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Form 6-K

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SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16
 of the Securities Exchange Act of 1934

For the month of August 2002

.....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)

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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		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Sales	\$ 572.0	\$ 513.6	\$ 1,117.1	\$ 1,004.5
Cost of Sales	324.9	308.8	631.5	602.8
Gross Profit	<u>247.1</u>	<u>204.8</u>	<u>485.6</u>	<u>401.7</u>
Research and development expenses:				
Total expenses	44.8	39.7	84.8	78.2
Less - grants and participations	<u>8.0</u>	<u>12.6</u>	<u>12.9</u>	<u>23.1</u>
	36.8	27.1	71.9	55.1
Selling, general and administrative expenses	<u>98.7</u>	<u>90.8</u>	<u>193.9</u>	<u>180.8</u>
Operating income	111.6	86.9	219.8	165.8
Financial expenses – net	4.0	7.9	10.0	16.6
Other income – net	<u>1.7</u>	<u>2.0</u>	<u>3.5</u>	<u>4.1</u>
Income before income taxes	109.3	81.0	213.3	153.3
Provision for income taxes	<u>17.4</u>	<u>16.5</u>	<u>35.7</u>	<u>33.3</u>
	91.9	64.5	177.6	120.0
Share in Profits (losses) on equity investments	0.3	0.2	0.7	(0.1)
Minority interests	<u>(0.3)</u>	<u>(0.3)</u>	<u>(0.8)</u>	<u>(0.7)</u>
Net income	<u>\$ 91.9</u>	<u>\$ 64.4</u>	<u>\$ 177.5</u>	<u>\$ 119.2</u>
Earnings per ADR:				
Basic (\$)	<u>\$ 0.69</u>	<u>\$ 0.49</u>	<u>\$ 1.34</u>	<u>\$ 0.90</u>
Diluted (\$)	<u>\$ 0.68</u>	<u>\$ 0.47</u>	<u>\$ 1.32</u>	<u>\$ 0.87</u>
Weighted average number of ADRs (in millions):				
Basic	<u>132.2</u>	<u>132.2</u>	<u>132.2</u>	<u>132.2</u>
Diluted	<u>140.2</u>	<u>140.3</u>	<u>140.2</u>	<u>140.3</u>

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. dollars in millions)

	June 30, 2002	December 31, 2001
	Unaudited	Audited
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 576.3	\$ 768.9
Short-term investments	1.3	21.2
Accounts receivable:		
Trade	696.1	651.2
Other	170.5	166.4
Inventories	695.2	570.2
Total current assets	2,139.4	2,177.9
Investments and other assets	311.8	141.9
Property, plant and equipment, net	604.5	554.2
Intangible assets, net	731.3	586.2
Total assets	\$ 3,787.0	\$ 3,460.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term credit – mainly from banks	\$ 151.7	\$ 206.5
Accounts payable and accruals	670.1	531.6
Total current liabilities	821.8	738.1
Long-term liabilities:		
Deferred income taxes	43.7	39.0
Employee related obligations	56.2	53.3
Loans and other liabilities	368.0	336.9
Convertible senior debentures	910.0	910.0
Total long-term liabilities	1,377.9	1,339.2
Total liabilities	2,199.7	2,077.3
Minority interests	3.6	2.2
Shareholders' equity:		
Ordinary shares of NIS 0.10 par value; June 30, 2002 and December 31, 2001: Authorized 998,586,000 shares and 498,586,000 shares respectively; issued and outstanding – 128,145,000 shares and 128,086,000 shares, respectively	31.0	31.0
Additional paid-in capital	482.4	480.6
Deferred compensation	(0.3)	(0.2)
Retained earnings	1,125.4	970.4
Accumulated other comprehensive loss	(9.6)	(58.5)
Cost of company shares held by subsidiaries – June 30, 2002 and December 31, 2001 – 2,265,000 ordinary shares and 2,257,000 ordinary shares, respectively	(45.2)	(42.6)
Total shareholders' equity	1,583.7	1,380.7
Total liabilities and shareholders' equity	\$ 3,787.0	\$ 3,460.2

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Cash flows from operating activities:				
Net Income	\$ 91.9	\$ 64.4	\$177.5	\$119.2
Adjustments to reconcile net income to net cash provided by operating activities:				
Income and expenses not involving cash flows	16.9	21.0	36.6	45.0
Changes in certain assets and liabilities	21.1	(15.8)	18.9	(7.5)
Net cash provided by operating activities	<u>129.9</u>	<u>69.6</u>	<u>233.0</u>	<u>156.7</u>
Cash flows from investing activities:				
Purchase of property, plant and equipment	(41.6)	(26.9)	(69.0)	(50.2)
Acquisition of subsidiaries	(153.6)	-	(153.6)	-
Acquisition of know-how, patents and product rights	(6.6)	(6.8)	(8.3)	(9.4)
Proceeds from sale of property, plant and equipment	4.0	3.3	11.8	3.6
Acquisition of long-term investments and other assets	(4.0)	(22.6)	(161.5)	(22.9)
Proceeds from sale of investments	3.9	-	3.9	-
Net decrease (increase) in short-term investments	10.0	0.6	20.4	(3.0)
Net cash used in investing activities	<u>(187.9)</u>	<u>(52.4)</u>	<u>(356.2)</u>	<u>(81.9)</u>
Cash flows from financing activities:				
Proceeds from exercise of options	1.8	3.2	2.6	4.1
Cost of acquisition of Company shares, net of proceeds from sale	(1.7)	0.4	(2.6)	(1.9)
Long-term loans received	-	-	4.8	-
Discharge of long-term loans and other liabilities	(0.6)	(56.7)	(0.8)	(60.9)
Net increase (decrease) in short-term credit	(15.9)	27.5	(59.3)	(82.2)
Dividends paid	(12.8)	(9.9)	(23.3)	(16.5)
Net cash used in financing activities	<u>(29.2)</u>	<u>(35.5)</u>	<u>(78.6)</u>	<u>(157.4)</u>
Translation differences on cash balances of certain subsidiaries	<u>9.7</u>	<u>1.3</u>	<u>9.2</u>	<u>(1.9)</u>
Net decrease in cash and cash equivalents	<u>(77.5)</u>	<u>(17.0)</u>	<u>(192.6)</u>	<u>(84.5)</u>
Cash and cash equivalents at beginning of period	<u>653.8</u>	<u>353.1</u>	<u>768.9</u>	<u>420.6</u>
Cash and cash equivalents at end of period	<u>\$ 576.3</u>	<u>\$ 336.1</u>	<u>\$ 576.3</u>	<u>\$ 336.1</u>

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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, as filed with the Securities and Exchange Commission. The results of operations for the three months and six months ended June 30, 2002 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 issued in connection with the acquisition of Novopharm Ltd.), 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, since as at June 30, 2002, 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.

NOTE 3 – Inventories:

Inventories consisted of the following:

	June 30, 2002	December 31, 2001
	U.S. dollars in millions	
Raw and packaging materials	\$ 166.9	\$ 137.6
Products in process	153.2	117.4
Finished products	316.0	272.8
Purchased products	42.2	32.5
	678.3	560.3
Materials in transit and payments on account	16.9	9.9
	\$ 695.2	\$ 570.2

NOTE 4 – Comprehensive income:

Comprehensive income for the Company is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	U.S. dollars in millions			
Net income	\$ 91.9	\$ 64.4	\$ 177.5	\$ 119.2
Realized losses on available for-sale-securities-net	1.2	-	2.1	-
Unrealized holding losses on available-for-sale securities-net	-	(1.0)	(6.1)	(0.8)
Translation of non-dollar-currency financial statements of subsidiaries and associated companies	53.8	17.2	52.9	(4.7)
	\$ 146.9	\$ 80.6	\$ 226.4	\$ 113.7

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5 – Financial information by business segment:

a. Financial data relating to reportable operating segments:

	<u>Pharmaceutical</u>	<u>API*</u>	<u>Other</u>	<u>Total</u>
	<u>U.S. dollars in millions</u>			
Three month period ended June 30, 2002:				
Sales:				
To unaffiliated customers	\$ 515.2	\$ 52.1	\$ 4.7	\$ 572.0
Intersegment	-	49.3	0.3	49.6
Total sales	<u>\$ 515.2</u>	<u>\$ 101.4</u>	<u>\$ 5.0</u>	<u>\$ 621.7</u>
Operating income	<u>\$ 91.3</u>	<u>\$ 47.4</u>	<u>\$ 0.5</u>	<u>\$ 139.2</u>
Assets (at end of period)	<u>\$ 1,623.7</u>	<u>\$ 352.6</u>	<u>\$ 26.1</u>	<u>\$ 2,002.4</u>
Depreciation and amortization of segment assets	<u>\$ 19.7</u>	<u>\$ 6.8</u>	<u>\$ 0.8</u>	<u>\$ 27.2</u>
Three month period ended June 30, 2001:				
Sales:				
To unaffiliated customers	\$ 453.3	\$ 55.0	\$ 5.3	\$ 513.6
Intersegment	0.1	37.4	0.1	37.6
Total sales	<u>\$ 453.4</u>	<u>\$ 92.4</u>	<u>\$ 5.4</u>	<u>\$ 551.2</u>
Operating income	<u>\$ 68.6</u>	<u>\$ 33.1</u>	<u>\$ 0.5</u>	<u>\$ 102.2</u>
Six month period ended June 30, 2002:				
Sales:				
To unaffiliated customers	\$ 994.1	\$ 113.6	\$ 9.4	\$ 1,117.1
Intersegment	-	95.8	0.4	96.3
Total sales	<u>\$ 994.1</u>	<u>\$ 209.4</u>	<u>\$ 9.8</u>	<u>\$ 1,213.4</u>
Operating income	<u>\$ 177.6</u>	<u>\$ 91.7</u>	<u>\$ 0.5</u>	<u>\$ 269.8</u>
Assets (at end of period)	<u>\$ 1,623.7</u>	<u>\$ 352.6</u>	<u>\$ 26.1</u>	<u>\$ 2,002.4</u>
Depreciation and amortization of segment assets	<u>\$ 33.8</u>	<u>\$ 13.4</u>	<u>\$ 1.1</u>	<u>\$ 48.3</u>
Six month period ended June 30, 2001:				
Sales:				
To unaffiliated customers	\$ 892.9	\$ 101.4	\$ 10.2	\$ 1,004.5
Intersegment	0.1	74.4	0.3	74.8
Total sales	<u>\$ 893.0</u>	<u>\$ 175.8</u>	<u>\$ 10.5</u>	<u>\$ 1,079.3</u>
Operating income	<u>\$ 138.6</u>	<u>\$ 61.6</u>	<u>\$ 1.0</u>	<u>\$ 201.2</u>

*Active Pharmaceutical Ingredients

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

b. Following is a reconciliation of operating income and assets of the reportable segments to the data included in the condensed consolidated financial statements:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
U.S. dollars in millions				
Total operating income of reportable Segments	\$ 138.7	\$101.7	\$ 269.3	\$ 200.2
Other	0.5	0.5	0.5	1.0
Amounts not allocated to segments:				
Profits not yet realized	(15.8)	(0.6)	(27.2)	(9.2)
General and administration expenses	(9.4)	(12.2)	(18.7)	(21.5)
Other expenses	(2.3)	(2.5)	(4.1)	(4.7)
Financial expenses – net	(4.0)	(7.9)	(10.0)	(16.6)
Other income – net	1.7	2.0	3.5	4.1
Consolidated income before income taxes	\$ 109.4	\$ 81.0	\$ 213.3	\$ 153.3
	June 30,			
	2002			
Assets				
Total assets of reportable segments	\$ 1,976.3			
Other assets	26.1			
Elimination of intersegment balances	(20.9)			
Elimination of unrealized income from inventories	(25.5)			
Assets not allocated to segments:				
Current assets	748.1			
Investments and other assets	311.8			
Property, plant and equipment, net	39.8			
Intangible assets, net	731.3			
Consolidated assets at June 30, 2002	\$ 3,787.0			

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6 - Goodwill And Other Intangible Assets:

On January 1, 2002 (the "transition date"), the Company adopted Financial Accounting Standards ("FAS") No. 141 of the Financial Accounting Standards Board of the United States, "Business Combinations" and FAS 142, "Goodwill and Other Intangible Assets".

FAS 141 supersedes Accounting Principles Board Opinion ("APB") 16, "Business Combinations". Among the most significant changes made by FAS 141 are: (1) requiring that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; and (2) establishing specific criteria for the recognition of intangible assets separately from goodwill.

