UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2023

OR

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

Commission file number 001-16174

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

(Exact name of registrant as specified in its charter)

Israel	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
124 Dvora HaNevi'a St., Tel Aviv, ISRAEL	**6944020**
(Address of principal executive offices)	**(Zip code)**

+972 (3) 914-8213
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary Share	**TEVA**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of March 31, 2023, the registrant had 1,120,405,816 ordinary shares outstanding.

For an accessible version of this Quarterly Report on Form 10-Q, please visit www.tevapharm.com

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INTRODUCTION AND USE OF CERTAIN TERMS

Unless otherwise indicated, all references to the "Company," "we," "our" and "Teva" refer to Teva Pharmaceutical Industries Limited and its subsidiaries, and references to "revenues" refer to net revenues. References to "U.S. dollars," "dollars," "U.S. $" and "$" are to the lawful currency of the United States of America, and references to "NIS" are to new Israeli shekels. References to "ADS(s)" are to Teva's American Depositary Share(s). References to "MS" are to multiple sclerosis. Market data, including both sales and share data, is based on information provided by IQVIA, a provider of market research to the pharmaceutical industry ("IQVIA"), unless otherwise stated. References to "R&D" are to Research and Development, references to "IPR&D" are to in-process R&D, references to "S&M" are to Selling and Marketing and references to "G&A" are to General and Administrative. Some amounts in this report may not add up due to rounding. All percentages have been calculated using unrounded amounts. This report on Form 10-Q contains many of the trademarks and trade names used by Teva in the United States and internationally to distinguish its products and services. Any third-party trademarks mentioned in this report are the property of their respective owners.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q, and the reports and documents incorporated by reference in this Quarterly Report on Form 10-Q, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are based on management's current beliefs and expectations and are subject to substantial risks and uncertainties, both known and unknown, that could cause our future results, performance or achievements to differ significantly from that expressed or implied by such forward-looking statements. You can identify these forward-looking statements by the use of words such as "should," "expect," "anticipate," "estimate," "target," "may," "project," "guidance," "intend," "plan," "believe" and other words and terms of similar meaning and expression in connection with any discussion of future operating or financial performance. Important factors that could cause or contribute to such differences include risks relating to:

- our ability to successfully compete in the marketplace, including: that we are substantially dependent on our generic products; concentration of our customer base and commercial alliances among our customers; delays in launches of new generic products; the increase in the number of competitors targeting generic opportunities and seeking U.S. market exclusivity for generic versions of significant products; our ability to develop and commercialize biopharmaceutical products; competition for our innovative medicines, including AUSTEDO®, AJOVY® and COPAXONE®; our ability to achieve expected results from investments in our product pipeline; our ability to develop and commercialize additional pharmaceutical products; and the effectiveness of our patents and other measures to protect our intellectual property rights;
- our substantial indebtedness, which may limit our ability to incur additional indebtedness, engage in additional transactions or make new investments, may result in a further downgrade of our credit ratings; and our inability to raise debt or borrow funds in amounts or on terms that are favorable to us;
- our business and operations in general, including: the impact of global economic conditions and other macroeconomic developments and the governmental and societal responses thereto; the widespread outbreak of an illness or any other communicable disease, or any other public health crisis; effectiveness of our optimization efforts; our ability to attract, hire, integrate and retain highly skilled personnel; manufacturing or quality control problems; interruptions in our supply chain; disruptions of information technology systems; breaches of our data security; variations in intellectual property laws; challenges associated with conducting business globally, including political or economic instability, major hostilities or terrorism; costs and delays resulting from the extensive pharmaceutical regulation to which we are subject; the effects of reforms in healthcare regulation and reductions in pharmaceutical pricing, reimbursement and coverage; significant sales to a limited number of customers; our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions; and our prospects and opportunities for growth if we sell assets;
- compliance, regulatory and litigation matters, including: failure to comply with complex legal and regulatory environments; increased legal and regulatory action in connection with public concern over the abuse of opioid medications and any delay in our ability to obtain sufficient participation of plaintiffs for the nationwide settlement of our opioid-related litigation in the United States; scrutiny from competition and pricing authorities around the world, including our ability to successfully defend against the U.S. Department of Justice ("DOJ") criminal charges of Sherman Act violations; potential liability for intellectual property right infringement; product liability claims; failure to comply with complex Medicare and Medicaid reporting and payment obligations; compliance with anti-corruption, sanctions and trade control laws; environmental risks; and the impact of Environmental, Social and Governance ("ESG") issues;
- other financial and economic risks, including: our exposure to currency fluctuations and restrictions as well as credit risks; potential impairments of our long-lived assets; the impact of geopolitical conflicts including the ongoing conflict between Russia and Ukraine; potential significant increases in tax liabilities; and the effect on our overall effective tax rate of the termination or expiration of governmental programs or tax benefits, or of a change in our business;

