UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2001

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File number: 0-16174

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

(Exact name of Registrant as specified in its charter)

N/A	**ISRAEL**
(Translation of Registrant's name into English)	(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

American Depositary Shares (as evidenced by American Depositary Receipts), each representing one Ordinary Share

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

128,086,132 Ordinary Shares 83,032,000 American Depositary Shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

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Unless otherwise indicated, all references to the "Company", "we", "our" or "Teva" refer to Teva Pharmaceutical Industries Limited and its subsidiaries.

FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this report contain or incorporate by reference some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Such statements may include words such as “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “believe” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these statements include, among other things, statements relating to:

- our business strategy;
- the development of our products;
- our projected capital expenditures; and
- our liquidity.

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

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

PART I

ITEM 3: KEY INFORMATION

SELECTED FINANCIAL DATA

During 2000, the Israeli Securities Law was amended to allow Israeli companies, such as Teva, whose securities are listed both on the Tel Aviv Stock Exchange and on certain stock exchanges in the United States (including Nasdaq), to report exclusively under SEC rules and accounting principles generally accepted in the United States ("US GAAP"). Accordingly, on December 18, 2000, Teva's shareholders approved a resolution under which Teva's financial statements would be prepared under SEC rules and US GAAP, rather than under Israeli Securities Regulations and accounting principles generally accepted in Israel ("Israeli GAAP"). All financial statements included in this report and all financial information released in Israel are now presented solely under US GAAP.

The following selected financial data for each of the years in the three-year period ended December 31, 2001 and at December 31, 2001 and 2000 are derived from Teva's consolidated financial statements set forth elsewhere in this report, which have been prepared in accordance with US GAAP. Such financial statements have been audited by Kesselman & Kesselman, independent certified public accountants in Israel and a member of PricewaterhouseCoopers International Limited, whose report with respect thereto appears elsewhere in this report.

The selected financial data for each of the years in the two-year period ended December 31, 1998 and at December 31, 1999 and 1998 are derived from other financial statements not appearing in this report, which have been prepared in accordance with US GAAP and audited by Kesselman & Kesselman.

The selected financial data at December 31, 1997 are derived from other financial statements not appearing in this report, which have been prepared in accordance with Israeli GAAP and audited by Kesselman & Kesselman. Such selected financial data have been amended in accordance with US GAAP in connection with the change of Teva's financial reporting from Israeli GAAP to US GAAP.

The selected financial data should be read in conjunction with the other financial statements, related notes and other financial information included in this report.

The currency of the primary economic environment in which the operations of Teva and most of its subsidiaries in Israel and in the United States are conducted is the U.S. dollar.

Operating Data

	For the year ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
	U.S. dollars in thousands (except per ADR amounts)				
Sales	2,077,370	1,749,854	1,282,406	1,115,928	1,116,897
Cost of sales	1,230,077	1,057,975	767,627	694,763	680,882
Gross profit	847,293	691,879	514,779	421,165	436,015
Research and development expenses:					
Total expenses	168,637	132,256	91,622	75,581	76,573
Less grants and participations	61,364	27,681	9,780	7,511	11,417
Research and development-net	107,273	104,575	81,842	68,070	65,156
Selling, general and administrative expenses	363,564	307,079	233,891	208,024	196,952
Acquisition of research and development in process		35,697	17,700	13,500	21,000
Restructuring expenses	15,664			15,030	
Operating income	360,792	244,528	181,346	116,541	152,907
Financial expenses-net	27,565	46,015	30,598	23,328	24,712
Losses from realization of assets and discontinuation of activities				3,308	
Other income-net	7,130	9,848	11,214	8,940	11,421
Income before income taxes	340,357	208,361	161,962	98,845	139,616
Provision for income taxes	63,650	59,568	45,389	28,915	33,560
	276,707	148,793	116,573	69,930	106,056
Share in profits (losses) of associated companies	778	374	(550)	903	403
Minority interests in consolidated subsidiaries	727	(750)	756	(30)	201
Net income	278,212	148,417	116,779	70,803	106,660
Earnings per ADR* - Basic	2.10	1.15	0.95	0.58	0.87
Earnings per ADR* - Diluted	2.04	1.14	0.95	0.58	0.87
Weighted average number of ADRs ** (in thousands)					
Basic	132,258	128,965	122,613	122,569	122,389
Diluted	140,461	131,839	123,287	123,109	123,348

* After giving retroactive effect to the distribution of a 100% stock dividend in February 2000.

** Each ADR represents one ordinary share.

Balance Sheet Data

	As at December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
	U.S. dollars in thousands				
Working capital	1,439,763	825,091	373,452	240,968	243,497
Total assets	3,460,152	2,855,618	1,755,279	1,475,258	1,223,023
Short-term debt, including current maturities	206,523	341,522	276,259	324,534	239,829
Long-term debt, net of current maturities	336,876	263,892	391,419	201,699	129,889
Minority interests	2,164	1,637	17	781	783
Convertible debentures	910,000	550,000	--	--	--
Shareholders' equity	1,380,677	1,151,346	747,226	664,803	616,006

Dividends

For over 30 years Teva has paid dividends, and since 1987 it has paid dividends on a regular quarterly basis. Future dividend policy will be reviewed by the Board of Directors based upon conditions then existing, including Teva's earnings, financial condition, capital requirements and other factors. Dividends are declared and paid in New Israeli Shekels. Dividends are converted into dollars and paid by the depositary of the ADRs for the benefit of owners of ADRs.

Dividends paid by an Israeli company to shareholders residing outside Israel are currently subject to withholding of Israeli income tax at a rate of up to 25%. In Teva's case, the applicable withholding tax rate will depend on the particular facilities which have generated the earnings that are the source of the dividend and, accordingly, the applicable rate will change from time to time. The rate of tax withheld on the most recently declared dividend was 16%.

The following table sets forth the amounts of the dividends paid in respect of each period indicated prior to deductions for applicable Israeli withholding taxes (in cents per ADR):

	2001	**2000**	**1999**	**1998**	**1997**
1st interim	6.5	5.4	3.7	4.1	4.4
2nd interim	6.4	5.6	3.6	4.0	4.3
3rd interim	6.3	5.5	3.5	3.6	4.3
4th interim	9.2	6.6	5.5	3.7	4.1

RISK FACTORS

Our success depends on our ability to successfully develop and commercialize additional pharmaceutical products.

Our future results of operations depend, to a significant degree, upon our ability to successfully commercialize additional generic and/or innovative branded pharmaceutical products. We must develop, test and manufacture generic products as well as prove that our generic products are the bio-equivalent of their branded counterparts. All of our products must meet regulatory standards and receive regulatory approvals. The development and commercialization process, particularly with respect to innovative products, is both time consuming and costly and involves a high degree of business risk. Our products currently under development, if and when fully developed and tested, may not perform as we expect, necessary regulatory approvals may not be obtained in a timely manner, if at all, and such products may not be able to be successfully and profitably produced and marketed. Delays in any part of the process or our inability to obtain regulatory approval of our products (including the products filed by IMPAX Laboratories, Inc. ("Impax") and Biovail Corporation International ("Biovail") for which we have exclusive marketing rights in the U.S.) could adversely affect our operating results by restricting our introduction of new products. The continuous introduction of new generic products is critical to our business.

Our revenues and profits from any particular generic pharmaceutical products decline as our competitors introduce their own generic equivalents.

Selling prices of generic drugs typically decline, sometimes dramatically, as additional companies receive approvals for a given product and competition intensifies. To the extent that we succeed in being the first to market a generic version of a significant product, our sales and profitability can be substantially increased in the period following the introduction of such product and prior to a competitor's introduction of the equivalent product. Our ability to sustain our sales and profitability on any product over time is dependent on both the number of new competitors for such product and the timing of their approvals. Our overall profitability depends on our ability continuously to introduce new products as to which we can be the first in the marketplace.

Our generic pharmaceutical products face intense competition from brand-name companies that sell their own generic products or successfully extend their market exclusivity period.

Competition in the U.S. generic pharmaceutical market continues to intensify as the pharmaceutical industry adjusts to increased pressures to contain health care costs. Brand-name companies continue to sell their products into the generic market directly by acquiring or forming strategic alliances with generic pharmaceutical companies. No regulatory approvals are required for a brand-name manufacturer to sell directly or through a third party to the generic market. Brand-name manufacturers do not face any other significant barriers to entry into such market. In addition, such companies continually seek new ways to defeat generic competition, such as filing new patents on drugs whose original patent protection is about to expire, developing patented controlled-release products or developing and marketing as over-the-counter products those branded products which are about to face generic competition.

Recent changes in the regulatory environment may prevent us from exploiting the exclusivity periods that are critical to the success of our generic products.

The FDA's policy regarding the award of 180-days market exclusivity to generic manufacturers who challenge patents relating to specific products continues to be the subject of much litigation in the U.S. The FDA's current interpretation of the Waxman-Hatch Act is to award 180 days of exclusivity to the first generic manufacturer who files a Paragraph IV certification under the Act challenging the patent of the branded product, regardless of whether the manufacturer was sued for patent infringement. Although the FDA's interpretation may benefit some of the products in our pipeline, it may adversely affect others.

The Waxman-Hatch Act provides that the period of 180-day exclusivity is triggered by the earlier of a court decision finding the patent at issue invalid or not infringed or the commercial marketing of the product. Under certain circumstances, we may not be able to exploit our 180-day exclusivity period completely since it may be triggered prior to our being able to market the product.

For example, recent court decisions have interpreted the 180-day exclusivity period as starting from an initial ruling by a federal district court (instead of a final, unappealable ruling) regarding the validity or infringement of a patent. If we choose to bring a product to market prior to receiving a final ruling and an appellate court overturns the initial ruling, we could face significant infringement damages. These recent court decisions may cause us to take on patent risks that we were not exposed to prior to those decisions in order to benefit from the 180-day exclusivity period, or, conversely, we may choose not to take advantage of the 180-day exclusivity period rather than risk an adverse ruling in an appellate court. In addition to these issues, our patent challenges may be unsuccessful, which may result in a bar to the FDA granting market approval until the relevant patent expires. Another recent FDA ruling allows for joint 180-day exclusivity under certain circumstances. As a result, there may be circumstances in which Teva may share its exclusivity with one or more companies.

We are subject to government regulation that increases our costs and could prevent us from marketing or selling our products.

We are subject to extensive pharmaceutical industry regulation in Israel, the United States, England, Hungary, the Netherlands, Canada and other jurisdictions. We cannot predict the extent to which we may be affected by legislative and other regulatory developments concerning our products.

We are dependent on obtaining timely approvals before marketing most of our products. In the United States, any manufacturer failing to comply with FDA or other applicable regulatory agency requirements may be unable to obtain approvals for the introduction of new products and, even after approval, initial product shipments may be delayed. The FDA also has the authority to revoke drug approvals previously granted and remove from the market previously approved drug products containing ingredients no longer approved by the FDA. Our major facilities and products are periodically inspected by the FDA, which has extensive enforcement powers over the activities of pharmaceutical manufacturers, including the power to seize, force to recall and prohibit the sale or import of non-complying products, and halt operations of and criminally prosecute non-complying manufacturers.

In Israel, the manufacture and sale of pharmaceutical products is regulated in a manner substantially similar to that in the United States. Legal requirements generally prohibit the handling, manufacture, marketing and importation of any pharmaceutical product unless it is properly registered in accordance with applicable law. The registration file relating to any particular product must contain medical data related to product efficacy and safety, including results of clinical testing and references to medical publications as well as detailed information regarding production methods and quality control.

The Ministry of Health is authorized to cancel the registration of a product if it is found to be harmful or ineffective or manufactured and marketed other than in accordance with registration conditions.

Our achieving the expected benefits of the Novopharm acquisition depends on the successful integration of Novopharm.

Integrating the operations of Novopharm and Teva continues to be a complex, time-consuming and expensive process involving substantial amounts of management time and attention. There may be substantial difficulties, costs and delays involved in integrating Novopharm into Teva, including the potential loss of key personnel, problems in rationalizing production among production sites both within Canada and world-wide, and costs in implementing common information and communication systems and procedures.

As a pharmaceutical company, we are susceptible to product liability claims that may not be covered by insurance.

Our business inherently exposes us to potential product liability claims. From time to time, the pharmaceutical industry has experienced difficulty in obtaining product liability insurance coverage for certain products or coverage in the desired amounts. As a result, we may sell generic products that are not covered by insurance and may also be subject to product liability claims that are not covered by insurance or that exceed our policy limits.

Reforms in the health care industry and the uncertainty associated with pharmaceutical pricing, reimbursement and related matters could adversely affect the marketing, pricing and demand for our products.

Increasing expenditures for health care have been the subject of considerable public attention in Israel, North America and Western European countries. Both private and governmental entities are seeking ways to reduce or contain health care costs. In many countries in which we currently operate, including Israel, pharmaceutical prices are subject to regulation. In the United States, numerous proposals that would effect changes in the United States health care system have been introduced or proposed in Congress and in some state legislatures. Similar activities are taking place in Europe, particularly in the United Kingdom. We cannot predict the nature of the measures that may be adopted or their impact on the marketing, pricing and demand for our products.

As a result of governmental budgetary constraints, the Israel Ministry of Health and the major Israeli health funds have sought to further reduce health care costs by, among other things, applying continuous pressure to reduce pharmaceutical prices and reducing inventory levels. The Israeli government has recently adopted regulations that permit the parallel importation of pharmaceutical products, as well as other regulations that became effective in September 2001, that set a maximum price on certain pharmaceutical products. Although such legislation is predominantly aimed at reducing prices of imported products, as opposed to locally manufactured products such as ours, it could have a secondary effect on us by increasing price competition within the Israeli pharmaceutical market.

The success of our innovative products depends on the effectiveness of our patents and confidentiality agreements to defend our intellectual property rights.

Our success with our innovative products depends, in part, on our ability to protect our current and future innovative products and to defend our intellectual property rights. If we fail to adequately protect our intellectual property, competitors may manufacture and market products similar to ours. We

have been issued numerous patents covering our innovative products, and have filed, and expect to continue to file, patent applications seeking to protect newly developed technologies and products in various countries, including the United States. Any existing or future patents issued to or licensed by us may not provide us with any competitive advantages for our products or may even be challenged, invalidated or circumvented by competitors. In addition, such patent rights may not prevent our competitors from developing, using or commercializing products that are similar or functionally equivalent to our products.

We also rely on trade secrets, unpatented proprietary know-how and continuing technological innovation that we seek to protect, in part, by confidentiality agreements with licensees, suppliers, employees and consultants. It is possible that these agreements will be breached and we will not have adequate remedies for any such breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. Furthermore, our trade secrets and proprietary technology may otherwise become known or be independently developed by our competitors or, if patents are not issued with respect to products arising from research, we may not be able to maintain the confidentiality of information relating to such products.

We have significant operations outside of the United States, including in Israel, that may be adversely affected by less stable conditions in such countries or by acts within the United States.

Significant portions of our operations are conducted outside of the United States. We may, therefore, be directly affected by economic, political and military conditions in the countries in which our businesses are located, as well as by currency exchange rate fluctuations and the exchange control regulations of such countries. Our executive offices and a substantial number of our manufacturing facilities are located in the State of Israel. Teva's Israeli operations are dependent upon materials imported from outside of Israel. We also export significant amounts of products from Israel. Accordingly, our operations could be materially and adversely affected by acts of terrorism or if major hostilities involving Israel should occur in the Middle East or trade between Israel and its present trading partners should be curtailed, including as a result of the recent or future acts of terrorism in the United States. Any such effects may not be covered by insurance.

ITEM 4: INFORMATION ON THE COMPANY

Teva Pharmaceutical Industries Limited is a global pharmaceutical company producing drugs in all major treatment categories. Teva is one of the world's largest generic drug companies and has a leading position in the U.S. generic market. Teva has successfully utilized its production and research capabilities to establish a global pharmaceutical business focused on the growing demand for generic drugs and on the opportunities for proprietary branded products for specific niche categories. Teva's active pharmaceutical ingredients business facilitates Teva's entry into new drug markets and offers a cost effective source of raw materials for its own pharmaceutical production.

Teva's operations are conducted directly and through subsidiaries in Israel, Europe, North America and several other countries. During 2001, Teva generated approximately 62% of its revenue in North America, 22% in Europe and 16% in the rest of the world. For a breakdown of Teva's sales by business segment and by geographic market for the past three years, see "Item 5: Operating and Financial Review and Prospects -- Results of Operations -- Sales -- General."

Teva was incorporated in Israel on February 13, 1944 and is the successor to a number of Israeli corporations, the oldest of which was established in 1901. Its executive offices are located at 5 Basel Street, P.O. Box 3190, Petach Tikva 49131 Israel, telephone number 972-3-926-7267.

Pharmaceutical Products

Generic Products

Teva is one of the largest generic drug companies in the world. Generic drugs are the chemical and therapeutic equivalents of brand-name drugs, typically sold under their generic chemical names at prices below those of their brand-name equivalents. These drugs are required to meet similar governmental standards as their brand-name equivalents and must receive regulatory approval prior to their sale in any given country. Generic drugs may be manufactured and marketed only if relevant patents on their brand-name equivalents (and any additional government-mandated market exclusivity periods) have expired, been challenged and invalidated, or otherwise validly circumvented.

Generic pharmaceutical sales have increased significantly in recent years, due in part to an increased awareness and acceptance among consumers, physicians and pharmacists that generic drugs are the therapeutic equivalents of brand-name drugs. Among the factors contributing to this increased awareness are the passage of legislation permitting or encouraging substitution and the publication by regulatory authorities of lists of therapeutic equivalent drugs, which provide physicians and pharmacists with generic drug alternatives. In addition, various government agencies and many private managed care or insurance programs encourage the substitution of generic drugs for brand-name pharmaceuticals as a cost-savings measure in the purchase of, or reimbursement for, prescription drugs. Teva believes that these factors, together with the large volume of branded products losing patent protection over the coming years, should lead to continued expansion of the generic pharmaceuticals market.

Through the coordinated efforts of research and development staff in Israel, Europe and North America, Teva seeks to constantly expand its range of generic products. Teva's product development strategy emphasizes not only introducing its generic products upon the patent expiration date of the equivalent brand-name pharmaceutical but also attempting to invalidate or otherwise validly circumvent such brand-name patents. Teva believes that a broad line of products will continue to be of strategic significance as the generics industry continues to grow and as it experiences the effects of

consolidation among buying groups, including managed care providers, large pharmacy chains and wholesaling organizations.

