate	2.8%	3.9%	4.8%
Expected term in years	4.5	5.2	6.6
Per share fair value of options granted	$ 8.21	$ 8.93	$ 9.65

SICOR Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

The Black-Scholes option-valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company`s options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management`s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

For purposes of pro forma disclosures, the estimated fair value is amortized to expense over the vesting period of such stock or options. The effects of applying SFAS No. 123 for pro forma disclosure purposes are not likely to be representative of the effects on pro forma information in future years because they do not take into consideration pro forma compensation expense related to grants made prior to 1995. The Company`s pro forma information is as follows (in thousands except per share data):

	Years ended December 31		
	2003	2002	2001
Net income applicable to common shares:			
As reported	$ 107,695	$ 127,697	$ 73,252
Pro forma	99,467	120,159	56,967
Basic net income per share:			
As reported	0.91	1.10	0.70
Pro forma	0.84	1.03	0.55
Diluted net income per share:			
As reported	0.89	1.06	0.67
Pro forma	0.82	1.00	0.52

Foreign Currency Translation

The financial statements of the Company`s Italian subsidiary are translated into U.S. dollars using current rates of exchange, with translation gains and losses included in accumulated other comprehensive income and loss in the stockholders` equity section of the consolidated balance sheets.

SICOR Inc.

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation (continued)

For the Mexican and Lithuanian operations, where the functional currency is the U.S. dollar, financial statements are translated at either current or historical exchange rates, as appropriate. Translation and recognized gains and losses on currency transactions (denominated in currencies other than local currency), are reflected in the determination of consolidated net income.

Foreign Currency Contracts

The Company`s Italian operations hedge against transactional risks by borrowing against its receivables and against economic risk by buying monthly call options priced to strike at a rate equal to or above the budgeted exchange rate. The cost of the borrowing is recorded as interest expense when it is incurred. The options and the related cost of the contract are carried at fair value, and gains (including adjustments to carrying values to mark the options to market) on the options are recorded as foreign exchange gains. The fair value of such options was $2.6 million (included in other current assets) at December 31, 2003 and $0 at December 31, 2002.

3. Goodwill and Intangible Assets

SFAS No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, are effective for fiscal years beginning after December 15, 2001. Under these rules, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are tested for impairment annually, or whenever events and circumstances occur indicating that goodwill might be impaired. Other intangible assets continue to be amortized over their useful lives.

Under SFAS No. 141, intangible assets with identifiable lives continue to be amortized. The following table reflects the components of intangible assets (in thousands):

	December 31, 2003		**December 31, 2002**	
	Gross Amount	Amortization	Gross Amount	Amortization
Acquired technology	$ 53,894	$ (20,335)	$ 53,894	$ (16,800)
Trademarks	4,640	(1,063)	4,625	(901)
Acquired rights	4,000	(433)	-	-
Licensed technology rights and other	2,089	(1,399)	1,567	(1,003)
Total	$ 64,623	$ (23,230)	$ 60,086	$ (18,704)

SICOR Inc.

Notes to Consolidated Financial Statements (continued)

3. Goodwill and Intangible Assets (continued)

The estimated amortization expense for each of the five succeeding years ending December 31 is as follows (in thousands):

2004	$ 3,676
2005	3,827
2006	3,875
2007	3,730
2008	3,840

Amortization expense related to goodwill was recognized during the year ended December 31, 2001. If the adoption of SFAS No. 142 had occurred at the beginning of 2001, net income applicable to common shares would have been $2.9 million higher and basic and diluted earnings per share would have been $0.03 higher.

4. Composition of Certain Consolidated Financial Statement Captions

Certain consolidated financial statement captions consist of the following (in thousands):

	December 31	
	2003	2002
Receivables:		
Trade receivables	$ 98,828	$ 86,935
Less allowance for doubtful accounts	(3,421)	(2,228)
	$ 95,407	$ 84,707

The provision for doubtful accounts was approximately $1.2 million in 2003, $400,000 in 2002, and $400,000 in 2001. Approximately $8.0 million and $3.5 million of trade receivables at December 31, 2003 and 2002, respectively, were pledged as security for short-term borrowings (see Note 6).

SICOR Inc.

Notes to Consolidated Financial Statements (continued)

4. Composition of Certain Consolidated Financial Statement Captions

	December 31	
	2003	2002
Inventories:		
Raw materials	$ 41,346	$ 29,745
Work-in-process	21,496	18,434
Finished goods	48,144	31,381
	110,986	79,560
Less reserve for excess and obsolescence	(5,128)	(3,690)
	$ 105,858	$ 75,870

The provision for inventory losses was approximately $5.4 million in 2003, $3.0 million in 2002, and $2.8 million in 2001.

	December 31	
	2003	2002
Other current assets:		
Prepaid taxes and other taxes receivable	$ 13,828	$ 9,311
Other receivables	9,801	8,017