The adoption of FAS 141 resulted in the reclassification, on the transition date, of assembled workforce with a carrying value of \$3.8 million net of income taxes to goodwill, as assembled workforce does not meet the criteria for a separately identifiable intangible asset under this new accounting standard.

FAS 142 supersedes APB 17, "Intangible Assets". Among the most significant changes made by FAS 142 are: (1) goodwill and intangible assets with indefinite lives will no longer be amortized; and (2) goodwill and intangible assets deemed to have an indefinite life will be tested for impairment at least annually.

Upon the adoption of FAS 142, a review was performed of the remaining estimated useful lives for all recorded intangible assets. As a result of this review, marketing rights with a carrying value of \$29.6 million were determined to have an indefinite life, as this intangible asset relates primarily to a tradename. This intangible asset, which will no longer be amortized beginning January 1, 2002, was tested for impairment, on the transition date, in accordance with the provisions of FAS 142, and was determined not to be impaired.

The Company has completed the transitional impairment review of Goodwill required upon adoption of FAS 142 (as of January 1, 2002) and determined that there is no indication of impairment with respect to Goodwill.

Hereafter are certain unaudited pro forma consolidated statements of income data for the three and six months periods ended June 30, 2001, as if the adoption of FAS 141 and FAS 142 occurred on January 1, 2001:

	<u>Three Months</u>	<u>Six Months</u>
	<u>Ended June 30, 2001</u>	
	<u>U.S. dollars in millions</u>	
	<u>(except earnings per ADR)</u>	
	<u>(Unaudited)</u>	
Net income:		
As previously reported	\$ 64.4	\$ 119.2
Add - amortization net of taxes*	4.6	9.2
As adjusted	\$ 69.0	\$ 128.4
Earnings per ADR - basic:		
As previously reported	\$ 0.49	\$ 0.90
Add - amortization net of taxes*	0.04	0.07
As adjusted	\$ 0.53	\$ 0.97
Earnings per ADR - diluted:		
As previously reported	\$ 0.47	\$ 0.87
Add - amortization net of taxes*	0.04	0.07
As adjusted	\$ 0.51	\$ 0.94

*Amortization of goodwill, assembled workforce and marketing rights, the amortization of which was discontinued as of January 1, 2002.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 7 – Acquisitions

During the last week of June, 2002 Teva finalized the acquisitions of Honeywell Pharmaceutical Fine Chemicals Srl and the generic operations of Bayer Pharma SA for a total consideration of approximately \$165 million.

The balance sheets of these companies at June 30, 2002 have been included in Teva's consolidated balance sheet at that date. However, no fair value adjustments have yet been made and they will be finalized during the coming quarters.

As a result, the entire amount by which the investment in these two companies exceeded their combined book value, approximately \$100 million, has been included in "Intangible Assets" in the accompanying consolidated financial statements.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with the consolidated financial statements, the related notes to the consolidated financial statements and the Operating and Financial Review and Prospects included in Teva's Annual Report on Form 20-F for the fiscal year ended December 31, 2001 and the unaudited interim condensed consolidated financial statements contained in this Report on Form 6-K and the related notes to such unaudited interim condensed consolidated financial statements.

Except for historical information contained in this report, the matters discussed below are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current beliefs and expectations and involve a number of known and unknown risks and uncertainties that could cause Teva's 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 Teva's ability to successfully develop and commercialize additional pharmaceutical products, the introduction of competitive generic products, the impact of competition from brand-name companies that sell their own generic products or successfully extend the exclusivity period of their branded products, Teva's ability to rapidly integrate the operations of acquired businesses, the availability of product liability coverage in the current insurance market, the impact of pharmaceutical industry regulation and pending legislation that could affect the pharmaceutical industry, the difficulty of predicting U.S. Food and Drug Administration ("FDA") and other regulatory authority approvals, the regulatory environment and changes in the health policies and structure of various countries, acceptance and demand for new pharmaceutical products and new therapies, 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, exposure to product liability claims, dependence on patent and other protections for innovative products, fluctuations in currency, exchange and interest rates, operating results and other factors that are discussed in Teva's Annual Report on Form 20-F and its other filings with the U.S. Securities and Exchange Commission ("SEC").

Teva undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are advised, however, to consult any additional disclosures that Teva may make in its Reports on Form 6-K to the SEC.

Results of Operations

Comparison of Three Months Ended June 30, 2002 to Three Months Ended June 30, 2001

General

The most significant trends affecting the results of the second quarter of 2002, as compared to the comparable period in 2001, as well as the most significant milestones during the second quarter of 2002, were:

- On April 22, 2002, Israel Makov succeeded Eli Hurvitz as Teva's President and Chief Executive Officer and Mr. Hurvitz was appointed Chairman of the Board.
- North American pharmaceutical sales grew significantly, as a result of both generic products launched in the second half of 2001 and in 2002 and increased sales of Copaxone®.
- Copaxone® global in-market sales grew 44% over the comparable period in 2001, reflecting the successful penetration of the pre-filled syringe in the North American market, as well as a strong entry into European markets.
- Generic pharmaceutical sales in Europe benefited from new product launches and the strengthening of European currencies (Euro, Hungarian Forint and U.K. pound sterling), as well as more favorable pricing environments.
- The tax rate for the quarter was 15.9%, reflecting an ongoing trend which is expected to continue in the second half of 2002, and is due to a favorable mix in the sources of Teva's income, including increased sales of Copaxone®.
- Two previously announced acquisitions were completed in the second quarter: the generic operations of Bayer France (renamed Teva Classics), and Honeywell Pharmaceutical Fine Chemicals (renamed Teva Pharmaceutical Fine Chemicals S.r.l.) in Italy. Teva's balance sheet as of June 30, 2002 reflects the acquisitions of both the Bayer France generic operations and Honeywell, while the income statements of both companies will be consolidated into Teva's income statements commencing with the third quarter of 2002.

The following table sets forth certain financial data presented as a percentage of sales and the percentage change, for the periods indicated.

	Percentage of Sales Three Months Ended June 30,		Period to Period Percentage Change
	<u>2002</u>	<u>2001</u>	
Sales	100.0%	100.0%	11%
Gross Profit	43.2%	39.9%	21%
Research and Development Expenses:			
Total expenses	7.8%	7.8%	13%
Less grants & participations	1.4%	2.5%	(37%)
R&D Expenses — net	6.4%	5.3%	36%
Selling, General and Administrative Expenses	17.3%	17.7%	9%
Operating Income	19.5%	16.9%	28%
Financial Expenses — net	0.7%	1.5%	(49%)
Other Income — net	0.3%	0.4%	(15%)
Income Before Income Taxes	19.1%	15.8%	35%
Net Income	16.1%	12.5%	43%

As a result of the adoption in the beginning of 2002 of FAS 142, this is the second quarter in which selling, general and administrative expenses do not include the amortization of goodwill. In accordance with FAS 142, no adjustment has been made to the figures in this table for the comparable period of 2001. Were 2001 second quarter results adjusted to exclude the amortization of goodwill, net income as a percentage of sales for such period would have been 13.4% and the period-to-period percentage change in net income would have been 33%.

Sales – General

Consolidated sales for the three months ended June 30, 2002 were \$572 million, an increase of 11% over the comparable quarter of 2001. Consolidated sales by geographic areas and business segments were as follows:

Sales By Geographical Areas

<u>Sales for the Period</u>	U.S. Dollars In Millions			
	<u>Second Quarter,</u>		<u>% Change</u>	<u>% of Total</u>
	<u>2002</u>	<u>2001</u>		
North America	355.9	322.5	10%	62%
Europe	140.7	108.7	29%	25%
Rest of the World	75.4	82.4	(9%)	13%
Total	572.0	513.6	11%	100%

Sales By Business Segments

<u>Sales for the Period</u>	U.S. Dollars In Millions		<u>% Change</u>	<u>% of Total</u>
	<u>2002</u>	<u>2001</u>		
Pharmaceuticals	515.2	453.3	14%	90%
A.P.I. *	52.1	55.0	-5%	9%
Other	4.7	5.3	-11%	1%
Total	572.0	513.6	11%	100%

*Third party sales only.

Pharmaceutical Sales

<u>Sales for the Period</u>	U.S. Dollars In Millions		<u>% Change</u>	<u>% of Total</u>
	<u>2002</u>	<u>2001</u>		
North America	327.3	287.3	14%	64%
Europe	119.3	89.5	33%	23%
Rest of the World	68.6	76.5	(10%)	13%
Total	515.2	453.3	14%	100%

Pharmaceutical Sales

Teva's total pharmaceutical sales during the three months ended June 30, 2002 were \$515 million, comprising approximately 90% of Teva's total revenue and representing an increase of 14% over the second quarter of 2001.

North America

Pharmaceutical sales in North America for the three months ended June 30, 2002 reached \$327 million, an increase of 14% over the comparable quarter of 2001. This increase was attributable to sales of new generic products (the most significant being Torsemide and Tramadol that were launched during the quarter, and Nabumetone, Metformin and Calcitriol that were not sold in the comparable quarter), as well as increased sales of Copaxone[®]. This increase in North American pharmaceutical sales was primarily a result of an increase in sales in the United States, which was partially offset by a moderate decrease in Canadian sales due to Teva's decision to discontinue the sale of certain unprofitable products.

According to IMS data, during the quarter ended June 30, 2002, Teva's U.S. subsidiary ranked first among all generic pharmaceutical companies, both in terms of new, as well as total, retail prescriptions.

The following is a listing of the ANDA approvals Teva and its partners received from the U.S. FDA during the second quarter of 2002 and thereafter:

<u>Generic Product Name</u>	<u>Approval Date</u>	<u>Innovator Product Brand Name</u>
Fenofibrate 67 mg	April 2002*	Tricor®
Fenofibrate 134, 200 mg	April 2002	Tricor®
Torseamide	May 2002	Demadex®
Pravastatin	May 2002*	Pravachol®
Loratadine 24hr**	May 2002*	Claritin-D®
Loratadine 12 hr**	May 2002*	Claritin-D®
Tramadol	June 2002	Ultram®
Lisinopril/HCTZ	July 2002	Prinizide®
Lisinopril	July 2002	Zestril®
Oxaprozin	July 2002	Daypro®
Tizanidine	July 2002	Zanaflex®
Gabapentin	July 2002*	Neurontin®

* Tentative approval/approvable.

** Impax products.

As of July 25, 2002, 62 product applications, some significant, were awaiting FDA approval. These include 14 applications for which tentative FDA approval has already been granted. Collectively, the products covered by these 62 applications have corresponding annual U.S. branded sales of approximately \$23 billion. Forty-one of these 62 applications were submitted pursuant to a Paragraph IV procedure. To the extent that Teva was the first to file such Paragraph IV certifications, it should be eligible for 180-day marketing exclusivity upon receipt of FDA approval for the related generic product. Teva believes it is first-to-file on 19 of these applications; in the aggregate the products covered by these applications had annual US branded sales of approximately \$6 billion.

Europe

Pharmaceutical sales in Europe were \$119 million in the quarter ended June 30, 2002, an increase of approximately 33% over the second quarter of 2001. This increase was due primarily to the continued penetration of Copaxone® in several European countries, with the most significant being Germany. In addition, the revaluation of the Euro against the US dollar positively impacted the US dollar value of European sales (the Euro was revalued by 5% against the US\$ on a quarterly average base comparison). Teva also benefited from improved sales in

some of its major generic markets: in Hungary, as a result of increased purchases by customers in anticipation of price increases, and in the U.K., as a result of newly launched products.

There have been ongoing changes in the legislative environment for generic drugs in Europe, including, most recently, a new law in Germany, which became effective on July 1, 2002, which for the first time allows generic substitution by pharmacists, under certain prescribed circumstances.

Rest of the World

Israeli pharmaceutical sales, which accounted for 10% of consolidated sales this quarter, totaled \$54 million, representing a decrease of 3% over the second quarter of 2001. Without the effect of the 17% devaluation (on a quarterly average base comparison) of the New Israeli Shekel (NIS) relative to the U.S. dollar, sales increased by 14%, due to a large increase in the distribution activities of third party products by Teva's wholly owned local wholesaler.

Pharmaceutical sales in Teva's other markets decreased by 30% from the comparable quarter due in large part to Teva's conservative policy regarding sales to economically unstable markets. Teva strives to take measures to reduce risks, which resulted in decreased sales in both Argentina and Russia during the second quarter.