North America

Teva Pharmaceuticals USA, Inc., Teva's principal subsidiary, is one of the leading generic drug companies in the United States. Teva USA markets approximately 140 generic products representing more than 400 dosage strengths and packaging sizes, which are distributed and sold in the United States.

Products. Teva USA manufactures generic pharmaceutical products in a variety of dosage forms, including tablets, capsules, ointments, creams and liquids. During 2001, Teva sold a significant number of new generic products in the United States that were not sold during 2000, including sales of the generic equivalents of Pepcid®, Prozac®, Relafen®, Vaseretic®, Eulexin®, Rocaltrol® and Mevacor®.

During 2001, in the U.S., Teva received 13 final generic drug approvals and 8 tentative approvals; 20 of its own filings and 1 of Biovail's. The final approvals include generic forms of Lodine®XL, Ziac®, Cardura®, Procardia XL® 30mg, Pepcid®20 & 40mg, Pepcid® 10mg OTC, Zebeta®, Prozac® Solution, Vaseretic®, Eulexin®, Relafen® 750mg, Rocaltrol® and Mevacor®. The tentative approvals included generic forms of Zestril®, Claritin® Syrup, Nolvadex® 10mg, Prinzide®, Prozac® Tablets, Buspar®, Ocuflox® and Cipro®.

The potential for revenue growth of generic products in the U.S. is closely related to a company's pipeline of pending abbreviated new drug applications ("ANDAs") with the FDA, as well as tentative approvals already granted. As of March 1, 2002, Teva had 44 product registrations awaiting FDA approval (three of which were from Biovail and 6 from Impax), 12 tentative approvals and 1 approvable. Collectively, the brand-name versions of these products had corresponding U.S. annual sales, as of December 31, 2001, of approximately $20 billion. Several of these pending products may enjoy a 180-day marketing exclusivity period, as Teva was the first to file a patent challenge as part of the ANDA for such products.

Branded product market size is a commonly used measurement of the relative significance of a potential generic product. Generic equivalents of any given product are typically sold at prices substantially below the branded price, and in those instances where there are multiple generic producers of the same product, dramatically below the branded price. There are often significant variations in the percentage of the market for a particular product that shifts to its generic equivalent. Moreover, there is no assurance as to the percentage of the generic market for a particular product that a given company will achieve. In most instances, FDA approval is granted on the expiration of the underlying patents; however, companies are rewarded by marketing exclusivities, as provided by law, by challenging or circumventing these patents. Aside from the financial benefits of marketing exclusivities, Teva believes that these activities improve healthcare by allowing consumers faster access to more affordable medications.

Teva actively reviews pharmaceutical patents and seeks opportunities to challenge those patents where Teva believes that such patents are either invalid or not infringed. As of March 1, 2002, Teva's product registrations included 38 Paragraph IV applications filed with the FDA, challenging patents of branded products. Of these applications, 31 applications are pending FDA approval, 7 have been tentatively approved, and one has been deemed approvable.

Acquisitions. In September 1999, Teva completed its acquisition of Copley Pharmaceutical, Inc. a Massachusetts-based generic pharmaceutical company. The transaction was accounted for as a purchase. This acquisition significantly broadened the product offerings of Teva USA, as very few of Copley's range of products overlapped with the existing product line of Teva USA. In addition, this acquisition considerably fortified Teva's pipeline of ANDAs pending before the FDA. After the acquisition, Copley was merged into Teva USA.

In April 2000 Teva completed the acquisition of Novopharm Limited. The Novopharm acquisition was also accounted for as a purchase. Novopharm is Canada's second largest generic drug company, with significant operations in the United States and Hungary as well. Novopharm, a privately owned Canadian corporation, commenced producing generic pharmaceuticals in 1965. The core operations of Novopharm include the manufacture and marketing of generic prescription drugs.

Strategic Alliances. In December 1997, Teva and Biovail Corporation International entered, through subsidiaries, into a marketing and product development agreement which provided Teva with exclusive U.S. marketing rights for Biovail's pipeline of eight controlled-release generic versions of successful brands. These products included generic versions of Cardizem SR®, Cardizem CD®, Trental®, Verelan®, Adalat CC®, Procardia XL®, Dilacor® and Voltaren XR®. Biovail was responsible for the regulatory filing and approval process and manufacturing of the products. Teva paid Biovail $34.5 million pursuant to the agreement. All eight products are being marketed with other dosage forms for some of them still pending final approval and launch.

In September 1999, Teva entered into a strategic alliance with Bio-Technology General Corp. for the development and worldwide commercialization of generic equivalents of biotechnology products. In addition to U.S. exclusive marketing rights for Bio-Technology General's human growth hormone, Bio-Technology General will develop and produce bio-generics which will be sold by Teva. The agreement provides for each of the two companies to capitalize on its particular strengths — Bio-Technology General's primary role will be to develop and manufacture the products, and Teva will have exclusive marketing rights.

In June 2001, Teva entered into a strategic alliance agreement for twelve controlled release generic pharmaceutical products with Impax. The agreement grants Teva exclusive U.S. marketing rights and an option to acquire exclusive marketing rights in the rest of North America, South America, the European Union, and Israel for: six Impax products currently pending approval at the FDA; an option to acquire exclusive marketing rights to one other Impax product currently pending approval at the FDA; three products currently under development; and three additional products to be mutually agreed upon. As part of the transaction, Impax received $22 million through attainment of certain milestones. As an additional sign of its confidence in Impax, Teva is investing $15 million in the equity of Impax according to a fixed schedule through June 2002.

Marketing and Sales. Pharmaceutical marketing in the United States is conducted through Teva USA. Teva USA's sales were made to the following types of customers:

	2001	2000	1999
Drug store chains……..	53%	45%	48%
Drug wholesalers……..	21%	28%	21%
Generic distributors……..	8%	8%	11%
Hospitals, government and managed care institutions……..	18%	19%	20%

Teva USA has a sales force who actively market Teva USA's products. Key account representatives for generic products call on purchasing agents in chain drug stores, drug wholesalers, health maintenance organizations, pharmacy buying groups and nursing homes. Teva USA also contacts its retail customers and supports its wholesale selling effort with telemarketing as well as professional journal advertising and exhibitions at key medical and pharmaceutical conventions. From time to time, Teva USA bids for government tendered contracts.

Through its acquisition of Novopharm, Teva acquired a sales force in Canada, which markets Novopharm's products to over 6,300 pharmacies. Novopharm also uses a hospital sales division, which covers approximately 900 hospitals throughout Canada.

Europe

The European generics market is evolving and varies considerably from country to country. The Netherlands and the United Kingdom have well-established markets for generic drugs. In much of the rest of Europe, there is a market for branded generics, but not for products sold under their chemical name. In France and Italy legislation has only recently come into effect that permits generic substitution.

Teva currently produces for sale in Europe approximately 300 generic products representing over 1,700 dosage strengths and packaging sizes. In the past five years, Teva received over 450 generic approvals, corresponding to 86 compounds or 167 formulations. In addition, as of December 31, 2001, 84 compounds representing 183 formulations or over 260 marketing authorization applications are pending approval, with over 90 additional compounds under development. Teva believes that this pipeline of approvals and applications will generate significant internal growth in the next several years. Among the products launched by Teva in Europe during 2001 were the generic versions of Tarivid®, Faverin® and Emcor / Monocor®.

Teva's rapid growth in Europe over the last few years was generated by a combination of acquisitions in the United Kingdom, Holland and Hungary, and the parallel development of existing businesses and joint ventures. Teva seeks to be a leader in Europe by leveraging Teva's strengths in the more "traditional generic" markets in which the pharmacist plays the key deciding role, and making selective inroads in other emerging markets in which the doctor is still the key decision maker.

Pharmachemie, acquired in July 1998, is the leader in the generic market in The Netherlands, one of the more important generics markets in Europe. The acquisition created considerable

synergies both with Teva's existing marketing network in Europe and with Teva's product lines, most notably its generic oncology products.

Approved Prescription Services Limited ("APS/Berk"), acquired in July 1996, is one of the largest generic drug companies in the United Kingdom. APS/Berk's products include pharmaceuticals in all major treatment categories. As part of Teva's global rationalization program, during the course of 1999, APS/Berk's production activities were transferred to the Teva production site in Hungary. APS/Berk continues to act as a packaging and quality control center.

Biogal, one of Teva's Hungarian subsidiaries, acquired in 1995, is one of the largest pharmaceutical companies in Hungary. Biogal produces both pharmaceutical products that are ready for consumption and active pharmaceutical ingredients for use in making pharmaceutical products. Biogal produces both for its own local market needs as well as supplying other Teva units in Europe and in Israel. Biogal's products include pharmaceuticals in all major treatment categories, and its production capabilities include solid forms, tablets, coated pellets, soft and hard gelatin capsules, liquid and other soft forms as well as sterile products, including glass and plastic ampules. The sale of pharmaceutical products that are ready for consumption represents approximately 60% of Biogal's sales, with the balance coming from sales of active pharmaceutical ingredients, and other products to third party customers.

Teva also operates in Hungary through its interest in Human Serum & Pharmaceutical Manufacturing Co. Ltd. Human is a Hungarian company which produces sterile products for both the Hungarian market and for export to Canada, the U.S. and other countries. Teva's 98.5% interest in Human includes a 55% interest acquired as part of the Novopharm acquisition, an additional 25% of Human acquired from the State of Hungary in April 2000 and an additional 18% acquired in a tender offer in December 2000.

Teva has several small operations in other European markets and is always looking for ways to expand them and to enter other markets. For example, in Italy Teva started its own generic operations and acquired a portfolio of products from Bayer. Sales from these smaller operations totaled approximately $40 million in 2001 and constituted 11% of total European pharmaceutical sales.

In February 2002, Teva announced that it has made a firm offer to acquire Bayer Pharma S.A.'s French generic business including marketing and manufacturing activities. The offer includes Bayer Classics S.A., a leading supplier of generic pharmaceutical products to the French retail market. Notification of Teva's offer has been made to the workers' committees of Bayer in accordance with French law. It is anticipated that this transaction will be consummated during the second quarter of 2002.

Rest of the World

Teva's pharmaceutical sales outside of North America and Europe reached $332 million in 2001.

Israel: Teva is Israel's largest pharmaceutical company, selling branded as well as generic pharmaceuticals. Teva Israel is an integrated healthcare business unit resulting from the merger of Teva's Israeli pharmaceutical marketing business and hospital supplies businesses. This organization allows Teva to better serve its customers by giving them a broader product range. During 2001, Teva witnessed a further genericization of the Israeli market, as a result of changes in the regulatory scheme and the marketplace, including the increased competitive environment resulting from the budgetary constraints of Israel's principal healthcare providers.

Teva's products include pharmaceuticals in most of the major therapeutic categories currently on the market in Israel as well as hospital supplies. Teva has built its Israeli product portfolio through licensing arrangements as well as its own product development. In 2001, Teva successfully launched 16 new generic products. Teva maintains ongoing contacts with other pharmaceutical manufacturers around the world and seeks to introduce into the Israeli market the new products that these companies develop.

The Israeli regulatory authorities approved product registration files with respect to 13 products in varying dosage forms in 2001. Drug registration requirements in Israel are essentially the same as those in the United States, and clinical trials conducted under approved protocols in hospitals in Israel are generally recognized and accepted by the FDA.

Marketing and Sales. Teva estimates that in 2001 the Israeli market for pharmaceuticals was over $650 million based on manufacturers' selling prices, comprised of three market categories: health care plans, private pharmacies and governmental bodies. Teva is a significant supplier to each of these market categories. All of Teva's pharmaceutical and hospital supplies sales in Israel are made through its own distribution company, Salomon, Levin and Elstein Ltd., Israel's largest drug wholesaler, which sells directly to institutional customers, as well as to all of the pharmacies and chains.

Pricing. 2001 was a year of change in the Israeli pharmaceutical market. Several new laws and regulations were enacted including a new pricing mechanism, a reduction was made in the national health budget, and the market was opened to parallel imports. The maximum prices to the consumer of all pharmaceutical products sold in Israel are established and controlled by the Ministry of Health. The new pricing mechanism adopted the Dutch model- by which the maximum retail prices of pharmaceuticals in Israel are fixed based on the average prices in four European markets (the U.K., Germany, France and Belgium). For all other products, manufacturers are required to present cost justification data, including profit margins.

Other countries: Teva's International Division oversees Teva's various activities in the rest of the world. Its focus is on pharmaceuticals, mainly Copaxone®, Alpha D3 (Teva's innovative bone metabolism product) and a line of oncology products. During 2001, the division continued increasing its presence in South America, mainly in Brazil and Argentina, through sales of its line of generic oncological products. Sales include direct exports from Israel as well as sales through local agents and distributors in the different markets.

Proprietary Products

Teva's strategy in regard to its proprietary products is to leverage its access to Israeli-based research to develop innovative compounds for use in selected therapeutic markets. Teva's proprietary research and development pipeline is currently focused on two specialty areas: neurological disorders and autoimmune diseases.

In conducting its research and development, Teva seeks to manage its resources conservatively and to limit its risk exposure. At the drug discovery phase, Teva takes advantage of its relationship with the Israeli academic community to gain early access to potential projects. Once these projects progress into the more expensive clinical study phase, Teva's strategy is to explore different corporate partnering through which it can share the expenses and risks associated with each project.

Copaxone®

Copaxone®, Teva's leading product and its first innovative drug, is used for the treatment of relapsing-remitting multiple sclerosis. Copaxone® was launched in Israel in December 1996 and in the United States in March 1997 and became Teva's single largest product in 1999. In 2001, in-market global sales of Copaxone® amounted to $363 million.

In August 2001, 15 European countries agreed to approve Copaxone® for the reduction in frequency of relapses in patients with relapsing-remitting multiple sclerosis. Following the successful completion of the Mutual Recognition Procedure (MRP) in Europe, Copaxone® is being launched in the various countries in Europe, starting in the last quarter of 2001 after granting of national marketing authorizations. Among the first launch countries was Germany with the largest population of MS patients in Europe. To date, Copaxone® has been approved for marketing in 39 countries world-wide, including the United States, Israel, the United Kingdom, Switzerland, Australia, Canada, Russia, Germany, Sweden, Spain, Finland, Denmark, Netherlands, Norway, Austria, Portugal, Belgium, Luxembourg, and Greece.

As first-line therapy, Copaxone® offers patients with MS a new treatment option. Copaxone® is a new class of modifying therapy that has been shown in controlled clinical trials to be effective and generally well-tolerated. Copaxone® has also clearly shown important reductions in relapse rates and significant effect on magnetic resonance imaging (MRI) monitored activity and burden of disease. Copaxone® has demonstrated continued efficacy over six years. In clinical trials, treatment with Copaxone® has not been associated with evidence of the development of neutralizing antibodies. Furthermore, Copaxone® is the only drug available for patients who do not benefit from or cannot tolerate beta-interferon.

Copaxone® in ready to use prefilled syringes was approved by the FDA in February 2002 for sale in the U.S. Copaxone® is positioned to become the first and only relapsing-remitting multiple sclerosis drug therapy to offer its medication in a ready to use prefilled syringe approved in the United States. Current injectable MS therapies require mixing and preparation time. The prefilled syringe is expected to replace the previous mixable form of Copaxone®. The Company anticipates that the prefilled glass syringes will become available in the second quarter of 2002.

Teva is continuing its research in Copaxone® in "Promise". Launched in 1999, it is the largest trial ever conducted on MS patients with the primary progressive stage of the disease. The Phase III trial is focused on determining the safety and efficacy of Copaxone® in patients mostly from North America, as well as patients in the United Kingdom and France. The estimated number of patients with the primary progressive stage of MS in Europe and North America is believed to exceed 100,000, and at present there is no approved therapy for this type of MS.

In early 2000, Teva launched a global multi-center Phase III clinical trial to determine the safety and efficacy of an oral formulation of Copaxone® in relapsing-remitting MS—the "Coral" trial. A final analysis of the Coral trial completed at the beginning of 2002 showed a trend for a treatment effect in favor of the higher oral dose in patients who were treated for more than a year, although the difference did not reach statistical significance. Teva is currently studying the Phase III trial results and has not yet reached a decision on the program. To the extent that the Company decides to continue the project, additional trials at higher dosage levels will be required in order to complete the development of oral Copaxone®. During 2000, Teva and Lundbeck extended their strategic cooperation to include the oral formulation of Copaxone, and any decision regarding the program will be taken together with Lundbeck.

In October 2001, a study published in the August issue of Neurology showed that Copaxone® reduced by 50% the percentage of permanent "black holes" that developed in patients with relapsing-remitting multiple sclerosis. Black holes are permanent MS lesions in the brain, and represent areas where the most severe and irreversible brain tissue damage has occurred.

In February 2001, under an agreement with Aventis Pharmaceuticals Inc., Teva Neuroscience Inc., a wholly owned subsidiary of Teva, succeeded to the business of Teva Marion Partners. Teva Marion Partners was formed in 1995 as an equally owned marketing partnership between Teva and Aventis, to promote the sale of Copaxone® in North America. This role is now filled by Teva Neuroscience, which has become the marketing arm for Teva's proprietary neurology pipeline in North America. Aventis will continue to distribute Copaxone® in North America. Teva manufactures the product in Israel and supplies it to Aventis through Teva USA. Teva Neuroscience actively markets the product in the U.S. through doctor detailing, educational seminars, websites and patient support programs such as Shared Solutions™ and MS Watch™. Teva Neuroscience Canada is responsible for the marketing of Copaxone® in Canada, and Aventis sells and distributes Copaxone® in Canada.

Teva and Aventis also have a collaborative arrangement for the marketing of Copaxone® in Europe and other markets. Under the terms of this arrangement, following approval in these markets, Copaxone® is co-promoted in certain European countries, and in other countries Aventis is the sole promoter. The product is manufactured by Teva in Israel, and Aventis purchases it from Teva and sells and distributes it in Europe and in other markets.

Other Projects

In addition to Copaxone®, Teva's two most advanced proprietary drug research projects are treatments for Parkinson's disease.

In November 1999, Teva entered into a strategic alliance with H. Lundbeck A/S, a Denmark-based, publicly traded pharmaceutical company, for the co-development and marketing in Europe of two of Teva's products for the treatment of Parkinson's disease- Rasagiline and Etilevodopa (previously referred to by Teva as TV-1203). Lundbeck provides a substantial financial contribution to these projects, which will enable Teva to continue its development efforts on these projects, while maintaining the resources allocated to Teva's generic drug development and the expansion of its generic pipeline. Under the terms of the agreement, Teva and Lundbeck will share the marketing of these products in Europe, and Teva will retain exclusive marketing rights in the rest of the world, including North America.

