

NORTHROP GRUMMAN CORP /DE/  
Form DEF 14A  
April 09, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement                 | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
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| <input type="checkbox"/> Definitive Additional Materials             |  |
| <input type="checkbox"/> Soliciting Material Pursuant to §240.14a-12 |  |

**Northrop Grumman Corporation**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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April 9, 2010

On behalf of the Board of Directors and management team, we cordially invite you to attend Northrop Grumman Corporation's 2010 Annual Meeting of Shareholders. This year's meeting will be held Wednesday, May 19, 2010 at the Aerospace Presentation Center, located in Redondo Beach, California, beginning at 8:00 a.m. Pacific Daylight Time.

We look forward to meeting those of you who are able to attend the meeting. For those who are unable to attend, live coverage of the meeting will be available on the Northrop Grumman Web site at [www.northropgrumman.com](http://www.northropgrumman.com).

At this meeting, shareholders will vote on matters set forth in the accompanying Notice of Annual Meeting and Proxy Statement. We will also provide a report on our company and will entertain questions of general interest to the shareholders.

Your vote is important. Your proxy or voting instruction card includes specific information regarding the several ways to vote your shares. We encourage you to vote as soon as possible, even if you plan to attend the meeting. You may vote over the Internet, by telephone or by mailing a proxy or voting instruction card.

Thank you for your continued interest in Northrop Grumman Corporation.

Lew Coleman

Wes Bush

Non-executive Chairman

Chief Executive Officer and President

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
AND PROXY STATEMENT**

**NOTICE**

The Annual Meeting of Shareholders of Northrop Grumman Corporation will be held on Wednesday, May 19, 2010 at 8:00 a.m. Pacific Daylight Time at the Aerospace Presentation Center, One Space Park, Redondo Beach, California 90278.

Shareholders of record at the close of business on March 23, 2010 are entitled to vote at the Annual Meeting. The following items are on the agenda:

- (1) The election of the twelve nominees named in the attached Proxy Statement as directors to hold office until the 2011 Annual Meeting of Shareholders;
- (2) A proposal to ratify the appointment of Deloitte & Touche LLP as the Company's independent auditor for fiscal year ending December 31, 2010;
- (3) A proposal to amend and restate the Company's Restated Certificate of Incorporation to provide holders of 25% of the Company's voting stock the right, subject to any limitations imposed in the Company's Bylaws, to cause a special meeting to be called and to make certain other revisions;
- (4) A proposal to amend the Certificate of Incorporation of our wholly-owned Subsidiary Northrop Grumman Systems Corporation to eliminate the requirement for Northrop Grumman Corporation shareholders to approve certain actions by or involving that subsidiary;
- (5) One shareholder proposal included and discussed in the accompanying Proxy Statement; and
- (6) Other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

All shareholders are invited to attend the Annual Meeting. To be admitted you will need a form of photo identification. If your broker holds your shares in street name, you will also need proof of beneficial ownership of Northrop Grumman common stock.

By order of the Board of Directors,

Joseph F. Coyne, Jr.

*Corporate Vice President, Deputy*

*General Counsel and Secretary*

1840 Century Park East

Los Angeles, California 90067

April 9, 2010

**IMPORTANT**

**To assure your representation at the Annual Meeting, please sign, date and return the enclosed proxy card for which a return envelope is provided. No postage is required if mailed in the United States.**

**You may also submit a proxy by telephone or over the Internet. For instructions on submitting an electronic proxy please see page 2 of this Proxy Statement or the proxy card.**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting:**

**The Proxy Statement for the 2010 Annual Meeting of Shareholders and the Annual Report for the year ended December 31, 2009 are available at: [www.edocumentview.com/noc](http://www.edocumentview.com/noc).**

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**PROXY STATEMENT**

**GENERAL INFORMATION**

This Proxy Statement is issued in connection with the solicitation of the enclosed proxy by the Board of Directors of Northrop Grumman Corporation for use at the 2010 Annual Meeting of Shareholders. Our principal office is located at 1840 Century Park East, Los Angeles, California, 90067. We intend to mail a Notice of Internet Availability of Proxy Materials to shareholders of record and to make this Proxy Statement and accompanying materials available on the Internet on or about April 9, 2010.

Instead of mailing a printed copy of this Proxy Statement and accompanying materials to each shareholder of record, we have elected to provide a Notice of Internet Availability of Proxy Materials as permitted by the rules of the Securities and Exchange Commission. Such Notice instructs you as to how you may access and review all of the proxy materials and how you may provide your proxy. If you would like to receive a printed or e-mail copies of this Proxy Statement and accompanying materials from us, you must follow the instructions for requesting such materials included in the Notice.

**Outstanding Voting Securities**

On March 23, 2010 there were 300,845,143 shares of our common stock outstanding. Holders of record at the close of business on that date are entitled to vote at the Annual Meeting. Each share is entitled to one vote.

