TEVA PHARMACEUTICAL INDUSTRIES LTD
Form 6-K
October 31, 2013

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the month of October 2013

Commission File Number 001-16174

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

(Translation of registrant s name into English)

5 Basel Street, P.O. Box 3190

Petach Tikva 4951033 Israel

(Address of principal executive offices)

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

Form 20-F x Form 40-F ¨

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

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

Table of Contents

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

INDEX

	Page
Consolidated Statements of Income (Loss)	2
Condensed Consolidated Statements of Comprehensive Income	3
Consolidated Balance Sheets	4
Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6
Operating and Financial Review and Prospects	24
Risk Factors	49
Quantitative and Qualitative Disclosures About Market Risk	50
Legal Proceedings	50

Exhibits

Exhibit No.	Description
EX-101.INS	XBRL Taxonomy Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema Document
EX-101.CAL	XBRL Taxonomy Calculation Linkbase Document
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	XBRL Taxonomy Label Linkbase Document
EX-101.PRE	XBRL Taxonomy Presentation Linkbase Document

INTRODUCTION AND USE OF CERTAIN TERMS

Unless otherwise indicated or the context otherwise requires, all references to the Company, we, our and Teva refer Teva Pharmaceutical Industries Limited and its subsidiaries and references to revenue refer to net revenue. References to U.S. dollars, U.S. $ and $ are to the lawful currency of the United States of America, and references to NIS are t new Israeli shekels. Market share data is based on information provided by IMS Health Inc., a leading provider of market research to the pharmaceutical industry (IMS), unless otherwise stated. References to our ROW are to our Rest of the World markets. References to P&G are to The Procter & Gamble Company, and references to PGT are to PGT Healthcare, the joint venture we formed with P&G.

Table of Contents

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

(Unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net revenues	$ 5,059	$ 4,972	$ 14,884	$ 15,068
Cost of sales	2,429	2,371	7,071	7,201
Gross profit	2,630	2,601	7,813	7,867
Research and development expenses	348	324	1,016	914
Selling and marketing expenses	971	914	2,948	2,823
General and administrative expenses	297	292	923	920
Legal settlements, impairments, restructuring and others	213	1,131	1,837	1,335
Operating income (loss)	801	(60)	1,089	1,875
Financial expenses net	76	73	340	240
Income (loss) before income taxes	725	(133)	749	1,635
Income taxes	12	(57)	(157)	(27)
Share in losses of associated companies net	7	8	30	32
Net income (loss)	706	(84)	876	1,630
Net loss attributable to non-controlling interests	(5)	(5)	(13)	(13)
Net income (loss) attributable to Teva	$ 711	$ (79)	$ 889	$ 1,643
Earnings (loss) per share attributable to Teva:				
Basic	$ 0.84	$ (0.09)	$ 1.05	$ 1.88
Diluted	$ 0.84	$ (0.09)	$ 1.04	$ 1.88
Weighted average number of shares (in millions):				
Basic	845	869	850	873
Diluted	846	869	851	875

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

2

Table of Contents

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(U.S. dollars in millions)

(Unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net income (loss)	$ 706	$ (84)	$ 876	$ 1,630
Other comprehensive income, net of tax:				
Currency translation adjustment	359	449	(96)	374
Unrealized gain (loss) on derivative financial instruments, net	(76)	(28)	(64)	12
Unrealized gain (loss) from available-for-sale securities, net	5	24	*	(21)
Other	11	6	20	(9)
Total comprehensive income	1,005	367	736	1,986
Comprehensive loss attributable to the non-controlling interests	2	5	12	13
Comprehensive income attributable to Teva	$ 1,007	$ 372	$ 748	$ 1,999

* Less than $0.5 million.

