

FORM 6-K

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)

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	8.0	12.6	12.9	23.1
	<u>36.8</u>	<u>27.1</u>	<u>71.9</u>	<u>55.1</u>
Selling, general and administrative expenses	98.7	90.8	193.9	180.8
Operating income	<u>111.6</u>	<u>86.9</u>	<u>219.8</u>	<u>165.8</u>
Financial expenses – net	4.0	7.9	10.0	16.6
Other income – net	1.7	2.0	3.5	4.1
Income before income taxes	<u>109.3</u>	<u>81.0</u>	<u>213.3</u>	<u>153.3</u>
Provision for income taxes	17.4	16.5	35.7	33.3
	<u>91.9</u>	<u>64.5</u>	<u>177.6</u>	<u>120.0</u>
Share in Profits (losses) on equity investments	0.3	0.2	0.7	(0.1)
Minority interests	(0.3)	(0.3)	(0.8)	(0.7)
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	129.9	69.6	233.0	156.7
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	(187.9)	(52.4)	(356.2)	(81.9)
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	(29.2)	(35.5)	(78.6)	(157.4)
Translation differences on cash balances of certain subsidiaries	9.7	1.3	9.2	(1.9)
Net decrease in cash and cash equivalents	(77.5)	(17.0)	(192.6)	(84.5)
Cash and cash equivalents at beginning of period	653.8	353.1	768.9	420.6
Cash and cash equivalents at end of period	\$ 576.3	\$ 336.1	\$ 576.3	\$ 336.1

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 June 30,		Six Months Ended 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:

	Three Months	Six Months
	Ended June 30, 2001	
	U.S. dollars in millions	
	(except earnings per ADR)	
	(Unaudited)	
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			
	Second Quarter,		% Change	% of Total
	<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®
Torsemide	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 months 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.