Form 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

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

For the month of: August 2001

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

(Translation of registrant's name into English)

5 Basel Street, P.O. Box 3190
Petach Tikva 49131, Israel
(Address of principal executive offices)

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
(An Israeli Corporation)
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TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(U.S. dollars in thousands, except earnings per ADR)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	**2000**	**2001**	**2000**
Sales	$513,590	$443,997	$1,004,518	$781,331
Cost of Sales	308,845	275,721	602,810	475,472
Gross Profit	204,745	168,276	401,708	305,859
Research and development expenses:				
Total expenses	39,668	30,130	78,254	52,387
Less - grants and participations	12,550	3,838	23,138	6,172
	27,118	26,292	55,116	46,215
Selling, general and administrative expenses	90,777	73,145	180,838	134,807
	86,850	68,839	165,754	124,837
Acquisition of research and development in process	-	35,697	-	35,697
Operating income	86,850	33,142	165,754	89,140
Financial expenses – net	7,837	13,771	16,593	25,136
Other income – net	2,013	3,181	4,077	7,351
Income before income taxes	81,026	22,552	153,238	71,355
Provision for income taxes	16,466	12,349	33,321	26,217
	64,560	10,203	119,917	45,138
Share in Profits (losses) on equity investments	192	418	(41)	659
Minority interests	(304)	(547)	(676)	(647)
Net income	$64,448	$10,074	$119,200	$45,150
Earnings per ADR:				
Basic	$0.49	$0.08	$0.90	$0.36
Diluted	$0.47	$0.08	$0.87	$0.35
Weighted average number of ADRs (in thousands):				
Basic	132,198	130,902	132,179	126,987
Diluted	140,296	132,790	140,312	128,081

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

(Unaudited)

	June 30, 2001	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$336,090	$420,634
Short-term investments	6,915	3,901
Accounts receivable:		
Trade	600,081	543,664
Other	156,738	137,154
Inventories	508,312	503,493
Total current assets	1,608,136	1,608,846
Investments and other assets	101,972	100,054
Property, plant and equipment, net	535,272	534,140
Intangible assets, net	599,364	612,578
Total assets	$2,844,744	$2,855,618
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term credit – mainly from banks	$192,946	$341,522
Accounts payable and accruals	509,775	442,233
Total current liabilities	702,721	783,755
Long-term liabilities:		
Deferred income taxes	41,496	64,866
Employee related obligations	45,986	40,122
Loans and other liabilities	251,927	263,892
Convertible senior debentures	550,000	550,000
Total long-term liabilities	889,409	918,880
Contingencies		
Total liabilities	1,592,130	1,702,635
Minority interests	2,267	1,637
Shareholders' equity:		
Ordinary shares of NIS 0.10 par value; June 30, 2001 and December 31, 2000: authorized-498,586,000 shares; issued and outstanding – 128,068,000 shares and 127,917,000 shares, respectively	31,034	31,030
Additional paid-in capital	479,257	476,192
Deferred compensation	(320)	(679)
Retained earnings	831,312	728,339
Accumulated other comprehensive loss	(58,080)	(52,552)
Cost of company shares held by subsidiaries – June 30, 2001 and December 31, 2000 – 2,108,000 ordinary shares and 2,119,000 ordinary shares, respectively	(32,856)	(30,984)
Total shareholders' equity	1,250,347	1,151,346
Total liabilities and shareholders' equity	$2,844,744	$2,855,618

