TEVA PHARMACEUTICAL INDUSTRIES LTD
Form 6-K
November 02, 2011

**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**Report of Foreign Private Issuer**

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

For the month of November 2011

Commission File Number 0-16174

**TEVA PHARMACEUTICAL INDUSTRIES LIMITED**
(Translation of registrant's name into English)

**5 Basel Street, P.O. Box 3190**
**Petach Tikva 49131 Israel**

(Address of principal executive offices)

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

Form 20-F X Form 40-F _____

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

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

**Teva Reports Third Quarter 2011 Results**

JERUSALEM--(BUSINESS WIRE)--November 1, 2011--Teva Pharmaceutical Industries Ltd. (NASDAQ: TEVA) today reported results for the quarter ended September 30, 2011.

Third Quarter Highlights:[1]

- Net sales of $4.34 billion, compared to $4.25 billion in the third quarter of 2010, an increase of 2% and $4.21 billion in the second quarter of 2011, an increase of 3%.
- Non-GAAP net income and non-GAAP EPS of $1,111 million and $1.25, compared to $1,182 million and $1.30, respectively, in the third quarter of 2010, and $984 million and $1.10, respectively, in the second quarter of 2011. Quarterly GAAP net income was $916 million, compared to $1,050 million in the third quarter of 2010 and $576 million in the second quarter of 2011; GAAP EPS totaled $1.03, compared to $1.15 in the third quarter of 2010 and $0.64 in the second quarter of 2011.
- Non-GAAP operating income of $1,316 million, compared to $1,439 million in the third quarter of 2010 and $1,091 million in the second quarter of 2011. Quarterly GAAP operating income of $1,035 million, compared to $1,188 million in the third quarter of 2010 and $597 million in the second quarter of 2011.
- Strong sales growth in Europe of 34% (24% in local currencies) and 56% in EEMA, Latin America and Asia (49% in local currencies).
- Sales growth in all branded franchises – respiratory (15%), Azilect® in-market (20%), Copaxone® in-market (26%), and women's health (6%) – as well as API (15%).
- During the quarter, Teva solidified its leadership position in the Japanese generics market by acquiring Taiyo Pharmaceutical Industry Co. Ltd. and the remaining 50% interest in Teva-Kowa Pharma Co. Ltd. Teva also made an additional investment in CureTech Ltd., bringing its interest in the company to 75%.
- Teva completed the acquisition of Cephalon Inc. for approximately $6.5 billion dollars on October 14, 2011.

"The third quarter produced an overall mixed performance. We had strong European and International generic sales, combined with strong results from our branded units. This helped to offset our U.S. generics business, which lacked any significant new launches," stated **Shlomo Yanai, Teva's President and CEO**. "We expect a strong fourth quarter including an improved U.S. generics business, led by the exclusive launch of generic Zyprexa®."

**Sales in North America** in the third quarter were $2,183 million (representing 50% of total sales), a decrease of 20%. **Generic and other sales** in the U.S. were $845 million in the quarter, down 48%. In contrast to last year, the current quarter lacked significant new launches and sales of key products (most notably the generic equivalent of Effexor XR®, as well as generic equivalents of Cozaar®, Hyzaar®, Lotrel® and Prevacid®), sold in the third quarter of 2010 were absent or substantially diminished in the current quarter.

**Sales in Europe** in the third quarter of 2011 were $1,344 million, up 34%, accounting for 31% of total sales. In local currencies, sales in Europe grew by 24%. Growth in sales resulted primarily from the inclusion of ratiopharm, mainly in Germany, France, Spain and Italy. Sales in Europe grew organically[2] by 9%; in Germany, generic sales grew organically by 8% (in local currencies).

**Sales in EEMA, Latin America and Asia (International markets)** in the third quarter of 2011 totaled $817 million, up 56%, accounting for 19% of total sales, with sales in EEMA contributing 45% of International sales, Asia 30% and Latin America 25%. In local currencies, sales in EEMA, Latin America and Asia grew by 49%. The growth in sales resulted primarily from the inclusion of Taiyo in Japan, which was acquired in July 2011, and from higher sales in major markets in Latin America (organic growth of 21% in generic sales in local currencies) and Russia (organic growth of 27% in generic sales in local currency).