Copaxone[®]

During the second quarter of 2002, global in-market sales of Copaxone[®], Teva's leading drug, totaled \$130 million, an increase of 43% over the comparable quarter of 2001. The successful penetration of Copaxone[®] in Europe is reflected in Europe's increasing share of global sales, with sales in the United States accounting for 76% of Copaxone[®] sales in the quarter. In addition, increased sales were recorded in the U.S. due to the launch of the pre-filled syringe, which so far has achieved over 80% conversion. According to IMS monthly data, Copaxone's[®] U.S. market share was 26.8% in June 2002, in terms of total prescriptions. In Europe, Copaxone[®] continued its penetration in several countries, including Germany, Austria, the Netherlands and the Nordic countries. In May 2002, Copaxone[®] became available to U.K. MS patients meeting the criteria under the National Health Service scheme.

Sales of Active Pharmaceutical Ingredients (API)

Total API sales, including sales to Teva's pharmaceutical businesses, increased 10% over the comparable period, to a total of \$101 million. API sales to third parties were approximately \$52 million, 5% less than the same period last year, and represented 9% of Teva's consolidated sales for the quarter.

Of the 62 ANDAs pending before the FDA, 21 use Teva's API materials, reflecting the benefit to Teva of this strategically important production capability.

Gross Profit

The gross profit margin for the quarter reached 43.2%, compared to 39.9% in the comparable quarter of 2001. The substantially higher gross margin reflects the continued favorable product mix as well as an improved pricing environment, favorable currency trends

(see "Impact of Currency Fluctuations and Inflation" below) and continued manufacturing synergies. While Teva's gross margins have been experiencing an upward trend, the level achieved in the first two quarters of 2002 is not necessarily indicative of what Teva expects to be able to achieve in the coming quarters.

Research and Development (R&D)

Gross R&D expenses during the quarter ended June 30, 2002 amounted to \$45 million, an increase of approximately 13% as compared to the same period last year. Net R&D expenses, which amounted to \$37 million in the second quarter of 2002, were 36% higher than during the comparable quarter of 2001. The increase in R&D expenses is attributable to both increased generic R&D spending as well as increased innovative R&D spending. In the second quarter of 2002, participations in R&D expenses were significantly lower (down 37%), reflecting lowered third party participations under Teva's agreements with its strategic partners, mainly due to the reduced expenditures for Oral Copaxone®.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses as a percentage of sales were 17.3% compared to 17.7% in the comparable quarter of 2001. As a result of the adoption of FAS 142, since January 1, 2002, SG&A expenses exclude the amortization of goodwill. Teva has completed its initial assessment of goodwill under FAS 142 and has concluded that no impairment adjustment is required. The increase in SG&A expenses in absolute terms is due to increased Copaxone® expenses relating its European launch and the launch of the pre-filled syringe in North America, an additional provision of \$2 million for the remainder of doubtful debts in Argentina, increased legal expenses and higher insurance costs.

Financial Expenses

Net financial expenses in the quarter decreased by 49% to \$4 million, as compared with the same period last year. This was due to reduced interest expenses resulting from the \$360 million of convertible senior debentures issued in August 2001 and interest income generated by the proceeds of such financing and cash generated from operations. In addition, swapping part of Teva's long term debt from bearing fixed interest to floating interest, as well as hedging transactions aimed at protecting against the impact of currency fluctuations on certain assets and liabilities, contributed to the reduced financial expenses. Both income and expenses resulting from such transactions are recorded under financial expenses, as these transactions do not qualify for hedge accounting under FAS 133. Almost every line item of Teva's income statement is impacted by currency fluctuations, since its operating currency is the U.S. dollar and it operates globally. For example, sales in dollars reflect either an erosion or appreciation in sales in dollar terms of non-US dollar denominated sales depending on the movement of the local currency. The same applies to expense items depending on the currency in which the expense occurred.

Tax Rate

The rate of tax for the second quarter of 2002 was 15.9%, as compared to 20.4% in the second quarter of 2001, 18.7% for all of 2001 and 17.6% for the first quarter of 2002. The rate of tax fluctuates with the source of taxable income. The lower tax rate for the second quarter of

2002 reflects a favorable mix in the sources of Teva's income, including increased sales of Copaxone[®] and was determined based on management estimates of the annual tax rate for the full year 2002.

Net Income

Net income for the quarter ended June 30, 2002 totaled \$92 million, or \$0.68 per share fully diluted, an increase over the comparable quarter of 2001 of 43% and 45%, respectively. Net income as a percentage of sales was 16.1% in the second quarter of 2002, as compared to 12.5% in the comparable quarter of 2001. Were second quarter 2001 results to exclude amortization of goodwill (as required under FAS 142 beginning first quarter 2002), net income and EPS fully diluted would have each increased by 33%.

Comparison of Six Months Ended June 30, 2002 to Six Months Ended June 30, 2001

General

In general, the factors described above relating to the comparison of the results of the second quarter of 2002 and 2001 also impacted the comparison of the first half of 2002 compared to the first half of 2001.

The following table sets forth certain financial data presented as a percentage of sales and the percentage change, for the periods indicated.

	Percentage of Sales Six Months Ended June 30,		Period to Period Percentage Change
	<u>2002</u>	<u>2001</u>	
Sales.....	100.0%	100.0%	11%
Gross Profit.....	43.5%	40.0%	21%
Research and Development Expenses:			
Total expenses.....	7.6%	7.8%	8%
Less grants & participations.....	1.2%	2.3%	(44%)
R&D Expenses — net.....	6.4%	5.5%	31%
Selling, General and Administrative Expenses.....	17.4%	18.0%	7%
Operating Income.....	19.7%	16.5%	33%
Financial Expenses — net.....	0.9%	1.7%	(40%)
Other Income — net.....	0.3%	0.4%	(15%)
Income Before Income Taxes.....	19.1%	15.3%	39%
Net Income.....	15.9%	11.9%	49%

As a result of the adoption of FAS 142 as of January 1, 2002, selling, general and administrative expenses for the six months under review do not include the amortization of goodwill. In accordance with FAS 142, no adjustment has been made to the figures in this table for the comparable period of 2001. Were the first six months of 2001 to exclude the amortization of goodwill, net income as a percentage of sales for such period would have been 12.8% and the period to period percentage change in net income would have been 38%.

Sales – General

Consolidated sales for the six months ended June 30, 2002 were \$1,117 million, an increase of 11% over the comparable period of 2001. Consolidated sales by geographic areas and business segments were as follows:

Sales By Geographical Areas

<u>Sales for the Period</u>	U.S. Dollars In Millions		<u>% Change</u>	<u>% of Total</u>
	<u>2002</u>	<u>2001</u>		
North America	694.0	614.2	13%	62%
Europe	268.6	224.6	20%	24%
Rest of the World	154.5	165.7	(7%)	14%
Total	1,117.1	1,004.5	11%	100%

Sales By Business Segments

<u>Sales for the Period</u>	U.S. Dollars In Millions		<u>% Change</u>	<u>% of Total</u>
	<u>2002</u>	<u>2001</u>		
Pharmaceuticals	994.1	892.9	11%	89%
A.P.I. *	113.6	101.4	12%	10%
Other	9.4	10.2	(8%)	1%
Total	1,117.1	1,004.5	11%	100%

*Third party sales only.

Pharmaceutical Sales

<u>Sales for the Period</u>	U.S. Dollars In Millions		<u>% Change</u>	<u>% of Total</u>
	<u>2002</u>	<u>2001</u>		
North America	630.8	554.6	14%	64%
Europe	223.6	187.4	19%	22%
Rest of the World	139.7	150.9	(7%)	14%
Total	994.1	892.9	11%	100%

Pharmaceutical Sales

Teva's total pharmaceutical sales during the six months ended June 30, 2002 were \$994 million, comprising approximately 89% of Teva's total revenue and representing an increase of 11% over the same period last year.

North America

Pharmaceutical sales in North America for the six months ended June 30, 2002 reached \$631 million, an increase of 14% over the comparable quarter of 2001. This increase was

attributable to the sales of new generic products (the most significant being Nabumetone, Metformin, Calcitriol, Torsemide and Tramadol that were not sold in the comparable period), as well as increased sales of Copaxone[®]. Increased sales in the United States were partially offset by lower sales in the Canadian market due to Teva's decision to discontinue the sale of certain unprofitable products.

Europe

Pharmaceutical sales in Europe were \$224 million in the six months ended June 30, 2002, an increase of approximately 19% over the first six months of 2001. This increase was due primarily to the continued penetration of Copaxone[®] in several European countries, with the most significant being Germany. Teva also benefited from improved sales in its major generic markets, in the Netherlands, as a result of the launch of new products, in the United Kingdom, where price levels stabilized and Teva launched new products, and in Hungary, where prices were higher than in the comparable period of 2001, as a two-year price freeze was partially lifted in July 2001. The effect of the revaluation of the Euro against the US dollar on the six months results was minimal as the Euro/US\$ average rate was practically the same in both periods.

Rest of the World

Israeli pharmaceutical sales, which accounted for 11% of consolidated sales for the six months, totaled \$112 million, representing a decrease of 1% when compared with the same period last year. However, without the 14% devaluation of the NIS against the U.S.\$ (on a half year average base comparison), sales increased by 13%.

Pharmaceutical sales in Teva's other markets decreased by 26% from the comparable six months due in large part to Teva's conservative policy regarding sales to economically unstable markets. Teva strives to take measures to reduce risks, which resulted in decreased sales in both Argentina and Russia during the first half of 2002.

Copaxone[®]

During the first half of 2002, global in-market sales of Copaxone[®], Teva's leading drug, totaled \$239 million, an increase of 45% over the comparable period of 2001. The strong penetration into European markets, as well as the successful entry of the pre-filled syringe in the North American market in the second quarter, are the major contributors to the above increase.

Sales of Active Pharmaceutical Ingredients (API)

Total API sales, including sales to Teva's pharmaceutical units, increased 19% over the comparable period, to a total of \$209 million. API sales to third parties were approximately \$114 million, representing 10% of Teva's consolidated sales for the half year, 12% more than the same period last year.

Gross Profit

The gross profit margin for the six month period reached 43.5% compared to 40.0% in the first six months of 2001. The substantially higher gross margin reflects the continued favorable product mix, as well as an improved pricing environment and continued manufacturing

synergies. While Teva's gross margins have been experiencing an upward trend, the level achieved in the first two quarters of 2002 is not necessarily indicative of what Teva expects to be able to achieve in the coming quarters.

Research and Development (R&D)

Gross R&D expenses during the first half of 2002 amounted to \$85 million, an increase of approximately 8% as compared to the same period last year. Net R&D expenses, which amounted to \$72 million in the first six month of 2002, were 31% higher than during the comparable period of 2001. Participations in R&D expenses were significantly lower (down 44%), reflecting the decrease in third party participations.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses as a percentage of sales were 17.4% compared to 17.7% in the comparable period of 2001. As a result of the adoption of FAS 142, since January 1, 2002, SG&A expenses exclude the amortization of goodwill. Teva has completed its initial assessment of goodwill under FAS 142 and has concluded that no impairment adjustment is required. The increase in SG&A expenses in absolute terms is due to increased Copaxone expenses relating to its European launch and the launch of the pre-filled syringe in North America, provisions of \$5 million for doubtful debts in Argentina, increased legal expenses and higher insurance costs.

Financial Expenses

Net financial expenses in the six-month period decreased by 40% to \$10 million, as compared with the same period last year. This was due to reduced interest expenses resulting from the \$360 million of convertible senior debentures issued in August 2001 and interest income generated by the proceeds of such financing and cash generated from operations. In addition, swapping part of Teva's long-term debt from fixed interest to floating interest, as well as some hedging transactions, contributed to the reduced financial expenses.

Tax Rate

The rate of tax for the first half of 2002 was 16.8%, as compared to 21.7% in the same period last year and 18.7% for all of 2001. The rate of tax fluctuates with the source of taxable income. The lower tax rate for the first half of 2002 reflects a favorable mix in the sources of Teva's income, including increased sales of Copaxone[®]. The provision for income tax for the reported period was determined based on management estimates of the annual tax rate for the full year 2002.

Net Income

Net income for the six months ended June 30, 2002 totaled \$177 million, or \$1.32 per share fully diluted, an increase over the comparable period of 2001 of 49% and 52 %, respectively. Net income as a percentage of sales was 15.9 % in the first six months of 2002, as compared to 11.9% in the first six months of 2001. After adjusting 2001 first half results to exclude amortization of goodwill, net income and EPS fully diluted increased by 38% and 40%, respectively.

Recent Acquisitions

During the last week of the period, Teva completed the acquisition from Bayer Pharma S.A. of its French generic pharmaceutical marketing company, Bayer Classics S.A (renamed Teva Classics) and related manufacturing facility.

The acquisition will enable Teva to become a major player in the fast growing emerging generic pharmaceutical market in France, further enhancing its leading position in Europe.