and other factors discussed in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2022, including in the sections captioned "Risk Factors." Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statements or other information contained herein, whether as a result of new information, future events or otherwise. You are cautioned not to put undue reliance on these forward-looking statements.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONSOLIDATED BALANCE SHEETS
(U.S. dollars in millions, except for share data)
(Unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,143	$ 2,801
Accounts receivables, net of allowance for credit losses of $88 million and $91 million as of March 31, 2023 and December 31, 2022	3,435	3,696
Inventories	4,118	3,833
Prepaid expenses	1,253	1,162
Other current assets	542	549
Assets held for sale	10	10
Total current assets	11,501	12,051
Deferred income taxes	1,572	1,453
Other non-current assets	450	441
Property, plant and equipment, net	5,751	5,739
Operating lease right-of-use assets	420	419
Identifiable intangible assets, net	5,964	6,270
Goodwill	17,799	17,633
Total assets	$ 43,456	$ 44,006
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 1,023	$ 2,109
Sales reserves and allowances	3,309	3,750
Accounts payables	2,381	1,887
Employee-related obligations	432	566
Accrued expenses	2,267	2,151
Other current liabilities	1,000	1,005
Total current liabilities	10,411	11,469
Long-term liabilities:		
Deferred income taxes	550	548
Other taxes and long-term liabilities	3,869	3,847
Senior notes and loans	19,668	19,103
Operating lease liabilities	345	349
Total long-term liabilities	24,433	23,846
Commitments and contingencies, see note 10		
Total liabilities	34,844	35,315
Equity:		
Teva shareholders' equity:		
Ordinary shares of NIS 0.10 par value per share; March 31, 2023 and December 31, 2022: authorized 2,495 million shares; issued 1,226 million shares and 1,217 million shares, respectively	57	57
Additional paid-in capital	27,719	27,688
Accumulated deficit	(13,086)	(12,882)
Accumulated other comprehensive loss	(2,701)	(2,838)
Treasury shares as of March 31, 2023 and December 31, 2022: 106 million ordinary shares	(4,128)	(4,128)
	7,860	7,897
Non-controlling interests	751	794
Total equity	8,612	8,691
Total liabilities and equity	$ 43,456	$ 44,006

Amounts may not add up due to rounding.
The accompanying notes are an integral part of the financial statements.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(U.S. dollars in millions, except share and per share data)
(Unaudited)

	Three months ended March 31,	
	2023	2022
Net revenues	$3,661	$3,661
Cost of sales	2,079	1,921
Gross profit	1,582	1,740
Research and development expenses	234	225
Selling and marketing expenses	546	584
General and administrative expenses	296	296
Intangible assets impairments	178	149
Other assets impairments, restructuring and other items	96	128
Legal settlements and loss contingencies	233	1,124
Other income	(2)	(52)
Operating income (loss)	2	(713)
Financial expenses, net	260	258
Income (loss) before income taxes	(258)	(971)
Income taxes (benefit)	(19)	2
Share in (profits) losses of associated companies, net	§	(21)
Net income (loss)	(238)	(952)
Net income (loss) attributable to non-controlling interests	(33)	3
Net income (loss) attributable to Teva	(205)	(955)
Earnings (loss) per share attributable to ordinary shareholders:		
Basic	$ (0.18)	$ (0.86)
Diluted	$ (0.18)	$ (0.86)
Weighted average number of shares (in millions):		
Basic	1,115	1,107
Diluted	1,115	1,107

§ Represents an amount less than $0.5 million.

Amounts may not add up due to rounding.
The accompanying notes are an integral part of the financial statements.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(U.S. dollars in millions)
(Unaudited)

	Three months ended March 31,	
	2023	2022
Net income (loss)	$(238)	$ (952)
Other comprehensive income (loss), net of tax:		
Currency translation adjustment	120	(64)
Unrealized gain (loss) from derivative financial instruments, net	8	7
Unrealized loss on defined benefit plans	(1)	—
Total other comprehensive income (loss)	127	(57)
Total comprehensive income (loss)	(111)	(1,009)
Comprehensive income (loss) attributable to non-controlling interests	(42)	(50)
Comprehensive income (loss) attributable to Teva	$ (69)	$ (959)

Amounts may not add up due to rounding.
The accompanying notes are an integral part of the financial statements.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Teva shareholders' equity								
	Ordinary shares								
	Number of shares (in millions)	Stated value	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive (loss)	Treasury shares	Total Teva shareholders' equity	Non-controlling interests	Total equity
	(U.S. dollars in millions)								
Balance at December 31, 2022	1,217	57	27,688	(12,882)	(2,838)	(4,128)	7,897	794	8,691
Net Income (loss)				(205)			(205)	(33)	(238)
Other comprehensive income (loss)					136		136	(9)	127
Issuance of Shares	9	*	*				*		*
Stock-based compensation expense			32				32		32
Balance at March 31, 2023	1,226	$ 57	$ 27,719	$ (13,086)	$ (2,701)	$(4,128)	$ 7,860	$ 751	$8,612

* Represents an amount less than $0.5 million.

	Teva shareholders' equity								
	Ordinary shares								
	Number of shares (in millions)	Stated value	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive (loss)	Treasury shares	Total Teva shareholders' equity	Non-controlling interests	Total equity
	(U.S. dollars in millions)								
Balance at December 31, 2021	1,209	57	27,561	(10,529)	(2,683)	(4,128)	10,278	966	11,244
Net Income (loss)				(955)			(955)	3	(952)
Other comprehensive income (loss)					(4)		(4)	(53)	(57)
Issuance of shares	7	*	1				1		1
Stock-based compensation expense			24				24		24
Balance at March 31, 2022	1,216	$ 57	$ 27,587	$ (11,484)	$ (2,687)	$(4,128)	$ 9,344	$ 916	$10,260

* Represents an amount less than $0.5 million.