Rasagiline has demonstrated efficacy in a mono-therapy Phase III clinical trial completed in early 2000, with a high degree of statistical significance, in the primary endpoint on progression of Parkinsonian symptoms. In addition, Rasagiline was well tolerated in this patient population. Etilevodopa is a prodrug of levodopa with a quicker onset of action, for the treatment of Parkinson's disease.

During 2000, Teva and Lundbeck initiated four Phase III studies with Rasagiline and Etilevodopa, with each product being studied in both Europe and North America. The completion of these trials is anticipated to occur by the end of 2002. Assuming a successful outcome of these studies, these products will be submitted for regulatory approval in the U.S., Canada, the European Union and other countries.

Intellectual Property and Other Protections

Teva relies on a combination of intellectual property protections and regulatory exclusivities to protect its innovative products. Teva seeks to obtain, where possible, product, process and use patents on its innovative products. Teva also relies on trade secrets, unpatented proprietary know-how and confidentiality agreements, as well as trademark and copyright protection, for its innovative products. In the United States, FDA law and regulations provide five years of marketing exclusivity for new chemical entities and seven years of marketing exclusivity for orphan drugs, such as Copaxone®. Similar governmental grants of marketing exclusivity exist in Europe as well.

Active Pharmaceutical Ingredients

In addition to its production and sale of pharmaceutical products that are ready for consumption, Teva manufactures and sells active pharmaceutical ingredients, which are sold mainly outside of Israel. With a leading global market share in the production of many major chemicals for generic pharmaceuticals, Teva's active pharmaceutical ingredients business facilitates Teva's entry into new drug markets and offers a high quality and cost effective source of raw materials. The active pharmaceutical ingredients business is run independently from Teva's finished pharmaceutical product business and sells products both to third parties in a competitive market for generic products, as well as to other Teva units on an arm's-length basis for their generic and proprietary manufacturing needs. This strategy has resulted in Teva becoming a low-cost producer of active pharmaceutical ingredients. As a result, Teva's active pharmaceutical ingredients division contributes sales and profits to Teva's results in its own right and also enables Teva's pharmaceutical business to enjoy a strong competitive position based on low production costs.

Teva produces approximately 80 different active pharmaceutical ingredients, using synthetic, semi-synthetic and fermentation technologies, for use in pharmaceuticals. These products are sold, subject to the patent position, to formulators of pharmaceutical products in the United States, Europe, the Far East and Latin America. These products include Allopurinol, Amoxicillin, Atenolol, Carbidopa, Cephalexin, Diltiazem, Doxepin, Etoposide, Furosemide, Gemfibrozil, Gabapentin Metoprolol, Trimethoprim, and fermentation products such as Lovastatine, Simvastatin, Pravastatin and Tobromycin. Teva believes it is among the world's principal suppliers of many of these chemicals.

In order for chemicals to be approved for use as active pharmaceutical ingredients sold in the United States, the facilities and production procedures utilized at such facilities must meet FDA standards. Teva's chemical plants meet such standards and are regularly inspected by the FDA. Teva's chemical plants operate on a continuous multiple shift basis. Most of the products are produced in dedicated computer controlled automated facilities.

Teva devotes considerable resources to process research to continuously reduce the cost of production of its chemical products. In addition to contributing to profitability, these efforts enable Teva to remain a supplier of key products long after other competitors cease to be able economically to produce these products. Teva's history of long term production of products is attractive to its clients, who seek to avoid the costs and potential disruption of qualifying new suppliers with regulatory agencies.

Teva's active pharmaceutical ingredients division supplies Teva's various pharmaceutical units on arm's-length terms, competing with other vendors in price, quality and reliability. During 2001, these sales were approximately 40% of the division's total sales. Teva believes that its ability to produce these chemicals is a strategic advantage for its production of finished pharmaceuticals.

Marketing and Sales. Teva has been actively involved in the marketing of active pharmaceutical ingredients in the United States for over 20 years. Sales consist principally of the chemically active ingredients used in specific generic pharmaceuticals. Most of Teva's active pharmaceutical ingredients sales are conducted through a U.S. marketing subsidiary.

Sales of active pharmaceutical ingredients in Europe are effected through Teva's European subsidiaries, which are in direct contact with Teva's major customers throughout Europe. In Latin America, Africa and the Far East, chemical products are sold through Teva's local subsidiaries as well as through local distributors.

Research and Development

Teva's research and development activities can be categorized into several categories which roughly parallel the activities of its major business units. A significant portion of Teva's R&D activities is directed at the development of product formulations, process validation, bioequivalency testing and other data needed to prepare a growing list of generic drug registration files in the U.S., Europe and elsewhere in the world. Researchers in Teva's active pharmaceutical ingredients division concentrate on the development of chemical processes for improving chemical syntheses of active ingredients of interest to the generic drug industry. Teva's innovative R&D researchers conduct product development and clinical testing for Teva's line of proprietary products, as well as collaborate with Israel's major universities, medical institutions and research institutes in order to derive the benefits of extensive research activities conducted in Israel.

Teva's research and development expenses were as follows:

	U.S. dollars in thousands		
	2001	**2000**	**1999**
Gross R&D expenses	168,637	132,256	91,622
Grants and participations	61,364	27,681	9,780
Net R&D expenses	107,273	104,575	81,842

Teva's research and development division collaborates regularly with Israel's major universities, hospitals and research institutes. Teva's relationship with these institutions has resulted in regular exchanges of ideas and information, which have benefited Teva's research efforts. This access to ongoing research in Israeli institutions is an important part of Teva's innovative research and development strategy.

Teva avails itself of government funding for research conducted in Israel. The Israeli government offers grants, which are repayable as royalties from the sale of products resulting from funded research, with the aggregate amount of such royalties limited to the amount of the original grant. The royalties are at rates between 2% and 3.5% (depending on the number of years elapsed since the commencement of the royalty payments) of sales relating to a product or a development resulting from the funded research, up to the amount of the participation, in dollar terms (in respect of research grants since 1999 with the addition of LIBOR interest). The maximum amount of the contingent liability in respect of royalties to the Israeli government at December 31, 2001 amounts to $33.7 million.

Competition

In the United States, Teva is subject to intense competition in the generic drug market from other generic drug product manufacturers, brand-name pharmaceutical companies that manufacture generic drug products, manufacturers of branded drug products that continue to produce those products after patent expirations and manufacturers of therapeutically similar drugs. Teva believes that the primary competitive factors affecting it in the United States are the ability to continually introduce the generic equivalents for brand-name drug products in sufficient volume soon after their relevant patents expire, as well as price, product quality, prompt delivery, breadth of product line, customer service and reputation.

Although significant profits can be realized from a product that is the first generic version to be marketed, price competition from additional generic versions of the same product as well as potential price competition from the original branded product could result over time in significant reductions in sales and profit margins. Teva's competitors may develop their products more rapidly or complete the regulatory approval process sooner, and therefore market their products earlier. New drugs and future developments in alternative drug delivery technologies or other therapeutic techniques may provide therapeutic or cost advantages to competing products. Some brand-name competitors try to prevent or discourage the use of generic equivalents through regulatory processes, patent extension, litigation and negative public relations campaigns.

Teva is witnessing a consolidation of its customers, as chain drug stores and wholesalers merge or consolidate. In addition, a number of its customers have instituted source programs that limit the number of suppliers of generic pharmaceutical products carried by that customer. As a result of these developments, there is heightened competition among generic drug producers for the business of this smaller and more selective customer base.

In The Netherlands, Pharmachemie competes with other generic drug product manufacturers, brand-name pharmaceutical companies that manufacture generic drug products, with the original manufacturers of branded drug products that continue to produce those products after patent expirations and manufacturers of therapeutically similar drugs. As in the United States, the generic market in The Netherlands is very competitive, with the main competitive factor being price, but competition is also based on name, reputation and customer service.

In the U.K., APS/Berk competes with other generic drug manufacturers, brand-name pharmaceutical companies that manufacture generic drug products, manufacturers of branded drug products that continue to produce those products after patent expirations and manufacturers of therapeutically similar drugs. APS/Berk's main competitor is a multinational pharmaceutical company, which in the past has invested heavily in new product development, giving it a competitive edge in bringing new generic products to market on a timely basis. As in the United States, the United Kingdom generic market is very competitive with the main competitive factor being price, but competition is also based on name, reputation and customer service.

In Hungary, Biogal competes both with local Hungarian manufacturers as well as increasing competition from multi-national pharmaceutical companies. In recent years, the Hungarian pharmaceutical industry has been substantially privatized, resulting in foreign ownership of most major Hungarian pharmaceutical manufacturers. In addition, many multinational pharmaceutical companies have established Hungarian marketing companies for their products, further intensifying the competition. Teva's acquisition of Human strengthened Teva's position and presence in Hungary, while creating a more diversified products and service portfolio, including wholesaling services through Human Trade.

In Canada, Novopharm is one of the two main generic manufacturers with approximately 17% of the total sales of generic drugs in Canada. In 2001, the combined sales of Novopharm and its main competitor accounted for approximately 55% of overall sales of generic products in the Canadian market. Other competitors include independent generic drug companies, subsidiaries or divisions of global manufacturers.

In Israel, Teva accounts for approximately one-quarter of the pharmaceutical market and is the largest pharmaceutical company. Teva's largest competitor in Israel has sales of approximately half of those of Teva. Competition is based primarily on the ability to market and properly position products within the medical community to create demand and the ability of a company to provide its clients with both a broad line of products and prompt service. Teva's products compete with those of other local manufacturers as well as with imported products. Generic competition has increased in recent years in Israel and the trend is expected to continue, with additional price pressure coming from the health care funds and other chain purchasers.

In the sale of pharmaceutical chemicals, Teva competes in all of its markets with specialty chemical producers who are mainly located in Europe, particularly in Italy and Spain. Teva competes principally on the basis of price, but also upon its reputation for quality, timely delivery and its ability to meet the stringent FDA requirements for approved suppliers of raw materials. Many of its competitors are smaller than Teva in terms of sales, and Teva believes that the breadth of its operations and its financial resources have enhanced its ability to compete.

Regulation

United States. All pharmaceutical manufacturers which sell products in the United States are subject to extensive regulation by the U.S. federal government, principally by the FDA and the Drug Enforcement Agency, and, to a lesser extent, by state and local governments. The Federal Food, Drug and Cosmetic Act, the Controlled Substance Act and other federal statutes and regulations govern or influence the testing, manufacture, safety, efficacy, labeling, storage, distribution, record keeping, approval, advertising, promotion and sale of Teva's products. Teva's major facilities and products are periodically inspected by the FDA, which has extensive enforcement powers over the activities of pharmaceutical manufacturers. Non-compliance with applicable requirements can result in fines, criminal penalties, civil injunction against shipment of products, recall and seizure of products, total or partial suspension of production, sale or import of products, refusal of the government to enter into supply contracts or to approve new drug applications and criminal prosecution. Changes in FDA procedures have increased the time and expense involved in obtaining ANDA approvals and in complying with cGMP or current good manufacturing practice standards. The ANDA generic drug development process and the approval process now ranges from two to five years. At the same time, the Prescription Drug User Fee Act provides additional resources to the FDA to reduce approval times for new drugs which is funded through user fees. The FDA also has the authority to deny or revoke approvals of drug active ingredients and dosage forms and the power to halt the operations of noncomplying manufacturers. Any failure by Teva to comply with applicable FDA policies and regulations could have a material adverse effect on the operations of Teva.

FDA approval is required before each dosage form of any new drug can be marketed. Applications for FDA approval must contain information relating to bioequivalency (for generics), safety and toxicity (for new drugs), product formulation, raw material suppliers, stability, manufacturing processes, packaging, labeling and quality control. FDA procedures require commercial manufacturing equipment to be used to produce test batches for FDA approval. Validation of manufacturing processes is required by the FDA before a company can market new products. The FDA conducts pre-approval and post-approval reviews and plant inspections to implement these requirements.

The Waxman-Hatch Act of 1984 established the abbreviated application procedure for obtaining FDA approval for generic forms of brand-name drugs. This act also provides a market exclusivity provision which could delay the submission or the approval of a competing ANDA. One such provision allows a five-year market exclusivity period for new drug applications ("NDAs") involving new chemical compounds and a three-year market exclusivity period for NDAs (including different dosage forms) containing new clinical investigations essential to the approval of the application. The market exclusivity provisions apply equally to patented and non-patented drug products. Another provision may extend patents for up to five years as compensation for reduction of effective life of the patent as a result of time spent by the FDA reviewing a drug application.

Additionally, the Act provides for a potential 180-day period of generic exclusivity whereby the first company to submit an ANDA challenging a brand product patent may trigger a regulatory process whereby the FDA is required to delay the final approval of the ANDAs of subsequent filers. Additionally, submission of an ANDA challenging a brand patent may result in patent litigation. If this occurs the FDA may not approve the ANDA until the earlier of 30 months or the resolution of the litigation. Based on recent court rulings, the FDA has modified and re-evaluated its regulations with regard to the 180-day exclusivity period. This may result in the delay of entry to market for many generic products, and may result in co-sharing of the exclusivity period.

Brand-name manufacturers have devised numerous strategies to delay competition from lower cost generic versions of their products. One of these strategies is the development of an optically pure version of a drug or the development of its metabolite just prior to the expiration of its patents. A shift in market preference to the "new" product protects the branded market. Hence, considerable resources expended by generic manufacturers in drug development, application submission and approval of the original generic versions may produce reduced revenues for generic drug companies.

In November 1997, the Food and Drug Modernization Act was passed. One of the provisions of the Modernization Act mandated FDA to devise a program whereby brand sponsors may be awarded a 6-month extension to any active patents and exclusivity for all formulations of an active ingredient if they perform and submit adequate pediatric studies on any one dosage form. The details of the FDA's implementation of this provision is a subject of much debate in industry and in government circles as well, but the effect has been to delay the launch of numerous generic products by an additional six months.

The Generic Drug Enforcement Act of 1992 establishes penalties for wrongdoing in connection with the development or submission of an ANDA by authorizing the FDA to permanently or temporarily debar companies or individuals from submitting or assisting in the submission of an ANDA, and to temporarily deny approval and suspend applications to market multi-source drugs. The FDA may suspend the distribution of all drugs approved or developed in connection with wrongful conduct and also has authority to withdraw approval of an ANDA under certain circumstances. The FDA can also significantly delay the approval of a pending NDA or ANDA under its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Policy." Manufacturers of drugs must also comply with the FDA's cGMP standards or risk sanctions such as the suspension of manufacturing or the seizure of drug products and the FDA's refusal to approve additional ANDAs.

Products marketed outside the United States that are manufactured in the United States are subject to various export statutes and regulations, as well as regulation by the country in which the products are to be sold.

The Health Care Financing Administration is responsible for the implementation of legislation enacted by Congress in November 1990 that delineates requirements for rebate agreements

between the federal government and a pharmaceutical manufacturer. Generic drug manufacturers' agreements with the Health Care Financing Administration provide that the manufacturer will remit to each state Medicaid agency, on a quarterly basis, 11% of the average manufacturer price for its multi-source drug products marketed under ANDAs covered by the state's Medicaid program. For products marketed under NDAs, manufacturers are required to rebate the greater of 15.1% of average manufacturer price or, the difference between the average manufacturer price and the lowest manufacturer price during a specified period. Teva USA has such a rebate agreement in effect with the federal government. Teva believes that the federal and/or state governments may continue to enact measures in the future aimed at reducing the cost of drugs to the public. Teva cannot predict the nature of such measures or their impact on its profitability.

Canada. In Canada, the federal and provincial governments determine the availability and financial reimbursement of therapeutic products, respectively.

The Canadian federal government, under the Food and Drug Act and the Narcotic Control Act, regulates what therapeutic products can be sold in Canada and what level of control applies. The Therapeutic Products Programme is the national authority that evaluates and monitors the safety, effectiveness and quality of drugs, medical devices and other therapeutic products.

The approval of the Therapeutic Products Programme, through the issuance of a Notice of Compliance, is required before each dosage form of any drug can be marketed. Pharmaceutical manufacturers must provide information on product formulation, raw material suppliers, stability of both the active drug substances and the finished drug products, manufacturing processes, packaging, labeling, quality control and safety and toxicity. The manufacturers are also subject to regular inspections and must have valid Establishment Licenses.

All generic drug products are approved on the basis of a comparative safety and efficacy review and a chemistry and manufacturing review. The Therapeutic Products Programme has issued three separate guidances on how to establish and conduct bioavailability studies for generic drug products with conventional, modified release formulation and complicated or variable pharmacokinetics. Bioequivalent products receive a "Declaration of Bioequivalence" to the corresponding products.

The issuance of a Notice of Compliance for generic drug products is also subject to the Patented Medicines (Notice of Compliance) Regulations. The Therapeutic Products Programme will not issue the Notice of Compliance if the patent is still registered with the Health Canada Patent Registrar. Generic pharmaceutical manufacturers can either wait for the patent to expire or file a patent allegation. Filing of a patent allegation will usually result in patent litigation with the brand company. An NOC will not be issued until the earlier of 24 months or resolution of the litigation. An anti-generic strategy adopted by the brand-name manufacturer is to continue to add new patents for a product to the register, a practice sometimes known as "evergreening" to re-start the stay. This makes it difficult for the generic pharmaceutical manufacturers to receive a Notice of Compliance.

The provincial governments control expenditures on therapeutic products by establishing interchangeability Formularies and Benefit Lists. The provincial governments regulate the pricing of the products and will only reimburse products that are listed in the Formularies and Benefit Lists. The Provincial Ministries of Health, through its own review processes, determine the eligibility of the products by evaluating the drug quality, bioequivalence data, drug therapeutics, and utilization of drug and pharmacoeconomic issues.

Brand-name manufacturers commonly file challenges against the interchangeability status of the generic drug products with the Provincial Ministries of Health to block or delay the listing of the generic products in the formularies and benefit lists.

Israel. Israel, like other countries with an advanced pharmaceutical industry, must conform to international developments and standards. To this end and in order to meet the three basic criteria for drug registration, namely quality, efficacy and safety, regulatory requirements are constantly changing in accordance with scientific advances as well as social and ethical values. Legal requirements prohibit the manufacture, importation and marketing of any medicinal product, unless it is duly registered in accordance with these requirements.