Global in-market sales of **Copaxone®**, the leading multiple sclerosis therapy in the U.S. and globally, reached a record $1,021 million in the third quarter of 2011, an increase of 26%. In the U.S., in-market sales increased 28% to $752 million, as a result of both price increase and volume growth. In-market sales outside the U.S. grew 22% to $268 million, 17% in terms of unit growth, in several European and Latin American markets, including Italy, U.K., Germany, Spain and Brazil.

Global **respiratory** product sales totaled $238 million in the quarter, an increase of 15%, primarily driven by a 30% increase in sales in the U.S., which totaled $164 million. As of September 30, 2011, ProAir™ continued to maintain its leadership position with a 50% market share in the SABA (short acting beta agonist) market in the U.S., while Qvar® further solidified its number two position in the inhaled corticosteroid category (ICS) market with a 23% market share in the U.S.

Global **women's health** product sales were $123 million in the quarter, up 6%. The increase in sales was driven by the inclusion of sales of Theramex products in Europe, offset by weaker sales in the U.S., where Seasonique® has faced generic competition since July 2011.

Global in-market sales of **Azilect®** totaled $97 million in the quarter, an increase of 20%, with growth both in Europe and the U.S.

**API sales** to third parties totaled $183 million in the third quarter of 2011, up 15%, with higher sales mostly in International markets and North America.

**Exchange rate** differences between this quarter and the comparable quarter in 2010 contributed approximately $148 million to sales, while having a minor impact on operating income. The impact on sales resulted primarily from the strengthening of certain currencies (primarily the euro) relative to the U.S. dollar.

Non-GAAP net income and non-GAAP EPS for the third quarter of 2011 are adjusted to exclude certain items totaling an aggregate of $281 million and a related tax effect of $86 million. Teva believes that excluding such items facilitates investors' understanding of the Company's business. See the attached tables for a reconciliation of U.S. GAAP reported results to the adjusted non-GAAP figures for the current quarter as well as the comparable quarter of 2010.

Non-GAAP **gross profit margin** was 56.4% in the third quarter of 2011, compared to 62.5%. The decrease reflects a change in product mix in the U.S. – a decrease in the contribution from certain high margin generic products, primarily generic Effexor XR®, partially offset by an increase in the contribution from branded products. GAAP gross profit margin was 51.7% in the third quarter of 2011, compared to 58.0%. The decrease primarily reflects changes in product mix mentioned above, as well as amortization of purchased intangible assets related to the ratiopharm acquisition and costs related to regulatory actions taken in facilities recorded in the current quarter.

**Net Research & Development (R&D)** expenditures in the third quarter of 2011 totaled $227 million, or 5.2% of sales, compared to $239 million, or 5.6% of sales. The decline in R&D spending reflects lower legal expenses related to generic R&D and timing of spending. Gross R&D in the third quarter of 2011, before reimbursement from third parties for certain R&D expenses, totaled approximately $248 million, or 5.7% of sales.

**Selling and Marketing** expenditures (excluding amortization of purchased intangible assets) were $796 million, or 18.3% of sales, for the third quarter of 2011, compared to $742 million, or 17.5% of sales. The increase was primarily due to the inclusion of ratiopharm, Taiyo and Theramex.

**General and Administrative (G&A)** expenditures totaled $112 million, or 2.6% of sales, compared with $236 million, or 5.5% of sales. The decline is attributable primarily to gains recorded in connection with the acquisition of additional ownership interests in CureTech Ltd. and Teva-Kowa Pharma, totaling $135 million.

Non-GAAP net **financial expense** in the third quarter of 2011 totaled $67 million, compared with $48 million.

The non-GAAP **tax** provision for the third quarter was $119 million of pre-tax non-GAAP income of $1,249 million. Teva's current estimate of the annual tax rate of non-GAAP income for 2011 is 10%, compared to 13% of pre-tax non-GAAP income for 2010. The current estimate for the 2011 non-GAAP tax rate is based on a mix of products manufactured in jurisdictions where Teva benefits from tax incentives. The product mix in future years is expected to be different, resulting in a higher tax rate. On a GAAP basis, the annual projected tax rate for 2011 is 4%.