**Voting at the Meeting or by Proxy**

Shares represented by a properly executed proxy will be voted at the meeting in accordance with the shareholder's instructions. If no instructions are given, the shares will be voted according to the recommendations of the Board of Directors. Therefore, if no instructions are given, the proxyholders named on the card will vote FOR each of the twelve director nominees listed under Proposal One, FOR Proposal Two to ratify the appointment of Deloitte & Touche LLP as our independent auditor for the year ending December 31, 2010, FOR Proposal Three, the management proposal to amend and restate our Restated Certificate of Incorporation, FOR Proposal Four, the management proposal to amend the Certificate of Incorporation of Northrop Grumman Systems Corporation, and AGAINST Proposal Five, the shareholder proposal asking us to reincorporate in North Dakota. If shares are held on an individual's behalf under any of our savings plans, the proxy will serve to provide confidential instructions to the plan Trustee or Voting Manager who then votes the participant's shares in accordance with the individual's instructions. For those participants who do not return executed proxy cards, the applicable Trustee or Voting Manager will vote their plan shares in the same proportion as shares held under the plan for which voting directions have been received, unless the Employee Retirement Income Security Act (ERISA) requires a different procedure.

A shareholder who executes a proxy may revoke it at any time before its exercise by delivering a written notice of revocation to the corporate secretary or by signing and delivering another proxy that is dated later. A shareholder attending the meeting in person may revoke the proxy by giving notice of revocation to the inspector of election at the meeting or by voting at the meeting. If any other matters are properly brought before the meeting, the enclosed proxy card gives discretionary authority to the proxyholders named on the card to vote the shares in their best judgment.

Voting instructions from savings plan participants must be received by the plan Trustee or Voting Manager by 11:59 p.m. Eastern Time on May 16, 2010 to be used by the plan Trustee or Voting Manager to determine the votes for plan shares.

With respect to the election of directors, shareholders may vote for, against, or abstain in regards to each nominee. With respect to each other proposal, shareholders may vote in favor of the proposal, against the proposal or abstain from voting.

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Brokers who hold shares of common stock for the accounts of their clients may vote such shares either as directed by their clients or in their own discretion if permitted by the stock exchanges or other organizations of which they are members. Members of the New York Stock Exchange (NYSE) are permitted to vote their clients' proxies in their own discretion on certain matters if the clients have not furnished voting instructions within ten days of the meeting. However, NYSE Rule 452 defines various proposals as "non-discretionary" and brokers who have received no instructions from their clients do not have discretion to vote on those items. When a broker votes a client's shares on some but not all of the proposals at a meeting, the withheld votes are referred to as "broker non-votes". We expect the NYSE will deem Proposals Two, Three and Four to be discretionary such that brokers will be entitled to vote shares on behalf of their clients in the absence of instructions received ten days prior to the meeting.

For Proposal One, the election of directors, a nominee will be elected if the votes cast for his or her election exceed the votes cast against his or her election. Abstentions and broker non-votes will not have any effect on the outcome of a nominee's election. Proposal Two, the ratification of the appointment of Deloitte & Touche LLP as our independent auditor will be adopted by shareholders if the votes cast for the proposal exceed the votes cast against the proposal. Abstentions and broker non-votes (if any) will not have any effect on the outcome of Proposal Two. For Proposals Three and Four, the management proposals to amend and restate our Restated Certificate of Incorporation and to amend the Certificate of Incorporation of our wholly-owned subsidiary Northrop Grumman Systems Corporation, the affirmative vote of a majority of the voting power of the outstanding shares of common stock is required for approval of these proposals. Abstentions and broker non-votes (if any) will have the same effect as votes against these proposals. For Proposal Five and all other proposals properly submitted for shareholder action at the meeting, such proposals will be adopted by the shareholders if the votes cast for the proposal exceed the votes cast against the proposal. Abstentions and broker non-votes (if brokers cannot vote on the proposal absent client instruction) will not have any effect on the outcome of Proposal Five or other proposals properly brought before the meeting.

The presence in person or by proxy of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast will constitute a quorum at the Annual Meeting. Persons returning executed proxy cards will be counted as present for purposes of establishing a quorum even if they abstain from voting on any or all proposals. Shares held by brokers who vote such shares on any proposal will be counted as present for purposes of establishing a quorum, and broker non-votes on other proposals will not affect the presence of a quorum.

### **Voting by Telephone or on the Internet**

Registered shareholders and participants in our savings plans may grant a proxy for their shares over the telephone or on the Internet.

Our Bylaws specifically permit electronically transmitted proxies. The procedures available to registered shareholders to permit them to transmit proxies electronically are designed to authenticate the identity of each shareholder.

Registered shareholders and plan participants may go to [www.edocumentview.com/noc](http://www.edocumentview.com/noc) to view the Proxy Statement and Annual Report on the Internet. Registered shareholders and plan participants may vote on the Internet, as well as view the documents, by logging on to [www.envisionreports.com/noc](http://www.envisionreports.com/noc) and following the instructions given. Any registered shareholder or plan participant may also grant a proxy by calling 800-652-VOTE (800-652-8683) (toll-free) with a touch-tone telephone and following the recorded instructions.

Persons who own stock beneficially through a bank, broker or other agent may not vote directly. They will instead need to instruct the record owner as to the voting of their shares using the procedure identified by the bank, broker or other agent. Beneficial owners who hold our common stock in "street name" through a broker receive voting instruction forms from their broker. Most beneficial owners will be able to provide voting instructions by telephone or the Internet by following the instructions on the form they receive from their broker. Beneficial owners may view the Proxy Statement and Annual Report on the Internet by logging on to <http://www.edocumentview.com/noc>.