Amounts may not add up due to rounding.
The accompanying notes are an integral part of the financial statements.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in millions)
(Unaudited)

	Three months ended March 31,	
	2023	2022
Operating activities:		
Net income (loss)	$ (238)	$ (952)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation and amortization	304	323
Impairment of long-lived assets and assets held for sale	189	165
Net change in operating assets and liabilities	(364)	559
Deferred income taxes – net and uncertain tax positions	(106)	(175)
Stock-based compensation	32	24
Other items	34	30
Net loss (gain) from investments and from sale of long lived assets	4	(23)
Net cash provided by (used in) operating activities	(145)	(49)
Investing activities:		
Beneficial interest collected in exchange for securitized trade receivables	323	305
Purchases of property, plant and equipment	(139)	(157)
Proceeds from sale of business and long lived assets	2	25
Acquisition of businesses, net of cash acquired	—	(7)
Purchases of investments and other assets	(4)	(4)
Other investing activities	(1)	(1)
Net cash provided by (used in) investing activities	181	161
Financing activities:		
Repayment of senior notes and loans and other long term liabilities	(3,152)	—
Proceeds from senior notes, net of issuance costs	2,451	—
Other financing activities	(5)	2
Net cash provided by (used in) financing activities	(706)	2
Translation adjustment on cash and cash equivalents	12	(62)
Net change in cash, cash equivalents and restricted cash	(658)	52
Balance of cash, cash equivalents and restricted cash at beginning of period	2,834	2,198
Balance of cash, cash equivalents and restricted cash at end of period	$ 2,176	$2,250
Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets:		
Cash and cash equivalents	2,143	2,175
Restricted cash included in other current assets	33	75
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	2,176	2,250
Non-cash financing and investing activities:		
Beneficial interest obtained in exchange for securitized accounts receivables	$ 334	$ 299

Amounts may not add up due to rounding
The accompanying notes are an integral part of the financial statements.

Note 1 – Basis of presentation:

a. Basis of presentation

The accompanying unaudited 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 normal and recurring adjustments necessary to fairly state the financial position and results of operations of Teva. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission ("SEC"). The year-end balance sheet data was derived from the audited consolidated financial statements as of December 31, 2022, but not all disclosures required by generally accepted accounting principles in the United States ("U.S. GAAP") are included.

In preparing the Company's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity and disclosure of contingent liabilities and assets at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

In preparing the Company's consolidated financial statements, management also considered the economic implications of inflation expectations on its critical and significant accounting estimates. As applicable to these consolidated financial statements, the most significant estimates and assumptions relate to determining the valuation and recoverability of IPR&D assets, marketed product rights and goodwill, assessing sales reserves and allowances in the United States, uncertain tax positions, valuation allowances and contingencies. These estimates could be impacted by higher costs and the ability to pass on such higher costs to customers, which is highly uncertain. Government actions taken to address macroeconomic developments, as well as their economic impact on Teva's third-party manufacturers and suppliers, customers and markets, could also impact such estimates and may change in future periods.

In February 2022, Russia launched an invasion of Ukraine. As of the date of this Quarterly Report on Form 10-Q, sustained conflict and disruption in the region is ongoing. Russia and Ukraine markets are included in Teva's International Markets segment results. Teva has no manufacturing or R&D facilities in these markets. During the three months ended March 31, 2023, the impact of this conflict on Teva's results of operation and financial condition was immaterial.

Teva's results of operations for the three months ended March 31, 2023 are not necessarily indicative of results that could be expected for the entire fiscal year. Certain amounts in the consolidated financial statements and associated notes may not add up due to rounding. All percentages have been calculated using unrounded amounts.

b. Significant accounting policies

Recently adopted accounting pronouncements

In September 2022, the FASB issued ASU 2022-04 "Liabilities — Supplier Finance Programs: Disclosure of Supplier Finance Program Obligations (Subtopic 405-50)". This guidance is intended to address requests from stakeholders for information about an entity's use of supplier finance programs and their effect on the entity's working capital, liquidity and cash flows. The guidance is effective for the fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll-forward information requirement, which is effective for the fiscal years beginning after December 15, 2023. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08 "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers. The guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree. The guidance should be applied prospectively to acquisitions occurring on or after the effective date. The Company adopted the new accounting standard effective January 1, 2023 and the guidance is applied prospectively to all business combinations with an acquisition date occurring on or after January 2023. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Recently issued accounting pronouncements, not yet adopted

None.

NOTE 2 – Certain transactions:

The Company has entered into alliances and other arrangements with third parties to acquire rights to products it does not have, to access markets it does not operate in and to otherwise share development costs or business risks. The Company's most significant agreements of this nature are summarized below.

MODAG

In October 2021, Teva announced a license agreement with MODAG GmbH ("Modag") that will provide Teva an exclusive global license to develop, manufacture and commercialize Modag's lead compound (TEV-56286) and a related compound (TEV-56287). TEV-56286 was initially developed for the treatment of Multiple System Atrophy ("MSA") and Parkinson's disease, and has the potential to be applied to other treatments for neurodegenerative disorders, such as Alzheimer's disease. A phase 1b clinical trial for TEV-56286 was completed and the results are being assessed. In the fourth quarter of 2021, Teva made an upfront payment of $10 million to Modag that was recorded as an R&D expense. Modag may be eligible for future development milestone payments, totaling an aggregate amount of up to $30 million, as well as future commercial milestones and royalties.

Alvotech

In August 2020, Teva entered into an agreement with biopharmaceutical company Alvotech for the exclusive commercialization in the U.S. of five biosimilar product candidates. The initial pipeline for this collaboration contains biosimilar candidates addressing multiple therapeutic areas, including proposed biosimilars to Humira® and Stelara®. Under the terms of the agreement, Alvotech is responsible for the development, registration and supply of the biosimilar product candidates and Teva will exclusively commercialize the products in the United States. Teva made an upfront payment in the third quarter of 2020 and additional upfront and milestone payments in the second quarter of 2021, which were recorded as R&D expenses. Teva also made a milestone payment in January 2023, which was recorded as an R&D expense in the fourth quarter of 2022. Additional development and commercial milestone payments of up to approximately $400 million, as well as royalty payments, may be payable by Teva over the next few years. Teva and Alvotech will share profit from the commercialization of these biosimilars. Pursuant to a settlement agreement entered into in March 2022, regarding certain IP and trade secrets claims filed by Abbvie against Alvotech in relation to Alvotech's proposed biosimilar to Humira® (adalimumab), Alvotech and Teva may sell the proposed biosimilar to Humira® in the United States beginning on July 1, 2023, provided that U.S. regulatory approval is obtained by that date. Alvotech announced they received complete response letters ("CRL") from the FDA with respect to Alvotech's proposed biosimilar to Humira® in September 2022, December 2022 and April 2023. The CRL from April 2023 stated that the application could not be approved at this time based on deficiencies associated with Alvotech's manufacturing facility. The details following the most recent FDA's inspection and CRL are being further assessed to determine next steps. In January 2023, the FDA accepted for review the Biologics License Application ("BLA") for Alvotech's proposed biosimilar to Stelara®.