Teva, through the combination of its existing operations in France and the operations of Bayer Classics S.A., will offer the French market 72 generic products (in 153 presentations) and will have 49 products in the pipeline of pending generic product registrations. For the six months ended March 31, 2002, Bayer Classics had revenues exceeding €26 million.

In addition, Teva completed during June 2002 the acquisition from Honeywell International Inc. of one of its Italian subsidiaries, Honeywell Pharmaceutical Fine Chemicals S.r.l. (HPFC S.r.l.) (renamed Teva Pharmaceutical Fine Chemicals S.r.l.).

HPFC S.r.l., a profitable producer of active pharmaceutical ingredients (API), had total sales in 2001 of approximately \$55 million. Teva has been a customer of HPFC's main product segments, including CNS and anti-inflammatory products. HPFC has two FDA approved manufacturing facilities and a sales office in Northern Italy and employs approximately 200 persons. These facilities will be integrated with Teva's two existing API facilities in the area. Teva currently manufactures API products in Israel, Italy, Hungary and the U.S.

Teva believes that the transaction will broaden its API product line and demonstrates its continued commitment to better serving its customers worldwide. The acquisition fits very well with Teva's API activity, which provides strategic depth to Teva's overall generic business and further enhances Teva's global leadership in generic pharmaceuticals.

Critical Accounting Policies

The preparation of Teva's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that in certain circumstances affect amounts reported in the accompanying consolidated financial statements and related footnotes. Teva bases its judgments on its experience and various other assumptions that it believes to be reasonable under the circumstances. The more important estimates that Teva evaluates on an ongoing basis include those related to sales and related discounts and rebates, income taxes and litigation. Teva's actual results could differ from these estimates under different assumptions or conditions. Please refer to Note 1 to Teva's financial statements included in its Annual Report on Form 20-F for the year ended December 31, 2001 for a summary of all of Teva's significant accounting policies.

Impact of Currency Fluctuations and Inflation

Because Teva's results are reported in U.S. dollars, changes in the rate of exchange between the U.S. dollar and local currencies – mainly the Euro, New Israeli Shekel (NIS), Canadian Dollar, Pound Sterling and Hungarian Forint – affect Teva's results. During the second quarter of 2002, the trend of the Euro-devaluation reversed and the Euro was revalued

against the US\$ by 5% relative to the comparable quarter last year (average compared with average). The Hungarian Forint revalued by approximately 10%, and the Pound Sterling by approximately 3%. While sales in Europe, that are recorded in US\$, benefited by the revalued Euro, the impact on net income was mitigated by the fact that costs in dollar terms increased correspondingly.

In Israel, the dollar value of local sales was affected by the devaluation of the NIS by 17% between the comparable quarters. However, as Teva's Israeli production was both for local and foreign markets, its NIS-denominated expenses exceeded its NIS-denominated income. As a result, the net impact of this devaluation on Teva's bottom line was positive.

Liquidity and Capital Resources

The balance sheet as of June 30, 2002 reflects the acquisitions of both Bayer France and Honeywell Italy, which were acquired in the last week of the quarter, while the income and cash flow statements of both companies will be consolidated into Teva's income statements commencing with the third quarter of 2002. The cash flow statement reflects the payment made for the above-mentioned acquisitions.

On June 30, 2002, Teva's working capital was \$1.3 billion, as compared to \$1.4 billion at December 31, 2001. Cash and cash equivalents at June 30, 2002 amounted to \$576 million, as compared to \$769 million at December 31, 2001. Cash provided by operating activities during the first half of 2002 amounted to \$233 million.

These funds were used, mainly to finance (1) the acquisition of two businesses at the end of June 2002 (\$154 million – inclusive of intangible assets of \$100 million) and (2) the acquisition of fixed assets (\$69 million). The investment of \$161 million in long-term securities was financed mainly from cash and cash equivalents on hand at the beginning of the period.

Inventories increased by \$125 million during the first half of 2002. Of this amount, \$28 million relates to the two acquisitions concluded at the end of June 2002. Additional increases are as a result of: (1) a strategic decision to increase inventories in order to improve customer service; (2) preparations for new product launches; and (3) the strengthening of European and Canadian currencies against the US dollar with the consequent impact on the dollar value of such inventories.

During the first half of 2002, gains on the translation of the financial statements of foreign subsidiaries (mainly European and Canadian) whose functional currency is not the US dollar amounted to approximately \$53 million. Virtually the entire gain arose during the second quarter of the year. This gain constitutes an addition to shareholders equity. This translation gain is mainly the result of the material strengthening of both European and Canadian currencies against the US dollar during the reported period.

Investment in property, plant and equipment in the second quarter of 2002 amounted to \$42 million, compared to \$27 million in the comparable quarter last year. Depreciation and amortization amounted to \$23 million in the second quarter of 2002, as compared to \$25 million in the comparable quarter of 2001. The 2001 figure included amortization of goodwill in an amount of \$4.6 million, which has been excluded from the 2002 figure as a result of the adoption of FAS 142.

Accounts payable and accruals increased from \$531.6 million at December 31, 2001 to \$670.1 million at June 30, 2002. This increase resulted from a number of factors, including the receipt of tax refunds, the provisions for which were previously set off against taxes payable, a net increase in provisions for taxation, increased provisions for discounts and rebates resulting from an increase in sales and the inclusion of payables arising from the acquisitions of the generic operations of Bayer France and Honeywell Pharmaceutical Fine Chemicals at the end of June 2002.

Teva's principal sources of short-term liquidity are its existing cash and internally generated funds, which Teva believes are sufficient to meet its operating needs and anticipated capital expenditures over the near term.

Teva continues to review additional opportunities to acquire companies in the generic industry and to acquire complementary technologies or product rights. To the extent that any such acquisitions involve cash payments rather than the issuance of shares, they may require Teva to draw upon its credit lines available from Israeli and other banks, or may involve raising additional funds from debt or equity markets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to the "Quantitative and Qualitative Disclosures About Market Risk" section (Item 11) in Teva's Annual Report on Form 20-F for the year ended December 31, 2001.

During the first quarter of 2002, Teva entered into a swap agreement with respect to its series of \$75 million principal amount of senior notes due 2008. As a result of this agreement, Teva will pay a floating rate based on LIBOR plus a certain margin on these notes, rather than a fixed rate of 6.87%.

LEGAL PROCEEDINGS

Reference is made to the "Legal Proceedings" section in Teva's Annual Report on Form 20-F for the year ended December 31, 2001. There were no material developments to such legal proceedings during the quarter ended June 30, 2002.

Exhibit

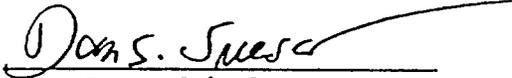
Attached as Exhibit 3.1 to this Form 6-K is an English translation of Teva's amended and restated Articles of Association, which was approved by Teva's shareholders at its annual meeting held on April 22, 2002. The Hebrew original version of the Articles of Association is the official version.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned.

Teva Pharmaceutical
Industries Limited

.....
(Registrant)

By: 
Dan Suesskind
Chief Financial Officer

August 14, 2002
Date:

Translated from the Hebrew

Exhibit 3.1 |

ARTICLES OF ASSOCIATION

of

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

A Limited Share Company

Updated on April 22, 2002

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A. INTRODUCTION

Interpretation

1. In these Articles of Association, the words which appear in the first column in the table set forth below shall be interpreted in accordance with the interpretation which is given to them on the same line in the second column thereof. This shall apply as long as the text or context of the matter does not include any statement which contradicts said meaning or which is not consistent therewith.

Words

Interpretations

“the Company”

Teva Pharmaceutical Industries Ltd.

“the Law”

The Companies Law, Hatashna't -1999, and any other law which shall replace or amend it and which shall apply to the Company and which shall be in force at the time in question.

“these Articles”

The Articles of Association of the Company, as they are set forth in this document or as they shall be in force from time to time.

“the Directors”

The Directors, or, in the case of fewer than two, the Director of the Company at the time in question.

“the Board of Directors”

The Board of Directors established pursuant to these Articles of Association.

“the Registered Office”

The registered office of the Company at any time.

“the Register”

The register of the shareholders in the Company, which must be maintained pursuant to the provisions of the Law.

“Month”

A Gregorian calendar month.

“Year”

A Gregorian calendar year.

“CEO”	A General Manager pursuant to the provisions of the Law.
“the Accountant”	An Auditing Accountant pursuant to the provisions of the Law.
“Officer”	As per its definition in the Law.

The Hebrew version of these Articles shall be the sole binding version.

Writing shall be deemed to include printing and lithography and any other means of setting down words in a visible form. Words which are in the singular form shall be deemed to include the plural form, and vice versa. Words which are in the masculine gender shall be deemed to include the feminine gender, and vice versa. Words which apply to individual persons shall be deemed to include incorporated entities, unless specified otherwise.

With the exception of that set forth above, the words and expressions in these Articles shall have the same meaning as that given to them in the Law, unless they conflict with the content or the subject of that set forth in writing.

Objectives and Purpose of the Company

2. The purpose of the Company is to engage in any lawful endeavor.
3. The Company's center of management shall be in Israel, unless the Board of Directors shall otherwise resolve, with a majority of three-quarters of the participating votes.
4. The Company is entitled to contribute a reasonable amount to a worthy cause, even if the contribution does not fall within the framework of its business objectives.

Limitation of Liability

5. The liability of the shareholders is limited to redemption of the par value of their shares.

B. CAPITAL OF THE COMPANY

Capital Structure

6. The registered share capital of the Company is in the amount of NIS 50,000,000 (fifty million New Israeli Shekels), composed of 500,000,000 shares at a par value of 0.1 NIS per share, divided as follows:

499,575,693	ordinary shares at a par value of 0.1 NIS per share;
424,247	Class "A" ordinary shares at a par value of 0.1 NIS per share;
60	deferred shares at a par value of 0.1 NIS per share.

7. (a) The ordinary shares at a par value of 0.1 NIS per share and the Class "A" ordinary shares at a par value of 0.1 NIS per share shall confer upon the holders thereof equal rights with regard to the receipt of dividends, the receipt of bonus shares and the distribution of Company property during liquidation.
- (b) In addition, the ordinary shares at a par value of 0.1 NIS per share shall confer upon the holders thereof equal rights with regard to voting and the right to appoint directors, including pursuant to the provisions of Articles 59 and 60 below. The Class "A" ordinary shares at a par value of 0.1 NIS per share shall not confer upon the holders thereof any rights whatsoever with regard to voting and the right to appoint directors.
8. The deferred shares at a par value of 0.1 NIS per share shall not confer upon the holders thereof any rights, except for the right to be reimbursed in the amount of the par value thereof upon liquidation.
9. Should the share capital, at any time whatsoever, be divided into different types of shares, it shall be permissible to change the rights of any such type (unless otherwise set forth in the terms of issue of the shares of that type) after having obtained the consent, in writing, of all of the shareholders of the shares that have been issued of that type, or following the adoption of a resolution, by a majority of three-quarters of the participating votes, at a meeting of the shareholders of that type. The provisions of these Articles with regard to General Meetings shall also apply, *mutatis mutandis*, with regard to such a meeting.

10. The Company is entitled, subject to the provisions of the Law, to issue redeemable preferred shares or redeemable securities, pursuant to the terms and in the manner which shall be set forth by the Company at a General Meeting, and to redeem said shares or securities. The Company shall be entitled to decide upon the establishment of a fund or funds for the purpose of redemption of redeemable preferred shares or of other redeemable securities, in whole or in part, and to decide upon the amounts which shall be allocated to said fund or funds and the sources from which said amounts shall be allocated.
11. The shares shall be under the supervision of the Board of Directors, which shall be entitled, subject to the provisions of the Law, to issue them, to grant option rights for the purchase thereof, or to confer them in any manner to such persons, subject to such reservations and at such times as the Board of Directors shall see fit – provided, however, that no share whatsoever shall be issued at less than its par value, other than pursuant to the provisions of the Law.
12. The Company is entitled, at any time, to pay a commission to any person who shall underwrite, or shall agree to underwrite (whether absolutely or conditionally), shares or bonds of the Company, or who shall obtain the commitment of an underwriter, or shall agree to obtain the commitment of an underwriter (whether absolutely or conditionally), with regard to shares or bonds of the Company.

However, should the commission with regard to the shares be paid, or be payable, out of capital, the legal conditions and requirements concerning such payment shall be preserved and upheld. The commission may be paid in cash, in shares or in bonds of the Company, or by way of any two or of all three of said means.