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

Table of Contents

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in millions)

(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,148	$ 2,879
Accounts receivable	5,191	5,572
Inventories, see note 4	5,244	5,502
Deferred taxes	1,062	1,142
Other current assets	1,261	1,260
Total current assets	13,906	16,355
Other non current assets	1,532	1,338
Property, plant and equipment, net	6,501	6,315
Identifiable intangible assets, net	7,004	7,745
Goodwill	18,907	18,856
Total assets	$ 47,850	$ 50,609
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current maturities of long term liabilities	$ 2,536	$ 3,006
Sales reserves and allowances, see note 6	4,658	4,934
Accounts payable and accruals	3,049	3,376
Other current liabilities	1,917	1,572
Total current liabilities	12,160	12,888
Long-term liabilities:		
Deferred income taxes	1,424	1,849
Other taxes and long term payables	1,817	1,293
Senior notes and loans	10,061	11,712
Total long term liabilities	13,302	14,854
Contingencies, see note 12		
Total liabilities	25,462	27,742
Equity:		

Teva shareholders equity:				
Ordinary shares of NIS 0.10 par value per share; September 30, 2013 and December 31, 2012: authorized 2,500 million shares; issued 944 million shares		50		50
Additional paid-in capital		13,551		13,474
Retained earnings		12,432		12,346
Accumulated other comprehensive loss		(157)		(17)
Treasury shares as of September 30, 2013 and December 31, 2012 99 million ordinary shares and 87 million ordinary shares, respectively		(3,568)		(3,085)
		22,308		22,768
Non-controlling interests		80		99
Total equity		22,388		22,867
Total liabilities and equity	$	47,850	$	50,609

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

Table of Contents

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in millions)

(Unaudited)

	Nine months ended September 30, 2013	2012
Operating activities:		
Net income	$ 876	$ 1,630
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	1,206	1,315
Deferred income taxes net and uncertain tax positions	(666)	(503)
Net change in operating assets and liabilities	609	(34)
Impairment of long lived assets	195	576
Other items	138	(38)
Stock-based compensation	42	61
Loss (gain) from sale of long lived assets and investments	21	(12)
Net cash provided by operating activities	2,421	2,995
Investing activities:		
Purchases of property, plant and equipment	(717)	(777)
Proceeds from sales of long lived assets and investments	173	200
Purchases of investments and other assets	(157)	(73)
Other investing activities	(91)	(75)
Acquisitions of subsidiaries, net of cash acquired	(39)	
Net cash used in investing activities	(831)	(725)
Financing activities:		
Repayment of long-term loans and other long-term liabilities	(2,005)	(1,184)
Dividends paid	(813)	(641)
Purchases of treasury shares	(497)	(667)
Proceeds from exercise of options by employees	29	24
Other financing activities	20	
Proceeds from long-term loans and other long-term liabilities	2	1,240
Net change in short-term credit		(2,514)
Proceeds from senior notes-net		1,798
Net cash used in financing activities	(3,264)	(1,944)
Translation adjustment on cash and cash equivalents	(57)	10

Net change in cash and cash equivalents	(1,731)	336
Balance of cash and cash equivalents at beginning of period	2,879	1,096
Balance of cash and cash equivalents at end of period	$ 1,148	$ 1,432

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

5

Table of Contents

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

Notes To Condensed Consolidated Financial Statements

(Unaudited)

NOTE 1 Basis of presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements. In the opinion of management, the financial statements reflect all adjustments necessary to fairly state the financial position and results of operations of Teva Pharmaceutical Industries Limited (Teva or 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 its Annual Report on Form 20-F for the year ended December 31, 2012, as filed with the Securities and Exchange Commission. Amounts at December 31, 2012 were derived from the audited balance sheet at that date, but not all disclosures required by accounting principles generally accepted in the United States are included. The results of operations for the nine months ended September 30, 2013 are not necessarily indicative of results that could be expected for the entire fiscal year.