**Cash flow** from operations during the third quarter of 2011 was $482 million, compared to $1,194 million. Free cash flow – excluding net capital expenditures (of $276 million) and dividends (of $204 million) – was $2 million. The current quarter's cash flow is not indicative of the Teva's typical cash flow run rate and was affected by the exceptionally strong generation in the previous quarter, actual payments of legal settlement expenses and restructuring expenses and a major capital investment. Fourth quarter cash generation is expected to recover strongly to typical levels. **Cash and marketable securities** on September 30, 2011 amounted to $1.3 billion.

During the quarter, **share repurchases** totaled approximately 6.1 million shares for an aggregate purchase price of approximately $254 million. Since the beginning of December 2010, when a $1 billion share repurchase plan was authorized, Teva has repurchased 17.9 million shares for approximately $848 million. As a result of these share repurchases and the redemption of certain convertible debentures in the first quarter of 2011, the fully diluted share count has been reduced by approximately 31 million shares from December 2010 to September 2011.

**Total equity** at September 30, 2011 was $22.9 billion, an increase of $937 million, compared to $22.0 billion at December 31, 2010. The increase in total equity is attributable primarily to the GAAP net income of $2,253 million, offset primarily by repurchases of Teva shares and dividends paid to shareholders.

For the third quarter of 2011, the weighted average **share count** for the fully diluted earnings per share calculation was 890 million on both a GAAP and non-GAAP basis. At September 30, 2011, the share count for calculating Teva's market capitalization was approximately 886 million.

**Dividend**

The Board of Directors, at its meeting on October 31, 2011, declared a cash dividend for the third quarter of 2011 of NIS 0.80 (approximately 21.9 cents according to the rate of exchange on November 1, 2011) per share.

The record date will be November 14, 2011, and the payment date will be November 30, 2011. Tax will be withheld at a rate of 20%.

**Conference Call**

Teva will host a conference call to discuss the Company's third quarter 2011 results, on Wednesday, November 2, 2011 at 8:30 a.m. ET. The call will be webcast and can be accessed through the Company's website at www.tevapharm.com. Following the conclusion of the call, a replay of the webcast will be available within 24 hours at the Company's website at www.tevapharm.com. A replay of the call will also be available until November 9, 2011, at 11:59 p.m. ET, by calling 858-384-5517 or 877-870-5176. The Conference ID is #380019.

**About Teva**

Teva Pharmaceutical Industries Ltd. (NASDAQ: TEVA) is a leading global pharmaceutical company, committed to increasing access to high-quality healthcare by developing, producing and marketing affordable generic drugs as well as innovative and specialty pharmaceuticals and active pharmaceutical ingredients. Headquartered in Israel, Teva is the world's largest generic drug maker, with a global product portfolio of more than 1,300 molecules and a direct presence in about 60 countries. Teva's branded businesses focus on CNS, oncology, pain, respiratory and women's health therapeutic areas as well as biologics. Teva currently employs approximately 45,000 people around the world and reached $16.1 billion in net sales in 2010.