Otsuka

On May 12, 2017, Teva entered into a license and collaboration agreement with Otsuka Pharmaceutical Co. Ltd. ("Otsuka") providing Otsuka with an exclusive license to develop and commercialize AJOVY in Japan. Otsuka paid Teva an upfront payment of $50 million in consideration for the transaction. In the third quarter of 2020, Otsuka submitted an application to obtain manufacturing and marketing approval for AJOVY in Japan and, as a result, paid Teva a milestone payment of $15 million, which was recognized as revenue in the third quarter of 2020. AJOVY was approved in Japan in June 2021 and launched on August 30, 2021. As a result of the launch, Otsuka paid Teva a milestone payment of $35 million, which was recognized as revenue in the third quarter of 2021. Teva may receive additional milestone payments upon achievement of certain revenue targets. Otsuka also pays Teva royalties on AJOVY sales in Japan.

Takeda

In December 2016, Teva entered into a license agreement with a subsidiary of Takeda Pharmaceutical Company Ltd. ("Takeda"), for the research, development, manufacture and commercialization of ATTENUKINE™ technology. Teva received a $30 million upfront payment and a milestone payment of $20 million in 2017. During the second quarter of 2022, Takeda initiated its phase 2 study of modakafusp alfa (formerly TAK 573 or TEV 48573) and as a result paid Teva a milestone payment of $25 million, which was recognized as revenue in the second quarter of 2022. The license agreement stipulates additional milestone payments to Teva of up to $519 million with respect to this product candidate, as well as future royalties.

MedinCell

In November 2013, Teva entered into an agreement with MedinCell for the development and commercialization of multiple long-acting injectable ("LAI") products. Teva leads the clinical development and regulatory process and is responsible for commercialization of these products. The lead product is risperidone LAI (formerly known as TV-46000). On April 28, 2023, the FDA approved UZEDY™ (risperidone) extended-release injectable suspension for the treatment of schizophrenia in adults. UZEDY is expected to be available in the U.S. in the coming weeks. MedinCell may be eligible for future sales-based milestones of up to $105 million in respect of UZEDY. Teva will also pay MedinCell royalties on net sales.

The second selected product candidate is olanzapine LAI (TEV-44749) for the treatment of schizophrenia. In the third quarter of 2022, Teva decided to progress development of the product to phase 3, and as a result a $3 million milestone payment was paid to MedinCell which was recognized as R&D expenses. MedinCell may become eligible for further milestones and royalties on sales of olanzapine LAI (TEV-44749).

Assets Held for Sale:

General

Assets held for sale as of March 31, 2023 and December 31, 2022 included certain manufacturing assets that were sold in the second quarter of 2023. The table below summarizes all of Teva's assets included as held for sale as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
	(U.S. $ in millions)	
Inventories	2	2
Property, plant and equipment, net and others	18	18
Adjustments of assets held for sale to fair value	(10)	(10)
Total assets of the disposal group classified as held for sale in the consolidated balance sheets	$ 10	$ 10

NOTE 3 – Revenue from contracts with customers:

Disaggregation of revenue

The following table disaggregates Teva's revenues by major revenue streams. For additional information on disaggregation of revenues, see note 15.

	Three months ended March 31, 2023				
	North America	Europe	International Markets	Other activities	Total
	(U.S. $ in millions)				
Sale of goods	1,319	1,176	464	131	3,090
Licensing arrangements	23	14	5	1	43
Distribution	424	§	10	—	434
Other	§	(6)	13	87	95
	$ 1,766	1,184	492	219	3,661

§ Represents an amount less than $0.5 million.

	Three months ended March 31, 2022				
	North America	Europe	International Markets	Other activities	Total
	(U.S. $ in millions)				
Sale of goods	1,377	1,134	445	180	3,136
Licensing arrangements	21	12	4	1	38
Distribution	342	§	16	—	358
Other	(2)	9	27	95	129
	$ 1,737	$1,156	$ 492	$ 275	$3,661

§ Represents an amount less than $0.5 million.

Variable consideration

Variable consideration mainly includes sales reserves and allowances ("SR&A"), comprised of rebates (including Medicaid and other governmental program discounts), chargebacks, returns and other promotional (including shelf stock adjustments) items. Provisions for prompt payment discounts are netted against accounts receivables.

The Company recognizes these provisions at the time of sale and adjusts them if the actual amounts differ from the estimated provisions.