Manufacturers of pharmaceuticals, both local and foreign, must comply with the requirements of Good Manufacturing Practices, in order to ensure that products marketed in Israel are of high quality. The content of an application for registration depends on the type of product to be registered and whether it is a new drug entity product, a generic product or a cosmetic product.

Europe. A directive of the European Union requires that medical products must have a marketing authorization before they are placed on the market in the European Union. The criteria upon which grant of an authorization is assessed are quality, safety and efficacy. In order to control expenditures on pharmaceuticals, most member states in the European Union regulate the pricing of such products and in some cases limit the range of different forms of a drug available for prescription by national health services. These controls can result in considerable price differences between member states.

During the course of 2001, Teva continued to register its products in Europe. As part of the mutual recognition procedure established by the European Union, an attempt was made to simplify registration although centralized registration for generic products is, as yet, not possible in Europe. Teva has significantly increased its registration efforts in a number of main countries: Hungary, the United Kingdom, France and Germany.

General. Teva is also governed by federal, state and local laws of general applicability, such as laws regulating working conditions. In addition, Teva is subject, as are manufacturers generally, to various federal, state and local environmental protection laws and regulations, including those governing the discharge of material into the environment. Compliance with such environmental provisions is not expected to have a material effect on the operations of Teva in the foreseeable future.

Production

Teva's production lines are classified into two main categories: pharmaceuticals and active pharmaceutical ingredients. As of March 1, 2002, Teva's products were manufactured in 23 plants.

The following manufacturing plants are regularly inspected by the FDA for products approved for marketing in the United States: the pharmaceutical production plants in Kfar-Sava and Jerusalem, Israel, the Haarlem plant in The Netherlands, the Pennsylvania and New Jersey plants in the United States, the plants in Toronto, Canada, the active pharmaceutical ingredients facilities in Petach Tikva, Ramat Hovav and Netanya, Israel, in Milan, Italy, in Debrecen, Hungary and in Missouri, United States and the hospital supplies plant in Kiryat Shmona, Israel.

Achieving and maintaining quality standards in compliance with the current good manufacturing practice (cGMP) regulations, as established by the FDA and other regulatory agencies worldwide, is an ongoing challenge which requires continuous efforts and expenditures. Teva has spent,

and will continue to spend, significant funds and dedicate substantial resources to seek to ensure that standards are met. Teva is continually upgrading its production facilities.

At the beginning of 2001, Teva closed Copley's Canton, Massachusetts facility. Teva is currently engaged in the integration of Novopharm and has announced plans for the rationalization of its production. It has already closed Novopharm's Chicago, Illinois warehouse and its Wilson, North Carolina and Lexin (Toronto, Canada) manufacturing facilities. It is in the process of consolidating its U.S. and Canadian penicillin production into Novopharm's Hood Road (Toronto, Canada) facility, resulting in the closure of Teva USA's Elmwood Park, New Jersey facility. Novopharm's solid dosage form production lines will be consolidated into one main site in Stouffville, Canada, from one or more separate production facilites in Canada. In 2001, Teva announced plans for the transfer of its tablet manufacturing from its Pharmachemie plant (Haarlem, The Netherlands) to its Hungarian plants (Biogal & Human).

Raw Materials

The raw materials necessary for Teva's Israeli-based pharmaceutical and chemical products, which are not manufactured by Teva's active pharmaceutical ingredients division, are purchased primarily from European, American and Far East manufacturers. In general, Teva has succeeded in obtaining the raw materials for its production requirements. To protect itself from supply interruptions in some of those cases in which it currently has only one supplier, Teva has built up inventories or signed supply agreements with current suppliers and is looking to qualify additional suppliers. Teva USA has traditionally purchased the majority of its raw materials from U.S.-based suppliers and agents.

In the United States, Teva USA utilizes controlled substances in certain of its products and therefore must meet the requirements of the Controlled Substances Act and the regulations issued pursuant thereto and administered by the U.S. Drug Enforcement Administration. These regulations include quotas on procurement of controlled substances and stringent requirements for manufacturing controls and security to prevent pilferage of or unauthorized access to the drugs in each stage of the production and distribution process. Such quotas may from time to time limit the ability of Teva USA to meet demand for these products.

Organizational Structure

The following table sets forth, by geographic area, as of March 1, 2002, the name and jurisdiction of Teva's principal operating subsidiaries. Except as otherwise indicated, Teva owns 100% of the ownership and voting interest in such subsidiaries.

North America:

Novopharm Limited (Canada)
Teva Neuroscience, Inc. (United States)
Teva Pharmaceuticals USA, Inc. (United States)

Europe:

Approved Prescription Services Limited (United Kingdom)
Biogal Pharmaceutical Works Ltd. (Hungary)
Gry Pharma GmbH (Germany)
Human Serum & Pharmaceutical
Manufacturing Co. Ltd. (Hungary) -- 98.5% owned
Pharmachemie Group (The Netherlands)
Prosintex Industrie Chimiche Italiane S.r.l. (Italy)
Teva Pharmaceuticals Europe B.V. (The Netherlands)

Israel:

Abic Ltd.
Assia Chemical Industries Ltd.
B.L.T.-Biological Laboratories Teva Ltd.
Plantex Ltd.
Salomon, Levin and Elstein Ltd.
Teva Medical Ltd.
Teva Tech Ltd.

Properties and Facilities

Listed below are Teva's major facilities as of March 1, 2002:

Plant Location	Square Footage	Main Function
Kfar-Sava, Israel	311,400	Pharmaceutical manufacturing, research laboratories
Netanya, Israel	205,500	Chemical production, research laboratories
Jerusalem, Israel	158,700	Pharmaceutical manufacturing, research laboratories
Petach Tikva, Israel	115,000	Chemical production, research, laboratories and warehousing
Netanya, Israel	105,000	Chemical production
Ashdod, Israel	68,500	Hospital supplies production
Ramat Hovav, Israel	152,100	Chemical Production
Petach Tikva, Israel	59,100	Corporate headquarters
Sellersville, Pennsylvania	165,500	Pharmaceutical manufacturing, research laboratories
Mexico, Missouri	125,000	Chemical production
North Wales, Pennsylvania	325,000	Pharmaceutical warehousing, distribution center, offices
Fairfield, New Jersey	43,900	Pharmaceutical production
Elmwood Park, New Jersey	33,900	Pharmaceutical production
Eastbourne, England	35,000	Pharmaceutical packaging
Milan, Italy	34,500	Chemical production and warehousing
Debrecen, Hungary	1,200,000	Pharmaceutical manufacturing, chemical production, warehousing and research laboratories
Gödöllõ, Hungary	105,900	Pharmaceutical manufacturing, hospital supplies production, research laboratories
Haarlem, The Netherlands	218,700	Pharmaceutical manufacturing, warehousing, administration
Mijdrecht, The Netherlands	27,000	Offices and warehousing
Toronto Area, Canada (six sites)	562,600	Pharmaceutical manufacturing, research laboratories

Teva leases certain of its facilities. The Kfar-Sava plant, the Jerusalem pharmaceutical plant, the Netanya chemical plant and the Ramat Hovav plant are in buildings owned by Teva on land leased from the Israel Lands Administration. The leases with respect to the Kfar-Sava plant extend until 2032 and 2034, respectively, with an option to renew until 2081 and 2083, respectively. The leases with respect to the Netanya chemical plant extend until 2018 and 2022, with an option to renew each of the leases until 2067 and 2071, respectively. The lease with respect to the Ramat Hovav plant extends until 2043, with an option to renew until 2092. All of the above lease payments (other than the options) have been prepaid. The lease with respect to the Jerusalem pharmaceutical plant extends until 2021, with an option to renew until 2070. The corporate headquarters in Petach Tikva are leased in part, until May 2003, with an option to renew for five years. Substantially all of the Novopharm facilities are leased under leases expiring between 2002 and 2025. Teva owns all of its other facilities.

ITEM 5 : OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

Teva's operations are affected by demographic trends, budgetary constraints of governments and other health care organizations. Each market in which Teva operates has its own pressures, although there are common trends that affect them all. In light of these trends and in order to maintain and increase its competitive position, Teva is constantly seeking additional ways of rationalizing its operations, as well as improving its customer service. In the generic pharmaceutical marketplace, a broad range of products and economies of scale in both manufacturing and sales are key competitive factors. In order to enhance its growth, Teva has also continued to pursue an aggressive acquisition strategy, as well as various forms of strategic alliances.

Economic Environment

Since Teva's results are reported in U.S. dollars, changes in the rates of exchange between the U.S. dollar and the local currencies in the major markets in which it operates, mainly the New Israeli Shekel ("NIS"), the Euro, the British Pound, the Hungarian Forint, and the Canadian dollar, affect Teva's results. The devaluation of the NIS, Euro, the British Pound, and the Canadian dollar during 2001 decreased the dollar value of both the sales and expenses in these currencies. During 2001, in contrast to the two preceding years, the NIS was devalued relative to the U.S. dollar by 9.3% on a year-end to year end basis. Since the devaluation of the NIS mainly occurred at the end of 2001, the effect on the results of 2001 was minimal. While this devaluation had the effect of decreasing the dollar value of Israeli sales, its net effect on the 2001 consolidated results was positive because Teva experienced an excess of NIS denominated expenses over NIS denominated income resulting principally from the high level of Israeli exports.

Highlights

In 2001, Teva achieved significant growth in its revenues, passing the $2 billion mark for the first time, and even greater growth in its net income. Among the more significant factors affecting the years under review, which may also have a bearing on future results of operations, are:

- The introduction of several significant new generic products in the US market, as well as the continued expansion of Teva's pipeline of ANDAs filed with the FDA.

- The continued growth of global sales of Copaxone®. In 2001, Copaxone® was approved under the EU mutual recognition procedure for sale in 15 EU countries. In February 2002, the FDA approved a pre-filled syringe delivery method for Copaxone®. However, a Phase III clinical trial of an oral formulation of Copaxone® did not achieve statistical significance.

- A more favorable environment in Europe in terms of:

    - The relative stability of the Euro as compared to 2000

    - An increased market share in The Netherlands

    - More favorable market conditions in the Hungarian market resulting from the lifting, as of July 1, 2001, of a two-year governmentally imposed price freeze on

pharmaceutical products and limitation on the introduction of new generic products.

- Improved gross margins, mainly due to the newly launched products and cost controls.

- Significantly increased gross R&D expenditures that nevertheless resulted in almost the same net R&D as in 2000 due to higher participation from strategic partners.

- A sharp decrease in financial expenses resulting from the low interest rate of the two convertible debt issuances that Teva made in October 2000 and August 2001. The proceeds of these debentures, which in part replaced existing credit facilities, significantly increased Teva's cash balances.

- A further reduction in the Company's effective tax rate reflecting a favorable mix in the sources of our income.

- Gaining full control in 2001 of a U.S. marketing organization for its innovative products that was previously jointly owned with Aventis.

- The strategic alliance with Impax for 12 controlled release pharmaceutical products, of which 6 products are currently pending approval at the FDA.

- Continued emphasis on business development activities, including, obtaining an option to purchase the injectable products business of F.H. Faulding & Co. Ltd., which we ultimately chose not to pursue, and, in January 2002, making a firm offer to Bayer Pharma S.A. for its French generic business.

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Executive Transition

On February 14, 2002, Teva's Board of Directors nominated Israel Makov, currently Chief Operating Officer, to serve as Teva's next President and Chief Executive Officer, following the retirement of Eli Hurvitz at the end of April 2002. Israel Makov joined Teva in 1995 as Teva's Vice President of Business Development. Afterwards he served as Executive Vice President with responsibility for leading the Company's integration and globalization programs. In January 2001, Mr. Makov was appointed as Teva's Chief Operating Officer.

Mr. Hurvitz will continue to be employed by Teva in charge of global strategy and it is anticipated that following the April 2002 annual meeting of shareholders, Mr. Hurvitz will assume the role of Chairman of the Board of Directors.

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Results of Operations

The following table sets forth, for the periods indicated, certain financial data presented as percentages of sales and the increase/decrease by item as a percentage of the amount for the previous year.

In the three years ended December 31, 2001, Teva recorded non-recurring charges as follows: in 2001 for restructuring activities, and in 2000 and 1999 for the acquisition of research and development in process. These charges are detailed in the discussions below under the heading "Other Income Statement Line Items – One Time Charges". In order to facilitate analyses of these years in comparable terms, both the table of percentage changes which accompanies this analysis and the textual descriptions below, analyze results before, as well as after, giving effect to such charges.

	Percentage of Sales Year Ended December 31			**Percentage Change Comparasion**	
	2001	**2000**	**1999**	**2001 from 2000**	**2000 from 1999**
Sales	100.0	100.0	100.0	18.7	36.5
Gross Profit	40.8	39.5	40.1	22.5	34.4
Research & Development Expenses	8.1	7.6	7.2	27.5	44.3
Less Grants and participations	2.9	1.6	0.8	121.7	183.0
Research & Development – Net	5.2	6.0	6.4	2.6	27.8
Selling, General and Administrative Expenses	17.5	17.5	18.2	18.4	31.3
Operating Income	17.4	14.0	14.1	47.5	34.8
Financial Expenses - Net	1.3	2.6	2.4	(40.1)	50.4
Other Income – Net	0.3	0.6	0.9	(27.6)	(12.2)
Income Before Income Taxes	16.4	11.9	12.6	63.3	28.6
Net Income	13.4	8.5	9.1	87.5	27.1
Data Before One Time Charges *					
Operating Income	18.1	16.0	15.5	34.3	40.8
Income before Income Taxes	17.1	13.9	14.0	45.9	35.8
Net Income	13.9	10.5	10.5	56.4	36.9

***** After eliminating the impact of various one-time charges discussed below under the caption "Other Income Statement Line Items – One Time Charges".

Sales – General

Consolidated sales by geographic areas and business segments were as follows:

Sales by Geographical Areas

	U.S. Dollars in millions					Percent Change	
Sales for the Period	**2001**	**2000**	**1999**	**% of 2001**	**% of 2000**	**2001 from 2000**	**2000 from 1999**
North America	1,288	1,031	604	62%	59%	25%	71%
Europe	457	399	384	22%	23%	15%	4%
Rest of the World	332	320	294	16%	18%	4%	9%
Total	**2,077**	**1,750**	**1,282**	**100%**	**100%**	**19%**	**36%**

Sales by Business Segments

	U.S. Dollars in millions					Percent Change	
Sales for the Period	**2001**	**2000**	**1999**	**% of 2001**	**% of 2000**	**2001 from 2000**	**2000 from 1999**
Pharmaceuticals	1,838	1,548	1,091	88%	89%	19%	42%
API *	219	181	169	11%	10%	21%	7%
Other	20	21	22	1%	1%	-4%	-3%
Total	**2,077**	**1,750**	**1,282**	**100%**	**100%**	**19%**	**36%**

*Third party only.

In contrast with sales growth in 2000 and 1999, which was heavily impacted by the acquisitions made during those years, the sales growth in 2001 was organic growth driven mainly by several significant launches of new generic products in the U.S., as well as by the continued growth in sales of Copaxone®. Approximately 67% of the growth in sales in 2000 was due to the first time consolidation of Novopharm for the last three quarters of 2000 and the consolidation of Copley, the results of which were consolidated for the full year in 2000 as compared to only the last quarter of 1999.

Pharmaceutical Sales

North America

In 2001, pharmaceutical sales in North America amounted to $1,158 million, representing an increase of 24% over 2000. The increase in sales was attributable to (i) several significant launches of new generic products in 2001, including Nabumetone, Calcitriol and Fluoxetine, (ii) substantially higher sales of products that were launched towards the end of 2000, and (iii) continued growth in sales of Copaxone®. As of March 1, 2002, Teva's US generic pipeline included 57 ANDAs including 13 tentative approvals. Total annual branded sales of this pipeline are estimated at $20 billion.

While the former operations of Novopharm contributed significantly to 2000 and 2001 sales in the U.S., 2001 was a year in which the operations for the Canadian market had to be redirected. Novopharm's previous focus on growth through export activities, including in the U.S., resulted in the lack of sufficient development of generic products for the Canadian market. Commencing in 2001, Teva has initiated a program to significantly expand the Canadian product pipeline.

Approximately 75% of the increase in 2000 North American sales represented the inclusion of the results of Copley for the full year, and of Novopharm for the last three-quarters of 2000. The increase in 2000 North American sales was also attributable to the significant number of new generic products that had not been sold during 1999, including generic versions of Voltaren XR®, Adalat CC®, Hytrin®, Cylert® Nizoral® 2% cream, Betapace®, Actigall®, Lodine XL® and Vasotec®, as well as to the increased Copaxone® sales.

In both years, U.S. sales of new products more than offset the continued price decline of older generic products in Teva's portfolio.

Europe

Pharmaceutical sales in Europe in 2001 amounted to $380 million, an increase of 16% (19% in Euro terms) when compared to 2000. Increased sales in Europe reflected a more favorable environment in terms of currency stability and governmental health policies. In Hungary, higher sales were recorded in 2001 due to the inclusion of Human Serum and Pharmaceutical Manufacturing Co. Ltd., the Hungarian company acquired as part of the Novopharm acquisition, for the whole year, as compared to only nine months in 2000, as well as to the lifting of governmental restrictions on both pricing and product introductions. In the UK, price erosion on generic products continued in 2001, although it softened toward the end of the year and was partially offset by increased unit sales.

In contrast, 2000 European sales were substantially impacted by the weakening of the Euro relative to the U.S. dollar. Although at the end of 2000 the exchange rate between the Euro and the dollar was only 6.6% lower than at the beginning of the year, on an annual average basis the rate of exchange in 2000 was 13.3% lower than in 1999. In terms of Euros, 2000 pharmaceutical sales in Europe increased by 20%.

The increase in European sales in 2000 over those in 1999 reflected the first time consolidation, commencing in April 2000, of Human. Pharmaceutical sales in Europe, excluding Human, decreased by 20% in dollar terms compared to 1999, but only 8% in terms of Euros. Governmentally imposed price constraints both in the United Kingdom (where significantly lower prices were established on August 1, 2000) and in Hungary (where prices were completely frozen), were partially offset by sales of new products launched during 2000.

During the course of 2001, Teva continued to register its products in Europe. As a result of harmonization of the European Union, registration was simplified although centralized registration for generic products is, as yet, not possible in Europe because most countries have their own regulatory requirements. Teva has significantly increased its registration efforts in a number of main countries: Hungary, the United Kingdom, France and Germany.