**Teva's Safe Harbor Statement under the U. S. Private Securities Litigation Reform Act of 1995:**

This release contains forward-looking statements, which express the current beliefs and expectations of management. 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 our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include risks relating to: our ability to develop and commercialize additional pharmaceutical products, competition from the introduction of competing generic equivalents and the impact of increased governmental pricing pressures, the effects of competition on sales of our innovative products, especially Copaxone® (including competition from innovative orally-administered alternatives, as well as from potential generic equivalents), potential liability for sales of generic products prior to a final resolution of outstanding patent litigation, including that relating to the generic version of Protonix®, the extent to which we may obtain U.S. market exclusivity for certain of our new generic products, the extent to which any manufacturing or quality control problems damage our reputation for high quality production and require costly remediation, our ability to identify, consummate and successfully integrate acquisitions (including the acquisition of Cephalon), our ability to achieve expected results through our innovative R&D efforts, dependence on the effectiveness of our patents and other protections for innovative products, intense competition in our specialty pharmaceutical businesses, uncertainties surrounding the legislative and regulatory pathway for the registration and approval of biotechnology-based products, our potential exposure to product liability claims to the extent not covered by insurance, any failures to comply with the complex Medicare and Medicaid reporting and payment obligations, our exposure to currency fluctuations and restrictions as well as credit risks, the effects of reforms in healthcare regulation and pharmaceutical pricing and reimbursement, adverse effects of political or economical instability, major hostilities or acts of terrorism on our significant worldwide operations, increased government scrutiny in both the U.S. and Europe of our agreements with brand companies, interruptions in our supply chain or problems with our information technology systems that adversely affect our complex manufacturing processes, the impact of continuing consolidation of our distributors and customers, the difficulty of complying with U.S. Food and Drug Administration, European Medicines Agency and other regulatory authority requirements, potentially significant impairments of intangible assets and goodwill, potential increases in tax liabilities resulting from challenges to our intercompany arrangements, the termination or expiration of governmental programs or tax benefits, any failure to retain key personnel or to attract additional executive and managerial talent, environmental risks and other factors that are discussed in our Annual Report on Form 20F for the year ended December 31, 2010 and in our other filings with the U.S. Securities and Exchange Commission.

[1] Unless otherwise noted, all comparisons are to the third quarter of 2010.

[2] Organic sales assume ratiopharm and other acquisitions were included in Teva's results in the third quarter of 2010.

**Consolidated Statements of Income**

(Unaudited, U.S. dollars in millions, except share and per share data)

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | | **2011** | **2010** | **2011** | **2010** |
| **Net sales** | | 4,344 | 4,250 | 12,636 | 11,703 |
| **Cost of sales (a)** | | 2,098 | 1,783 | 6,002 | 5,102 |
| **Gross profit** | | 2,246 | 2,467 | 6,634 | 6,601 |
| **Research and development expenses – net** | | 227 | 239 | 709 | 663 |
| **Selling and marketing expenses (b)** | | 806 | 751 | 2,442 | 2,147 |
| **General and administrative expenses** | | 112 | 236 | 617 | 607 |
| **Legal settlements, acquisition and restructuring expenses and impairment** | | 51 | 53 | 352 | 78 |
| **Purchase of research and development in process** | | 15 | - | 15 | 9 |
| **Operating income** | | 1,035 | 1,188 | 2,499 | 3,097 |
| **Financial expenses – net (c)** | | 67 | 3 | 85 | 178 |
| **Income before income taxes** | | 968 | 1,185 | 2,414 | 2,919 |
| **Provision for income taxes (d)** | | 33 | 133 | 109 | 336 |
| | | 935 | 1,052 | 2,305 | 2,583 |
| **Share in losses of associated companies – net** | | 17 | * | 42 | 17 |
| **Net income** | | 918 | 1,052 | 2,263 | 2,566 |
| **Net income attributable to non-controlling interests** | | 2 | 2 | 10 | 6 |
| **Net income attributable to Teva** | | 916 | 1,050 | 2,253 | 2,560 |
| **GAAP earnings per share attributable to Teva:** | **Basic ($)** | 1.03 | 1.17 | 2.52 | 2.86 |
| | **Diluted ($)** | 1.03 | 1.15 | 2.51 | 2.82 |
| **Weighted average number of shares (in millions):** | **Basic** | 888 | 899 | 892 | 895 |
| | **Diluted** | 890 | 921 | 896 | 921 |
| **Non-GAAP net income attributable to Teva:**** | | 1,111 | 1,182 | 3,031 | 2,993 |
| **Non-GAAP earnings per share attributable to Teva:**** | **Basic ($)** | 1.25 | 1.32 | 3.40 | 3.34 |
| | **Diluted ($)** | 1.25 | 1.30 | 3.38 | 3.29 |
| **Weighted average number of shares (in millions):** | **Basic** | 888 | 899 | 892 | 895 |
| | **Diluted** | 890 | 921 | 896 | 921 |

* Less than $0.5 million.