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	**2000**	**2001**	**2000**
Cash flows from operating activities:				
Net Income	$64,448	$10,074	$119,200	$45,150
Income and expenses not involving cash flows	21,042	52,908	44,998	78,953
Changes in certain assets and liabilities	(15,778)	(46,750)	(7,514)	(81,439)
Net cash provided by operating activities	69,712	16,232	156,684	42,664
Cash flows from investing activities:				
Purchase of property, plant and equipment	(26,891)	(23,124)	(50,274)	(43,649)
Investment grant related to property, plant and equipment	-	-	-	995
Acquisition of companies	-	(2,511)	-	(2,511)
Acquisition of know-how, patents and product rights	(6,847)	(621)	(9,446)	(7,824)
Proceeds from sale of property, plant and equipment	3,257	4,518	3,621	3,734
Loan repaid by an associated company	-	-	-	389
Acquisition of long-term investments and other assets	(607)	(2,800)	(870)	(3,251)
Loan advanced	(22,000)	-	(22,000)	-
Net decrease (increase) in short-term investments	626	3,168	(2,961)	19,613
Net cash used in investing activities	(52,462)	(21,370)	(81,930)	(32,504)
Cash flows from financing activities:				
Proceeds from exercise of options	3,216	6,270	4,117	10,106
Cost of acquisition of Company shares, net of proceeds from sale	358	(6,823)	(1,872)	(5,575)
Exercise of warrants	-	-	-	593
Long-term loans and other long-term liabilities received	21	238	84	343
Discharge of long-term loans and other liabilities	(56,739)	(143,757)	(60,851)	(143,825)
Net increase (decrease) in short-term credit	27,525	140,909	(82,294)	160,199
Dividends paid	(9,942)	(6,833)	(16,535)	(13,566)
Net cash provided by (used in) financing activities	(35,561)	(9,996)	(157,351)	8,275
Translation differences on cash balances of certain subsidiaries	1,344	296	(1,947)	(2,203)
Net increase (decrease) in cash and cash equivalents	(16,967)	(14,838)	(84,544)	16,232
Cash and cash equivalents at beginning of period	353,057	108,247	420,634	77,177
Cash and cash equivalents at end of period	$336,090	$93,409	$336,090	$93,409

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

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

NOTE 1 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial condition and results of operations of Teva Pharmaceutical Industries Limited (the "Company"). These consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company's audited financial statements included in the Company's report on Form 20-F, as filed with the Securities and Exchange Commission. The results of operations for the three months and six months ended June 30, 2001 are not necessarily indicative of results that could be expected for the entire fiscal year.

NOTE 2 – Earnings per American Depository Receipt ("ADR"):

Basic earnings per ADR are computed by dividing net income by the weighted average number of ADRs/shares (including special shares exchangeable into ordinary shares issued in connection with the acquisition of Novopharm Ltd.), outstanding during the period, net of Company shares held by subsidiaries.

Diluted earnings per ADR are computed by dividing net income by the weighted average number of ADRs/shares (including the special shares) outstanding during the period, net of Company shares held by subsidiaries, taking into account the potential dilution that could occur upon: (1) the conversion of the convertible senior debentures, using the if-converted method; and (2) the exercise of options granted under employee stock option plans, using the treasury stock method.

NOTE 3 – Inventories:

Inventories consisted of the following:

	June 30, 2001	December 31, 2000
	U.S. dollars in thousands	
Raw and packaging materials	$138,825	$115,723
Products in process	116,460	85,269
Finished products	206,245	255,563
Purchased products	41,371	35,683
	502,901	492,238
Materials in transit and payments on account	5,411	11,255
	$508,312	$503,493

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

NOTE 4 – Comprehensive income:
Comprehensive income for the Company is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	**2000**	**2001**	**2000**
	U.S. dollars in thousands			
Net income	$64,448	$10,074	$119,200	$45,150
Unrealized holding gains on available-for-sale securities, net	(970)	-	(789)	-
Translation of non-dollar-currency financial statements of subsidiaries and associated companies	17,161	(5,224)	(4,739)	(13,471)
	$80,639	$4,850	$113,672	$31,679

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

NOTE 5 – Financial information by business segment:

a. Financial data relating to reportable operating segments:

	Pharmaceutical	API	Other	Total
	U.S. dollars in thousands			
Three month period ended June 30, 2001:				
Sales:				
To unaffiliated customers	$453,303	$55,012	$5,275	$513,590
Intersegment	104	37,396	149	37,649
Total sales	$453,407	$92,408	$5,424	$551,239
Operating income	$68,568	$33,138	$531	$102,237
Assets (at end of period)	$1,229,940	$441,906	$22,741	$1,694,587
Depreciation and amortization of segment assets	$18,421	$5,665	$144	$24,230
Three month period ended June 30, 2000:				
Sales:				
To unaffiliated customers	$397,441	$41,204	$5,352	$443,997
Intersegment	142	35,377	294	35,813
Total sales	$397,583	$76,581	$5,646	$479,810
Operating income	$54,029	$24,824	$1,026	$79,879
Six month period ended June 30, 2001:				
Sales:				
To unaffiliated customers	$892,899	$101,437	$10,182	$1,004,518
Intersegment	105	74,435	263	74,803
Total sales	$893,004	$175,872	$10,445	$1,079,321
Operating income	$138,578	$61,615	$1,017	$201,210
Assets (at end of period)	$1,229,940	$441,906	$22,741	$1,694,587
Depreciation and amortization of segment assets	$38,859	$11,398	$289	$50,546
Six month period ended June 30, 2000:				
Sales:				
To unaffiliated customers	$686,628	$84,053	$10,650	$781,331
Intersegment	290	64,560	438	65,288
Total sales	$686,918	$148,613	$11,088	$846,619
Operating income	$95,999	$49,164	$1,975	$147,138