13. Unless otherwise stipulated in these Articles, the Company shall be entitled to consider the registered holder of any share to be the absolute holder of said share, and accordingly, shall not be obligated to recognize any claim in equity or any claim on any other basis which may be filed by any other person with regard to such a share or with regard to any benefit related to such a share, unless it shall have been instructed to do so by a competent court of law or shall be required to do so by virtue of the provisions of the Law or by virtue of the provisions of any other law.

Share Certificates

14. The share certificates shall be issued by the Company and shall bear the properly affixed signature of two Directors, or of one Director and the Secretary of the Company. Each shareholder shall be entitled to receive, free of charge, one certificate with respect to the shares which are registered in his or her name, or,

with the approval of the Board of Directors (against payment of a price which shall be determined by the Board of Directors from time to time), a number of certificates, each of which shall be issued with respect to one or more of the shares which are held by him or her; The Company shall issue the certificates with respect to fully paid-up shares within one month of the date of the issue thereof, or within one month of the date of receipt of the total consideration with respect thereto, or within one month of the date on which the Company shall have been provided, pursuant to the provisions of the Law and of these Articles, with the certificate of transfer of the fully paid-up shares with respect to which the share certificate is requested. Each share certificate shall designate the numbers of the shares with respect to which it was issued and the amount which was paid for said shares.

15. Should any share certificate become mutilated or defaced, then, following the submission of said certificate to the Secretary of the Company, the Board of Directors or the Secretary of the Company shall be entitled to instruct that said certificate shall be canceled and a new certificate shall be issued in its stead; Should a share certificate become lost or destroyed, then, following the submission of evidence to the satisfaction of the Board of Directors or the Secretary of the Company, and following the submission of such guarantee of indemnification and compensation for damages as the Board of Directors or the Secretary of the Company shall see fit to require, another certificate shall be delivered in its stead to the person who is entitled to the certificate which became lost or destroyed, against such payment as shall be determined by the Board of Directors or the Secretary of the Company from time to time.
16. A share certificate which is registered in the names of two or more persons shall be delivered to that person whose name is listed first in the Register.

Transfer and Endorsement of Shares

17. The Company shall maintain Registers according to the Law, and in addition, it is entitled to maintain additional registers of shareholders outside Israel (hereinafter: "Additional Register").
18. No transfer of any share shall be registered unless a certificate of transfer shall have been submitted to the Company, in the usual form or in a form which shall be set forth by the Board of Directors or the Secretary of the Company from time to time. Shares of more than one type shall not be included in the same certificate of transfer. A certificate of transfer of any share shall be signed by the transferor and the transferee, or by persons on their behalf. The Board of Directors or the Secretary of the Company, at their sole discretion, is entitled to decide that, in cases of transfer of fully paid-up shares, the certificate of transfer shall be signed by or on

behalf of the transferor alone. In addition, the Board of Directors or the Secretary of the Company, at their sole discretion, are entitled to decide that there shall be no need for the signature of a witness in order to validate the signatures which appear on the certificate of transfer.

The transferor shall be deemed to be the holder of a transferred share until the name of the transferee shall have been registered in the Register with regard to said share. With regard to shares which are registered in an Additional Register, a certificate of transfer may be drawn up in the form, and may be signed in the manner, which shall be permitted or customary, according to law or prevailing procedure, in the country in which the Additional Register is maintained.

19. Each certificate of transfer shall be handed in for registration at the Registered Office, or the office where an Additional Register of the Company is maintained (whichever is relevant), or in any other place, as the Board of Directors or the Secretary of the Company shall set forth from time to time. The share certificates with respect to the transferred shares, and any other evidence which the Board of Directors or the Secretary of the Company shall require, in order to prove the transferor's right of ownership or his or her right to transfer the shares, shall be attached to said certificate of transfer.
20. The Board of Directors is entitled to refuse to register or to confirm the transfer of shares, until the shares whose transfer is desired or any thereof shall have been fully paid up. The fact of whether or not the refusal applies to a transferee who is the holder of a share in the Company shall have no relevance.
21. The executors of the will or of the estate of an individual shareholder who has died – or, in cases where there are no executors of a will or of the estate, the persons who have been declared by a competent court of law to hold a right of benefit, in the capacity of the heirs of said individual shareholder who has died – shall be the only persons who shall be recognized by the Company as the holders of a right in any share which is registered in the name of the deceased individual. Should a share be registered in the names of two or more shareholders, the Company shall recognize only the surviving partner or the surviving partners, or the executors of the will or of the estate of the last partner to have died, as the holders of a right in said share, and, should there be no executor of a will or of the estate (of the last deceased partner), the Company shall recognize, as the holders of a right in said share, only the persons who have been declared by a competent court of law to hold a right of benefit, in the capacity of the heirs of the last deceased partner.
22. Any person or entity that has become entitled to a share as the result of the demise or bankruptcy of a shareholder shall be entitled – after having provided such evidence as the Board of Directors or the Secretary of the Company shall require of

that person or entity from time to time – to be registered as a shareholder with respect to said share, or, instead of being personally registered as a shareholder, to perform any transfer which the deceased or bankrupt shareholder could have performed. However, in any such case, the Board of Directors shall be entitled to refuse or to delay registration, as it would have been entitled to do in the case of transfer of the share by the deceased shareholder prior to his or her death, or by the bankrupt shareholder prior to the occurrence of the bankruptcy.

23. Any person or entity that has become entitled to a share as the result of the demise or bankruptcy of a shareholder shall also be entitled to the same dividends and other rights to which said person or entity would have been entitled, had said person or entity been the registered holder of said share. However, prior to being registered as a shareholder, said person or entity shall not be entitled, with respect to said share, to benefit from any right which is granted to shareholders with regard to General Meetings of shareholders in the Company.

Bearer Share Warrants

24. The provisions of the sections that appear in this chapter, hereinafter, shall apply solely and exclusively with regard to bearer share warrants which were issued prior to the year 2001.
25. A bearer share warrant shall entitle the holder thereof to the shares which are registered therein. These shares shall be transferable by way of delivery of the actual share warrant. The provisions of these Articles of Association with regard to the transfer and endorsement of shares shall not apply to shares which are included in these share warrants. The holder of a bearer share warrant who shall return the share warrant to the Company for the purpose of its cancellation, and who shall pay the amount which shall be determined by the Board of Directors for this purpose from time to time, shall be entitled to have his or her name registered in the Register as the holder of the shares which had been included in the share warrant which was returned, in accordance with that which has been set forth, above.
26. The holder of a bearer share warrant is entitled to deposit the share warrant in the Registered Office during its business hours, and, as of two business days from the date of deposit and thereafter, as long as said share warrant remains deposited as stated above, the depositor shall be entitled to receive notices from the Company, in the manner in which such notices are given to the holders of registered shares, to sign a demand for the convocation of a General Meeting of the Company, to participate in any General Meeting of the Company, to vote therein, and to exercise the remaining rights which are granted to any shareholder at any General Meeting which is convened, as if his or her name were registered in the Register as the owner of the shares which are included in the deposited share warrant, provided

that the shares are of a type which confers such rights upon the registered holder thereof. Only one person shall be recognized as the depositor of any specific share warrant.

27. With the exception of those cases which have been explicitly set forth within the framework of these Articles of Association, no person, by virtue of his or her being the holder of a bearer share warrant, shall be entitled to sign a demand for a convocation of a General Meeting of the Company, and no such person shall be able to appear at a General Meeting or to vote therein, or to make use of any other rights pertaining to a shareholder at the General Meetings of the Company. However, the holder of a bearer share warrant shall be entitled, from all other aspects, to all of the rights as if his or her name were registered in the Register as the owner of the shares which are recorded in the share warrant.
28. The Board of Directors shall be entitled, should it see fit to do so, to establish, from time to time, rules and conditions pursuant to which the holder of a bearer share warrant which became mutilated, lost or defaced shall be registered in the Register as the owner of the shares which had been included in the share warrant which became mutilated, lost or defaced.

Increase and Issue of the Registered Capital

29. (a) The Company shall be entitled, from time to time, pursuant to a resolution to be passed by the General Meeting of shareholders, to increase the share capital of the Company, by means of such type and in such amount, which shall be divided into shares of such par value, as shall be determined in the resolution as stated above.
 - (b) Without derogating from any special rights or privileges which are granted to any existing shares in the share capital of the Company, the new shares shall be issued pursuant to such terms, subject to such reservations, and in accordance with such advantages and rights as shall apply to those shares, all as set forth in the resolution concerning the issue thereof. The Company shall be entitled to issue shares with preferred rights, deferred rights or limiting rights with regard to dividends, the return of capital, or participation in surplus assets or otherwise— with special rights or without special rights, including with or without voting rights.
30. The Company shall not be obligated to offer any new shares whatsoever to the holders of existing shares of any type and kind.

31. Unless otherwise set forth in the terms of issue of the shares, or in the provisions of these Articles, any capital which shall be obtained by means of the creation of new shares shall be deemed to constitute part of the original share capital, and shall be subject to the provisions of these Articles in all matters concerning calls for payment and installments in connection therewith, transfer, endorsement, forfeiture, encumbrance and the like.

Change in the Registered Capital

32. The Company shall be entitled, from time to time, pursuant to a resolution to be passed by the General Meeting of shareholders:
- (a) To consolidate its share capital or any part thereof, and to divide it into shares of par value per share which is higher than that of its existing shares; or
 - (b) To subdivide its existing shares, in whole or in part, into shares of par value per share which is lower than that of its existing shares, subject to that set forth in the provisions of the Law; or
 - (c) To cancel shares with respect to which, as at the date of said resolution, no obligation – including a contingent obligation – on the part of the Company to issue such shares exists, and to reduce the share capital by the amount of the shares canceled as set forth above; or
 - (d) To reduce the share capital of the Company and any capital fund, by any means which it shall see fit, subject to all of the conditions and approvals which shall be required by any law.

C. GENERAL MEETINGS

33. The Company shall hold two types of General Meetings of its shareholders: “Annual Meetings” and “Special Meetings”: An Annual Meeting shall be convened once a year, on a date which shall be set by the Chair of the Board of Directors or by the Secretary of the Company, but no later than 15 months after the last Annual Meeting, and in a place which shall be determined by the Chair of the Board of Directors or by the Secretary of the Company; All of the other General Meetings of the Company shall be referred to as “Special Meetings”. All of the General Meetings of the Company shall be convened in Israel, unless the Company’s center of management shall have been transferred to another country in accordance with the provisions of these Articles.

34. Whenever the Board of Directors shall see fit, it shall be entitled to convene a Special Meeting according to its resolution. In addition, the Board of Directors shall convene such a meeting upon the demand of two Directors or one-quarter of the Directors serving in office, and upon the demand of one or more shareholders holding not less than five percent of the issued capital and one percent of the voting rights in the Company, or one or more shareholders holding at least five percent of the voting rights in the Company; and, should the Board of Directors fail to do so, the demanding director(s) or shareholder(s) shall be entitled to convene the meeting himself/themselves, pursuant to the provisions of the Law.
35. Notice, at least 30 days in advance, shall be published pursuant to the Law and shall be delivered to each shareholder who is registered in the Register or in the Additional Registers, with regard to each General Meeting. The notice shall set forth the agenda and the proposed resolutions; should a vote in writing be scheduled, the arrangements with regard to the vote in writing shall be stated.
36. Failure to send notice to any shareholder or failure of any shareholder to receive notice, due to an error or as a result of a mishap beyond the control of the Company, shall not adversely affect the validity of any resolution which shall have been adopted by the General Meeting in question.