Rest of the World

Israel

Pharmaceutical sales in Israel, which amounted to $228 million in 2001, decreased by 1% compared to 2000. However, net of the impact of decreased exchange rates between the NIS and the U.S. dollar, sales would have increased by 2%. Teva maintained its level of sales despite a number of adverse trends in the Israeli market. These trends included: budgetary constraints of Israel's principal healthcare providers, the ongoing "genericization" of the Israeli market (although Teva participates in both the generic and branded markets) and new regulations that permit the parallel importation of pharmaceutical products and that seek to harmonize private market prices with those of Western Europe. Since 2000, Teva has realized the benefits of long-term contracts that it entered into with some of its large Israeli customers.

Other Countries

Teva's pharmaceutical sales to markets outside of Israel, North America and Europe, amounted to $72 million, an increase of 31%. Sales of Copaxone® to the CIS, as well as increased sales of generic products to the Brazilian market were the major contributors to this increase.

Copaxone®

In-market global sales of Copaxone® in 2001 amounted to $363 million, an increase of 47% over 2000. According to IMS data, Copaxone®, Teva's largest product, increased its market share in the U.S. for multiple sclerosis treatments to 28.3% at the end of 2001, and continued to grow at a pace approximately twice that of the total MS market. U.S. sales in 2001 accounted for 81% of global sales of Copaxone®. In Europe, since the August 2001 approval under the EU mutual recognition procedure, Copaxone® has been launched in Germany (which has the largest population of MS patients in Europe) and in Austria, Sweden, the Netherlands, Denmark, Norway and Finland. Copaxone® is currently approved in 39 countries worldwide, including the United States, Canada, all the European countries, Australia and Israel.

In May 2002, Copaxone® will become available in the U.K. under a special risk sharing National Health Service scheme. The program will ensure that patients who meet criteria devised by the Association of British Neurologists can be prescribed MS pharmaceuticals and be fully reimbursed for the expense by the National Health Service. The number of MS patients in the U.K. is the second largest in Europe.

In 2000, in-market global sales of Copaxone® amounted to $247 million, an increase of 54% from the previous year. U.S. sales in 2000 accounted for 83% of global sales of Copaxone®. According to IMS data, the market share of Copaxone® in the U.S. increased to 25.7% by the end of 2000.

Teva believes that the steady flow of publications concerning Copaxone®'s long-term efficacy, supported by positive MRI data and the lack of side effects, have contributed to its growth.

Teva continues to invest significant resources in order to strengthen the marketing infrastructure of Copaxone® and patient support programs, including its Shared Solutions™ and MS Watch™ services. The acquisition of the other 50% of Teva Marion Partners, announced early in 2001, is a further example of Teva's commitment to this product.

In early 2000, Teva launched a global multi-center Phase III clinical trial to determine the safety and efficacy of an oral formulation of Copaxone® in relapsing-remitting MS—the "Coral" trial. A final analysis of the Coral trial showed a trend for a treatment effect in favor of the higher oral dose in patients who were treated for more than a year, although the difference has not reached statistical significance. Teva is currently studying the Phase III trial results and has not yet reached a decision on the program. To the extent that the Company decides to continue the project, additional trials at higher dosage levels will be required in order to complete the development of oral Copaxone®.

At the beginning of 2002, IMS, the prime source for the monitoring of pharmaceutical prescription data, changed its sampling methodology for a variety of pharmaceutical products, including the principal MS drugs. This change may result in inconsistencies between historical and future period reported market share data.

Active Pharmaceutical In gredients Sales

Sales in 2001 of active pharmaceutical ingredients to third parties increased by 21% amounting to $219 million. At the same time, inter-company sales of active pharmaceutical ingredients during 2001 increased 12% and amounted to $150 million. The increase in sales to third parties is the result of higher sales of lovastatin in anticipation of the launch of the final generic dosage form in the U.S., as well as increased demand for API products worldwide. The higher proportion of inter-company sales reflected the strategic importance of vertical integration. Total sales of the API division in 2001, including inter-company sales, increased by 17% to $369 million.

The increase in API sales to third parties in 2000 reflected increased sales in the United States. In addition, the API division sold $134.6 million of raw materials to Teva's pharmaceutical divisions during 2000, representing 18% of their total raw material consumption..

During 2001, the API division utilized its increased production capacities resulting from the expansion of its state-of-the-art facility in Ramat Hovav, Israel. This expansion further allowed Teva to enhance customer service, broaden the line of products offered, as well as those products in research and development, and continue to reduce its production costs.

Other Income Statement Line Items

Gross Profit

Gross profit margins reached 40.8% in 2001, compared with 39.5% in 2000 and 40.1% in 1999, reflecting an improved product mix resulting from higher sales of newly launched products, as well as Copaxone®. Gross margins also improved due to synergies achieved throughout the Company and the reversal of the negative trend that affected the gross profit margin in 2000.

The slight decline in Teva's consolidated gross profit margin in 2000 resulted from conflicting factors. On the one hand, gross profit margins were benefited by the launch of new generic products in the U.S. and increased sales of Copaxone®. Conversely, gross margins in the U.K. and Hungary decreased due to governmental price constraints. Gross margins were lowered further by the

consolidation of Human, a substantial portion of whose business is derived from trading and distributing third party products, which activities are characterized by low gross margins.

Teva expects the gross profitability of its North American operations to further improve over time with the implementation of more rationalization measures, including the closure of several U.S. and Canadian factories and the transfer of their production to other Teva plants in Canada, the U.S. and Israel.

Research and Development (R&D) Expenses

Gross R&D expenses increased in 2001 and 2000, absolutely and as a percentage of sales, as a result of increased spending on both innovative R&D and generic R&D, and reflect the increased efforts of Teva in research. The substantially lower rate of growth in net R&D compared to gross R&D reflected the increased proportion of R&D – almost entirely innovative R&D – being borne by third parties. These parties include Lundbeck, Aventis and Israel's Chief Scientist. While they represented only a portion of the third party participations received by Teva during 2001, Teva received two milestone payments ($3.8 million each) from Aventis due to the successful completion of the Mutual Recognition Procedure in Europe compared with only one such payment in 2000. The increase in third party R&D participation reflected Teva's strategy of seeking to limit the effect of innovative R&D expenses on its results.

Innovative R&D expenses, which amounted to approximately 51% of Gross R&D expenses for 2001, increased by 48%, due to increased spending on two advanced-stage Copaxone® projects and two products for the treatment of Parkinson's disease. Generic R&D expenses, which accounted for 39% of Gross R&D expenses, increased by approximately 9% due to increased R&D activity in North America, including R&D efforts at Novopharm. The balance of 9% was dedicated to the development of other products, principally in the area of API.

In 2000, in addition to the R&D expenses discussed above, Teva recorded $35.7 million mainly as purchases of in-process R&D in connection with the Novopharm acquisition, which were deducted as a one-time charge in the second quarter of 2000.

Selling, General and Administrative Expenses

SG&A expenses in 2001 remained unchanged as a percentage of sales. The primary contributors to the absolute increase were initial launching activities of Copaxone® in Europe and provisions for doubtful debts in Argentina due to the uncertain economic environment in that country. SG&A in 2000 increased by 31.3% over that of 1999 due to the inclusion of Novopharm's and Copley's SG&A expenses, including the amortization of goodwill arising from their acquisitions, as well as higher legal expenses in the United States in connection with "Paragraph IV" patent challenges. The decline in 2000 in SG&A as a percentage of sales relative to 1999 reflected the realization of cost synergies derived from Teva's rationalization efforts.

Operating Income

Operating income increased as a result of the combined impact of all of the factors described above.

Financial Expenses

The 40% decrease in financial expenses (net) for 2001 over 2000, principally reflected the lower interest rates achieved through the two convertible debenture issuances in October 2000 and August 2001, as well as general decreases in global interest rates. In addition, during 2001, the increased cash generated by operations was used to decrease short term borrowing levels. The increase in 2000 financial expenses (net) over 1999, was primarily the result of the interest costs borne during the first three quarters of 1999 related to the debt incurred in connection with the acquisition of Copley and the financial charges from Novopharm's outstanding debt, which were consolidated upon its acquisition.

Taxes

Taxes as a percentage of pre-tax income, before one-time charges, amounted to 19.6% in 2001 as compared with 24.4% in 2000 and 25.3% in 1999. The rate of tax fluctuates with the source of taxable income. The statutory Israeli corporate tax rate is 36%. However, Teva's effective consolidated tax rates are considerably lower, since part of Teva's income in Israel is derived from "approved enterprises" and part of its income is derived in countries whose tax rate is lower than 36%.

Expansion projects of Teva and certain of its subsidiaries in Israel have been granted "approved enterprise" status. Such status confers tax benefits, including complete tax exemption for the income generated by such projects, for periods of time ranging from two years to 10 years, depending upon the region of Israel in which such enterprises are located. For the period from the end of the tax exemption until the tenth year in which the approved enterprise first realized taxable income, such enterprises enjoy a reduced corporate tax rate of 20% subject to certain limitations. Teva's current tax rates in Israel are positively affected by such exemptions that, as they relate to projects of Teva, have terms expiring between 2001 and 2010.

Net Income

Net income, including one-time charges in both years, totaled $278 million in 2001, an increase of 88% as compared with $148 million in 2000. Net income, before deducting one-time charges, reached $288 million in 2001, an increase of 56% as compared with 2000. Fully diluted earnings per ADR in 2001 amounted to $2.04 and, before deducting the one-time charges, amounted to $2.11, up 79% and 50%, respectively.

The weighted average number of ADRs utilized in calculating earnings per ADR increased in 2001 both as result of the issuance of shares in connection with the Novopharm acquisition and issuance of convertible debentures, during 2000. This number excludes the potential dilutive effect of the new convertible debentures issued in August 2001 due to a contingent conversion feature included in these debentures.

Net income for the year 2000 increased by 27% over 1999, and net income, before deducting one-time charges, increased by 37% over the same year. Earnings per ADR in 2000 amounted to $1.14 and, before deducting the one-time charges, amounted to $1.41.

One-Time Charges

The following table details one-time charges for the periods indicated and their respective effect on earnings per share:

	One-time charges (after taxes)		
Period	**U.S. dollars in millions**	**U.S. dollars per ADR(*)**	**Details**
2001	9.7	0.07	Restructuring expenses resulting mainly from the closure and sale of facilities in connection with the Company's rationalization program.
2000	35.7	0.27	Acquisition of rights, mainly in respect of Novopharm's in process R&D.
1999	17.7	0.14	Acquisition of rights in respect of Copley's in process R&D.

(*) After giving retroactive effect to the distribution of a 100% stock dividend in February 2000.

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 the local currencies in the markets in which Teva operates – mainly the NIS, Euro, Canadian dollar, Pound Sterling and Hungarian Forint – affect Teva's results. During 2001, the devaluation of European currencies against the dollar continued, but at a substantially slower pace. The Euro's exchange rate relative to the dollar reached $0.89 at December 31, 2001, representing a 5.5% year-end to year-end devaluation. However, the difference between the average exchange rates in 2001 and in 2000 was far lower, amounting to 2.2%. The Hungarian Forint and Pound Sterling devalued by approximately 1.5% and 5.3% respectively (when comparing average to average). While sales in Europe were fully exposed to the weakening Euro, the impact on net income was mitigated by the fact that most products sold in Europe were produced in Europe, where costs in dollar terms were lower as a result of the weaker currencies. Additional natural hedging is achieved by purchases of European raw materials for use in non-European production.

During 2001, in contrast to the two preceding years, the NIS was devalued relative to the U.S. dollar by 9.3% on a year-end-to-year-end basis. Since the devaluation of the NIS mainly occurred at the end of 2001, the effect on the results of 2001 was minimal. While this devaluation had the effect of decreasing the dollar value of Israeli sales, its net effect on the 2001 consolidated results was positive because Teva experienced an excess of NIS denominated expenses over NIS denominated income resulting principally from the high level of Israeli exports.

In terms of the Israeli Consumer Price Index (CPI), 2001 was another stable year, since the index increased only by 1.4% from the prior year-end.

Historically the NIS has been devalued in relation to the U.S. dollar and other major currencies to reflect the extent to which inflation in Israel exceeds average inflation rates in Western

economies. Such devaluations in any particular fiscal period are never completely synchronized with the rate of inflation and therefore may lag behind or exceed the underlying inflation rate.

The table below sets forth the annual rate of inflation, the annual rate of devaluation of the NIS against the U.S. dollar and the gap between them.

	Year ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
Inflation (CPI)	1.4%	0%	1.3%	8.6%	7.0%
Devaluation/(Revaluation)	9.3%	(2.7)%	(0.2)%	17.6%	8.8%
Inflation-devaluation gap	(7.9)%	2.7%	1.5%	(9.0)%	(1.8)%

Recent Accounting Pronouncements

In July 2001, the FASB issued FAS No. 141, "Business Combinations", and FAS No.142, "Goodwill and Other Intangible Assets" which, as applicable to the Company, are effective as from the year 2002.

The Company is currently in the process of performing the necessary assessments and allocations and has not yet determined the effect on earnings, if any, from potential transition adjustments. Currently, the Company incurs amortization expenses related to goodwill and certain identifiable intangible assets of approximately $19 million per year and expects that virtually all of such amortization will be discontinued upon adoption of FAS 142.

Liquidity and Capital Resources

On December 31, 2001, Teva's working capital was $1,440 million, as compared to $825 million at December 31, 2000. This increase in working capital resulted from the increase in cash and cash equivalents, reflecting the proceeds of the $360 million convertible senior debenture offering, as well as the cash generated from operations during 2001. Inventories have been built up in connection with the planned rationalization program, and in order to maintain inventories closer to their markets.

Cash generated by operations for 2001 amounted to $273 million, as compared with $166 million in 2000. Purchase of fixed assets in 2001 amounted to $115 million, as compared with $89 million in the previous year. Approximately half of these capital expenditures were applied to the expansion of the Company's Ramat Hovav API facility in Israel and expansions of facilities in North America. The acquisition of Copley in 1999, at a cost of $212 million, was financed by increased long-term borrowing.

In August 2001, Teva raised $360 million by issuing twenty-year convertible senior debentures. Interest on the debentures is payable at 0.75% per annum. The debentures are convertible into Teva ADRs at a conversion price of $85.82 per ADR. Holders of the debentures may put the debentures back to Teva in August 2004, 2006, 2011 and 2016 or upon a change of control or a termination of trading at their principal amount. The funds from the debentures have been deposited in short-term interest bearing investments.

In October 2000, Teva raised $550 million by issuing five-year convertible senior debentures. Interest on the debentures is payable at 1.50% per annum. The debentures are convertible into Teva ADRs under certain conditions at a conversion price of $86.23 per ADR. Holders of the debentures

may put the debentures back to Teva (1) at 103% of their principal amount in October 2003 or (2) at their principal amount upon a change of control or a termination of trading.

Teva plans to spend substantial amounts of capital in 2002 and later years to continue the research and development efforts in which it has historically engaged. In the area of innovative R&D, Teva has sought to share its risks with its strategic partners, Aventis and Lundbeck and to limit the overall impact of such expenses on its financial resources and results. The levels of spending for innovative research will depend on the outcome of clinical trials that are in process. The rates of expenditure for generic drug R&D are driven to a significant extent by the patent expiration calendar for branded drugs, as well as opportunities for patent challenges.

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's existing cash is generally invested in short-term investments that bear floating interest rates.

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 credit lines available to Teva from Israeli and other banks, or may involve raising additional funds from debt or equity markets.

ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth information as to the directors and executive officers of Teva as of March 1, 2002:

Executive Officers

Name	Age	Officer Since	Position
Eli Hurvitz(1)(2)(3)(11)	69	1973	President and Chief Executive Officer
Israel Makov (11)	62	1995	Chief Operating Officer
Aharon Agmon	57	1989	Vice President-International Pharmaceutical Sales
Haim Benjamini	62	1988	Vice President-Human Resources
William A. Fletcher	54	1983	President, Teva North America, Vice President-North American Pharmaceutical Sales
Chaim Hurvitz(3)	41	1995	Vice President-Israeli Pharmaceutical Sales
Rodney Kasan	60	1999	Vice President-Global Product Development - Generic Pharmaceuticals
Meron Mann	50	1989	Vice President-API Division
Moshe Manor	46	1995	Vice President-Global Strategic Product Planning.
Dr. David Reisman	55	1999	Vice President-Pharmaceutical Operations
Dr. Aharon Schwartz	60	1985	Vice President-Global Products Division
Eli Shohet	45	1999	Vice President-Business Development
Dan S. Suesskind	58	1978	Chief Financial Officer
Dr. Ben-Zion Weiner	58	1986	Vice President-Innovative Research and Development
Jacob Winter	51	1991	Vice President-Global Operations
Uzi Karniel	59	1979	General Counsel and Company Secretary

Directors

Name	Age	Director Since	Name	Age	Director Since
Prof. Meir Heth-Chairman(4)(7)	69	1977	Prof. Moshe Many*(7)	73	1987
Eli Hurvitz*(l)(2)(3)(11)	69	1968	Daniel Mirkin (2)(9)	63	1989
Victor M. Carter(9)	93	1980	Aviho Olshansky*(10)	66	1997
Ruth Cheshin(l)(2)(6)	65	1989	Boaz Paz(5)(6)	51	1994
Abraham Cohen(7)	65	1992	Dr. Max Reis(6)	74	2001
Amir Elstein*(5)(8)	46	1995	Prof. Michael Sela*(9)	78	1987
Leslie Dan(7)	72	2001	Dov Shafir**(7)	70	1969
Gad Horn(6)	61	1976	David Sirota(9)(5)	54	1999
Israel Levin(4)(6)	60	1991	Ory Slonim(10)	59	1998
			Harold Snyder*(6)(9)	79	1996

* Member of Executive Committee
** Chairman of Executive Committee
(1) Ruth Cheshin and Eli Hurvitz are sister and brother in-law.
(2) Dan Mirkin's wife, Eli Hurvitz's wife and Ruth Cheshin are first cousins.
(3) Eli Hurvitz and Chaim Hurvitz are father and son.
(4) Israel Levin and Prof. Meir Heth are first cousins.
(5) Amir Elstein, David Sirota's wife and Boaz Paz's wife are first cousins.
(6) Appointed by the holders of 4% of the outstanding capital stock of Teva in accordance with Teva's former articles of incorporation.
(7) Term ends in 2004
(8) Term ends in 2003.
(9) Term ends in 2002.
(10) Independent director appointed pursuant to the former Israeli Companies Law for five-year terms.
(11) On February 14, 2002, Teva's Board of Directors nominated Israel Makov, currently Chief Operating Officer, to serve as Teva's next President and Chief Executive Officer, following the retirement of Eli Hurvitz on April 22, 2002.