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	**2000**	**2001**	**2000**
	U.S. dollars in thousands			
Total operating income of reportable segments	$101,706	$78,853	$200,193	$145,163
Other	531	1,026	1,017	1,975
Amounts not allocated to segments:				
Profits not yet realized	(557)	(2,941)	(9,168)	(4,325)
General and administration expenses	(12,268)	(9,233)	(21,599)	(17,729)
Other expenses	(2,562)	1,134	(4,689)	(247)
Acquisition of research and development in process	-	(35,697)	-	(35,697)
Financial expenses – net	(7,837)	(13,771)	(16,593)	(25,136)
Other income - net	2,013	3,181	4,077	7,351
Consolidated income before income taxes	$81,026	$22,552	$153,238	$71,355

	June 30, 2001
Assets	
Total assets of reportable segments	$1,671,846
Other	22,741
Elimination of intersegment balances	(82,514)
Elimination of unrealized income from inventories	(3,601)
Assets not allocated to segments:	
Current assets	499,743
Investments and other assets	101,972
Property, plant and equipment, net	35,193
Intangible assets, net	599,364
Consolidated assets at June 30, 2001	$2,844,744

NOTE 6 – Recently issued accounting pronouncements:

On June 29, 2001, the FASB approved its proposed Statements of Financial Accounting Standards No. 141, BUSINESS COMBINATIONS, and No.142, GOODWILL AND OTHER INTANGIBLE ASSETS. FAS 141 requires that all business combinations subsequent to June 30, 2001 be accounted for under the purchase method of accounting. FAS 142 requires cessation of goodwill amortization and periodic evaluation of the goodwill carrying value. The provisions of FAS 142 will be effective for fiscal years beginning after December 15, 2001. The Company currently is amortizing goodwill in equal annual installments, mainly over the period of 30 years.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with the consolidated financial statements, the related notes to the consolidated financial statements and the Operating and Financial Review and Prospects included in Teva's Annual Report on Form 20-F for the fiscal year ended December 31, 2000 and the unaudited interim condensed consolidated financial statements contained in this Report on Form 6-K and the related notes to such unaudited interim condensed consolidated financial statements.

Except for historical information contained in this report, the matters discussed below are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on current expectations and involve a number of known and unknown risks and uncertainties that could cause the Company's future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include the impact of pharmaceutical industry regulation, the difficulty of predicting US Food and Drug Administration ("FDA") and other regulatory authority approvals, the regulatory environment and changes in the health policies and structure of various countries, acceptance and demand for new pharmaceutical products and new therapies, the impact of competitive products and pricing, the availability and pricing of ingredients used in the manufacture of pharmaceutical products, 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 innovative products, fluctuations in currency, exchange and interest rates, operating results and other factors that are discussed in the Company's Annual Report on Form 20-F and the Company's other filings with the U.S. Securities and Exchange Commission ("SEC").

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

Results of Operations

Comparison of Three Months Ended June 30, 2001 to Three Months Ended June 30, 2000

General

The most significant trends affecting the results of the second quarter of 2001, as compared to the comparable period in 2000, were:

- A significant growth in North American sales, both of generic products and Copaxone®, which was the principal driver of growth between the two comparable quarters.

- The continued influence of governmental price controls in the U.K. and Hungary, which negatively affected sales in both countries.

- The substantial increase in research and development spending and the corresponding increase in the participation in such research by third parties.

- The continuation of the Company's rationalization program, including the closure of the Wilson, North Carolina plant of Novapharm in July 2000 and the Canton, Massachusetts facility of Copley in February 2001, and the consequent increase in gross margins.

- The significant reduction in interest expenses resulting from the issuance of $550 million 1.5% convertible senior debentures in October 2000.