** See reconciliation attached.

(a) Cost of sales includes $151 million and $135 million of amortization of purchased intangible assets in the three months ended September 30, 2011 and 2010, respectively, $35 million of costs related to regulatory actions taken in facilities in the three months ended September 30, 2011 and $19 million and $54 million of inventory step-up in the three months ended September 30, 2011 and 2010, respectively.

(b) Selling and marketing expenses includes $10 million and $9 million of amortization of purchased intangible assets
in the three months ended September 30, 2011 and 2010, respectively.

(c) Financial expenses - net includes financial income of $45 million resulting from hedging of the ratiopharm acquisition in the three months ended September 30, 2010.

(d) Provision for income taxes includes $86 million and $74 million of related tax effect of non-GAAP charges in the three months ended September 30, 2011 and 2010, respectively.

**Condensed Balance Sheets**

(U.S. dollars in millions)

| | **September 30, 2011** | **December 31, 2010** |
|---|---|---|
| | Unaudited | Audited |
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | 1,085 | 1,248 |
| Short-term investments | 38 | 36 |
| Accounts receivable | 5,605 | 5,476 |
| Inventories | 4,670 | 3,866 |
| Deferred taxes and other current assets | 1,620 | 1,416 |
| **Total current assets** | 13,018 | 12,042 |
| **Long-term investments and receivables** | 589 | 632 |
| **Deferred taxes, deferred charges and other assets** | 76 | 138 |
| **Property, plant and equipment, net** | 5,560 | 4,357 |
| **Identifiable intangible assets, net** | 6,248 | 5,751 |
| **Goodwill** | 15,787 | 15,232 |
| **Total assets** | 41,278 | 38,152 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities:** | | |
| Short-term debt and current maturities of long term liabilities | 3,283 | 1,432 |
| Convertible senior debentures - short term | 531 | 1,339 |
| Sales reserves and allowances | 3,877 | 3,403 |
| Accounts payable and accruals | 2,743 | 2,467 |
| Other current liabilities | 1,046 | 1,053 |
| **Total current liabilities** | 11,480 | 9,694 |
| **Long-term liabilities:** | | |
| Deferred income taxes | 1,453 | 1,348 |
| Other taxes and long term payables | 828 | 777 |
| Employee related obligations | 213 | 221 |
| Senior notes and loans | 4,365 | 4,097 |
| Convertible senior debentures - long term | - | 13 |
| **Total long term liabilities** | 6,859 | 6,456 |
| **Equity:** | | |
| Teva shareholders’ equity: | 22,863 | 21,947 |
| Non-controlling interests | 76 | 55 |
| **Total equity** | 22,939 | 22,002 |

| | | |
|---|---|---|
| **Total liabilities and equity** | 41,278 | 38,152 |

**Condensed Cash Flow**

(Unaudited, U.S. Dollars in millions)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Operating activities:** | | | | |
| **Net income** | 918 | 1,052 | 2,263 | 2,566 |
| **Change in operating assets and liabilities** | (597) | (57) | (7) | (274) |
| **Expenses not involving cash flow and others** | 146 | 199 | 435 | 733 |
| **Purchase of research and development in process** | 15 | - | 15 | 9 |
| **Net cash provided by operating activities** | 482 | 1,194 | 2,706 | 3,034 |
| **Net cash used in investing activities** | (1,194) | (5,100) | (2,110) | (5,239) |
| **Net cash provided by (used in) financing activities** | 698 | (204) | (756) | 1,146 |
| **Translation adjustment on cash and cash equivalents** | (40) | 191 | (3) | (1) |
| **Net change in cash and cash equivalents** | (54) | (3,919) | (163) | (1,060) |
| **Balance of cash and cash equivalents at beginning of period** | 1,139 | 4,854 | 1,248 | 1,995 |
| **Balance of cash and cash equivalents at end of period** | 1,085 | 935 | 1,085 | 935 |