SR&A to U.S. customers comprised approximately 68% of the Company's total SR&A as of March 31, 2023, with the remaining balance primarily related to customers in Canada and Germany. The changes in SR&A for third-party sales for the three months ended March 31, 2023 and 2022 were as follows:

	Sales Reserves and Allowances							
	Reserves included in Accounts Receivable, net	Rebates	Medicaid and other governmental allowances	Chargebacks	Returns	Other	Total reserves included in Sales Reserves and Allowances	Total
				(U.S. $ in millions)				
Balance at January 1, 2023	$ 67	$ 1,575	$ 663	$ 991	$ 455	$ 66	$ 3,750	$ 3,817
Provisions related to sales made in current year period	80	1,003	142	1,855	73	25	3,098	3,178
Provisions related to sales made in prior periods	—	(7)	(36)	(9)	6	(1)	(47)	(47)
Credits and payments	(84)	(1,127)	(289)	(1,973)	(95)	(21)	(3,505)	(3,589)
Translation differences	—	8	2	2	1	§	13	13
Balance at March 31, 2023	$ 63	$ 1,452	$ 482	$ 866	$ 440	$ 69	$ 3,309	$ 3,372

	Sales Reserves and Allowances							
	Reserves included in Accounts Receivable, net	Rebates	Medicaid and other governmental allowances	Chargebacks	Returns	Other	Total reserves included in Sales Reserves and Allowances	Total
				(U.S. $ in millions)				
Balance at January 1, 2022	$ 68	$ 1,655	$ 854	$ 1,085	$ 535	$ 112	$ 4,241	$ 4,309
Provisions related to sales made in current year period	82	928	198	1,814	58	90	3,088	3,170
Provisions related to sales made in prior periods	—	(90)	26	(8)	(14)	(1)	(87)	(87)
Credits and payments	(88)	(1,037)	(270)	(1,940)	(110)	(73)	(3,430)	(3,518)
Translation differences	—	(3)	(1)	—	—	(1)	(5)	(5)
Balance at March 31, 2022	$ 62	$ 1,453	$ 807	$ 951	$ 469	$ 127	$ 3,807	$ 3,869

§ Represents an amount less than $0.5 million.

Pledged accounts receivables

Accounts receivables, net of allowance for credit losses, include $434 million and $436 million as of March 31, 2023 and December 31, 2022, respectively, which are pledged to PNC Bank, National Association in connection with the U.S. securitization program entered into in November 2022. For further information on our securitization facilities, see note 10f to the consolidated financial statements for the year ended December 31, 2022, included in Teva's Annual Report on Form 10-K.

NOTE 4 – Inventories:

Inventories, net of reserves, consisted of the following:

	March 31, 2023	December 31, 2022
	(U.S. $ in millions)	
Finished products	$ 2,110	$ 1,987
Raw and packaging materials	1,205	1,059
Products in process	620	555
Materials in transit and payments on account	183	232
	$ 4,118	$ 3,833

NOTE 5 – Identifiable intangible assets:

Identifiable intangible assets consisted of the following:

	Gross carrying amount net of impairment		Accumulated amortization		Net carrying amount	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
	(U.S. $ in millions)					
Product rights	$ 18,094	$ 18,067	$ 12,934	$ 12,630	$ 5,160	$ 5,437
Trade names	583	577	241	231	342	346
In process research and development	462	487	—	—	462	487
Total	$ 19,139	$ 19,131	$ 13,175	$ 12,861	$ 5,964	$ 6,270

Product rights and trade names

Product rights and trade names are assets presented at amortized cost. Product rights and trade names represent a portfolio of pharmaceutical products in various therapeutic categories from various acquisitions with a weighted average life period of approximately 9 years.

Amortization of intangible assets was $165 million and $200 million in the three months ended March 31, 2023 and 2022, respectively.

IPR&D

Teva's IPR&D are assets that have not yet been approved in its major markets. IPR&D carries intrinsic risks that the asset might not succeed in advanced phases and may be impaired in future periods.

Intangible assets impairments

Impairments of long-lived intangible assets for the three months ended March 31, 2023 and 2022 were $178 million and $149 million, respectively.

Impairments in the first quarter of 2023 consisted of:

(a) Identifiable product rights of $159 million due to: (i) $112 million in Japan, mainly related to regulatory pricing reductions; and (ii) $47 million related to updated market assumptions regarding price and volume of products; and

(b) IPR&D assets of $19 million, related to generic pipeline products resulting from development progress and changes in other key valuation indications (e.g., market size, competition assumptions, legal landscape and launch date).

Impairments in the first quarter of 2022 consisted primarily of identifiable product rights of $129 million related to updated market assumptions regarding price and volume of products acquired from Actavis Generics.

The fair value measurement of the impaired intangible assets in the first quarter of 2023 is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. The discount rate applied ranged from 8.5% to 10%. A probability of success factor ranging from 20% to 90% was used in the fair value calculation to reflect inherent regulatory and commercial risk of IPR&D.

NOTE 6 – Goodwill:

Changes in the carrying amount of goodwill for the period ended March 31, 2023 were as follows:

	North America	Europe	International Markets	Other		Total
				Teva's API	Medis	
	(U.S. $ in millions)					
Balance as of December 31, 2022 (1)	$ 6,450	$8,302	$ 1,339	$1,293	$249	$17,633
Changes during the period:						
Translation differences	1	82	61	12	10	166
Balance as of March 31, 2023 (1)	$ 6,451	$8,384	$ 1,400	$1,305	$259	$17,799

(1) Accumulated goodwill impairment as of March 31, 2023 and December 31, 2022 was approximately $27.6 billion.

Teva operates its business through three reporting segments: North America, Europe and International Markets. Each of these business segments is a reporting unit. Additional reporting units include Teva's production and sale of APIs to third parties ("Teva API") and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through its affiliate Medis. Teva's API and Medis reporting units are included under "Other" in the above table. See note 15 for additional segment information.

Teva determines the fair value of its reporting units using the income approach. The income approach is a forward-looking approach for estimating fair value. Within the income approach, the method used is the discounted cash flow method. Teva begins with a forecast of all the expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then applies a discount rate to arrive at a net present value amount. Cash flow projections are based on Teva's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted average cost of capital ("WACC"), adjusted for the relevant risk associated with country-specific and business-specific characteristics. If any of these expectations were to vary materially from Teva's assumptions, Teva may record an impairment of goodwill allocated to these reporting units in the future.