Other significant recent events include:

- The strategic alliance agreement with IMPAX for twelve controlled release generic pharmaceutical products, of which five products are currently pending approval at the U.S. Food and Drug Administration. As a result, Teva's pipeline of ANDAs now includes 56 products with a corresponding U.S. annual branded sales market size exceeding $19 billion.

- On July 12, 2001, Teva entered into an agreement with Mayne Nickless Limited, one of Australia's largest healthcare companies, regarding Mayne's offer for F.H. Faulding & Co. Ltd., an Australian healthcare and pharmaceutical company. Under this agreement, if Mayne is successful in its pending tender offer for Faulding shares, Teva will have an exclusive opportunity to purchase Faulding's injectables business for U.S. $365 million in cash.

- On August 7, 2001 , following the successful completion of the Mutual Recognition Procedure (MRP) in Europe, 15 European countries agreed to approve Copaxone®. Copaxone® will be launched in the various countries in Europe, starting in the last quarter of 2001 after granting of national marketing authorization.

The quarter ended June 30, 2001 is the first quarter in which Novopharm's results were included in both the reported and comparable quarter. Net Income for the second quarter of 2000 included one-time charges of $35.7 million with respect to in-process R&D resulting from the acquisition of Novopharm.

The following table sets forth certain financial data presented as a percentage of sales and the percentage change, for the periods indicated, excluding for purposes of comparison the one time charges incurred during the second quarter of 2000 described above:

	Percentage of Sales Three months ended June 30,		**Period to Period Percentage**
	2001	**2000**	**Change**
Sales	100.0%	100.0%	15.7%
Gross Profit	39.9	37.9	21.7
Research and Development Expenses:			
Total expenses	7.7	6.8	31.7
Less grants & participations	(2.4)	(0.9)	227.0
R&D Expenses — net	5.3	5.9	3.1
Selling, General and Administrative Expenses	17.7	16.5	24.1
Operating Income	16.9	15.5	26.2
Financial Expenses — net	1.5	3.1	(43.1)
Other Income — net	(0.4)	(0.7)	(36.7)
Income Before Income Taxes	15.8	13.1	39.1
Net Income	12.5	10.1	40.8

Sales – General

Consolidated sales for the three months ended June 30, 2001 were $514 million, an increase of 16% over the comparable period of 2000. Most of this growth arose in North America reflecting increased sales of generic products, as well as increased sales of Copaxone®.

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

SALES BY GEOGRAPHICAL AREAS

	U.S. Dollars in thousands 2nd Quarter,			
Sales for the Period	**2001**	**2000**	**% Change**	**% of Total**
Israel	**59,028**	**60,180**	**-1.9%**	**11.5**
North America	322,488	263,092	22.6%	62.8%
Europe	108,740	105,786	2.8%	21.2%
Rest of the World	23,334	14,939	56.2%	4.5%
Total Outside Israel	**454,562**	**383,817**	**18.4%**	**88.5%**
Total	**513,590**	**443,997**	**15.7%**	**100.0%**

SALES BY BUSINESS SEGMENTS

	U.S. Dollars in thousands 2nd Quarter,			
Sales for the Period	**2001**	**2000**	**% Change**	**% of Total**
Pharmaceuticals	453,303	397,441	14.1%	88.3%
A.P.I. *	55,012	41,204	33.5%	10.7%
Other	5,275	5,352	-1.4%	1.0%
Total	513,590	443,997	15.7%	100.0%

*Third party only

Pharmaceutical Sales

Teva's total pharmaceutical sales during the three months ended June 30, 2001, were $453 million, comprising approximately 88% of Teva's total revenue and representing an increase of 14% relative to the comparable period of 2000.

North America

Pharmaceutical sales in North America which were the main driver of the increase in revenue, reached $287 million, an increase of 20% relative to the comparable period of 2000. This increase is attributable to increased sales of existing generic products and increased

Copaxone® sales as well as generic products sold in the second quarter of 2001, which were not sold in the comparable quarter of 2000.

According to IMS data, as of June 2001, Teva's United States subsidiary ranked first among all pharmaceutical companies in the United States in terms of new prescriptions and second in terms of total prescriptions.