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The method used to grant a proxy or give voting instructions will not affect a registered shareholder's right to attend or vote at the Annual Meeting. A person who beneficially owns shares of common stock through a bank, broker or other nominee can vote his or her shares in person at the Annual Meeting only if he or she obtains from the bank, broker or other nominee a proxy, often referred to as a "legal proxy", to vote those shares, and presents such proxy to the inspector of election at the meeting together with his or her ballot.

**VOTING SECURITIES****Stock Ownership of Certain Beneficial Owners**

On December 31, 2009, there were 307,233,773 shares of our common stock outstanding. The following entities beneficially owned, to our knowledge, more than five percent of the outstanding common stock as of December 31, 2009:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
State Street Bank and Trust Company One Lincoln Street, Boston, MA 02111	33,184,587 shares(a)	10.80%
Capital World Investors 333 South Hope Street, Los Angeles, CA 90071	25,704,943 shares(b)	8.37%
BlackRock Inc. 40 East 52 <sup>nd</sup> Street, New York, NY 10022	24,836,530 shares(c)	8.08%

- (a) This information was provided by State Street Bank and Trust Company ( "State Street" ) in a Schedule 13G filed with the Securities and Exchange Commission ( "SEC" ) on February 12, 2010. According to State Street, as of December 31, 2009, State Street had shared voting power over 33,184,587 shares and shared dispositive power over 33,106,802 shares. This total includes 21,986,329 shares held in the Defined Contributions Master Trust for the Northrop Grumman Savings Plan for which State Street acts as a trustee.
- (b) This information was provided by Capital World Investors, a division of Capital Research and Management Company, in a Schedule 13G/A filed with the SEC on February 10, 2010. According to Capital World Investors, as of December 31, 2009, Capital World Investors had sole dispositive power over 25,704,943 shares and sole voting power over 1,221,700 shares.
- (c) This information was provided by BlackRock, Inc. (which acquired Barclays Global Investors effective December 1, 2009) in a Schedule 13G filed with the SEC on January 29, 2010. According to BlackRock, Inc., as of December 31, 2009, BlackRock, Inc. had sole voting power over 24,836,530 shares and sole dispositive power over 24,836,530 shares.

**Table of Contents****Stock Ownership of Officers and Directors**

The following table shows beneficial ownership (as defined by applicable rules for proxy statement reporting purposes) of our common stock as of March 23, 2010 by each director nominee, by the former Chief Executive Officer, the current Chief Executive Officer, the Chief Financial Officer, and the other two most highly compensated executive officers as of December 31, 2009 (collectively, the Named Executive Officers ) and all directors and executive officers as a group. Unless otherwise indicated, each individual has sole investment power and sole voting power with respect to the shares owned by such person. No family relationship exists between any of the nominees for director or executive officers of the Company.

	Shares of Common Stock Beneficially Owned	Share Equivalents(1)	Shares Subject to Option(2)	Total
<b>Non-Employee Directors</b>				
Lewis W. Coleman (3)	7,572	17,417	10,500	35,489
Thomas B. Fargo	0	3,611	0	3,611
Victor H. Fazio	3,178(4)	17,677	6,000	26,855
Donald E. Felsing	0	8,891	0	8,891
Stephen E. Frank	1,000	7,683	0	8,683
Bruce S. Gordon	0	2,921	0	2,921
Madeleine Kleiner	0	2,921	0	2,921
Karl J. Krapek	0	4,958	0	4,958
Richard B. Myers	0	6,870	0	6,870
Aulana L. Peters	12,475	10,224	15,000	37,699
Kevin W. Sharer	2,995	17,447	6,000	26,442
<b>Named Executive Officers</b>				
Ronald D. Sugar (5)	447,781(6)	0	1,515,786	1,963,567
Wesley G. Bush	92,074(7)	4,626	458,333	555,033
James F. Palmer	29,224	0	138,249	167,473
Gary W. Ervin	18,825	5,453	110,249	134,527
James F. Pitts	32,328	0	198,682	231,010
Directors and Executive Officers as a Group (27 persons)	954,300(8)	210,538	3,497,870	4,662,708(9)

- (1) Share equivalents for directors represent non-voting deferred stock units acquired under the 1993 Stock Plan for Non-Employee Directors ( 1993 Directors Plan ) some of which are paid out in shares of Common Stock at the conclusion of a director-specified deferral period, and others are paid out upon termination of the director's service on the Board of Directors. The Named Executive Officers hold share equivalents with pass-through voting rights in the Northrop Grumman Savings Plan.
- (2) These shares subject to option are either currently exercisable or exercisable within 60 days as of March 23, 2010.
- (3) Mr. Coleman is also non-executive Chairman of the Board.
- (4) Total includes 1,259 shares held in the Company's Dividend Reinvestment Plan.
- (5) Dr. Sugar served as Chairman and Chief Executive Officer through December 31, 2009.
- (6) 409,000 shares are held in the Sugar Family Trust of which Dr. Sugar is trustee.

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- (7) The shares are held in the W.G. and N.F. Bush Family Trust of which Mr. Bush and his wife are trustees.
- (8) Includes 9,223 shares held by an executive officer in a living trust.
- (9) Total represents 1.5% of the outstanding common stock.

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**PROPOSAL ONE: ELECTION OF DIRECTORS**

At the 2010 Annual Meeting of Shareholders all directors will be elected for a term expiring at the next annual meeting held after their election to that term.