First Quarter Developments

During the first quarter of 2023, management evaluated whether there were any developments that occurred during the quarter to determine if it was more likely than not that the fair value of any of its reporting units was below its carrying amount as of March 31, 2023. Management concluded that no triggering event had occurred and, therefore, no quantitative assessment was performed.

Following the goodwill impairment charges recorded in the fourth quarter of 2022 in relation to Teva's International Markets and Teva's API reporting units, the carrying values of those reporting units equaled their fair value as of December 31, 2022. Additionally, as part of the quantitative analysis Teva conducted as part of its annual goodwill impairment test in the second quarter of 2022, it concluded that the estimated fair value of Teva's Europe reporting unit exceeded its estimated carrying amount by 9%. Therefore, if business conditions or expectations were to change materially, it may be necessary to record further impairment charges to Teva's International Markets, Teva's Europe or Teva's API reporting units in the future.

NOTE 7 – Debt obligations:

a. Short-term debt:

	Interest rate as of March 31, 2023	Maturity	March 31, 2023	December 31, 2022
			(U.S. $ in millions)	
Convertible senior debentures	0.25%	2026	23	23
Current maturities of long-term liabilities			1,000	2,086
Total short-term debt			$ 1,023	$ 2,109

Convertible senior debentures

The principal amount of Teva's 0.25% convertible senior debentures due 2026 was $23 million as of March 31, 2023 and December 31, 2022. These convertible senior debentures include a "net share settlement" feature according to which the principal amount will be paid in cash and in case of conversion, only the residual conversion value above the principal amount will be paid in Teva shares. Due to the "net share settlement" feature, exercisable at any time, these convertible senior debentures are classified in the Balance Sheet under short-term debt.

b. Long-term debt:

	Interest rate as of March 31, 2023	Maturity	March 31, 2023	December 31, 2022
			(U.S. $ in millions)	
Senior notes EUR 1,500 million	1.13%	2024	683	670
Sustainability-linked senior notes EUR 1,500 million (6)(*)	4.38%	2030	1,635	1,606
Senior notes EUR 1,300 million (9)	1.25%	2023	—	633
Sustainability-linked senior notes EUR 1,100 million (7)(*)	3.75%	2027	1,199	1,177
Senior notes EUR 1,000 million (5)	6.00%	2025	449	1,070
Senior notes EUR 900 million (5)	4.50%	2025	541	963
Sustainability-linked senior notes EUR 800 million (1)(*)	7.38%	2029	872	—
Senior notes EUR 750 million	1.63%	2028	814	800
Senior notes EUR 700 million	1.88%	2027	762	748
Sustainability-linked senior notes EUR 500 million (2)(*)	7.88%	2031	545	—
Senior notes USD 3,500 million (5)	3.15%	2026	3,374	3,496
Senior notes USD 3,000 million (5)	2.80%	2023	1,000	1,453
Senior notes USD 2,000 million	4.10%	2046	1,986	1,986
Senior notes USD 1,250 million (5)	6.00%	2024	957	1,250
Senior notes USD 1,250 million	6.75%	2028	1,250	1,250
Senior notes USD 1,000 million (5)	7.13%	2025	427	1,000
Sustainability-linked senior notes USD 1,000 million (7)(*)	4.75%	2027	1,000	1,000
Sustainability-linked senior notes USD 1,000 million (6)(*)	5.13%	2029	1,000	1,000
Senior notes USD 789 million	6.15%	2036	783	783
Sustainability-linked senior notes USD 600 million (3)(*)	7.88%	2029	600	—
Sustainability-linked senior notes USD 500 million (4)(*)	8.13%	2031	500	—
Senior notes CHF 350 million	1.00%	2025	384	382
Total senior notes			20,761	21,266
Other long-term debt			1	1
Less current maturities			(1,000)	(2,086)
Less debt issuance costs (8)			(94)	(78)
Total senior notes and loans			$ 19,668	$ 19,103

(1) In March 2023, Teva issued sustainability-linked senior notes in an aggregate principal amount of 800 million euro bearing 7.38% annual interest and due September 2029. If Teva fails to achieve certain sustainability performance targets, the interest rate shall increase by 0.100%-0.300% per annum, from and including September 15, 2026.

(2) In March 2023, Teva issued sustainability-linked senior notes in an aggregate principal amount of 500 million euro bearing 7.88% annual interest and due September 2031. If Teva fails to achieve certain sustainability performance targets, the interest rate shall increase by 0.100%-0.300% per annum, from and including September 15, 2026.

(3) In March 2023, Teva issued sustainability-linked senior notes in an aggregate principal amount of $600 million bearing 7.88% annual interest and due September 2029. If Teva fails to achieve certain sustainability performance targets, the interest rate shall increase by 0.100%-0.300% per annum, from and including September 15, 2026.

(4) In March 2023, Teva issued sustainability-linked senior notes in an aggregate principal amount of $500 million bearing 8.13% annual interest and due September 2031. If Teva fails to achieve certain sustainability performance targets, the interest rate shall increase by 0.100%-0.300% per annum, from and including September 15, 2026.

(5) In March 2023, Teva consummated a cash tender offer and extinguished $631 million aggregate principal amount of its 1,000 million euro 6% senior notes due in 2025; $432 million aggregate principal amount of its 900 million euro 4.5% senior notes due in 2025; $574 million aggregate principal amount of its $1,000 million 7.13% senior notes due in 2025; $454 million aggregate principal amount of its $3,000 million 2.8% senior notes due in 2023; $293 million aggregate principal amount of its $1,250 million 6% senior notes due in 2024 and $122 million aggregate principal amount of its $3,500 million 3.15% senior notes due in 2026.