As of June 30, 2001, a total of 56 product applications, including five from Impax, were awaiting FDA approval. These include 14 applications as to which tentative FDA approval has already been grantedand thirty-six applications awaiting FDA approval were submitted pursuant to a Paragraph IV procedure. To the extent that Teva was the first to file such Paragraph IV certifications, it should be eligible for 180-day marketing exclusivity upon receipt of FDA approval for the related generic product. Collectively, the products covered by these 56 applications had a corresponding U.S. annual branded sales market size exceeding $19 billion.

The following is a listing of the ANDAs received from the U.S. FDA since the beginning of Q2 2001:

Generic Product Name	Approval Date	Innovator Product Brand Name
Lisinopril/HCTZ 10/12.5, 20/12.5, 20/25 mg	April 2001*	Prinzide®
Famotidine 20, 40mg	April 2001	Pepcid®
Famotidine OTC 10mg	May 2001	Pepcid AC ®
Fluoxetine 10mg	May 2001 *	Prozac ®
Lovastatin 10,20,40 mg	July 2001 *	Mevacor ®
Fluoxetine Oral Solution	August 2001	Prozac ® Oral Solution
Buspirone HCL 15 mg	August 2001 *	Buspar®

* Tentative Approval

Europe

Pharmaceutical sales in Europe were $90 million in the quarter ended June 30, 2001, a decrease, in U.S. Dollar terms, of approximately 4% relative to the second quarter of 2000. In local currency terms, sales increased by 3%. In Hungary, a freeze on pharmaceutical prices, imposed by the government since mid 1999, continued through the first half of 2001. However, as of July 1, 2001 prices of all pharmaceutical products may be increased by an average of 5 - 6% (i.e. by an average of 70% of the 2001 8% inflation rate). In addition the government removed restrictions on the launch of new products.

Israel

Israeli pharmaceutical sales totaled $56 million during the quarter ended June 30, 2001, representing a slight decrease of 1% relative to the second quarter of 2000. Although representing a relatively minor portion of Teva's total pharmaceutical sales in Israel, sales to the Palestinian Authority decreased due to the current political situation.

Copaxone®

During the second quarter of 2001, global in-market sales of Teva's leading drug, Copaxone®, totaled $91 million, an increase of 54% over the comparable quarter of 2000. North America accounted for 84% of total Copaxone® sales.

According to IMS data, the Multiple Sclerosis market in the U.S. continues to show healthy growth of above 15% over the comparable period of 2000. Moreover, recently published IMS monthly data revealed that Copaxone's® market share in the U.S. increased to 28% of new prescriptions, as compared to 26% a year ago.

Subsequent to the end of the quarter, Teva announced FDA approval of enhanced labeling for Copaxone® to reflect the positive results of a large multicenter double-blind, placebo-controlled MRI study that showed a significant reduction of brain lesions in patients treated with Copaxone®.

Sales of Active Pharmaceutical Ingredients (API)

API third party sales during the quarter ended June 30, 2001 were approximately $55 million (11% of Teva's consolidated sales for the quarter), representing a 34% increase as compared to the same period last year. Inter-company API sales to Teva's pharmaceutical units increased by a more modest 6% to a total of $37 million (41% of total API sales). Combined API sales amounted to $92 million, an increase of 21%. API sales to third parties in the second quarter of 2001 included sales of a particular product in anticipation of what was then believed to be an imminent product launch, but which has subsequently been delayed.

Gross Profit

The gross profit margin for the quarter was 39.9% compared to 37.9% in the comparable quarter and 39.5% for the year 2000. The major contributors to the higher margins were increased Copaxone® sales, sales of newer generic products in the U.S. that were not sold in the comparable quarter, the rationalization program, and improved product mix and processes in the API division.

Research and Development

Gross R&D expenses during the quarter ended June 30, 2001 amounted to $40 million, an increase of approximately 32% as compared to the same period last year. Innovative R&D expenses, which amounted to approximately 53% of the total R&D expenses for the quarter, increased by approximately 25%, due to the two advanced-stage Copaxone® projects and the research and development related to two products for the treatment of Parkinson's disease, which demanded significant resources. A larger portion of gross R&D was covered by third

parties, including Lundbeck, Aventis and the Israeli government's Chief Scientist. These participations reflect Teva's strategy of limiting the effect of innovative R&D expenses on its results. Net R&D expenses thus increased by only 3% to $27 million.