Prof. Meir Heth, Chairman of the Board of Teva, was appointed on June 21, 1994. He is a Professor at the Law School of the College of Management. He has served in the past also as the Chairman of the Board of Teva and Chairman of Teva's Executive Committee. He served as the Chairman of the Board of Bank Leumi Le'Israel Ltd. and the Chairman of Bank Leumi Trust Company of New York from 1987 to 1988. From 1978 to 1986, he was the Chairman of the Tel Aviv Stock Exchange. Prof. Heth serves as a director at Ofek, Securities & Investments and Nilit Ltd.

Eli Hurvitz has been the President and Chief Executive Officer of Teva since 1976 and has been employed at Teva for over 40 years. He serves as a Director of Vishay Intertechnology and of Koor Industries Ltd. He served as the President of the Israel Manufacturers Association from 1981 through 1986. He received his B.A. in Economics and Business Administration from the Hebrew University in 1957.

Israel Makov was appointed Chief Operating Officer on January 1, 2001. Mr. Makov has been nominated to serve as Teva's President and Chief Executive Officer following the retirement of Eli Hurvitz at the end of April 2002. Previously he served as Teva's Executive Vice President since 1999 and was Vice President-Business Development between 1995-1999. From 1987-1991 he served as the

Chairman of Axiom Ltd. from 1991-1993, as the C.E.O of Yachin Hacal Ltd. and from 1993-1995 as the C.E.O. of Gottex Ltd. He received his B.Sc. in Agriculture from Hebrew University in 1963 and his M.Sc. in Economics from Hebrew University in 1965.

Aharon Agmon has been the Vice President-International Pharmaceutical Sales since 1995. During 1994 he served as Vice President-Israel Pharmaceutical Sales. He served as the Managing Director of Teva Medical from 1984 to 1993. He received his B.A. in Economics and Political Sciences from the Hebrew University in 1968 and his M.B.A. from Tel Aviv University in 1971.

Haim Benjamini, Brigadier General (retired) of the Israel Defense Forces, has been with Teva since 1988 as the Vice President-Human Resources. Before joining Teva, Mr. Benjamini was Vice President of Human Resources & Organization at Scitex Corp. Ltd., Israel, from February 1982 through May 1988. He received his B.A. in Social Sciences (Sociology and Political Science) from the Hebrew University in 1964 and his M.A. in Organizational Behavior from the University of Chicago in 1980.

William Fletcher has been President and Chief Executive Officer of Teva North America since April 2000. He previously served as President and Chief Executive Officer of Teva Pharmaceuticals USA, Inc. from 1983 through March 31, 2000. Mr. Fletcher has also served as Vice President-North American Pharmaceutical Sales since 1995. Prior to joining Teva USA, he was Business Development Manager and International Marketing Manager of Synthelabo, a subsidiary of L'Oreal in Paris. He graduated in International Marketing from Woolwich Polytechnic, London (now Greenwich University) in 1969.

Chaim Hurvitz serves as Vice President – Israeli Pharmaceutical Sales since January 2000 and was the President of Teva Pharma B.V. and Vice President - European Pharmaceutical Sales from 1995 to 1999. From 1993 to 1994 he served as the General Manager of Teva's European Office in the Netherlands and from 1990 to 1993 as the head of the pharmaceutical and OTC departments in Abic Ltd. (Teva's subsidiary). He received his B.A in Political Science and Economics from Tel Aviv University in 1985.

Meron Mann has been with Teva since 1978 and has been the President of the Active Pharmaceuticals Ingredients since 1990. He received his M.Sc. in Industrial Engineering from the Haifa Technion-The Israel Institute of Technology in 1978 and B.Sc. from Tel Aviv University in 1976.

Moshe Manor has been the Vice President of Strategic Product planning since 2000, and prior to that served as Vice President Israel Pharmaceutical Sales since 1995. He served as the General Manager of Teva labeled products in Israel from 1993 to 1994 and as the Marketing Director of the Israeli Pharmaceutical Division from 1989 to 1993. He received his B.A. in Economics from the Hebrew University in 1982 and his M.B.A. from Tel Aviv University in 1985.

Rodney Kasan has been with Teva since 1980. Since 1999, he has served as Vice President Global Product Development - Generic Pharmaceuticals. He served as Head of Pharmaceutical Research and Development until 1995 and subsequently as Director of Pharmaceutical Research and Development for the Operations Division. He received his degree in Pharmacy in Pretoria, South Africa.

Dr. David Reisman has been with Teva since 1980. Since 1999 he has served as Vice President Pharmaceutical Operation, and served as quality assurance director of the Chemical Division from 1996 to 1999. He received his Ph.D. in Chemistry from Bar Ilan University in 1985.

Dr. Aharon Schwartz has served as Vice President-Global Products Division since 1999 and was Vice President of the Copaxone Division between 1995-1999. From 1993-1995 he served as

Vice President Business Development/Export Division and served as head of the Pharmaceutical Division from 1989 to 1993. He received his Ph.D. in Chemistry from the Weizmann Institute in 1975.

Eli Shohet has been with Teva since 1986. Since 1999 he has served as Vice President Business Development. He previously served as Chief Economist and assistant to Teva's CEO (1989-1993), president of Plantex USA (1993-1996) and director of Business Development for Teva's API division (1996-1999). He received his B.A. in Economics from Bar-Ilan University in 1986.

Dan S. Suesskind has been with Teva since 1976 and has been Chief Financial Officer since 1978. From 1970 until 1976 he was a consultant and securities analyst with International Consultants Ltd. He received his B.A. in Economics and Political Science from the Hebrew University in 1965 and an M.B.A. from the University of Massachusetts in 1969. He served as a Director in Teva until 2001. Until 1998, Mr. Suesskind was a Director of Lanoptics Ltd. and until 1999 a director of ESC Medical Systems Ltd., and is presently a member of the Jerusalem Foundation, Investment Advisory Committee, Member of the Audit Committee of the Hebrew University Board of Trustees, Board member of the First International Selective Investment-Portfolio Management Company Ltd and a board member of Migdal Insurance Company Ltd.

Dr. Ben-Zion Weiner has been with Teva since 1975 and has been the Vice President-Research & Development since 1986. In 1975 he received a Ph.D. in Chemistry from the Hebrew University where he also earned B.Sc. and M.Sc. degrees. He did post-doctorate research at Schering-Plough Corporation in the U.S.

Jacob Winter has been with Teva since 1986 and has been the Vice President Global Pharmaceutical Operations since March 1999. Previously he served as Vice President/Manager of the Pharmaceutical Operations Division from 1991 through 1998. He served as the Manager of Teva's Jerusalem pharmaceutical plants from 1986 through 1991. He received his B.Sc. in Industrial Engineering and Management from Tel Aviv University in 1996.

Uzi Karniel has been in-house counsel since 1971 and Teva's Secretary since 1979. He received his L.L.B. from the Hebrew University in 1969. He is a member of the European advisory board of FM Insurance Company Ltd. and a member of the Executive Committee of the Israeli Association of publicly traded companies.

Victor M. Carter is a retired businessman and has served as President and CEO of several major businesses and charitable organizations.

Ruth Cheshin is the President of the Jerusalem Foundation, a multi-national organization which raises funds around the world for the creation of social, educational and cultural projects for all the citizens of Jerusalem. Ms. Cheshin is also an active member in many of the city's most important boards.

Abraham E. Cohen served as Senior Vice President of Merck & Co. and from 1977 to 1988 as President of the Merck Sharp & Dohme International Division. Since his retirement in January 1992, Mr. Cohen has been active as an international business consultant. He is presently a director of Akzo Novel Nv., Chugai Pharmaceutical Co. USA, Pharmaceutical Product Development, Smith Barney World Funds and Vasomedical, Inc.

Leslie Dan is the Chairman of Novopharm, which he founded and managed until its acquisition by Teva. Mr. Dan serves on several hospital boards in Canada and is a director of Draxis Pharmaceutical Company and Viventia Biotech.

Amir Elstein is the Co-General Manager of Intel Electronics Ltd. Jerusalem and has been employed by Intel Corp. since 1982. He received his B.Sc. in Physics and Mathematics from the Hebrew University in 1980 and his M.Sc. in the Solid State Physics Department of Applied Physics, the Hebrew University in 1982. In 1992 he received his diploma of Senior Business Management from the Hebrew University.

Gad Horn was a special consultant to Teva's Human Resource division. He served as the Managing Director of Paca Ltd. from 1990 to 1995. He received his Mgr. degree from the Hebrew University School of Pharmacy in 1967.

Israel Levin is an attorney in private practice, practicing in the areas of corporate, real estate and building and planning law. He received his L.L.B. from Hebrew University in 1969.

Prof. Moshe Many, M.D., Ph.D. Serves as president of the Ashqelon Academic College as of January 2002. He served as the President of the Tisom International School of Management. He is a former President of Tel Aviv University, the former Medical Director of the Ramat Marpeh Hospital and the former Deputy Chairman of Maccabi Health Care Fund. He has been a Department Head at Tel Hashomer Hospital since 1976. He serves as a director at Elbit Medical Imaging since 1997 and Israel Laser Industries between 1994 to 1998. He received his M.D. degree from Geneva University in 1952, and his Ph.D. in Surgery from Tufts University in 1969.

Daniel Mirkin is a senior partner at the law firm of D. Mirkin, Efrima, Barak, Milstein, Bonet & Co. He holds a Political Science degree and a French Literature degree from the Hebrew University in Jerusalem and a Law degree from the Tel Aviv University in 1971. In his legal practice, he is active in the field of intellectual property and business law, and belongs to various associations in these fields.

Aviho Olshansky is active in financial and economic consulting as well as in promotion and development of projects and serves as a Board member of several companies. From April 1991-March 1997 he served as the Chairman of Clal (Israel), and serves as Chairman or Director in companies in the Clal Group. He serves as a director at Azorim Investment, Polgat Ltd., Gmul Investment Company Ltd. and the Industrial Development Bank of Israel Ltd.

Boaz Paz is a Co-Managing Director of Biometrix Ltd. He has been in this position since 1992. From 1989 through 1992 he served as the President and CEO of Healthcare Technologies Ltd. He received his M.A. degree in Business Administration from Tel Aviv University in 1981.

Dr. Max Reis served as the President of Technion Israel Institute of Technology from 1986-1990 prior to his retirement. He has a Ph.D. in chemical engineering from the Imperial College . He is a director in various companies and of the Union Bank of Israel.

Prof. Michael Sela is a Professor of Immunology. He was the President of the Weizmann Institute of Science from 1975 through 1985 and has served as a Deputy Chairman of the Board of Governors of the Weizmann Institute of Science since 1985. He received his Ph.D. degree in Biochemistry from the Hebrew University in 1954.

Dov Shafir, Colonel (retired) of the Israel Defense Forces, serves as a Director of Ofer Technologies Ltd.

David Sirota has been a lawyer since 1974 and a notary since 1990. His law office practices mainly in personal injury and medical malpractice cases. Mr. Sirota joined Teva as a substitute director for H. Bental, Judge (Ret.) in 1981 and became a director in 1999.

Ory Slonim, Advocate, has been an attorney in private practice since 1970. He currently serves as a special consultant to the Israeli defense minister. Mr. Slonim is a Director of Migdal Insurance Co., First Investment Bank Investment Co., U. Dori Engineering Ltd., President of Variety Israel and International Vice President of Variety Club.

Harold Snyder was Senior Vice President of Teva Pharmaceuticals USA, Inc. and the former President of Biocraft Laboratories, Inc. Mr. Snyder founded Biocraft Laboratories in 1964. He had previously served as President of Stoneham Laboratories Inc. He received his B.S. in Science from New York University in 1948 and his M.A. in Natural Science from Columbia University in 1950.

Board of Directors

Under Teva's former Articles of Association, the Chief Executive Officer of Teva serves as a director by virtue of his position as Chief Executive Officer for so long as he holds such position, and any shareholder or group of shareholders who, in the aggregate, held 4% of the outstanding share capital of Teva were entitled to appoint a director of Teva at any annual meeting of the shareholders.

Pursuant to Teva's new Articles of Association, which came into effect on January 1, 2002, Teva's board of directors is elected in a staggered fashion. Directors are elected by the shareholders at general meetings of Teva in three classes, each class consisting of as nearly as possible to one-third of the directors and having terms of three years. The directors of only one class are elected at each annual meeting so that the regular term of only one class of directors expires annually and any particular director stands for election only once in each three-year period. The Board of Directors may from time to time determine the number of directors of Teva to be elected by the shareholders at general meetings of Teva, provided that the total number of directors elected in the staggered fashion shall not exceed 15.

The Board of Directors may appoint a director to fill a vacancy on the Board, and such director shall serve for the remainder of the term of the replaced director. All board and committee resolutions must be adopted by a majority of their respective members voting on such resolutions.

Teva's Articles of Association allow for the indemnification and insurance of its directors and senior officers against certain liabilities that they may incur in connection with the performance of their duties.

Independent Directors

According to Israeli law, publicly held Israeli companies are required to appoint two independent directors. The standards for independence under this law are very rigorous. Under the Israeli law, an independent director is appointed for an initial term of three consecutive years, and may be re-appointed for one additional three-year term. These directors are entitled to obtain all information relating to Teva's management and assets and to receive assistance, in special cases, from outside experts at the expense of Teva. The law imposes an obligation on these directors to report infringements of law and good business practice as well as improper conduct to the Chairman of the Board of Teva and in some cases to the Israeli Securities Authority. Regulations promulgated under Israeli law set the minimum and maximum compensation that may be paid to independent directors.

Committees of the Board

Teva's Articles of Association provide that the Board of Directors may delegate its powers to one or more committees of the Board as it deems appropriate to the extent such delegation is permitted under the Israel Companies Law. Each committee must include at least one independent director. The Board has appointed executive, audit, compensation, finance, research, development and strategic planning and contributions committees.

Israel's Companies Law mandates the appointment of an audit committee comprised of at least three directors. The Law provides that, in addition to fulfilling the customary functions of an audit committee, the committee's approval is required for: certain transactions between Teva and major shareholders, directors or the chief executive officer of Teva; certain actions or arrangements involving directors or senior officers, which raise issues of fiduciary duty or concern the directors, or senior officers, personal interest in Teva's affairs; indemnification of directors and senior officers; and director compensation arrangements (which must also receive Board of Directors and shareholder approval). The audit committee must include both independent directors and may not include certain members of management. The members of Teva's audit committee include Aviho Olshansky (Chairman), Israel Levin, Ory Slonim, Daniel Mirkin and Dov Shafir.

Teva's compensation committee determines the compensation of senior management. The members of the compensation committee include Meir Heth (Chairman), Aviho Olshansky, Amir Elstein and Dov Shafir.

Compensation

The aggregate direct compensation paid or accrued on behalf of all directors and executive officers, as a group during 2001 was $7,439,000. This amount includes directors, fees and expenses for non-employee directors of $429,000 and amounts set aside or accrued to provide pension, retirement or similar benefits of $1,095,000. This amount does not include $2,058,000 from the exercise of previously granted stock options nor expenditures by Teva for automobiles made available to its officers, expenses (including business travel, professional and business association dues and expenses) reimbursed to officers and directors and other fringe benefits commonly reimbursed or paid by companies in Israel. None of the non-employee directors have agreements with Teva that provide for benefits upon termination of service.

Teva has adopted a number of stock option or stock incentive programs in the past, as have certain of its subsidiaries, principally Teva Pharmaceuticals USA, Inc. and its predecessor entities, covering either ordinary shares or ADRs. In 2001, Teva's directors and executive officers were granted an aggregate of 530,000 options to purchase ordinary shares or ADRs, at an average exercise price of $65.07 per share or ADR and an average expiration date in mid-2008.

For further information regarding outstanding Teva options, also see Note 9 to the Notes to Consolidated Financial Statements.

Share Ownership

As of March 1, 2002, all the directors and officers as a group hold 16,168,551 ordinary shares (11.75%) of the outstanding share capital. This figure includes the shares beneficially owned by Leslie Dan, as described under "Item 7—Major Shareholders and Related Party Transactions" below, as well as options currently exercisable into 1,398,217 ordinary shares. Mr. Eli Hurvitz, who beneficially

owns 1.67 % of Teva's outstanding shares, and Leslie Dan are the only executive officers and directors who hold in excess of 1%.

Employees and Labor Relations

As of February 1, 2002, Teva employed approximately 8,982 employees, 2,970 of whom were based in Israel. Approximately 90% of Teva's employees in Israel are represented by local or national trade unions. Teva considers its labor relations with its employees to be good.

Israeli law generally requires severance pay upon dismissal or retirement of an employee or, in some circumstances, upon termination of employment for other reasons. See Note 5 to Consolidated Financial Statements.

In North America, Teva employs approximately 2,504 persons, of whom approximately 1,578 are in the United States and 926 are in Canada. Except for employees at certain former Biocraft facilities who are represented under collective bargaining agreements with Drug, Chemical, Cosmetic, Plastic and Affiliated Warehouse Employees Locals 815 (New Jersey) and 688 (Missouri), which are affiliated with the International Brotherhood of Teamsters, none of its employees are represented by labor unions. Teva considers its labor relations with its employees to be good.

In Holland, Pharmachemie employs approximately 587 persons. Most of its employees are represented by labor unions. Teva considers its labor relations with the Pharmachemie employees to be good and the acquisition process successful.

In the United Kingdom, Teva's subsidiary APS/Berk employs approximately 233 persons. Except for some production employees, most of its employees are not represented by labor unions. Teva considers its labor relations with the APS/Berk employees to be good.

In Hungary, Biogal and Human, its manufacturing and development units, employ about 1883, substantially all of whom are represented by labor unions. Teva's marketing and distribution units BTP and Humantrade employ together approximately 323 persons. Teva considers its labor relations with its Hungarian employees to be good.

There are an additional 482 persons employed in various small groups around the world.

Over the past three years, the number of Teva employees, broken out by geographic area, were as follows:

Geographic Area	December 31, 2001	December 31, 2000	December 31, 1999
Israel……	2,906	2,661	2,492
Europe…….	3,427	3,407	2,182
North America……	2,543	2,449	1,575
Rest of the world…….	110	108	110
Total……	8,986	8,625	6,359

ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Based on its public filing as of December 31, 2001, Janus Capital Corporation beneficially owned 8,762,265 Teva ADRs, which represented approximately 6.8% of Teva's ordinary shares.