(6) If Teva fails to achieve certain sustainability performance targets, the interest rate shall increase by 0.125%-0.375% per annum, from and including May 9, 2026.

(7) If Teva fails to achieve certain sustainability performance targets, a one-time premium payment of 0.15%-0.45% out of the principal amount will be paid at maturity or upon earlier redemption, if such redemption is on or after May 9, 2026.

(8) Debt issuance costs as of March 31, 2023 include $26 million in connection with the issuance of the sustainability-linked senior notes in March 2023, partially offset by $6 million acceleration of issuance costs related to the cash tender offer.

(9) In March 2023, Teva repaid $646 million of its 1.25% senior notes at maturity.

(*) Interest rate adjustments and a potential one-time premium payment related to the sustainability-linked bonds are treated as bifurcated embedded derivatives. See note 8c.

Long-term debt was issued by several indirect wholly-owned subsidiaries of the Company and is fully and unconditionally guaranteed by the Company as to payment of all principal, interest, discount and additional amounts, if any. The long-term debt outlined in the above table is generally redeemable at any time at varying redemption prices plus accrued and unpaid interest.

Teva's debt as of March 31, 2023 was effectively denominated in the following currencies: 62% in U.S. dollars, 36% in euro and 2% in Swiss franc.

Teva's principal sources of short-term liquidity are its cash on hand, existing cash investments, liquid securities and available credit facilities, primarily its $1.8 billion unsecured syndicated sustainability-linked revolving credit facility entered into in April 2022, which was amended in February 2023 ("RCF").

The RCF has a maturity date of April 2026, with two one-year extension options. The RCF contains certain covenants, including certain limitations on incurring liens and indebtedness and maintenance of certain financial ratios, including a maximum leverage ratio, which becomes more restrictive over time. In addition, the RCF is linked to two sustainability performance targets: (i) the Company's S&P ESG Score and (ii) number of new regulatory submissions in low and middle-income countries. The RCF margin may increase or decrease depending on the Company's sustainability performance.

On February 6, 2023, the terms of the RCF were amended to update the Company's maximum leverage ratio under the RCF for certain periods. Under the terms of the RCF, as amended, the Company's leverage ratio shall not exceed 4.25x in the first, second and third quarters of 2023, 4.00x in the fourth quarter of 2023, 4.00x in the first, second and third quarters of 2024, and 3.50x in the fourth quarter of 2024 and onwards.

The RCF can be used for general corporate purposes, including repaying existing debt. As of March 31, 2023 and as of the date of this Quarterly Report on Form 10-Q, no amounts were outstanding under the RCF. Based on current and forecasted results, the Company expects that it will not exceed the financial covenant thresholds set forth in the RCF within one year from the date the financial statements are issued.

Under specified circumstances, including non-compliance with any of the covenants described above and the unavailability of any waiver, amendment or other modification thereto, the Company will not be able to borrow under the RCF. Additionally, violations of the covenants, under the above-mentioned circumstances, would result in an event of default in all borrowings under the RCF and, when greater than a specified threshold amount as set forth in each series of senior notes and sustainability-linked senior notes is outstanding, could lead to an event of default under the Company's senior notes and sustainability-linked senior notes due to cross-acceleration provisions.

Teva expects that it will continue to have sufficient cash resources to support its debt service payments and all other financial obligations within one year from the date that the financial statements are issued.

NOTE 8 – Derivative instruments and hedging activities:

a. Foreign exchange risk management:

In the first quarter of 2023, approximately 50% of Teva's revenues were denominated in currencies other than the U.S. dollar. As a result, Teva is subject to significant foreign currency risks.

The Company enters into forward exchange contracts and purchases and writes options in order to hedge the currency exposure on balance sheet items, revenues and expenses. In addition, the Company takes measures to reduce its exposure by using natural hedging. The Company also acts to offset risks in opposite directions among the subsidiaries within Teva. The currency hedged items are usually denominated in the following main currencies: euro, Swiss franc, Japanese yen, British pound, Russian ruble, Canadian dollar, Polish zloty, new Israeli shekel, Indian rupee and other currencies. Depending on market conditions, foreign currency risk is also managed through the use of foreign currency debt.

The Company may choose to hedge against possible fluctuations in foreign subsidiaries net assets ("net investment hedge") and has in the past entered into cross-currency swaps and forward-contracts in order to hedge such an exposure.

Most of the counterparties to the derivatives are major banks and the Company is monitoring the associated inherent credit risks. The Company does not enter into derivative transactions for trading purposes.

b. Interest risk management:

The Company raises capital through various debt instruments, including senior notes, sustainability-linked senior notes, bank loans, convertible debentures and syndicated revolving credit facility that bear a fixed or variable interest rate. In some cases, the Company has swapped from a fixed to a variable interest rate ("fair value hedge") and from a fixed to a fixed interest rate with an exchange from a currency other than the functional currency ("cash flow hedge"), thereby reducing overall interest expenses or hedging risks associated with interest rate fluctuations.

c. Bifurcated embedded derivatives:

Upon the issuance of its sustainability-linked senior notes, Teva recognized embedded derivatives related to interest rate adjustments and a potential one-time premium payment upon failure to achieve certain sustainability performance targets, such as access to medicines in low-to-middle-income countries and reduction of absolute greenhouse gas emissions, which were bifurcated and are accounted for separately as derivative financial instruments. As of March 31, 2023, the fair value of these derivative instruments is negligible.

d. Derivative instruments outstanding:

The following table summarizes the notional amounts for hedged items, when transactions are designated as hedge accounting:

	March 31, 2023	December 31, 2022
	(U.S. $ in millions)	
Cross-currency swap - cash flow hedge (1)	$ 169	$ —

The following table summarizes the classification and fair values of derivative instruments:

	Fair value			
	Designated as hedging instruments		Not designated as hedging instruments	
Reported under	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
	(U.S. $ in millions)		(U.S. $ in millions)	
Asset derivatives:				
Other current assets:				
Option and forward contracts	$ —	$ —	$ 45	$ 29
Other non-current assets:				
Cross-currency swap-cash flow hedge (1)	§	—	—	—
Liability derivatives:				
Other current liabilities:				
Option and forward contracts	—	—	(63)	(101)

§ Represents an amount less than $0.5 million.