Deliberations at General Meetings

37. The function of the Annual Meeting shall be in accordance with that set forth in the Law, and also to receive the Statement of Profit and Loss, the Balance Sheet, the usual reports of the Board of Directors and the Accountant, and to deliberate upon said reports, to appoint Directors pursuant to the provisions of these Articles, to appoint the Accountant, to set the salary of the Directors and the Accountant, and to deal with any other matter which should be dealt with at an Annual Meeting pursuant to these Articles. Any other matter which is discussed at an Annual Meeting, and any matter which is discussed at a Special Meeting, shall be deemed a special matter.
38. Two shareholders who are present at a General Meeting, in person or by proxy or represented by their Authorized Persons, and who jointly hold twenty-five percent or more of the paid-up share capital of the Company, shall constitute a legal quorum. No matter shall be discussed at any General Meeting unless a legal quorum is present at said meeting at the time of commencement of the deliberations.
39. Should no legal quorum be present half an hour after the time set for the General Meeting – whether said meeting is an Annual Meeting or a Special Meeting – the

- meeting shall be adjourned to one week from that day, at the same time and at the same place, or at another date, time and place as shall be set forth by the Board of Directors in a notice to all of those persons who are entitled to receive notice of General Meetings. Should no legal quorum be present at the adjourned meeting as well, half an hour after the time set for said meeting, any two shareholders present, in person or by proxy, who jointly hold twenty percent or more of the paid-up share capital of the Company shall constitute a legal quorum and shall be entitled to deliberate all of the matters for the purpose of which the meeting was convened.
40. The Chair of the Board of Directors, or, in his or her absence, the Vice-Chair of the Board of Directors, or, in his or her absence, any other person who has been appointed for that purpose by the Board of Directors, shall serve as Chair at any General Meeting. Should there be no Chair as stated above, or should he or she not have arrived at the meeting thirty minutes after the time set for said meeting, or should he or she not desire to serve as Chair of the meeting, the shareholders present shall elect another person from among themselves, and that person shall be the Chair.
 41. The Chair shall be entitled, with the consent of a General Meeting which is attended by a legal quorum, to adjourn the meeting from time to time and from place to place. However, in the course of the adjourned meeting as stated above, there shall be no deliberation on other matters than those which could have been discussed at the meeting in the course of which it was decided to adjourn. No shareholder shall be entitled to receive any notice with regard to the adjournment or with regard to the matters which are on the agenda of the adjourned meeting.
 42. At any General Meeting, resolutions shall be voted upon and adopted by a show of hands, unless a vote by ballot is demanded – whether before or after the announcement of the results of the voting by a show of hands – by the Chair (if he or she is eligible to vote) or by at least two shareholders who are present, or by one or more shareholders who are present, in person or by proxy, and who hold at least five percent of the paid-up share capital of the Company. Unless a vote by ballot has been demanded as stated above, the announcement by the Chair that the resolution has been adopted, or has been adopted unanimously or by a certain majority, or has been rejected, or has not been adopted by a certain majority, and a comment registered to that effect in the minutes kept by the Company, shall constitute *prima facie* evidence thereof, and there shall be no need to prove the number of votes or the relative quota of votes in favor or against said resolution.
 43. Without derogating from that set forth above, resolutions of the General Meeting, on any subject whatsoever, may also be adopted by way of a vote in writing, which shall be expressed in the following form or in any other form which shall be approved by the Board of Directors or which shall be set forth pursuant to the Law:

" TEVA PHARMACEUTICAL INDUSTRIES LIMITED

I the undersigned, _____ of _____, in my capacity as a shareholder of Teva Pharmaceutical Industries Limited, do hereby vote in writing, with _____ ordinary shares which are registered in my name, at the General Meeting of shareholders in the Company which shall take place on the ___ day of the month of _____ in the year _____ and at any adjourned meeting, with regard to the proposed resolutions which are set forth below, as follows:

.....
.....

Signed this day, the ___ day of the month of _____ in the year ____."

- 44. Should a vote by ballot have been duly demanded, the voting shall be held at such a time and in such a place as the Chair shall instruct, and it shall be permissible to hold the voting immediately, or after recess or an adjournment. The results of the vote by ballot shall be deemed as a resolution of the General Meeting with regard to which the vote by ballot was demanded.
- 45. The demand for a vote by ballot shall not impede the continuation of the Meeting for the purpose of deliberation of any matter which is on the agenda, with the exception of the matter with regard to which the vote by ballot was demanded.
- 46. A vote by ballot for the purpose of electing the Chair of the Meeting shall be neither demanded nor conducted. A vote by ballot with regard to the adjournment of the meeting, if demanded, shall be conducted immediately. A vote by ballot which has been demanded with regard to any other matter shall be held at such a time as the Chair of the Meeting shall instruct.
- 47. Should the votes in favor and against be tied, whether the voting is by a show of hands or by ballot, the Chair of the Meeting shall be entitled to an additional casting vote.
- 48. Any resolution of the Company which is adopted at a General Meeting shall be deemed a resolution duly adopted if it has been adopted by simple majority of the participating votes, as long as there is a legal quorum at said meeting, unless another majority is required pursuant to the Law or to these Articles.

Votes by the Shareholders

- 49. Subject to, and without derogating from, the existing rights or limitations with regard to any specific type of shares which constitute part of the Company's

capital, each shareholder – irrespective of whether the voting is by a show of hands or by ballot – shall be entitled to one vote with respect to each share held by him or her.

50. In the case of joint holders of a share, either of the registered shareholders who is present, in person or by proxy, at a General Meeting is entitled to vote at that Meeting as if he or she were the sole holder of the shares jointly registered as stated above. However, should two or more joint shareholders be present, themselves or by proxy, at any General Meeting, the vote of the partner whose name is listed first in the Register shall be the sole allowable vote, and that partner alone shall be entitled to vote, whether in person or by proxy, with respect to the share jointly registered as stated above.
51. The shareholders who are eligible to vote may do so in person or by proxy or by way of a vote in writing, and if the shareholder is a corporation – through an empowered person who shall have been duly appointed for the purpose (hereinafter: “Authorized Person”). The document of appointment of a proxy shall be drawn up in writing and signed by the appointing person or by that person’s agent who shall have been duly appointed in writing for that purpose. If the shareholder is a corporation, the authorization of an Authorized Person shall be drawn up in writing and signed pursuant to the Memorandum and Articles of Association of the appointing corporation.
52. One person may be appointed as proxy for several shareholders.
53. A proxy or an Authorized Person may also be a person who is not a shareholder in the Company.
54. A document of appointment of a proxy, a power of attorney, a vote in writing, a certificate of ownership or any other document pursuant to which a document of appointment, a vote in writing, or a certificate of ownership is signed, or a copy of any such document, shall be deposited at the Registered Office no less than four (4) days before the date and time set for the convocation of the Meeting at which the person whose name is set forth in the document of appointment shall seek to vote. Should this not be done, the document as set forth above shall not be valid unless otherwise decided by the Chair of the Meeting.
55. Should a proxy or an Authorized Person vote in accordance with the terms of his or her document of appointment, his or her vote shall be valid, even if, prior to the voting, the person who appointed the proxy or the Authorized Person dies or becomes insane, or the appointment is canceled, or the share by virtue of which the proxy or the Authorized Person voted is transferred to another person, unless notice in writing with regard to the demise, insanity, cancellation or transfer as set forth

above, , shall have been given, prior to the voting to the Secretary of the Company or to the Chair of the Meeting at which the voting took place.

56. A shareholder who is incompetent, or with regard to whom a court of law which is competent to do so has issued a guardianship order, shall be entitled to vote, whether by a show of hands or by ballot, through his or her guardian or through another person, fulfilling the role of such a guardian, who has been appointed for this purpose by a court of law as stated above, and any such guardian or other person as stated above shall be entitled to vote whether personally or by proxy.
57. The document of appointment of a proxy or an Authorized Person shall be drawn up in the following form or in any other form which shall be approved by the Board of Directors or the Secretary of the Company.

“TEVA PHARMACEUTICAL INDUSTRIES LIMITED

I the undersigned, _____ of _____, in my capacity as a shareholder of Teva Pharmaceutical Industries Limited, do hereby appoint _____ of _____ as my proxy, to vote in my name and in my stead, at the General Meeting of shareholders in the Company which shall take place on the ___ day of the month of _____ in the year _____ and at any adjourned meeting.

Signed this day, the ___ day of the month of _____ in the year _____,

_____ " _____

D. THE BOARD OF DIRECTORS

58. (a) The maximum number of Directors of the Company shall be 16 Directors who shall be elected pursuant to Article 60 below, plus the number of external Directors who shall be appointed pursuant to the Law. The Board of Directors is entitled, at any time and from time to time, to change the maximum number of Directors as stated above, subject to a majority of three-quarters of the persons voting, as long as the number of the Directors who are voting in favor of said resolution is no fewer than nine, by changing the number of Directors as set forth in Article 60 (b) below to any number that is not less than 15 and whose division by 3 is an integer. Should the Board of Directors have changed the number of Directors as set forth above, the number of members of each of the groups set forth in Articles 60 (c) and 60 (d) below shall be changed accordingly.

- (b) The minimum number of Directors on the Board of Directors shall be three (3).
59. (a) A Director shall not be required to hold any shares whatsoever in the Company.
- (b) A corporation is not qualified to serve as a Director of the Company.
 - (c) The majority of the members of the Board of Directors shall be residents of Israel, unless the Company's center of management shall have been transferred to another country in accordance with the provisions of these Articles.

Appointment and Retirement from Office

60. (a) The Board of Directors shall be entitled, at any time and from time to time, to appoint the CEO as a member of the Board of Directors.

Should the Board of Directors not determine the term of office of the CEO as a Board Member, such CEO shall serve as a member of the Board until the next annual meeting and may be re-elected.

- (b) The Annual Meeting shall be entitled to elect, in the manner and for the periods of time which are set forth below in this Article, 15 Directors, who shall be divided into three equal groups. The provisions of this Article set forth below shall not apply to the CEO, who serves as a member of the Board of Directors by virtue of the provisions of subsection (a) above, in the event that he so serves, nor to the external Directors who are appointed pursuant to the provisions of the Law.
- (c) At the Annual Meeting, which shall take place in 2002, at which the Directors shall be elected pursuant to the provisions of this Article, in its present wording, the Directors shall be elected and/or shall continue to serve, as relevant, for various periods of time, as follows:
 - 1. The members of the first group of 5 Directors shall be elected to serve in office on a continuous basis, until the third Annual Meeting which shall be held following the date of their election (hereinafter: "Three-Year Term").

2. The members of the second group of 5 Directors who have been elected at the Annual Meeting, which took place in 2001, and whose serve is due to conclude at the third Annual Meeting, following the date of their election.
 3. The members of the third group of 5 Directors shall be elected to serve in office on a continuous basis until the first Annual Meeting which shall be held following the date of their election.
- (d) At each Annual Meeting following the Annual Meeting that will take place in 2002, the General Meeting shall be entitled to elect up to 5 Directors, who shall be elected for a Three-Year Term to replace the Directors whose term in office has expired as of that Annual Meeting, and so on *ad infinitum*, so that the Directors who shall be elected as stated above shall serve for Three-Year Terms, and so that, each year, the term in office of one of the groups of Directors shall expire.
- (e) The nomination of candidates for election as Directors may be made by the Board of Directors, up to the date of the Annual Meeting; alternatively, it may be made by any shareholder, provided that the nomination proposed by that shareholder, in writing, shall arrive at the Registered Office, within ten days from the publication of advance notice of the Annual Meeting in accordance with Article 35 above. The above shall apply provided that any nomination by a shareholder as set forth above shall include all of the following particulars: (i) the name and address of the nominating shareholder and a detailed listing of the number of shares held by him or her; (ii) particulars with regard to the candidate(s) for appointment as Director(s), such as would have been required in a Notice of Position filed on behalf of the Board of Directors with regard to the nomination of candidate(s) to the Board of Directors; (iii) approval attesting to the consent of the candidate(s) to serve on the Board of Directors of the Company; (iv) a detailed listing of all of the relationships and understandings which exist between the nominating shareholder and the candidate(s) on his or her behalf; (v) a notice stating whether the nominator intends to send the remaining shareholders a Notice of Position with regard to the appointment of the candidate(s) on his or her behalf.
- (f) Should the number of members of any group of the groups listed in subsection (c) above become less than the maximum number of members (as this number shall have been changed by the Board of Directors pursuant to Article 58 (a) above – should it so have been changed), the Board of Directors shall be entitled, at any time and from time to time, to appoint, within the framework of the maximum number as stated, Directors who shall

serve until the expiry of the term of office of the members of the group in question.

61. The Directors who are serving in office shall be entitled to act even if a vacancy occurs on the Board of Directors. However, should the number of Directors, at the time in question, become less than the minimum set forth in these Articles, the remaining Directors or the remaining Director shall be entitled to act for the purpose of filling the vacancies which shall have occurred on the Board of Directors or of convening a General Meeting, but not for any other purpose.
62. Any Director who shall have retired from his or her office shall be qualified to be re-appointed – unless a limitation affecting his or her appointment as a Director shall exist pursuant to the provisions of the Law.
63. (a) The office of a Director shall fall vacant, prior to the expiry of his or her term in office, only if:
 - (1) If he or she has died;
 - (2) If he or she has been declared bankrupt or has ceased to make payments or has come to a compromise arrangement with his or her creditors;
 - (3) If he or she has been declared incompetent or has become mentally ill;
 - (4) If he or she has resigned his or her office by way of notice in writing to the Company;
 - (5) If he or she has been removed from office pursuant to Article 64 below;
 - (6) If he or she has been convicted of an offense which, pursuant to the provisions of the Law, incurs the expiry of his or her term in office;
 - (7) In accordance with a decision by a court of law, pursuant to the provisions of the Law.
- (b) The Board of Directors shall be entitled to appoint, as a replacement for a Director whose office has fallen vacant pursuant to subsections (1) to (4), (6) and (7) of subsection (a) above, another Director, who shall serve in office until the date on which the term in office of his or her predecessor would have expired, had said office not fallen vacant as stated.
- (c) Any person or persons who are competent to appoint and/or to elect a Director pursuant to the provisions of these Articles shall be entitled to determine that the said appointment/election shall enter into force at some future date.