Financial Expenses

Net financial expenses in the quarter ended June 30, 2001 decreased by 43% to $8 million, as compared with the same period last year, mainly due to reduced interest expenses resulting from the $550 million of convertible senior debentures raised in October 2000.

Tax Rate

The rate of tax for the second quarter of 2001 was 20%, as compared to 21% in the second quarter of 2000. The lower rate reflects the anticipation of a lower effective tax rate for the fiscal year 2001. This lower rate results from various income streams sourced from jurisdictions with lower tax rates, such as Israel and Hungary. The rate of tax fluctuates with the nature and source of taxable income.

Net Income

Net income for the second quarter ended June 30, 2001 totaled $64 million, or $0.47 per share fully diluted, an increase over the comparable quarter of 2000 of 41% and 38% respectively**.** Net income as a percentage of sales was 12.5% in the second quarter of 2001, a level not seen over the past three years, as compared to 10.1% in the comparable quarter of 2000.

The number of shares used in the calculation of fully diluted EPS increased by 6%, resulting in the difference between the rate of increase of net income and of EPS.

Comparison of Six Months Ended June 30, 2001 to Six Months Ended June 30, 2000

General

Most of the factors described above relating to the comparison of the results of the second quarter of 2001 and 2000 also impacted the comparison of the first half of 2001 compared to the first half of 2000. However, the comparative results of the six month periods were also significantly influenced by the inclusion of the results of operations of Novopharm Limited, which was acquired in April 2000, for the full six months of 2001, as compared to only three months in the first half of 2000.

The following table sets forth certain financial data presented as a percentage of sales and the percentage change, for the periods indicated, excluding for purposes of comparison, a one-time charge of $35.7 million which was recorded in the second quarter of 2000 with respect to the acquisition of R&D in process resulting from the acquisition of Novopharm:

	Percentage of Sales Six months ended June 30,		**Period to Period Percentage**
	2001	**2000**	**Change**
Sales	100.0%	100.0%	28.6%
Gross Profit	40.0	39.1	31.3
Research and Development Expenses:			
Total expenses	7.8	6.7	49.4
Less grants & participations	(2.3)	(0.8)	274.9
R&D Expenses — net	5.5	5.9	19.3
Selling, General and Administrative Expenses	18.0	17.3	34.1
Operating Income	16.5	16.0	32.8
Financial Expenses — net	1.7	3.2	(34.0)
Other Income — net	(0.4)	(0.9)	(44.5)
Income Before Income Taxes	15.3	13.7	43.1
Net Income	11.9	10.3	47.4

Sales – General

Consolidated sales for the six months ended June 30, 2001 were $1,005 million, an increase of 29% over the comparable period of 2000. Novopharm, which Teva acquired in April 2000, was only consolidated as of the second quarter of 2000.

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

SALES BY GEOGRAPHICAL AREAS

	U.S. Dollars in thousands Six months ended June 30,			
Sales for the Period	**2001**	**2000**	**% Change**	**% of Total**
Israel	**119,115**	**122,671**	**-2.9%**	**11.9%**
North America	614,212	435,659	41.0%	61.1%
Europe	224,611	193,863	15.9%	22.4%
Rest of the World	46,580	29,138	59.9%	4.6%
Total Outside Israel	**885,403**	**658,660**	**34.4%**	**88.1%**
Total	**1,004,518**	**781,331**	**28.6%**	**100.0%**

SALES BY BUSINESS SEGMENTS

	U.S. Dollars in thousands Six months ended June 30,			
Sales for the Period	**2001**	**2000**	**% Change**	**% of Total**
Pharmaceuticals	892,899	686,628	30.0%	88.9%
A.P.I. *	101,437	84,053	20.7%	10.1%
Other	10,182	10,650	-4.4%	1.0%
Total	**1,004,518**	**781,331**	**28.6%**	**100.0%**

*Third party only

Pharmaceutical Sales

Teva's total pharmaceutical sales during the six months ended June 30, 2001, were $893 million, comprising approximately 89% of Teva's total revenue and representing an increase of 30% relative to the comparable period of 2000.

North America

Pharmaceutical sales in North America which were the main driver of the increase in revenue, reached $555 million, an increase of 42% relative to the comparable period of 2000. This increase is attributable to the inclusion of Novopharm for the entire period, as compared to only one quarter in 2000, the sales of generic products introduced in late 2000 and early 2001, the growth of sales in existing generic products and increased sales of Copaxone®. Price erosion in some of Teva's older generic products was milder than in the past.