Unless instructed otherwise, the persons named in the accompanying proxy will vote the shares represented by such proxy for the election of the twelve director nominees listed in the table below. Each of the twelve director nominees has consented to serve, and we do not know of any reason why any of them would be unable to serve. If a nominee becomes unavailable or unable to serve before the Annual Meeting (for example, due to serious illness), the Board of Directors may determine to leave the position vacant, reduce the number of authorized directors or designate a substitute nominee. If any nominee becomes unavailable for election to the Board of Directors, an event which is not anticipated, the persons named as proxies have full discretion and authority to vote or refrain from voting for any other nominee in accordance with their judgment.

The following paragraphs include information each of the twelve nominees has provided to us about the positions he or she currently holds, their principal occupation and experience for the past five years, and the other companies of which each nominee currently serves as a director or has served as a director during the past five years. In addition, the information below includes each nominee's specific experience, qualifications, attributes and skills that led the Board to conclude that each nominee should serve as a director. All the nominees are presently serving on the Board of Directors and all nominees will be elected for a one year term.

**Nominees for Director**

**WESLEY G. BUSH, 49.**

*Chief Executive Officer and President, Northrop Grumman Corporation.*

*Director since 2009*

Mr. Wes Bush was elected Chief Executive Officer and President effective January 1, 2010 and has served on the Board of Directors since September 2009. Mr. Bush served as President and Chief Operating Officer from March 2007 through December 2009, as President and Chief Financial Officer from May 2006 through March 2007 and as Corporate Vice President and Chief Financial Officer from March 2005 to May 2006. Following the acquisition of TRW by Northrop Grumman, he was named Corporate Vice President and President of the Space Technology sector. Mr. Bush joined TRW in 1987 and during his career with that company held various leadership positions including president and CEO TRW Aeronautical Systems, vice president and general manager of TRW's telecommunications programs division and vice president and general manager of TRW Ventures. Mr. Bush serves on the board of several non-profit organizations, including the Smithsonian National Air and Space Museum, Conservation International and the Business-Higher Education Forum. He also serves on the National Infrastructure Advisory Council.

Mr. Bush has 26 years of experience in the aerospace and defense industry which have included a broad array of management experience. He has held a number of key positions at our company including chief financial officer, chief operating officer and currently CEO and President. Mr. Bush has extensive international business experience. His service on the boards of non-profit organizations which focus on issues involving homeland security, conservation and higher education in science, technology, engineering, and math enhance the knowledge of the Board in these key areas. Mr. Bush is the only member of management who serves on the Board of Directors.

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**LEWIS W. COLEMAN, 68.**

*Non-executive Chairman of the Board, Northrop Grumman Corporation*

*President and Chief Financial Officer, DreamWorks Animation SKG, a film animation studio.*

*Director since 2001*

Mr. Lewis W. Coleman has been the President of DreamWorks Animation since December 2005 and Chief Financial Officer since March 2007. He has been a director of DreamWorks Animation since 2006. Previously he was the President of the Gordon and Betty Moore Foundation from its founding in November 2000 to December 2004. Prior to that, Mr. Coleman was employed by Banc of America Securities, formerly known as Montgomery Securities where he was a Senior Managing Director from 1995 to 1998 and Chairman from 1998 to 2000. Before he joined Montgomery Securities, Mr. Coleman spent ten years at the Bank of America and Bank of America Corporation where he was successively the Senior Credit Officer in The World Banking Group, Head of Global Capital Markets, Head of the World Banking Group, and Vice Chairman of the Board and Chief Financial Officer. He spent the previous thirteen years at Wells Fargo Bank where his positions included Head of International Banking, Chief Personnel Officer and Chairman of the Credit Policy Committee. Mr. Coleman earned a bachelor's degree in economics from Stanford University and currently serves as a director of DreamWorks Animation. He served as a director of Regal Entertainment during the past five years.

Mr. Coleman brings extensive banking and financial experience and has demonstrated his board leadership skills since serving as our lead independent director and now as the non-executive Chairman of the Board. He is also active in several non-profit organizations which allows him to bring a broad perspective to our Board of Directors on a number of non-financial issues. These non-profit organizations include several environmental groups and The National Academies Board on Science, Technology and Economic Policy, which focuses on issues of trade, tax, human resources, research and development, and statistical policy.

**THOMAS B. FARGO, 61.**

*Admiral, United States Navy (Ret.) and Former Commander U.S. Pacific Command.*

*Director since 2008*

Admiral Thomas B. Fargo, USN (Ret.), joined the private sector after a distinguished career serving the U.S. Navy and Department of Defense and is currently a Managing Director of J.F. Lehman & Co. Admiral Fargo served as Commander of the U.S. Pacific Command leading the largest unified command while directing the joint operations of the Army, Navy, Marine Corps and Air Force from May 2002 until his retirement from the United States Navy in March 2005. His 35 years of service included six tours in Washington, D.C. in addition to five commands in the Pacific, Indian Ocean, and Middle East, which included Commander-in-Chief of the U.S. Pacific Fleet, Commander Fifth Fleet and Naval Forces of the Central Command. Admiral Fargo serves on the Boards of Directors for Hawaiian Electric Industries, and USAA as well as several small private companies. He served as director of Hawaiian Airlines during the past five years. He also serves on the Board of Directors of the Japan-America Society of Hawaii, the Iolani School Board of Governors, and the Hawaii Pacific University Board of Trustees.