**Reconciliation between reported Net Income attributable to Teva and Earnings per share as reported under US GAAP to Non-GAAP**
**Net Income attributable to Teva and Earnings per share**

| | **Three months ended September 30, 2011 Unaudited, U.S. dollars in millions (except per share amounts)** | | | | **Three months ended September 30, 2010 Unaudited, U.S. dollars in millions (except per share amounts)** | | | |
|---|---|---|---|---|---|---|---|---|
| | **GAAP** | **Reconciliation** | **Variance non-GAAP measures** | **Effect of reconciliation item on non-GAAP diluted EPS** | **GAAP** | **Reconciliation** | **Variance non-GAAP measures** | **Effect of reconciliation item on non-GAAP diluted EPS** |
| Net sales | 4,344 | - | 4,344 | - | 4,250 | - | 4,250 | - |
| Cost of sales | 2,098 | (205) | 1,893 | (0.23) | 1,783 | (189) | 1,594 | (0.21) |
| **Gross profit** | **2,246** | **205** | **2,451** | **0.23** | **2,467** | **189** | **2,656** | **0.21** |
| Research and development expenses - net | 227 | - | 227 | - | 239 | - | 239 | - |
| Selling and marketing expenses | 806 | (10) | 796 | (0.01) | 751 | (9) | 742 | (0.01) |
| General and administrative expenses | 112 | - | 112 | - | 236 | - | 236 | - |
| Legal settlements, acquisition and restructuring expenses and impairment | 51 | (51) | - | (0.06) | 53 | (53) | - | (0.06) |
| Purchase of research and development in process | 15 | (15) | - | (0.02) | - | - | - | - |
| **Operating income** | **1,035** | **281** | **1,316** | **0.32** | **1,188** | **251** | **1,439** | **0.28** |
| Financial expenses – net | 67 | - | 67 | - | 3 | 45 | 48 | 0.05 |
| Provision for income taxes | 33 | 86 | 119 | 0.10 | 133 | 74 | 207 | 0.08 |
| **Net income attributable to Teva** | **916** | **195** | **1,111** | **0.22** | **1,050** | **132** | **1,182** | **0.15** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Earnings per share attributable to Teva: | | | | | | |
| Basic | 1.03 | 0.22 | 1.25 | 1.17 | 0.15 | 1.32 |
| Diluted | 1.03 | 0.22 | 1.25 | 1.15 | 0.15 | 1.30 |
| Weighted average number of shares: | | | | | | |
| Basic | 888 | - | 888 | 899 | - | 899 |
| Diluted | 890 | - | 890 | 921 | - | 921 |
| Add back for diluted earnings per share calculation | * | - | * | 11 | - | 11 |
| Effective tax rate | 3% | 6% | 9% | 11% | 4% | 15% |

* Less than $0.5 million.

**Reconciliation between reported Net Income attributable to Teva and Earnings per share as reported under US GAAP to Non-GAAP Net Income attributable to Teva and Earnings per share**

| | Nine months ended September 30, 2011 Unaudited, U.S. dollars in millions (except per share amounts) | | | | Nine months ended September 30, 2010 Unaudited, U.S. dollars in millions (except per share amounts) | | | |
|---|---|---|---|---|---|---|---|---|
| | **GAAP** | **Reconciliation** | **Variance non-GAAP measures** | **Effect of reconciliation item on non-GAAP diluted EPS** | **GAAP** | **Reconciliation** | **Variance non-GAAP measures** | **Effect of reconciliation item on non-GAAP diluted EPS** |
| Net sales | 12,636 | - | 12,636 | - | 11,703 | - | 11,703 | - |
| Cost of sales | 6,002 | (628) | 5,374 | (0.70) | 5,102 | (433) | 4,669 | (0.47) |
| **Gross profit** | **6,634** | **628** | **7,262** | **0.70** | **6,601** | **433** | **7,034** | **0.47** |
| Research and development expenses - net | 709 | - | 709 | - | 663 | - | 663 | - |
| Selling and marketing expenses | 2,442 | (27) | 2,415 | (0.03) | 2,147 | (25) | 2,122 | (0.03) |
| General and administrative expenses | 617 | - | 617 | - | 607 | - | 607 | - |
| Legal settlements, acquisition and restructuring expenses and impairment | 352 | (352) | - | (0.39) | 78 | (78) | - | (0.08) |
| Purchase of research and development in process | 15 | (15) | - | (0.02) | 9 | (9) | - | (0.01) |
| **Operating income** | **2,499** | **1,022** | **3,521** | **1.14** | **3,097** | **545** | **3,642** | **0.59** |
| Financial expenses – net | 85 | - | 85 | - | 178 | (78) | 100 | (0.08) |
| Provision for income taxes | 109 | 244 | 353 | 0.27 | 336 | 190 | 526 | 0.20 |
| **Net income attributable to** | **2,253** | **778** | **3,031** | **0.87** | **2,560** | **433** | **2,993** | **0.47** |