Europe

Pharmaceutical sales in Europe were $187 million in the first half of 2001, an increase of approximately 15% relative to the first half of 2000. This increase was due to the consolidation of Novopharm's Hungarian subsidiary, Human, with Teva's financial results. Excluding Human, first half European pharmaceutical sales in terms of local currencies were down 3%, mainly due to the continued price erosion in the U.K. In dollar terms, sales decreased by 9% (the gap is attributable to the devaluation of the European currencies between the periods - the average exchange rate between the Euro and the dollar in the first six months of 2001 was 6% lower than during the comparable period).

Israel

Israeli pharmaceutical sales totaled $113 million during the first half of 2001, representing a decrease of 2% relative to the comparable period of 2000. This decrease is due to the devaluation of the NIS (1% between the periods), as well as increased competition in the marketplace. Although representing a relatively minor portion of Teva's total pharmaceutical sales in Israel, sales to the Palestinian Authority decreased due to the current political situation.

Copaxone®

In market sales of Copaxone® continued to grow at more than twice the market rate and amounted to a record $165 million, up 52% from the comparable period in 2000.

Sales of Active Pharmaceutical Ingredients (API)

API third party sales during the period January - June 2001 were approximately $101 million (10% of Teva's consolidated sales for the period), representing a 21% increase as compared to the same period last year. Inter-company API sales to Teva's pharmaceutical units increased by 15% to a total of $74 million (42% of total API sales). Combined, API sales amounted to $176 million, an increase of 18%.

Gross Profit

Teva's overall gross margin at 40.0% grew from the comparable period (39.1%). The same factors that influenced the quarterly gross margins influenced the six month periods, although to a slightly lesser extent. Counteracting these factors, in part, were Human's sales, which were included for the entire six months of 2001 and only during three months of the first half of 2000, with their lower margins.

Research and Development

Gross R&D expenses during the six months' period amounted to $78 million, an increase of approximately 49% as compared to the same period last year. Generic R&D expenses increased by approximately 33% due to increased R&D activity for North America, including the consolidation of Novopharm. Innovative R&D expenses, which amounted to approximately 49% of the total R&D expenses for the period, increased by approximately 72%,

due to the two advanced-stage Copaxone® projects and the R&D related to two products for the treatment of Parkinson's disease, which demanded significant resources.

Net R&D expenses, which amounted to $55 million in the first half of 2001, were 19% higher than during the comparable period of 2000. In the first half of 2001 a larger portion of gross R&D was covered by third parties, including Lundbeck, Aventis and the Israeli government's Chief Scientist. These participations reflect Teva's strategy of limiting the effect of innovative R&D expenses on its results.

Financial Expenses

Net financial expenses in the six months' period decreased by 34% to $17 million, as compared with the same period last year, despite the consolidation of Novopharm, mainly due to reduced interest expenses resulting from the $550 million of convertible senior debentures raised in October 2000.

Tax Rate

The rate of tax for the first half of 2001 was 22%, as compared to 24% in the comparable period of 2000. The rate of tax fluctuates with the nature and source of taxable income.

Net Income

Net income for the first half totaled $119 million, or $0.87 per share fully diluted, an increase over the comparable period of 2000 of 47% and 38% respectively. Net income as a percentage of sales was 11.9% in the first six months of 2001, as compared to 10.3% in the comparable period of 2000.

The difference between the rate of increase of net income and of EPS is due to a significantly higher number of shares used in the calculation of fully diluted EPS (up 10%) in the reported period. The allotment of ordinary and exchangeable shares to the previous shareholder of Novopharm and the dilutive effect of the convertible debentures issued in October 2000 are the main factors for this increase.

Impact of Currency Fluctuations and Inflation

Because Teva's results are reported in U.S. dollars, changes in the rate of exchange between the U.S. dollar and local currencies – mainly the New Israeli Shekel (NIS), Euro, Canadian dollar, Pound Sterling and Hungarian Forint – affect Teva's results. During the reported quarter, the devaluation of the Euro against the U.S. dollar continued. The Euro and the Pound Sterling devalued relative to the U.S. dollar by 7% as compared to the comparable quarter last year (average compared with average). While sales in Europe were fully exposed to the weakening Euro and Pound Sterling, the impact on net income was mitigated by the fact that most of the sales in Europe were produced in Europe, where costs in dollar terms also declined.