NOTE 2 Recently adopted and issued accounting pronouncements:

In July 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-11, which requires that a non-recognized tax benefit be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. This net presentation is required unless a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset to settle any additional income tax that would result from the disallowance of the unrecognized tax benefit. ASU 2013-11 is effective for fiscal years beginning after December 15, 2013, with early adoption permitted. Teva is assessing whether the adoption of this standard will have a material impact on its consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, which provides further guidance on accounting for the release of a cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets and provides guidance for the acquisition in stages of a controlling interest in a foreign entity. ASU 2013-05 is effective for fiscal years beginning after December 15, 2013, with early adoption permitted. Teva believes that the adoption of this standard will not have a material impact on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, except for obligations addressed within existing guidance under U.S. generally accepted accounting principles. The update is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2013, with early adoption permitted. Teva believes that the adoption of this standard will not have a material impact on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, which relates to additional reporting and disclosure of amounts reclassified out of accumulated other comprehensive income (OCI). Under this guidance, companies are required to disclose the amount of income (or loss) reclassified out of OCI to each line item on the income statement where net income is presented. The guidance allows companies to elect whether to disclose the reclassification in the notes to the financial statements or in the income statement. This update was effective for annual and interim reporting periods for fiscal years beginning after December 15, 2012.

In January 2013, the FASB issued ASU 2013-01, which clarifies that a previous update applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. This update was effective for annual and interim reporting periods for fiscal years beginning on or after January 1, 2013. Teva s adoption of this standard did not have a material impact on its consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, which amends previous guidance on testing certain indefinite-lived intangible assets, other than goodwill, for impairment by allowing an entity to perform a qualitative impairment assessment. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not (i.e., a likelihood of more than 50 percent) impaired, the entity would not need to

Table of Contents

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

Notes To Condensed Consolidated Financial Statements

(Unaudited)

calculate the fair value of the asset and perform a quantitative impairment test. In addition, the standard does not amend the requirement to test these assets for impairment between annual tests if there is a change in events or circumstances; however, it does revise the examples of events and circumstances that an entity should consider in interim periods. ASU 2012-02 was effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Teva s adoption of this standard did not have a material impact on its consolidated financial statements.

NOTE 3 Certain transactions:

MicroDose Therapeutx:

On July 8, 2013, Teva acquired MicroDose Therapeutx, Inc. (MicroDose), a pharmaceutical and drug delivery company focused on inhalation technologies and products for lung diseases and infections. MicroDose s portfolio includes MDT-637, a phase-2 candidate, and an early stage asthma/COPD drug candidate. Under the terms of the agreement, Teva acquired all of MicroDose s outstanding shares for a payment at closing of approximately $40 million.

Teva may make additional milestone payments, sales-based milestone payments and tiered royalty payments upon commercialization, which currently have a fair value of approximately $230 million, based on a preliminary purchase price allocation.

Pro forma information giving effect to the acquisition has not been provided as the results would not be material.

Debt repayment:

During the first quarter of 2013, Teva prepaid a total of approximately $1.8 billion of debt, consisting of $1 billion principal amount of its 1.7% senior notes due 2014, $500 million principal amount of its 5.55% senior notes due 2016, and $248 million of the European Investment Bank floating rate loan due 2015. During the second quarter of 2013, Teva repaid the $200 million principal amount of floating-rate senior notes issued in November 2011 as part of the financing of the Cephalon acquisition, which matured in May 2013.

Amendment 69 to the Israeli Law for the Encouragement of Capital Investments:

During the second quarter of 2013, Teva paid taxes in the amount of 336 million new Israeli shekels (approximately $91 million) under Amendment 69 to the Israeli Law for the Encouragement of Capital Investments. This amendment permits an Israeli company to pay a reduced tax rate on its tax-exempt profits accumulated prior to the end of 2011, which the company can then distribute to its shareholders without paying additional corporate tax. The payment was made by one of Teva s Israeli subsidiaries with respect to its own tax-exempt profits.

Should Teva decide, prior to November 11, 2013, to pay additional amounts under the amendment with respect to its remaining Israeli tax-exempt profits, such payments could amount to up to approximately $650 million. See note 14f to our consolidated financial statements for the year ended December 31, 2012.

NOTE 4 Inventories:

Inventories consisted of the following:

	September 30, 2013	**December 31, 2012**
	U.S. $ in millions	
Finished products	$ 2,736	$ 2,871
Raw and packaging materials	1,592	1,754
Products in process	718	751
Goods in transi		