64. (a) Should any Director violate a duty of care or a duty of a fiduciary duty to the Company, the General Meeting shall be entitled to remove that Director from office prior to the expiry of his or her term in office (hereinafter: the "Removed Director"), provided that the Removed Director shall be given a reasonable opportunity to state his or her case before the General Meeting.
- (b) Should a Director have been removed from office as set forth in subsection (a) above, the General Meeting shall be entitled, in the same session, to elect another Director in his or her stead. Should it fail to do so, the Board of Directors shall be entitled to do so, pursuant to the provisions of Article 60 (f) above.
- (c) Any Director who shall have been appointed by way of a resolution as stated in subsection (b) above, shall serve in office for the period remaining of the term in office of the Removed Director and shall be qualified to be re-appointed.

Remuneration of Directors

65. (a) The remuneration of the Directors shall be set in an amount which shall be determined by the General Meeting from time to time, and this remuneration shall be distributed among the Directors pursuant to the instructions of the General Meeting, or, in the absence of said instructions, in equal shares. The Directors shall be entitled to be reimbursed, for board and lodging at a reasonable rate, and for other expenses which they shall expend for the purpose or in the course of performance of their duties as Directors, including travel expenses to and from sessions of the Board of Directors.
- (b) Should any of the Directors, pursuant to a resolution of the Board of Directors, perform special duties or services over and above his or her regular duties as a Director, the Board of Directors shall be entitled to pay said Director a remuneration, and said remuneration shall be paid to said Director in the form of a salary, a fee, or in any other manner which shall be agreed to by the Board of Directors.
- (c) A Director shall be entitled to perform another duty or to hold another office in the Company (except for the office of Accountant, Internal Auditor or attorney for the Company) on a salaried basis, in addition to his or her duties as a Director, pursuant to such terms, with regard to salary and other matters, as shall be determined by the Board of Directors.

Powers and Duties of the Board of Directors

66. The Board of Directors shall formulate Company policy and shall supervise the performance of the duties and operations of the CEO. Any power of the Company which has not been conferred upon another organ pursuant to the Law or to these Articles may be exercised by the Board of Directors. However, this power of the Board of Directors shall be subject to the provisions of these Articles and the provisions of the Law, provided that no provision which shall be enacted by the Company shall revoke the validity of any action which had previously been taken by the Board of Directors and which would have been legal, had it not been for that set forth in this Article.

Operations of the Board of Directors

67. The Board of Directors shall meet for the purpose of conducting its business, and shall be entitled to adjourn its sessions from time to time and to establish the procedure of said sessions as it shall see fit.
68. Any question which shall arise in any of the sessions of the Board of Directors shall be settled by simple majority of all of the Directors who are voting at that session, unless otherwise set forth by another provision of these Articles. Should the votes be tied, the Chair of the Board of Directors shall be entitled to an additional casting vote.
69. The legal quorum which shall be required for a session of the Board of Directors shall be a majority of the members of the Board of Directors then serving in office, but shall not be fewer than three Directors, unless otherwise determined in these Articles.
70. At any session of the Board of Directors at which a legal quorum is present, the participants in that session shall be entitled to exercise all of the powers which are vested in the Board of Directors.
71. The Board of Directors shall be entitled to elect a Chair of the Board of Directors and to determine his or her term in office, provided that the CEO shall not serve as Chair of the Board of Directors other than pursuant to the provisions of the Law, provided that the CEO serves as a Director at the same time and throughout the period he serves as Chairman of the Board. Should the Board of Directors not determine the term in office of the Chair of the Board of Directors, said Chair shall serve until the next Annual Meeting and may be re-elected. Should no Chair of the Board of Directors be elected, or should the Chair not be present at any session

within 30 minutes after the time set for said session, the Board of Directors shall select one of its members who shall serve as Chair of the session.

72. The Chair of the Board of Directors shall be entitled to convene a session of the Board of Directors at any time and pursuant to the provisions of the Law, or according to a request by the CEO.

Should the Chair of the Board of Directors fail to convene a session of the Board of Directors within 21 days of the date on which a demand was presented to him or her by any person entitled to present a demand as stated above (hereinafter: the "Demanding Party"), or within 21 days of the date on which he or she shall have been demanded to do so pursuant to the provisions of the Law, any one of the Demanding Parties shall be entitled to convene a session of the Board of Directors pursuant to the provisions of the Law.

73. Notice of sessions of the Board of Directors shall be sent by mail, or shall be delivered by hand or by fax or by telephone or by any other medium of communications to all of the Directors, at least three days in advance. Said notice shall include a reasonable level of detail with regard to the subjects on the agenda.
74. Failure to send notice to any Director with regard to a session of the Board of Directors, due to error, shall not adversely affect the validity of any resolution which shall have been adopted by the session in question.
75. The sessions of the Board of Directors shall be convened in Israel, unless the Company's center of management shall have been transferred to another country in accordance with the provisions of these Articles. Without derogating from that set forth in the opening passage of this Article, the Board of Directors shall be entitled: to hold sessions through the use of any means of communication; to convene for a session without advance notice, provided that this shall be done with the consent of all of the Directors; to adopt resolutions even without physically meeting, provided that this shall be done with the consent of all of the Directors who are eligible to participate in the deliberations and to vote on the matter addressed by the resolution; all pursuant to the provisions of the Law. Should a resolution be adopted without physically meeting as stated above, the Chair of the Board of Directors shall sign the minutes pertaining to the resolutions, and there shall be no need to append the signatures of the remaining Directors to said minutes.

Committees of the Board of Directors

76. (a) The Committees of the Board of Directors shall be composed of one or more Directors. The Chair of the Board of Directors shall be entitled, from time to time, to join any Committee of the Board of Directors, as a member of said Committee. The Board of Directors shall be entitled, from time to time, to transfer any of its powers to the Committees of the Board of Directors. Notwithstanding, the Board of Directors shall not be entitled to delegate any of its powers to the Committees as stated above, other than for the purpose of recommendation only, with regard to the following topics:

- (1) Determining general Company policy;
- (2) Distribution, other than by way of purchase, of shares of the Company in accordance with the framework previously set forth by the Board of Directors;
- (3) Establishing the position of the Board of Directors in a matter which requires the approval of the General Meeting, or stating an opinion with regard to a special purchase offer;
- (4) The appointment of Directors, if the Board of Directors is entitled to appoint them;
- (5) The issue of shares or of securities which are convertible to shares or which may be realized as shares, or of a series of bonds, other than the issue of shares following the realization or conversion of Company securities;
- (6) Approval of financial statements;
- (7) Approval by the Board of Directors for transactions and operations which require approval by the Board of Directors, pursuant to Sections 255, 268 to 270 and 272 to 275 of the Law.

To preclude all doubt, the Board of Directors is entitled to transfer its power to authorize a transaction which is not irregular and which complies with that set forth in Section 270 (1) of the Law, to a Committee of the Board of Directors.

- (b) In spite of that which has been set forth in subsection (a), above, the Board of Directors shall be entitled to delegate any of its powers to the Committees of the Board of Directors, pursuant to the provisions of the Law.

- (c) Any Committee which has been composed as stated above shall be obligated, when making use of the powers vested in it, to comply with all of the rules which shall be set forth by the Board of Directors. The members of a Committee shall continue to serve in office until their replacements shall have been duly appointed or elected pursuant to these Articles.
77. The Board of Directors shall be entitled to appoint, for each Committee of the Board of Directors, a permanent Chair from among the members of that Committee. Should the Chair not be present within 30 minutes of the time set for a Committee session, or should there be no Chair of the Committee, those present at the session shall be entitled to elect a member from among themselves who shall serve as Chair of the session.
78. The provisions of these Articles with regard to the sessions and procedures of the Board of Directors shall also apply, *mutatis mutandis*, to sessions of any Committee of the Board of Directors, with the exception of the provisions of the closing passage of Article 68 and the opening passage of Article 75, unless otherwise determined in the Law or in these Articles.

Audit Committee

- 79.
- (a) The Board of Directors shall appoint an Audit Committee, pursuant to the provisions of the Law.
 - (b) The External Directors shall be members of the Audit Committee, pursuant to the provisions of the Law.

Signature and Minutes

80. The Company shall appoint, from time to time, a person whose signature, or persons whose signatures, together with the stamp of the Company or the printed name of the Company, shall bind the Company. This shall apply, whether generally or to a specific matter or specific matters, as shall be determined by the Company..
81. The minutes of the Company shall include the following details:
- (a) The appointment of any officers who shall have been appointed by the Board of Directors.

- (b) The names of the Directors who are present at any session of the Board of Directors and at any session of a Committee of the Board of Directors.
- (c) The resolutions of the Board of Directors and the main points of the deliberations of the General Meetings and the sessions of the Board of Directors and of all of the Committees of the Board of Directors.

The minutes of any such session, provided that they shall be seen to have been signed by the Chair of that session or by the Chair of the subsequent session of the same entity, shall be deemed to constitute *prima facie* evidence of the correctness of all of the matters set forth therein.

82. All of the operations which are performed in good faith by the Board of Directors or by a Committee of the Board of Directors, or by any person acting as a Director, shall be valid even if it shall subsequently be found that there was a deficiency in the appointment of such an entity or of such a Director, or if any or all thereof shall be deficient, just as if each of said entity or Director had been duly appointed and had been qualified to act, as required by the circumstances of the case at hand.

Director-Emeritus

83. The Board of Directors shall be entitled, from time to time, to appoint a person who does not hold any position in the Company and who has served as a Director of the Company in the past, by way of an honorary appointment, as an advisor to the Board of Directors on such matters as shall be set forth for that purpose, from time to time, by the Board of Directors (hereinafter: "Director-Emeritus"). A Director-Emeritus shall not be an officer and shall not have any powers or duties vis-a-vis the Company, the Board of Directors, or the Company's shareholders, employees or creditors. Without derogating from the generality of that stated above, a Director-Emeritus shall not be obligated to give advice or to express an opinion in any matter whatsoever, even if he or she shall be asked to do so by the Board of Directors; a recommendation by a Director-Emeritus shall have no binding weight vis-a-vis the Board of Directors in any way; and a Director-Emeritus shall be exempt in advance from any liability which he or she might otherwise have incurred, with regard to damage as a result of the breach of the duty of care vis-a-vis the Company, the Board of Directors, or the Company's shareholders, employees or creditors.

E. CEO

84. (a) The Board of Directors shall appoint, from time to time, a person who shall serve as the CEO of the Company, for such a duration and pursuant to such terms, including terms with regard to remuneration and/ or benefits, as the Board of Directors shall see fit.
- (b) The Board of Directors is entitled to terminate the term in office of the CEO, at any time and for any reason whatsoever.
- (c) The CEO shall be a resident of Israel throughout the entire duration of his or her term in office, unless the Company's center of management shall have been transferred to another country in accordance with the provisions of these Articles.
- (d) The CEO shall be responsible for the day to day management of the affairs of the company, within the framework of the policy that has been set forth by the Board of Directors, subject to its guidelines, and all in accordance with the provisions of the law.
85. The Board of Directors shall be entitled, from time to time, as it shall see fit, to delegate to the CEO any of the powers which have been vested in the Board of Directors, with the exception of those which have been exclusively conferred upon the Board of Directors and may not be delegated pursuant to the provisions of the Law. Moreover, the Board of Directors shall be entitled, from time to time, to restrict the delegation of powers, both with regard to the duration thereof and with regard to the purposes for which they shall be used, and to limit them to specific areas and to make them contingent upon specific conditions, all as the Board of Directors shall see fit. At the time of delegation of powers, as stated above, to the CEO, the Board of Directors shall be entitled to determine that said delegation shall be parallel to, or shall supplant, the respective operation of the Board of Directors. The Board of Directors shall be entitled, from time to time, to rescind or to modify the delegation of any power which shall have been delegated pursuant to this Article.