| **Teva** | | | | | | |
|---|---|---|---|---|---|---|
| Earnings per share attributable to Teva: | | | | | | |
| Basic | 2.52 | 0.88 | 3.40 | 2.86 | 0.48 | 3.34 |
| Diluted | 2.51 | 0.87 | 3.38 | 2.82 | 0.47 | 3.29 |
| Weighted average number of shares: | | | | | | |
| Basic | 892 | - | 892 | 895 | - | 895 |
| Diluted | 896 | - | 896 | 921 | - | 921 |
| Add back for diluted earnings per share calculation | * | - | * | 33 | - | 33 |
| Effective tax rate | 4% | 6% | 10% | 12% | 3% | 15% |

* Less than $0.5 million.

**Non GAAP reconciliation items**

(Unaudited, U.S. Dollars in millions)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Amortization of purchased intangible assets** - under cost of sales | 151 | 135 | 454 | 379 |
| **Costs related to regulatory actions taken in facilities** - under cost of sales | 35 | - | 130 | - |
| **Inventory step-up** | 19 | 54 | 44 | 54 |
| **Amortization of purchased intangible assets** - under selling and marketing expenses | 10 | 9 | 27 | 25 |
| **Legal settlements and reserves** | (1) | (1) | 216 | (7) |
| **Restructuring and acquisition expenses** | 36 | 27 | 106 | 55 |
| **Impairment of long-lived assets** | 16 | 27 | 30 | 30 |
| **Purchase of research and development in process** | 15 | - | 15 | 9 |
| **Financial expenses related to hedging activity of the ratiopharm acquisition** | - | (45) | - | 102 |
| **Gain from sale of marketable securities** | - | - | - | (24) |
| **Related tax effect** | (86) | (74) | (244) | (190) |

**Sales by Geographic Area**

(Unaudited, U.S. Dollars in millions)

| | **Three months ended September 30,** | | **% of Total** | | **% of Total** | | |
|---|---|---|---|---|---|---|---|
| | **2011** | **2010** | **2011** | | **2010** | | **% Change** |
| North America | 2,183 | 2,724 | 50 | % | 64 | % | (20 %) |
| Europe* | 1,344 | 1,001 | 31 | % | 24 | % | 34 % |
| International markets | 817 | 525 | 19 | % | 12 | % | 56 % |
| **Total** | **4,344** | **4,250** | **100** | **%** | **100** | **%** | **2 %** |

* Includes EU member states, Switzerland & Norway.

**Sales by Geographic Area**

(Unaudited, U.S. Dollars in millions)

| | Nine months ended September 30, | | % of Total | | % of Total | | |
|---|---|---|---|---|---|---|---|
| | **2011** | **2010** | **2011** | | **2010** | | **% Change** |
| North America | 6,346 | 7,500 | 50 | % | 64 | % | (15 %) |
| Europe* | 4,166 | 2,624 | 33 | % | 22 | % | 59 % |
| International markets | 2,124 | 1,579 | 17 | % | 14 | % | 35 % |
| **Total** | **12,636** | **11,703** | **100** | **%** | **100** | **%** | **8 %** |

* Includes EU member states, Switzerland & Norway.

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or
Teva North America
**Denise Bradley,** 215-591-8974

**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, thereunto duly authorized.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
(Registrant)

By: /s/ Eyal Desheh
Name: Eyal Desheh
Title: Chief Financial Officer

Date: November 2, 2011