Admiral Fargo served as Commander of the largest military command in the world, and brings to our Board of Directors senior military, government and operations expertise. His extensive public company board experience has given him expertise in corporate governance, aerospace, transportation and finance. He has received formal training in board service at Harvard University and Stanford University. Admiral Fargo also possesses specialized knowledge in both national and homeland security that is directly relevant to our core business and customers.

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**VICTOR H. FAZIO, 67.**

*Senior Advisor, Akin Gump Strauss Hauer & Feld LLP, a law firm.*

*Director since 2000*

Mr. Victor H. Fazio was named Senior Advisor at Akin Gump Strauss Hauer & Feld LLP in May 2005 after serving as senior partner at Clark & Weinstock since 1999. Prior to that Mr. Fazio was a Member of Congress for 20 years representing California's third congressional district. During that time he served as a member of the Armed Services, Budget and Ethics Committees and was a member of the House Appropriations Committee where he served as Subcommittee Chair or ranking member for 18 years. Mr. Fazio was a member of the elected Leadership in the House from 1989-1998 including four years as Chair of his Party's Caucus, the third ranking position. From 1975 to 1978, Mr. Fazio served in the California Assembly and was a member of the staff of the California Assembly Speaker from 1971 to 1975. He is a member of the board of directors of various private companies and non-profit organizations including the Ice Energy Corporation, Peyton Street Independent Financial Services, Energy Future Coalition, the Campaign Finance Institute, the Committee for a Responsible Federal Budget, Center for Strategic Budgetary Assessments, The Information Technology and Innovation Foundation, UC Davis Medical School Advisory Board, UC Davis Foundation, and the U.S. Capitol Historical Society.

Mr. Fazio's service in Congress brings to our Board of Directors expertise in budgeting, appropriations and national security. He also has public relations experience from running for and serving in public office. As a Senior Advisor for Akin Gump Strauss Hauer & Feld LLP, he has represented clients for a wide variety of public policy matters. His extensive board experience with the American Stock Exchange and our board, as well as his service as Chair of the Governance Committee, gives him broad-based corporate governance expertise and a deep knowledge of our company's governance culture and history.

**DONALD E. FELSINGER, 62.**

*Chairman and Chief Executive Officer, Sempra Energy, an energy services holding company.*

*Director since 2007*

Mr. Donald E. Felsinger is Chairman of the Board of Directors and Chief Executive Officer of Sempra Energy, a position he has held since February 1, 2006. Beginning in January 2005, Mr. Felsinger was President and Chief Operating Officer of Sempra Energy and a member of the board of directors, and from 1998 through 2004, he was Group President and Chief Executive Officer of Sempra Global. Prior to the merger that formed Sempra Energy he served as President and Chief Operating Officer of Enova Corporation, the parent company of San Diego Gas & Electric (SDG&E). Prior positions included President and Chief Executive Officer of SDG&E, Executive Vice President of Enova Corporation, and Executive Vice President of SDG&E. Mr. Felsinger serves on the board of Archer Daniels Midland and is a member of The Conference Board, the Committee Encouraging Corporate Philanthropy, and the USA/Mexico Chamber of Commerce.

Mr. Felsinger brings extensive experience as a board member, chair and CEO with Fortune 500 companies. His leadership roles at Sempra Energy and other energy companies have allowed him to provide our Board of Directors with his expertise in mergers and acquisitions, environmental matters, corporate governance, strategic planning, engineering, finance, human resources, compliance, risk management, international business and public affairs. Mr. Felsinger possesses in-depth knowledge of executive compensation and benefits practices and serves as Chair of the Compensation Committee.



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**STEPHEN E. FRANK, 68.**

*Retired Chairman, President and Chief Executive Officer, Southern California Edison, an electric utility company.*

*Director since 2005*

Mr. Stephen E. Frank served as Chairman, President and Chief Executive Officer of Southern California Edison from 1995 until his retirement in January 2002. During this time he served on the boards of directors of that company and its parent, Edison International. Prior to joining Southern California Edison in 1995, Mr. Frank was President and Chief Operating Officer of Florida Power and Light Company as well as a director of FPL Group, the parent company. He also has served as Executive Vice President and Chief Financial Officer of TRW Inc., as well as Vice President, Controller, and Treasurer of GTE Corporation. His earlier career included financial and sales management positions with U.S. Steel Corporation. He earned a bachelor's degree from Dartmouth College and an MBA in finance from the University of Michigan. He also completed the Advanced Management Program at Harvard Business School. Mr. Frank serves on the board of directors of Washington Mutual, Inc., NV Energy Inc., and AEGIS Insurance Services Limited. He served on the board of Intermec, Inc., Puget Energy, Inc. and LNR Property Corporation during the past five years. He also serves as a board member of the Los Angeles Philharmonic Association and the Reno Philharmonic Association.

Mr. Frank has experience as an executive officer and director of several public companies and brings to our Board of Directors a strong background in finance and operating management in a variety of diversified industries and organizations. He has served in such senior leadership positions as chairman, CEO, president, chief financial officer and controller. Mr. Frank holds an MBA in Finance, is an audit committee financial expert under SEC guidelines and serves as Chair of the Audit Committee.