F. DIVIDEND, RESERVE FUND AND CAPITALIZATION

Dividend

86. The Company shall be entitled to distribute a dividend pursuant to the provisions of the Law, and no dividend shall bear interest; each dividend shall be determined and settled in consideration of the rights of the shareholders, if any, whose shares shall bear special rights with regard to dividends. Unless the rights are attached to any shares or unless otherwise stated in the terms of issue thereof, shares which have been paid up, in whole or in part, after the beginning of the financial year in respect of which the dividend is paid shall entitle the holders thereof to a dividend in a manner proportional to the amount which has been paid up, or credited as having been paid up, on the par value of said shares and to the date of payment thereof (*pro rata temporis*).
87. The Company shall be entitled, at a General Meeting, to declare an annual dividend which shall be paid to the shareholders. No annual dividend shall be declared which is larger than that which was proposed by the Board of Directors; however, the Company shall be entitled, at a General Meeting, to declare an annual dividend which is smaller than that which was proposed by the Board of Directors.
88. A General Meeting which declares a dividend shall be able to adopt a resolution stating that the dividend in question shall be paid, in whole or in part, by means of the distribution of the Company's assets, in bonds of the Company or in shares, or in any other manner.
89. The Board of Directors shall be entitled, from time to time, to declare the distribution of an interim dividend to the shareholders, as the Board of Directors shall deem justified, pursuant to the situation of the Company and the provisions of the Law, provided that the first Annual Meeting which shall take place after the date of adoption of the resolution by the Board of Directors as stated above shall approve the resolution retroactively. The Board of Directors shall be entitled to declare the distribution of an interim dividend in cash or in any other manner.
90. The right to a dividend with respect to nominative shares, which has been declared by the Company, shall be determined in accordance with that recorded in the Register as of the date of record (X-Date), according to the declaration.
91. Unless otherwise specified, it shall be permissible to pay any dividend by check or bank transfer or payment order, which shall be sent according to the registered address of the shareholder or the person entitled to the dividend (and in the case of joint registered holders, to the shareholder whose name is first mentioned in the

Register with regard to the joint ownership), or in any other manner. Any such check shall be drawn up to the order of the person to whom it is sent. The receipt of the dividend by the person who is registered in the Register as the holder of any share – or, in the case of joint holders, by any of the joint shareholders – shall constitute full, final and absolute release with regard to all payments which shall have been made with respect to said share. The Company shall be entitled to invest all of the dividends which have not been claimed for a period of one year after having been declared, or to use them in any other manner, for the benefit of the Company, until said amounts are claimed.

Reserve Fund

92. The Board of Directors shall be entitled, from time to time, to allocate amounts out of the profits of the Company which may be distributed in the form of dividends, and to transfer such amounts, as it shall see fit, to an account of a fund or funds as it shall see fit. All of the amounts which shall be so transferred and so credited to the account of such a fund shall serve, at the discretion of the CEO, after having consulted with the CFO, and subject to the approval of the Board of Directors, for special purposes or for the gradual settlement of any debt or obligation of the Company or for the repair or maintenance of any of the Company's assets or for the coverage of losses from the sale of assets or investments or the depreciation in value thereof (whether on a one-time basis or in a general manner), or, subject to the prior approval of the Company at a General Meeting, for the supplementing or payment of the dividend or for any other purpose which shall be appropriate for use of the Company's profits.
93. All of the amounts which shall have been transferred and credited to the account of any fund or funds may be used, so long as they have not been used for any other purpose pursuant to Article 92 above, for the purpose of investment, together with any other monies of the Company, in the ordinary course of business of the Company, and there shall be no need to distinguish between these investments and the investments of other monies of the Company.

Capitalization

94. (a) The Company shall be entitled, at any time and from time to time, to adopt a resolution stating that any part of the amounts which are credited at that time to any capital fund or held by the Company as profits which may be distributed, shall be capitalized and shall be released for distribution among the shareholders who would have been entitled to receive them, had they been distributed as a dividend, and in the same proportion, provided that said amounts shall not be paid in cash, but shall be used to fully pay up – whether

according to their par value or with the addition of any premium which shall be determined by the Company – shares which have not yet been issued or bonds of the Company, which shall be issued and distributed among said shareholders and in such a proportion, as shares or bonds which have been fully paid up.

- (b) (1) In any case in which the Company shall issue bonus shares by way of capitalization of profits or funds, at a time where there shall be in circulation any securities which have been issued by the Company and which confer upon the holders thereof the right to convert said securities to shares in the share capital of the Company or options to purchase shares in the share capital of the Company (the rights of conversion or the options as stated above shall be referred to hereinafter as “the Rights”), the Board of Directors shall be entitled (in cases where the Rights, or any part thereof, shall not be adjusted in any other manner in accordance with the terms of issue thereof) to transfer to a special fund (which shall be referred to by whatever designation shall be resolved by the Board of Directors, and which shall be referred to hereinafter as “the Special Fund”) an amount which shall be equal to the nominal amount of the share capital which those persons entitled to all or part of the Rights would have received, as a result of the issue of the bonus shares, had they exploited their Rights prior to the date of record which sets forth the right to receive bonus shares, including the right to fractions of shares, and, in the case of a second or additional distribution of bonus shares – including eligibility which results from any prior distribution of bonus shares.
- (2) In any case in which the Company shall issue new shares and/or, in lieu of such issue, shall cause its subsidiary to transfer existing shares in the Company which are held by said subsidiary, as a result of the exploitation of said Rights by the persons entitled thereto, in cases where the Board of Directors implemented a transfer to the Special Fund with respect to those Rights pursuant to subsection (1) above, the Company shall issue to any such holder, in addition to the shares to which he or she is entitled as a result of the exploitation of his or her Rights, a number of fully paid-up shares whose total par value shall be equal to the amount which was transferred to the Special Fund in respect of his or her rights. This shall be done by means of capitalization of an appropriate amount from the Special Fund, and the Board of

Directors shall be entitled to decide, at its sole discretion, on the manner of handling the Rights to fractions of shares.

- (3) Following any transfer to the Special Fund, should the Rights expire, or should the period set forth for exploitation of the Rights with regard to which the transfer was implemented come to an end, before said Rights have been exploited, any amount which was transferred to the Special Fund with regard to the aforementioned unexploited Rights shall be released from the Special Fund, and the Company shall be entitled to handle any amount which shall be so released in any manner in which it would have been entitled to handle said amount, had it not been transferred to the Special Fund.
95. For the purpose of implementation of any resolution which shall be adopted on the basis of Articles 88 or 94 of these Articles, the Board of Directors shall be entitled, at its sole discretion, to settle, as it shall see fit, any difficulty (if any) which shall arise with regard to the distribution. To this end, the Board of Directors shall be entitled to issue partial certificates, to determine the value of the distribution of certain assets, and to determine that shareholders shall receive payment on the basis of the value which shall have been determined as stated above, or that fractions at a value of less than 0.1 New Israeli Shekel shall not be taken into account, in order to adjust the rights of the parties. In addition, the Board of Directors shall be entitled to place all monies and specific assets in trust, in the hands of trustees, on behalf of those persons who are entitled to receive the dividend or the monies which have been capitalized, all as the Board of Directors shall see fit.

G. AUDITING AND NOTICES

Auditing and Internal Auditor

96. The Annual Meeting shall be entitled to appoint the Accountant, who shall serve for a period which shall not extend beyond the third Annual Meeting after that at which he or she was appointed. At least once a year, the Accountant shall audit the Company's accounts and shall express his or her opinion as to the correctness of the Statement of Profit and Loss and the Balance Sheet.
97.
 - (a) The Board of Directors of the Company shall appoint an Internal Auditor, pursuant to the provisions of the Law.

- (b) The Board of Directors is entitled to terminate the term of office of the Internal Auditor, pursuant to the provisions of the Law.
- (c) The organizational superiors of the Internal Auditor shall be the CEO jointly with the Chair of the Board of Directors.

Notices

- 98. The Company shall be entitled to publish notices to its shareholders in two daily newspapers and/or as stipulated pursuant to the Law. The Company shall be entitled to deliver notices to its shareholders by any of the alternative means set forth hereinafter: delivery by hand; dispatch by mail to the address appearing in the Register or the Additional Registers; dispatch by facsimile to the fax number appearing in the Register or the Additional Registers, or to any number which shall have been given to the Company for this purpose by any shareholder; dispatch by e-mail to the e-mail address registered for that purpose in the Register or the Additional Registers; or in any other manner as shall be determined by the Company.
- 99. Any and all notices which are to be delivered to a shareholder shall be given, with regard to jointly held shares, to the person whose name is first mentioned in the Register, and any notice thus given shall be deemed sufficient notice to the holders of the share.
- 100. The Company shall be entitled to give notice to persons who are entitled to any share as a result of the demise or bankruptcy of the shareholder, by sending said notice by any of the alternative ways set forth in Article 98 above according to the address, fax number or e-mail address (if any) given for that purpose by said persons, or by delivering the notice in the same way in which it would have been delivered (until such details shall have been given), had it not been for the demise or bankruptcy as stated above.
- 101. Any notice or other document which has been sent by mail or in any other manner which is permitted pursuant to these Articles shall be deemed to have been delivered to its destination at the time of its receipt by the addressee, or four business days after the date on which it was sent as stated above (whichever is earlier). A declaration in writing, signed by the person delivering the notice or the document, to the effect that a letter containing said notice or said document was addressed to the correct address and duly delivered to a post office, shall constitute absolute evidence to that effect.

H. EXEMPTION, INSURANCE AND INDEMNIFICATION OF OFFICERS

102. Subject to the provisions of the Law, the Company shall be entitled to engage in a contract for insurance of the liability of any officer of the Company, in whole or in part, as a result of any of the following:
- (a) Breach of a duty of care vis-a-vis the Company or vis-a-vis another person;
 - (b) Breach of a fiduciary duty vis-a-vis the Company, provided that the officer acted in good faith and had reasonable grounds to believe that the action in question would not adversely affect the Company;
 - (c) Financial liability which shall be imposed upon said officer in favor of another person as a result of any action which was performed by said officer in his or her capacity as an officer of the Company.
103. Subject to the provisions of the Law, the Company shall be entitled to indemnify any officer of the Company, as a result of any of the following:
- (a) Financial liability which shall be imposed upon said officer in favor of another person by virtue of a decision by a court of law, including a decision by way of compromise or a decision in arbitration which has been confirmed by a court of law, as a result of any action which was performed by said officer in his or her capacity as an officer of the Company.
 - (b) Reasonable expenses with regard to litigation, including legal fees, which said officer shall have expended or shall have been obligated to expend by a court of law, in any proceedings which shall have been filed against said officer by or on behalf of the Company or by another person, or with regard to any criminal charge of which said officer was acquitted, or with regard to any criminal charge of which said officer was convicted which does not require proof of criminal intent, all as a result of any action which was performed by said officer in his or her capacity as an officer of the Company.

All of the above shall apply, provided that the obligation to indemnification shall be limited to the types of events which, in the opinion of the Board of Directors, could have been foreseen at the time that the obligation to indemnification was given, and to the amount determined by the Board of Directors as reasonable under the circumstances of the case.

104. Subject to the provisions of the Law, the Company shall be entitled to indemnify any officer of the Company retroactively, for any liability or expenditure as set forth in Article 103 above, which was imposed upon said officer as a result of any action which was performed by said officer in his or her capacity as an officer of the Company.
105. Subject to the provisions of the Law, the Company shall be entitled, in advance, to exempt any officer of the Company from liability, in whole or in part, with regard to damage incurred as a result of the breach of duty of care vis-a-vis the Company.

I. MISCELLANEOUS

Amendment of the Articles of Association

106. (a) The Company shall be entitled to modify any of the provisions of this Article and any of the provisions of Articles 3, 33 (closing passage), 58, 59, 60, 68, 75 (opening passage) and 84 above, by way of a resolution to be adopted at a General Meeting by a majority of eighty-five percent of the votes at that session, unless a lower percentage shall have been established by the Board of Directors, by a majority of three-quarters of those persons voting, at a session of the Board of Directors which shall have taken place prior to that General Meeting.
- (b) The Company shall be entitled to modify the remaining provisions of these Articles (which are not included in the list set forth in subsection (a) above) by way of a resolution to be adopted at a General Meeting by a majority of three-quarters of the votes at that session, unless a lower percentage shall have been established by the Board of Directors, by a majority of three-fourths of the persons voting, at a session of the Board of Directors which shall have taken place prior to that General Meeting.

Special Purchase Offer

107. Notwithstanding that which has been set forth within the framework of the regulations that have been promulgated by virtue of the Law, a special offer to purchase company shares shall be governed by the provisions of Sections 328 to 334 of the Law.
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