To the best knowledge of Teva, as of March 1, 2002, there is only one other shareholder who beneficially owns more than 5% of Teva's ordinary shares. Dan Family Holdings Ltd. owns 2,077,240 shares of Teva. However, pursuant to Rule 13D-3 under the Exchange Act, Mr. Leslie Dan may be deemed to beneficially own such shares. In addition, pursuant to rule 13-D under the Exchange Act, Dan Family Holdings Ltd. may be deemed to beneficially own an additional 6,377,930 shares of Teva, which are subject to issuance upon exchange of the 6,377,930 shares of common stock of 1377077 Ontario Inc. acquired by Dan Family Holdings Ltd. in the Novopharm acquisition. Pursuant to Rule 13d-3 under the Exchange Act, Mr. Leslie Dan may also be deemed to beneficially own such shares. Such shares, represent in the aggregate, approximately 6.3% of Teva's outstanding shares as of December 31, 2001. These shares do not provide Mr. Dan with any special voting rights. Mr. Leslie Dan disclaims beneficial ownership of all such shares.

Under a Registration Rights Agreement entered into in connection with the closing of the Novopharm acquisition, Dan Family Holdings Ltd. has the right to request that Teva file a registration statement under the Securities Act (on up to three occasions) covering the sale of the Dan ordinary shares referred to above. In addition, under the Registration Rights Agreement, if Teva proposes to register any of its ordinary shares or ADRs, whether or not for sale for its own account, Dan Family Holdings Ltd. may require Teva to include all or a portion of such Dan shares in the registration and any related underwriting. In general, all fees and expenses of such registration (other than underwriting discounts and selling commissions) will be paid by Teva.

Under a Registration Rights Agreement entered into in connection with the closing of the Biocraft acquisition in 1996, Harold Snyder, a director of Teva, and certain affiliated trusts have the right to request that Teva file a registration statement under the Securities Act (on up to three occasions) covering the sale of the ADRs owned by such persons. In addition, under the Registration Rights Agreement, if Teva proposes to register any of its ordinary shares or ADRs, whether or not for sale for its own account, these persons may require Teva to include all or a portion of such ADRs in the registration and any related underwriting. In general, all fees and expenses of such registration (other than underwriting discounts and selling commissions) will be paid by Teva. However, based on current trading volume of the ADRs on the Nasdaq National Market, these ADRs can be sold without registration under Rule 144 under the Securities Act. As a result, under the terms of the Registration Rights Agreement, these registration rights cannot currently be exercised.

In 2001 Teva paid Almad Investments CDN $4,282,542 for the rental of office and manufacturing space in Canada. Leslie Dan and his family own Almad.

As of February 1, 2002, there were 1,022 record holders of ADRs, whose holdings represented approximately 64% of the total outstanding ordinary shares, substantially all of which record holders were in the United States.

ITEM 8 : FINANACIAL INFORMATION

Consolidated Statement s

See “Item 18- Financial Statements.”

Export Sales

Teva manufactures products and chemicals in its facilities in Israel, the United States, Canada and Europe. A substantial amount of these products and chemicals are exported. For a breakdown of Teva’s sales by geographic market for the past three years, see “Item 5: Operating and Financial Review and Prospects -- Results of Operations -- Sales -- General.”

Legal Proceedings

In July 1997, Teva received an Israeli value-added tax assessment requiring it to pay $4.9 million in respect of sales to certain health funds. Teva contested this assessment, and the tax authorities rejected Teva’s arguments. Teva appealed this assessment in the Tel Aviv District Court. Based on the opinion of counsel, Teva believes that it has a reasonable chance to prevail, due to the merits of its case and in light of the fact that it had received a pre-ruling on the disputed sales. Accordingly, no provision for this matter has been included in the accounts.

In August 2001, Teva won a judgment in an action pending in the U.S. Federal District Court in Boston, Massachusetts, brought against it by SmithKline Beecham regarding the U.S. patent covering nabumetone, the active ingredient in Relafen®. The court ruled in Teva’s favor, holding that SmithKline's patent was not only invalid, based on the doctrine of anticipation, but also unenforceable due to SmithKline's inequitable conduct before the United States Patent and Trademark Office. Annual sales of the branded product in the U.S. during the twelve months ended June 30, 2001 were estimated to be approximately $266 million. Following the district court decision, Teva launched its nabumetone product. As the first applicant to challenge the listed patent for this drug, Teva is entitled to a 180-day period of generic marketing exclusivity. SmithKline has, however, appealed the judgment. While Teva believes that the findings of fact and legal conclusions of the district court are well founded and that the decision will be upheld, were SmithKline to be successful in its appeal, Teva could be required to pay damages to SmithKline related to the sales of Teva's nabumetone product.

On December 17, 2001, Teva and Teva USA filed a complaint in the District Court in Boston, Massachusetts against SmithKline Beecham, Beecham Group, and GlaxoSmithKline Plc (collectively, “Beecham”). The complaint alleges that Beecham unlawfully prevented Teva and Teva USA from manufacturing, marketing and selling generic formulations of Relafen® and asserts claims under the Sherman Act, certain state antitrust statutes, the Massachusetts Consumer Protection Act and various common law theories. Teva seeks actual damages, including lost profits and for loss of market share, trebled, plus its costs of suit, as well as restitution, disgorgement and other equitable relief. Beecham has moved to dismiss the complaint. Beecham has also moved to transfer the action to the United States District Court for the Eastern District of Pennsylvania, and, alternatively, to stay the action pending the resolution of the appeal of the judgment regarding the U.S. patent covering nabumetone.

Teva USA is a manufacturer of Adipex-P brand phentermine hydrochloride, and has been sued in both class actions and individual lawsuits relating to the alleged negative health effect of phentermine and fenfluramine. While neither drug had been indicated or approved for combination use by

the FDA, physicians sometimes prescribed the two together in a combination treatment for weight control known as "fen-phen." Plaintiffs have filed lawsuits from August 1997 to the present in a variety of state and federal jurisdictions seeking monetary damages in unspecified amounts. The federal actions have been consolidated for pretrial purposes to the United States District Court for the Eastern District of Pennsylvania in a multidistrict litigation proceeding. Based upon the advice of counsel, Teva believes that it has adequate insurance to cover these claims and that the outcome of the remaining litigation in which Teva USA is involved will not have a material adverse effect on Teva's financial position.

Teva's Hungarian subsidiary, Biogal Pharmaceutical Works Ltd., was sued in July 1999 in the County Court of Debrecen, Hungary by a Hungarian institute (Gyógyszerkutató Intézet Kft) for additional royalties arising out of a series of contracts for the development of a pharmaceutical active ingredient. Although the plaintiff has not made any claims for a specific amount, the court, in an interim decision, ordered Biogal to submit an accounting on the contested terms. Biogal has appealed the decision and, based on the advice of counsel, expects to prevail. No provision for this matter has been included in the accounts.

On January 13, 2002, a claim was filed in the Tel Aviv District Court by Paka Industries Ltd. against Teva, Teva Assets Ltd., an Israeli subsidiary of Teva, and a senior officer and a former senior officer of Teva Assets, in the amount of approximately $17 million. The claim relates to a 1998 agreement between Paka and Teva Assets, under which Teva Assets sold off the assets (excluding real property) of its plant to the plaintiff. Paka claims to have been deceived and consequently lost the entire investment in the acquired plant. Although a statement of defense has yet to be filed, the defendants Teva Assets and the senior officer expect to vigorously contest this claim. Teva, based on the advice of counsel, believes that its chances of prevailing are good. Accordingly, no provision for this matter has been included in the accounts.

In August 2000, a claim was filed in the Tel Aviv District Court, and is now pending against the Teva, with respect to damages caused as a result of the use of a product containing the ingredient diethylstilbestrol ("DES"). In May and November 2001, 69 plaintiffs filed an additional claim against the Teva, in the District Court of Jerusalem, for damages caused by the use of two products containing DES. The amount of the two claims aggregates approximately $10 million, not including general damages. Teva is vigorously defending itself against these claims. Because the above claims are still in their early stages, no determination can be made of the likelihood of prevailing in the actions; however, based on the advice of counsel, Teva believes it has meritorious defenses. No provision for this matter has been included in the accounts.

On April 5, 2001, a claim was filed against Teva in the Tel Aviv District Court with respect to the use of a pharmaceutical product known as "Chorigon Ampoules 5000 Units". The plaintiffs allege that they were administered with allegedly defective ampoules of the product during the course of an in vitro fertilization treatment, resulting in the failure of the treatment and causing financial damages and mental anguish. The plaintiffs filed a petition to certify the claim as a class action. The aggregate amount of the claims under the class action approximates $133 million. In December 2001, Teva filed its response, rejecting the position to certify the claim as a class action. Because the claim is still in its early stage, Teva's counsel is unable to express an opinion as to the merits of the claim. Nevertheless, based on information to date, Teva believes that this matter will not have a material adverse effect on its results of operations and financial condition and that provision for this matter in the accounts is not required.

Teva USA, along with Elan Corporation, Elan Pharma Ltd. and Biovail Corporation International, are defendants in a patent litigation brought by Bayer AG and Bayer Corporation on May 8, 2000 in the District of Delaware. On July 17, 2000, the court transferred the case to the Northern District of Georgia. Bayer alleges that Elan's Nifedipine Extended Release Tablets CC, 30 mg, which are

marketed by Teva USA, infringe a Bayer patent. Bayer is seeking enhanced damages and attorneys' fees in unspecified amounts, preliminary and permanent injunctions, and a recall of the product. The court granted a motion for summary judgment in favor of the defendants and dismissed the case. Following an appeal by Bayer, the Court of Appeals for the Federal Circuit vacated the summary judgment and remanded the case to the district court for further proceedings. Based on the advice of counsel, Teva believes that this matter will not have a material adverse effect on its results of operations and financial condition. No provision for this matter has been included in the accounts.

Teva USA, along with Biovail, are defendants in two patent litigations brought by Bayer AG, Bayer Corporation and, in one of the cases, Pfizer Inc. in February 2001 in the District Court of Puerto Rico. The plaintiffs allege that Biovail's Nifedipine Extended Release Tablets, CC and XL, 60 mg, which are marketed by Teva USA, also infringe the above-mentioned Bayer patent. The plaintiffs are seeking enhanced damages and attorneys' fees in unspecified amounts, preliminary and permanent injunctions, and a recall of such products. The court has stayed this litigation pending resolution of Bayer's appeal referred to above. No provision for these matters has been included in the accounts.

Teva from time to time seeks to develop generic products for sale prior to patent expiration in various territories. In the United States, to obtain generic approval for a product prior to the expiration of the originator patent, Teva must challenge the patent under the procedures set forth in the Waxman-Hatch Act of 1984. See "Item 4: Information on the Company - Regulation - United States." To the extent that it seeks to utilize such patent challenge procedures, Teva is involved and expects to be involved in patent litigation regarding the validity or infringement of the originator's patent. Additionally, Teva may be involved in patent litigation involving the extent to which alternate manufacturing process techniques may infringe on originator or third party process patents.

Teva and its subsidiaries are from time to time subject to claims arising in the ordinary course of their business, including product liability claims. Teva believes that it has meritorious defenses to such claims and legal proceedings and that it maintains adequate product liability insurance to cover any related damages. Teva believes that the outcome of the litigation in which it is presently involved will not have a material adverse effect on its results of operations or financial position.

Settled Litigation

In 1995, Copley Pharmaceutical, Inc., a subsidiary of Teva USA, and its insurers reached a compromise agreement in respect of a class action, which was lodged against Copley in the United States, in respect of damages caused as a result of use of the product known as "Albuterol". Under the agreement, the amount payable to the claimants to settle the claim will be no less than $65 million and no more than $150 million. Pursuant to the terms of the settlement, funds were set aside by Copley and its insurance carriers for various classes of affected plaintiffs. All but approximately seven claims have been discharged and released under the terms of the settlement. Teva believes that it has adequate insurance to cover these claims and that the outcome of the remaining litigation in which Copley is involved, including opt-outs from the class, will not have a material adverse effect on Teva's financial position.

In April 2001, Novopharm and Genpharm Inc. agreed to settle litigation that arose in 1998 out of a contract dispute relating to a 1997 profit sharing agreement among Novopharm, one of its subsidiaries and Genpharm regarding the sale of Ranitidine. Under the settlement agreement, Novopharm agreed to pay an amount that is not material to Teva's financial position and which had been reserved for at the time of the Novopharm acquisition. As a result of such settlement, the litigation, including Novopharm's counterclaim, has been dismissed with prejudice.

In September 2001, Novopharm and the Ministry of Health for Quebec agreed to settle the litigation arising out of the Ministry's allegations that Novopharm violated best available pricing legislation and a related action regarding improper reimbursements to pharmacies. Under the settlement agreement, Novopharm agreed to pay an amount that is not material to Teva's financial position and which had been reserved for at the time of the Novopharm acquisition. As a result of such settlement, the litigation has been dismissed with prejudice.

DIVIDEND POLICY

See "Item 3: Key Information – Dividends."

Significant Changes

Except as otherwise disclosed in this annual report, there has been no significant change in Teva's financial position since December 31, 2000.

ITEM 9: THE OFFER AND LISTING

ADRs

Teva's ADRs have been traded in the United States since 1982 and were admitted to trading on the Nasdaq National Market in October 1987. The ADRs are quoted under the symbol TEVA. The Bank of New York serves as Depositary for the ADRs. Each ADR represents one ordinary share.

In February 2000, Teva issued a 2 for 1 stock split. Each holder of an ordinary share, or an ADR, as the case may be, was issued another share. All figures below in this document have been readjusted to reflect the stock split. The following table sets forth information regarding the high and low price of the ADR on Nasdaq for the periods specified in US dollars.

Period	High	Low
Last six months:		
February 2002	62.08	56.79
January 2002	64.75	60.93
December 2001	61.14	55.34
November 2001	61.98	57.35
October 2001	68.20	61.80
September 2001	70.43	56.66
Last eight quarters:		
Q4 2001	68.20	55.34
Q3 2001	73.05	56.66
Q2 2001	65.88	51.70
Q1 2001	69.89	50.48
Q4 2000	74.69	57.88
Q3 2000	78	53.75
Q2 2000	56.81	32.13
Q1 2000	48.75	32.72
Last five years:		
2001	73.05	50.88
2000	78	32.13
1999	35.84	19.94
1998	25	16.10
1997	33.65	21.21

On March 1, 2002, the last reported sale price for the ADRs on the Nasdaq National Market was $58.04. The American Stock Exchange, the Chicago Options Exchange and the Pacific Stock Exchange quote options on Teva's ADRs under the symbol TEVA.

Teva's ADRs are also traded on SEAQ International in London and on the exchanges in Frankfurt and Berlin.

Ordinary Shares

Teva's ordinary shares have been listed on the Tel Aviv Stock Exchange since 1951. The table below sets forth in U.S. dollars the high and low last reported sale prices of the ordinary shares on the Tel Aviv Stock Exchange during the periods as reported by such Exchange (restated to reflect the stock split) . The translation into United States dollars is based on the daily representative rate of exchange published by the Bank of Israel then in effect.

Period	High	Low
Last six months:		
February 2002	62.85	57.06
January 2002	64.34	62.27
December 2001	61.82	55.29
November 2001	62.15	57.26
October 2001	67.43	63.39
September 2001	70.81	57.80
Last eight quarters:		
Q4 2001	67.43	55.29
Q3 2001	72.77	57.80
Q2 2001	65.06	51.98
Q1 2001	71.51	52.33
Q4 2000	72.86	58.25
Q3 2000	73.59	53.89
Q2 2000	56.43	34.37
Q1 2000	46.28	32.66
Last five years:		
2001	72.77	51.98
2000	73.59	32.66
1999	34.43	19.83
1998	24.88	16.10
1997	32.96	21.55

On February 28, 2002, the last reported sale price of the ordinary shares on the Tel Aviv Stock Exchange was $57.34.

ITEM 10. ADDITIONAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

Register

Teva's registration number at the Israeli registrar of companies is 52-001395-4.

Objects and Purposes

Under Teva's Memorandum of Association, Teva's objects and purposes include carrying on the business of chemists, druggists, importers and manufacturers and dealers in pharmaceutical, medical, chemical, industrial and other preparations and articles.

Directors' Powers

The Israeli Companies Law (the "Companies Law") requires approval by both the Board of Directors and the audit committee in the following transactions:

(a) proposed transactions in which an executive officer or director (an "office holder") has a direct or indirect personal interest and which is outside the ordinary course of the company's business, which is not in accordance with market conditions or which may materially influence the earnings, assets or liabilities of the company;

(b) actions which may otherwise be deemed to constitute a breach of fiduciary duty of any office holder of the company;

(c) terms of service of directors (including terms of their employment as officers of the company); and

(d) indemnification of office holders.

Under the Companies Law, such transactions may also require shareholder approval (including, in certain cases, a specified percentage of disinterested shareholders).

An office holder with an interest in any of the above transactions may not be present and may not vote at the Board of Directors and audit committee's meetings at which such transaction is approved. In cases where the approval of the audit committee is required, the audit committee may only approve such transactions if two independent directors were members of the committee and at least one of them was present at the meeting at which the transaction was approved.

The Companies Law requires that an office holder promptly disclose any "personal interest" (including a personal interest of certain relatives or a corporation or entity in which the office holder or such relative is an interested party) that he may have, and all related material information known to him, in connection with any existing or proposed transaction by the company and codifies the duty of care and fiduciary duties that an office holder has to the company. The company must approve such transactions as not being adverse to the best interests of the company.

Neither Teva's Memorandum, the Articles of Association, nor the laws of the State of Israel require retirement or non-retirement of directors at a certain age, or share ownership for director's qualification, nor do they contain any restriction on directors' borrowing powers.

Description of Teva Ordinary Shares

The par value of Teva's ordinary shares is NIS 0.10 per share, and all issued and outstanding ordinary shares are fully paid and non-assessable. Holders of paid-up ordinary shares are entitled to participate equally in the payment of dividends and other distributions and, in the event of liquidation, in all distributions after the discharge of liabilities to creditors.

Teva's Board of Directors may declare interim dividends and propose the final dividend with respect to any fiscal year out of profits available for dividends after statutory appropriation to capital reserves. Declaration of a final dividend (not exceeding the amount proposed by the Board) requires shareholder approval through the adoption of an ordinary resolution. All ordinary shares represented by the ADRs will be issued in registered form only. Ordinary shares do not entitle their holders to preemptive rights.