**BRUCE S. GORDON, 64.**

*Former President & CEO, NAACP and Retired President, Retail Markets Group, Verizon Communications Inc., a telecommunications company.*

*Director since 2008*

Mr. Bruce S. Gordon served as President and Chief Executive Officer of the National Association for the Advancement of Colored People (NAACP) from June 2005 to March 2007. In December 2003, Mr. Gordon retired from Verizon Communications Inc., where he had served as President, Retail Markets Group since June 2000. Prior to that, Mr. Gordon served as Group President of the Enterprise Business Unit, President of Consumer Services, Vice President of Marketing and Sales, and Vice President of Sales for Bell Atlantic Corporation (Verizon's predecessor). He is a trustee of the Alvin Ailey Dance Foundation, The Barnes Foundation, UNICEF, National Underground Railroad Freedom Center; a member of the Executive Leadership Council; and recently chaired the Chancellor's Advisory Board on Student Motivation in the New York Public School System. Mr. Gordon is a director of Tyco International Ltd. and CBS Corporation.

Mr. Gordon brings business leadership skills from his experience with corporate and non-profit enterprises. Mr. Gordon possesses strong skills in marketing and human resources. He has led diversity efforts and gained a reputation as a leader and consensus builder. In addition, his service on boards of other large public companies provides our Board of Directors with insight into large company governance best practices.

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**MADELEINE KLEINER, 58.**

*Former Executive Vice President and General Counsel, Hilton Hotels Corporation, a hotel and resort company.*

*Director since 2008*

Ms. Madeleine Kleiner served as executive vice president and general counsel for Hilton Hotels Corporation from January 2001 until February 2008 when she completed her responsibilities in connection with the sale of the company. From 1999 through 2001 she served as a director of a number of Merrill Lynch mutual funds operating under the Hotchkiss and Wiley name. Ms. Kleiner served as senior executive vice president, chief administrative officer and general counsel of H.F. Ahmanson & Company and its subsidiary, Home Savings of America until the company was acquired in 1998, and prior to that was a partner at the law firm of Gibson, Dunn and Crutcher. Ms. Kleiner is vice chair of the UCLA Medical Center Board of Advisors and a member of the board of the New Village Charter School.

Ms. Kleiner's experience as general counsel for two public companies and as outside counsel to numerous public companies has provided her and brings to our Board of Directors expertise in corporate governance, implementation of Sarbanes-Oxley controls, risk management, securities transactions, mergers and acquisitions, human resources, government relations and crisis management. She also is as an audit committee financial expert under Securities and Exchange Commission guidelines. Ms. Kleiner's training as a lawyer combined with the experience of being a member of executive management of a number of companies makes her a resource for our Board of Directors in its analysis of a variety of business issues.

**KARL J. KRAPEK, 61.**

*Retired President and Chief Operating Officer, United Technologies Corporation, an aerospace and building systems company.*

*Director since 2008*

Mr. Karl J. Krapek retired as president and chief operating officer of United Technologies Corporation in January 2002. At United Technologies Corporation, he served 20 years in various management positions, including executive vice president and director in 1997; president and chief executive officer of Pratt & Whitney in 1992; chairman, president and chief executive officer of Carrier Corporation in 1990; and president of Otis Elevator Company in 1989. Prior to joining United Technologies Corporation, he was manager of Car Assembly Operations for the Pontiac Motor Car Division of General Motors Corporation. In 2002, Mr. Krapek became a co-founder of The Keystone Companies, which develops residential and commercial real estate. Mr. Krapek serves as Chairman of the Board of Trustees of Connecticut State University. He also chairs the Strategic Planning Committee for the Board of Directors at St. Francis Care, Inc., and he chairs the Hartford Youth Scholars Foundation. Mr. Krapek is lead director of The Connecticut Bank and Trust Company, and a director of Prudential Financial, Inc. and Visteon Corporation. He was a director of Delta Airlines Inc. and Alcatel Lucent during the past five years.

Mr. Krapek brings industry experience, leadership skills and public company board experience to our Board of Directors. He has deep operational experience in aerospace and defense in domestic and international business operations and technology. Mr. Krapek also excels in strategic planning and performance improvement. He holds leadership positions at several non-profit charitable and educational organizations.

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**RICHARD B. MYERS, 68.**

*General, United States Air Force (Ret.) and Former Chairman of the Joint Chiefs of Staff.*

*Director since 2006*

General Richard B. Myers retired from his position as the fifteenth Chairman of the Joint Chiefs of Staff on September 30, 2005 after serving in that position for four years. In this capacity, he served as the principal military advisor to the President, the Secretary of Defense, and the National Security Council. Prior to becoming Chairman, he served as Vice Chairman of the Joint Chiefs of Staff from March 2000 to September 2001. As the Vice Chairman, General Myers served as the Chairman of the Joint Requirements Oversight Council, Vice Chairman of the Defense Acquisition Board, and as a member of the National Security Council Deputies Committee and the Nuclear Weapons Council. During his military career, General Myers commands included Commander in Chief, North American Aerospace Defense Command and U.S. Space Command; Commander, Air Force Space Command; Commander Pacific Air Forces; and Commander of U.S. Forces Japan and 5th Air Force at Yokota Air Base, Japan. General Myers is a director of Deere & Company, United Technologies, and Aon Corp. He is Foundation Professor of Military History and Leadership at Kansas State University and occupies the Colin L. Powell Chair for National Security Ethics, Leadership and Character at the National Defense University.