Additional natural hedging is achieved by purchases of European raw materials for use in non-European production.

On the other hand, the Hungarian Forint revalued by approximately 6%.

Similarly in Israel, the dollar value of sales was affected by the devaluation of the Shekel by 1% between the reported quarter and the second quarter of 2000. The impact of this decrease in sales on the Company's net income was partially offset by decreased local expenses. Such decrease in local expenses also increased the profitability of export products manufactured in Israel.

Liquidity and Capital Resources

On June 30, 2001, Teva's working capital was $905 million, as compared to $825 million at December 31, 2000.

Purchase of property, plant and equipment in the second quarter of 2001 amounted to $27 million, compared to $23 million in the comparable quarter last year. Depreciation and amortization amounted to $25 million in the second quarter of 2001, similar to the comparable quarter of 2000.

Net cash provided by operations for the second quarter of 2001 amounted to $70 million, as compared with $166 million generated during all of 2000.

Cash and cash equivalents at June 30, 2001 amounted to $336 million, as compared to $421 million at December 31, 2000 and $353 million at March 31, 2001. Despite the significant amount of cash generated from operations in the quarter, cash balances decreased principally because of the retirement, after five years, of a multi-currency syndicated bank loan originally established in 1996.

The Company'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. The Company 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 the Company to draw upon credit lines available to the Company from Israeli and other banks, or may involve raising additional funds from debt or equity markets.

Quantitative and Qualitative Disclosures About Market Risk

Reference is made to the Quantitative and Qualitative Disclosures About Market Risk section (Item 11) in Teva's Annual Report on Form 20-F for the year ended December 31, 2000. There have been no material changes in the Company's market risk during the six months ended June 30, 2001.

Legal Proceedings

Reference is made to the Legal Proceedings section in Teva's Annual Report on Form 20-F for the year ended December 31, 2000. The following provides updated information on events, which occurred subsequent to its submission:

In April 2001, a lawsuit was filed against Teva in the District Court of Tel-Aviv for damages that were allegedly caused to the plaintiff couple by the use of Chorigon manufactured by the Company that contained a quantity of the active ingredient which was less than declared on the package insert. According to the plaintiff's claim, the product was being used during the plaintiff's treatment for in-vitro fertilization. The claim was accompanied by a request for the certification of a class action for other potentially similarly situated plaintiffs. The amount of the single personal claim is approximately $14 thousand, and the alleged class action measure of damages is approximately $130 million. Teva intends to vigorously defend itself against the claim and, based upon the advice of counsel, Teva believes that it has meritorious defenses against the approval of the claim as a class action. However, if the outcome of this litigation was negative, Teva believes that it has adequate insurance to cover the claim. No provision for this matter has been included in Teva's accounts.

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 Genpharm an amount that is not material to Teva's financial position and which had been provided for at the date of the Novopharm acquisition. As a result, the pending litigation, including Novopharm's counterclaim, has been dismissed with prejudice.

In May, 2001 a claim for approximately$ 3.6 million was filed against Teva in the District Court of Jerusalem by 26 plaintiffs alleging that they were harmed as a result of the treatment their mothers had received during their pregnancy. The complaint alleges that the plaintiffs' mothers had been treated during time periods falling between the early 1950s until the early 1970s during pregnancy with the medicines Synformon and/or Synoestron, which contain the substance diethylstilbestrol (DES). The claim is also directed at Israel's Ministry of Health, which authorized the use of these drugs in Israel. Teva has not yet responded to this claim. However, Teva intends to vigorously defend itself and believes that it has meritorious defenses against this claim. No provision for this matter has been included in Teva's accounts.

Teva USA, along with Elan Corporation, Elan Pharma Ltd. and Biovail are defendants in a patent litigation brought by Bayer AG and Bayer Corporation relating to Nifedipine Extended Release Tablets, 30mg., which was pending in the U.S. District Court of Delaware. On March 27, 2001, the court granted a motion for summary judgment in favor of defendants and dismissed the case. Bayer filed a notice of appeal on April 18, 2001.

SIGNATURES

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

Teva Pharmaceutical Industries Limited
(Registrant)

By: /S/ DAN SUESSKIND
Dan Suesskind
Chief Financial Officer

Date: August 13, 2001