Voting is on the basis of one vote per share. An ordinary resolution (for example, resolutions for the approval of final dividends and the appointment of auditors) requires the affirmative vote of a majority of the shares voting in person or by proxy. A special resolution (for example, resolutions amending the Articles of Association and authorizing changes in capitalization or in the rights of shareholders) requires the affirmative vote of at least 75% of the shares voting in person or by proxy.

Neither Teva's Memorandum of Association, the Articles of Association, nor the laws of the State of Israel restrict in any way the ownership or voting of Teva's ordinary shares by nonresidents or persons who are not citizens of Israel, except with respect to citizens or residents of countries that are in a state of war with Israel.

Meetings of Shareholders

Under the Companies Law, Teva is required to hold an annual meeting every year no later than fifteen months after the previous annual meeting. In addition, Teva is required to hold a special meeting:

(1) at the direction of the Board of Directors;

(2) if so requested by two directors or one fourth of the serving directors; or

(3) upon the request of one or more shareholders who have at least 5% of the issued share capital and at least 1 % of the voting rights or one or more shareholders who have at least 5% of the voting rights.

If the Board of Directors receives a demand to convene a special meeting, it must publicly announce the scheduling of the meeting within 21 days after the demand was delivered. The meeting must then be held no later than 35 days after the notice was made public.

The agenda at an annual meeting is determined by the Board of Directors. The agenda must also include proposals for which the convening of a special meeting was demanded, as well as any proposal requested by one or more shareholders who hold no less than 1% of the voting rights, as long as the proposal is one suitable for discussion at an annual meeting.

Under the Companies Law, a notice of an annual meeting must be made public and delivered to every shareholder registered in the shareholders register at least 21 days before the meeting is convened. The shareholders entitled to participate and vote at the meeting are the shareholders as of the

record date set in the decision to convene the meeting, provided that the record date is not more than 40 days, and not less than four days, before the date of the meeting.

Under the Companies Law, a shareholder who intends to vote at a meeting must demonstrate that he owns shares in accordance with the regulations. Under these regulations, a shareholder whose shares are registered with a member of a stock exchange (such as NASDAQ or the Tel Aviv Stock Exchange) must provide Teva with an authorization from such member regarding his ownership as of the record date.

Right of Non-Israeli Shareholders to Vote

Neither the Memorandum of Association, the Articles of Association, nor the laws of the State of Israel restrict in any way the ownership or voting of Teva's ordinary shares by nonresidents or persons who are not citizens of Israel, except with respect to citizens or residents of countries that are in a state of war with Israel.

Change of Control

Under the Companies Law, a merger requires approval by the Board of Directors and by the shareholders of each of the merging companies. In approving a merger, the Board of Directors must determine that there is no reasonable expectation that, as a result of the merger, the merged company will not be able to meet its obligations to its creditors. Creditors may also seek a court order to enjoin or delay the merger if there is a such an expectation that the merged company will not be able to meet its obligations to its creditors. A court may also issue other instructions for the protection of the creditors' rights in connection with a merger.

Under the Companies Law, a control share acquisition of a public company is prohibited unless a special purchase offer is made to all shareholders. Such a special purchase offer requires, among other things, that the Board of Directors either recommend that shareholders participate in the purchase offer or state why it cannot do so.

FOREIGN EXCHANGE REGULATIONS

Nonresidents of Israel who purchase ADRs with US dollars or other non-Israeli currency will be able to receive dividends, if any, and any amounts payable upon the dissolution, liquidation or winding up of the affairs of Teva, as well as the proceeds of any sale of the ordinary shares in Israel into freely reportable dollars, at the rate of exchange prevailing at the time of conversion.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The discussion set forth below is intended only as a summary of the principal United States federal income tax consequences to a holder of ADRs who is a United States person and does not purport to be a complete analysis of all potential tax consequences of owning ADRs. Investors are advised to consult their tax advisors with respect to the tax consequences of their purchases, including the consequences under applicable state and local law and federal estate tax law, and the application of foreign laws or the effect of nonresident status on United States taxation. The summary of United States income tax laws set out below is based on the United States Internal Revenue Code, Treasury regulations, judicial decisions and published positions of the Internal Revenue Service as of the date hereof and is subject to any changes occurring after that date in United States law or to the tax treaty between the United States and Israel.

For purposes of the Code, a holder of an ADR generally will be treated as the owner of the Ordinary Shares represented thereby. United States persons must take into account in calculating their taxable income the entire amount of (1) any dividend paid by the Company on the Ordinary Shares represented by their ADRs and (2) any gain or loss on the sale, exchange or other taxable disposition of ADRs.

The full amounts must be included without a reduction for any Israeli income taxes withheld. United States persons generally may claim the amount of any Israeli income taxes withheld as either a deduction that reduces taxable income or as a dollar-for-dollar credit against federal income tax liability. Individuals who do not claim itemized deductions but instead utilize the standard deduction cannot claim the amount of the Israeli income taxes withheld as a deduction from their gross income, but such amounts may be taken as a credit against the individual's federal income tax liability. The Code sets forth complex limitations on the amount of the credit, which vary in application from taxpayer to taxpayer. However, certain individuals may claim a credit of up to $300 ($600 for joint filers) without being subject to those limitations.

For purposes of calculating the amount of allowable foreign tax credit, income from foreign sources is divided into several categories. With respect to each category, the maximum amount of credit allowable is the following product: the taxpayer's United States effective tax rate multiplied by his net foreign source income in the category. In the case of individuals, dividends in respect of ADRs will most likely be categorized as passive income. In general, under the Israel/US income tax treaty, taxes levied by Israel on gain from the sale of ADRs will be creditable for US Federal income tax purposes.

Each shareholder should consult his or her tax advisor as to the availability of credits.

Corporate holders of ADRs will not be eligible for the dividends received deduction for dividends in respect of an ADR.

US Shareholders are also referred to "Israel Taxation - Capital Gains and Income Taxes Applicable to Non-Israeli Shareholders" for a discussion of the Israeli taxes to which such shareholders may be subject.

ISRAEL TAXATION

Income Taxes on Dividends Distributed by Teva to Non -Israeli Residents

Dividends distributed by an Israeli company to non-Israeli residents are subject to a 25% tax to be withheld at source (15% in the case of dividends distributed from the taxable income attributable

to an approved enterprise), unless a different rate is provided in a treaty between Israel and the shareholder's country of residence.

Under the U.S. — Israel Tax Treaty, the maximum Israeli tax and withholding tax on dividends paid to a holder of ordinary shares who is a resident of the U.S. is 25%, but is reduced to 12.5% in the case of a corporation that holds in excess of 10% of the voting rights of Teva during Teva's taxable year preceding the distribution of the dividend and the portion of Teva's taxable year in which the dividend was distributed. Dividends of an Israeli company derived from the income of an approved enterprise will be subject to a 15% dividend withholding tax. The withheld tax is the final tax in Israel on dividends paid to non-residents who do not conduct a business in Israel.

A non-resident of Israel who has interest or dividend income derived from or accrued in Israel, from which tax was withheld at the source, is generally exempt from the duty to file tax returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer.

Capital Gains and Income Taxes Applicable to Non -Israeli Shareholders

Israeli law generally imposes a capital gains tax on the sale of securities and any other capital asset. The basic tax rate applicable to corporations is currently 36%. The maximum tax rate for individuals is 50%. These rates are subject to the provisions of any applicable bilateral double taxation treaty.

In addition, under existing regulations, if the ordinary shares are quoted on the Nasdaq National Market (or listed on a stock exchange recognized by the Israeli Ministry of Finance) and if Teva qualifies as an industrial company under the Law for the Encouragement of Industry (Taxes) 1969, gains on the sale of ordinary shares held by individuals investors and certain companies will generally be exempt from Israeli Capital Gains Tax. There can be no assurance that Teva will maintain such qualification or its status as an Industrial Company. Notwithstanding the foregoing, dealers in securities in Israel are taxed at regular tax rates applicable to business income.

Under the U.S. — Israeli Tax Treaty, Israel may impose capital gain tax on a U.S. resident in connection with the sale, exchange or disposition of shares of an Israeli company, only if such U.S. resident held 10% or more of the voting shares of such Israeli company during any period within the twelve months preceding the sale, exchange or disposition.

DOCUMENTS ON DISPLAY

Teva files annual and special reports and other information with the SEC. You may inspect and copy such material at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the SEC's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and the Woolworth Building, 233 Broadway, New York, New York 10279. You may also obtain copies of such material from the SEC at prescribed rates by writing to the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

Teva's ADRs are quoted on the Nasdaq National Market. You may inspect reports and other information concerning Teva at the offices of the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006.

ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

Teva takes various measures to compensate for the effects of both inflation and devaluation. These measures include traditional currency hedging transactions as well as attempts to maintain a balance between monetary assets and liabilities in each of Teva's principal operating currencies, the U.S. dollar, the NIS, the Euro, the Canadian dollar (CAD), the British pound (GBP) and the Hungarian forint (HUF). These measures are mainly designed to deal with general economic trends and exposures to Teva as a whole, and therefore most of the costs and benefits of such measures are not allocated to specific income statement line items, but are concentrated to a large extent under the caption "financial expenses — net".

Teva can borrow funds in Israel in NIS, U.S. dollars or any other major currency. Given that Teva's functional currency is the U.S. dollar, Teva would logically prefer to borrow in U.S. dollars. However, to provide a "natural" hedge against the potential erosion of shekel-based financial assets, Teva also borrows funds denominated in shekels. During 2001 while the average interest on the Israeli shekel borrowings was 7%, those costs were compensated by the annual average devaluation of 9.3%. Teva uses financial instruments and derivatives in order to limit its exposure to risks deriving from changes in exchange rates and interest rates. The use of such instruments does not expose Teva to additional exchange rate or interest rate risks because the derivatives are held to hedge corresponding assets owned by Teva. No derivative instruments are entered into for trading purposes.

Teva's derivative transactions during 2001 were executed through Israeli banks and foreign banks, including Hungarian banks. In the opinion of Teva's management, the credit risk of these banks is de minimis.

Exchange Rate Risk Management

Teva's functional currency and that of most of its consolidated subsidiaries is the U.S. dollar, with the exception of its European and Canadian subsidiaries, where the functional currency is the local currency in each country.

Accordingly, in Teva's subsidiaries in which the functional currency is the U.S. dollar, Teva covers itself against exposure deriving from the gap between assets and liabilities in each currency other than the U.S. dollar ("balance sheet exposure"). The majority of the balance sheet exposure in such subsidiaries is in European currencies and Israeli shekels. In Teva's European subsidiaries, protection is taken against the gap between assets and liabilities in currencies other than the functional-local currency (generally against the U.S. dollar and other European currencies that are not correlated to the functional-local currency).

Teva strives to limit its exposure through "natural" hedging, i.e. attempting to have similar levels of assets and liabilities in any one currency. Thus, for example, borrowings for acquisitions and borrowings for activities of acquired companies are generally taken in the functional currency of such companies. The rest of the exposure, which is not set off naturally, is covered by the use of derivative instruments. To the extent possible or desirable, this is done on a consolidated basis.

In certain cases, Teva protects itself against exposure from a specific transaction - for example, the acquisition of a company or a large investment in assets - which is done in a currency other than the functional currency. To a large extent Teva uses the "Cylinder strategy" (purchasing calls on the

dollar, usually together with writing put options on the dollar at a lower exchange rate). Teva usually limits the hedging transactions to three months terms.

The table below details the balance sheet exposure, by currency and geography, as at December 31, 2001(at fair value in millions). All data in the table has been converted for convenience into U.S. dollar equivalents.

	US Dollar	Euro	English Pound	Other	New Israeli Shekel	Total
Israel		(6)	0	3	(30)	39
Euro Land	2	-	-		-	2
Hungary	51	23	6	2	-	82
Total	53	29	6	5	30	123

Explanatory notes:

1. Total exposure is the summation of the absolute value figures.
2. The data under Euro, both in the foregoing and the following tables, includes exposures in the currencies of all the countries that joined the European Union.
3. The data presented in the table reflects the net exposure (after the use of natural hedging).

The table below details (in millions) the hedging acquired in derivative instruments in order to limit the exposure to exchange rate fluctuations. The data is as at December 31, 2001 as recorded in Teva's financial records and is presented in U.S. dollar equivalent terms.

Currency	**Cross Currency**	**Hedging Value**		**Fair Value**		**2001 Weighted Average Settlement Prices/Strike Prices**
		2001	2000	2001	2000	
Forward:						
Euro	HUF	22	-	22	-	259.66
GBP	HUF	6	-	6	-	410.91
USD	HUF	49	-	49	-	286.50
New Israeli Shekel	USD	-	11	-	11	-
Options:						
New Israeli Shekel	USD	25	40	0	0	4.342
Canadian Dollar	USD	6	6	0	0	1.63
Euro	USD	18	19	0	0	0.8682
Total		126	76	77	11	

Explanatory notes:

1. The fair value of the options reflects the profits recorded from such activities, without totaling the notional amount, as opposed to the value of the forward transactions.
2. See explanatory note 2 in the preceding table.
3. In addition to the above, Teva protects itself for the next 12 months against Operational Exposure.

Teva uses options by purchasing call options on the dollar, usually together with writing put options on the dollar at a lower exchange rate (Cylinder strategy). Teva usually limits the hedging transactions to three months terms. All of the transactions detailed in the foregoing table expire on or before March 26, 2002.

Interest Rate Risk Management

Due to the recent issue of $550 million and $360 million of convertible senior debentures with a 1.5% coupon and 0.75% coupon respectively, most of Teva's debt bears interest at a fixed rate. In addition to the debentures, Teva's fixed interest bearing debt also includes the $110 million of senior notes issued to U.S. institutional investors in three series: $20 million due 2005, $75 million due 2008 and $15 million due 2018, and Missouri Economic Development Bonds. The blended fixed interest rate of the senior notes is approximately 6.9% per annum, and the Missouri Economic Development Bonds bear floating or fixed interest rates according to a particular formula.

The remaining debt consists of bank loans at floating interest rates. In currencies other than Israeli shekels, these borrowings are usually linked to the relevant LIBOR plus a spread of 0.20% - 0.6%. Part of Teva's Canadian subsidiary debt is at floating rate based on the Canadian bankers acceptance rate +0.65%. In Israel, most borrowings are NIS demand loans bearing interest rates set at the inter-bank rate plus a spread of 0.25%.

In addition, the excess of funds received from the convertible debenture offerings, after using over $300 million of the net proceeds to retire credit facilities (including approximately $180 million repaid in the fourth quarter of 2000), has been invested in the U.S., most in short-term investments. Most of the current cash is invested through two investment banks, a third of the investment is in long-term debentures and the rest is in short term debentures.

Teva's liabilities, the average interest they bear and repayment schedule by currencies as at December 31, 2001 are set forth in the table below in U.S. dollar equivalent terms (in millions).

Currency	**Total Amount**	**Interest Rate**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007 & thereafter**
Fixed interest-Debentures:								
US Dollar	1,036	0.75%-7%	3	3	10	570	0	450
Floating Rates:								
US Dollar	27	2%	27	0	0	0	0	0
New Israeli Shekel	61	4%	60	0	0	1	0	0
Euro	181	4%	76	1	0	102	0	2
English Pound	30	5%	0	0	0	30	0	0
Canadian Dollar	119	3%	41	0	0	0	77	1
Total:	1,454	--	207	4	10	703	77	453

Explanatory note:

See explanatory note 2 in the preceding table.

PART III

ITEM 18 - FINANCIAL STATEMENTS

(a) Consolidated Financial Statements:

(b) Financial Statement Schedule:

ITEM 19 - EXHIBITS

1.1	Memorandum of Association (1)(2)
1.2	Restated Articles of Association (1)(3)
2.1	Amended and Restated Deposit Agreement, dated February 12, 1997, among Teva Pharmaceutical Industries Limited, The Bank of New York as depositary, and the holders from time to time of ADRs (4)
2.2	Form of American Depositary Receipt (4)
2.3	Indenture, dated as of October 11, 2000, by and among Teva Pharmaceutical Finance, LLC, and The Bank of New York, as trustee (5)
2.4	Form of Global Debentures (included in Exhibit 2.3)
2.5	Indenture, dated as of August 20, 2001, by and among Teva Pharmaceutical Finance, NV, and The Bank of New York, as trustee (6)
2.6	Form of Global Debentures (included in Exhibit 2.5)
2.7	Other long-term debt instruments: The registrant hereby undertakes to provide the Securities and Exchange Commission with copies upon request.
4.1	Purchase Agreement, dated February 1, 2000, between Dan Family Holdings Ltd. and Almad Investments Limited and 1377077 Ontario Inc. and Teva Pharmaceutical Industries Ltd. and related exhibits, relating to the acquisition of Novopharm Limited (7)

4.2	Amending and Indemnity Agreement, dated as of April 4, 2000, between Dan Family Holdings Ltd., Almad Investments Limited, 1377077 Ontario Inc., Teva Pharmaceutical Industries Ltd., Novopharm Limited and Leslie L. Dan and related exhibits, relating to the acquisition of Novopharm Limited (8)
8	Subsidiaries of the Registrant
10.1	Consent of Kesselman & Kesselman
10.2(i)	Consent of KPMG Hungaria Kft
10.2(ii)	Consent of KPMG Hungaria Kft
10.3(i)	Consent of Ehrenkrantz Sterling & Co. LLC
10.3(ii)	Consent of Ehrenkrantz Sterling & Co. LLC

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1) English translation or summary from Hebrew original, which is the official version.
2) Incorporated by reference to Exhibit 3.1 to Teva's Registration Statement on Form F-1 (Reg. No. 33-15736).
3) Incorporated by reference to the attachment to Teva's Annual letter to shareholders and notice of meeting included in Teva's report of Foreign Issuer on Form 6-K dated August 1, 2001.
4) Incorporated by reference to Teva's Registration Statement on Form F-6 (Reg. No. 333-11474).
5) Incorporated by reference to Teva's Registration Statement on Form F-3 (Reg. No. 333-13126).
6) Incorporated by reference to Teva's Registration Statement on Form F-3 (Reg. No. 333-140106).
7) Incorporated by reference to Exhibit 10.5(i) to Teva's Annual Report on Form 20-F for the year ended December 31, 1999.
8) Incorporated by reference to Exhibit 10.5(ii) to Teva's Annual Report on Form 20-F for the year ended December 31, 1999.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

By: /s/ Dan S. Suesskind
Name: Dan S. Suesskind
Title: Chief Financial Officer

Date: March 12, 2002