During his extensive career as a senior military officer and Chairman of the Joint Chiefs of Staff, General Myers has held leadership positions at the highest levels of the United States government and armed forces. He possesses a deep understanding of crisis management, and is a leading expert on national security and global geo-political issues. He has extensive experience with Department of Defense operations requirements and is able to provide out Board of Directors with advice on issues related to the intelligence community. General Myers is a recipient of the Presidential Medal of Freedom and serves on boards of several large public companies.

**AULANA L. PETERS, 68.**

*Retired Partner, Gibson, Dunn & Crutcher, a law firm.*

*Director since 1992*

Ms. Aulana L. Peters is a retired partner of the law firm of Gibson, Dunn & Crutcher where she was a partner from 1980 to 1984 and 1988 to December 2000. From 1984 to 1988, she served as a Commissioner of the Securities and Exchange Commission. From January 2001 to April 2002, Ms. Peters served as a member of the Public Oversight Board of the American Institute of Certified Public Accountants. Ms. Peters has also served as a member of the Financial Accounting Standards Board Steering Committee for its Financial Reporting Project and as a member of the Public Oversight Board's Panel on Audit Effectiveness. Currently Ms. Peters serves on the U.S. Comptroller General's Accountability Advisory Council, the International Public Interest Oversight Board, and the Board of Trustees, Mayo Clinic. Ms. Peters is a director of 3M Company and Deere & Company. She served on the board of Merrill Lynch & Co. during the past five years.

Ms. Peters served as a Commissioner of the Securities and Exchange Commission and as a partner in a major law firm. She brings to our Board of Directors extensive public board experience, as well as public accounting and audit committee expertise. Ms. Peters' memberships on the International Public Interest Oversight Board for Auditing and Professional Ethics and the U.S. Comptroller General Accountability Advisory Panel give our Board of Directors access to thought leadership. Accounts receivable 6,056 6,213 Inventories 5,332 5,012 Deferred taxes and other current assets 2,517 2,132 **Total current assets** 14,967 14,453 **Long-term investments and receivables** 1,044 991 **Deferred taxes, deferred charges and other assets** 163 142 **Property, plant and equipment, net** 6,083 5,947 **Identifiable intangible assets, net** 9,500 10,316 **Goodwill** 18,713 18,293 **Total assets** 50,470 50,142 **LIABILITIES AND EQUITY** **Current liabilities:** Short-term debt and current maturities of long term liabilities 3,834 3,749 Convertible senior debentures - short term 531 531 Sales reserves and allowances 4,532 4,428 Accounts payable and accruals 3,199 3,572 Other current liabilities 1,531 1,396 **Total current liabilities** 13,627 13,676 **Long-term liabilities:** Deferred income taxes 2,210 2,610 Other taxes and long term payables 1,276 1,277 Senior notes and loans 10,157 10,236 **Total long term liabilities** 13,643 14,123 **Equity:** Teva shareholders' equity 23,051 22,195 Non-controlling interests 149 148 **Total equity** 23,200 22,343 **Total liabilities and equity** 50,470 50,142



**Condensed Cash Flow**(Unaudited, U.S. Dollars in millions)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities:</b>		
Net income	855	765
Net change in operating assets and liabilities	(281 )	(23 )
Items not involving cash flow	182	158
<b>Net cash provided by operating activities</b>	<b>756</b>	<b>900</b>
<b>Net cash used in investing activities</b>	<b>(194 )</b>	<b>(676 )</b>
<b>Net cash used in financing activities</b>	<b>(613 )</b>	<b>(770 )</b>
<b>Translation adjustment on cash and cash equivalents</b>	<b>17</b>	<b>19</b>
<b>Net change in cash and cash equivalents</b>	<b>(34 )</b>	<b>(527 )</b>
<b>Balance of cash and cash equivalents at the beginning of period</b>	<b>1,096</b>	<b>1,248</b>
<b>Balance of cash and cash equivalents at the end of period</b>	<b>1,062</b>	<b>721</b>

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**Revenues by Geographic Area****(Unaudited)**

	<b>Three months ended</b>				<b>Percentage</b>	<b>Percentage</b>
	<b>March 31,</b>				<b>Change</b>	<b>Change</b>
	<b>2012</b>	<b>2011</b>	<b>% of 2012</b>	<b>% of 2011</b>	<b>2012 from 2011</b>	<b>2012 from 2011</b>
	<b>U.S. \$ in millions</b>					<b>in local currencies</b>
United States:						
Generic	\$ 1,219	\$ 944	24%	23%	29%	29%
Branded	1,497	935	29%	23%	60%	60%
Others	36	3	1%	**	1,100%	1,100%
Total United States	2,752	1,882	54%	46%	46%	46%
Europe*:						
Generic	775	912	15%	23%	(15%)	(12%)
Branded	365	255	7%	6%	43%	49%
Others	176	177	4%	4%	(1%)	11%
Total Europe	1,316	1,344	26%	33%	(2%)	3%
Rest of World:						
Generic	623	479	12%	12%	30%	30%
Branded	212	161	4%	4%	32%	36%
Others	199	214	4%	5%	(7%)	(4%)
Total Rest of World	1,034	854	20%	21%	21%	23%
Total Revenues	\$ 5,102	\$ 4,080	100%	100%	25%	27%

\*All members of the European Union as well as Switzerland and Norway.

\*\* Less than 0.5%.

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**Revenues by Product line**

(Unaudited)

	<b>Three months ended March 31,</b>		<b>Percentage Change 2012 from 2011</b>		
	<b>2012</b>	<b>2011</b>	<b>% of 2012</b>	<b>% of 2011</b>	
	<b>U.S. \$ in million</b>				
<b>Generics</b>	<b>2,617</b>	<b>2,335</b>	<b>51%</b>	<b>57%</b>	<b>12%</b>
<i>API</i>	199	184	4%	5%	8%
<b>Branded Products</b>	<b>2,074</b>	<b>1,351</b>	<b>41%</b>	<b>33%</b>	<b>54%</b>
<i>CNS</i>	1,449	904	29%	22%	60%
Copaxone®	909	838	18%	21%	8%
Provigil®	291	-	6%	-	-
Azilect®	72	66	1%	2%	9%
Nuvigil®	84	-	2%	-	-
<i>Respiratory</i>	190	183	4%	4%	4%
ProAir™	90	101	2%	2%	(11%)
Qvar®	63	55	1%	1%	15%
<i>Women's Health</i>	108	103	2%	3%	5%
<i>Oncology</i>	208	22	4%	1%	845%
Treanda®	148	-	3%	-	-
<i>Other Branded</i>	119	139	2%	3%	(14%)
<b>All Others</b>	<b>411</b>	<b>394</b>	<b>8%</b>	<b>10%</b>	<b>4%</b>
<i>OTC</i>	196	184	4%	5%	7%
<i>Other Revenues</i>	215	210	4%	5%	2%
<b>Total</b>	<b>5,102</b>	<b>4,080</b>	<b>100%</b>	<b>100%</b>	<b>25%</b>

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**Non GAAP reconciliation items****(Unaudited, U.S. Dollars in millions)**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Amortization of purchased intangible assets - under cost of sales</b>	402	151
<b>Inventory step-up - under cost of sales</b>	56	10
<b>Costs related to regulatory actions taken in facilities - under cost of sales</b>	38	50
<b>Amortization of purchased intangible assets - under selling and marketing expenses</b>	12	7
<b>Impairment of long-lived assets</b>	87	11
<b>Restructuring, acquisition and other expenses</b>	43	22
<b>Expense (income) in connection with legal settlements and reserves</b>	19	(4)
<b>Related tax effect</b>	(216)	(72)

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

	Three months ended March 31, 2012 U.S. dollars in millions (except share and per share amounts)				Three months ended March 31, 2011 U.S. dollars in millions (except share and per share amounts)			
	GAAP	Reconciliation	Various non-GAAP measures	Effect of reconciliation item on non-GAAP diluted EPS	GAAP	Reconciliation	Various non-GAAP measures	Effect of reconciliation item on non-GAAP diluted EPS
Net revenue	5,102	-	5,102	-	4,080	-	4,080	-
Cost of sales	2,493	(496 )	1,997	(0.56 )	1,892	(211 )	1,681	(0.23 )
<b>Gross profit</b>	<b>2,609</b>	<b>496</b>	<b>3,105</b>	<b>0.56</b>	<b>2,188</b>	<b>211</b>	<b>2,399</b>	<b>0.23</b>
Research and development expenses - net	292	-	292	-	239	-	239	-
Selling and marketing expenses	928	(12 )	916	(0.01 )	832	(7 )	825	(0.01 )
General and administrative expenses	312	-	312	-	221	-	221	-
Legal settlements, acquisition, restructuring and other expenses and impairment	149	(149 )	-	(0.17 )	29	(29 )	-	(0.03 )
<b>Operating income</b>	<b>928</b>	<b>657</b>	<b>1,585</b>	<b>0.74</b>	<b>867</b>	<b>247</b>	<b>1,114</b>	<b>0.27</b>
Financial expenses – net	70	-	70	-	38	-	38	-
Provision (benefit) for income taxes	(9 )	216	207	0.24	49	72	121	0.07
<b>Net income attributable to Teva</b>	<b>859</b>	<b>441</b>	<b>1,300</b>	<b>0.50</b>	<b>761</b>	<b>175</b>	<b>936</b>	<b>0.20</b>
Earnings per share attributable to Teva:								
Basic	0.98	0.50	1.48		0.85	0.19	1.04	
Diluted	0.97	0.50	1.47		0.84	0.20	1.04	
Weighted average number of shares (in millions):								
Basic	880	-	880		897	-	897	
Diluted	882	-	882		902	-	902	
Add back for diluted earnings per share calculation	*		*		*		*	
Effective tax rate	(1%)	15%	14%		6%	5%	11%	

\* Less than \$0.5  
million.

CONTACT:

Teva Pharmaceutical Industries Ltd.

IR:

United States

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or

Israel

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or

PR:

United States

Denise Bradley, 215-591-8974

or

Israel

Shir Altay-Hagoel, 972 (3) 926-7590

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**SIGNATURES**

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

TEVA PHARMACEUTICAL INDUSTRIES  
LIMITED

(Registrant)

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

Date: May 9, 2012

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