The table below provides information regarding the location and amount of pre-tax (gains) losses from derivatives designated in cash flow hedging relationships:

	Financial expenses, net		Other comprehensive income (loss)	
	Three months ended,		Three months ended,	
Reported under	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 260	$ 258	$ 127	$ (57)
Cross-currency swaps - cash flow hedge (1)	1	—	(2)	—

The table below provides information regarding the location and amount of pre-tax (gains) losses from derivatives not designated as hedging instruments:

	Financial expenses, net		Net revenues	
	Three months ended,		Three months ended,	
Reported under	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 260	$ 258	$(3,661)	$(3,661)
Option and forward contracts (2)	(13)	(5)	—	—
Option and forward contracts economic hedge (3)	—	—	6	(19)

(1) On March 31, 2023, Teva entered into a cross currency interest rate swap agreement, designated as cash flow hedge for accounting purposes with respect to an intercompany loan due October 2026, denominated in Japanese yen.

(2) Teva uses foreign exchange contracts (mainly option and forward contracts) to hedge balance sheet items from currency exposure. These foreign exchange contracts are not designated as hedging instruments for accounting purposes. In connection with these foreign exchange contracts, Teva recognizes gains or losses that offset the revaluation of the balance sheet items also recorded under financial expenses, net.

(3) Teva entered into option and forward contracts designed to limit the exposure of foreign exchange fluctuations on projected revenues and expenses recorded in euro, Swiss franc, Japanese yen, British pound, Russian ruble, Canadian dollar, Polish zloty and several other currencies to protect its projected operating results for 2023. These derivative instruments do not meet the criteria for hedge accounting, however, they are accounted for as an economic hedge. These derivative instruments, which may include hedging transactions against future projected revenues and expenses, are recognized on the balance sheet at their fair value on a quarterly basis, while the foreign exchange impact on the underlying revenues and expenses may occur in subsequent quarters. In the first quarter of 2023, the negative impact from these derivatives recognized under revenues was $6 million. In the first quarter of 2022, the positive impact from these derivatives recognized under revenues was $19 million. Changes in the fair value of the derivative instruments are recognized in the same line item in the statements of income as the underlying exposure being hedged. Cash flows associated with these derivatives are reflected as cash flows from operating activities in the consolidated statements of cash flows.

e. Amortizations due to terminated derivative instruments:

Forward-starting interest rate swaps and treasury lock agreements

In 2015, Teva entered into forward-starting interest rate swaps and treasury lock agreements to protect the Company from interest rate fluctuations in connection with a future debt issuance the Company was planning. These forward-starting interest rate swaps and treasury lock agreements were terminated in July 2016 upon the debt issuance. Termination of these transactions resulted in a loss position of $493 million, which was recorded as other comprehensive income (loss) and is amortized under financial expenses, net over the life of the debt.

With respect to these forward-starting interest rate swaps and treasury lock agreements, losses of $11 million and $7 million were recognized under financial expenses, net, for each of the three months ended March 31, 2023 and 2022, respectively.

NOTE 9 – Legal settlements and loss contingencies:

In the first quarter of 2023, Teva recorded expenses of $233 million in legal settlements and loss contingencies, compared to $1,124 million in the first quarter of 2022. Expenses in the first quarter of 2023 were mainly related to estimated provisions recorded in connection with the DOJ patient assistance program litigation and the reverse-payment antitrust litigation over certain HIV medicines, as well as an update to the estimated settlement provision related to the remaining opioid cases (mainly related to the effect that the passage of time had on the net present value of the discounted payments). Expenses in the first quarter of 2022 were mainly related to an update of the estimated settlement provision recorded in connection with the remaining opioid cases. See note 10.

As of March 31, 2023 and December 31, 2022, Teva's provision for legal settlements and loss contingencies recorded under accrued expenses and other taxes and long-term liabilities was $4,299 million and $4,186 million, respectively.

NOTE 10 – Commitments and contingencies:

General

From time to time, Teva and/or its subsidiaries are subject to claims for damages and/or equitable relief arising in the ordinary course of business. In addition, as described below, in large part as a result of the nature of its business, Teva is frequently subject to litigation. Teva generally believes that it has meritorious defenses to the actions brought against it and vigorously pursues the defense or settlement of each such action.

Teva records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is reasonably estimable. Based upon the status of the cases described below, management's assessments of the likelihood of damages, and the advice of counsel, no provisions have been made regarding the matters disclosed in this note, except as noted below. Litigation outcomes and contingencies are unpredictable, and excessive verdicts can occur. Accordingly, management's assessments involve complex judgments about future events and often rely heavily on estimates and assumptions. Teva continuously reviews the matters described below and may, from time to time, remove previously disclosed matters where the exposures were fully resolved in the prior year, or determined to no longer meet the materiality threshold for disclosure, or were substantially resolved.

If one or more of such proceedings described below were to result in final judgments against Teva, such judgments could be material to its results of operations and cash flows in a given period. In addition, Teva incurs significant legal fees and related expenses in the course of defending its positions even if the facts and circumstances of a particular litigation do not give rise to a provision in the financial statements.

In connection with third-party agreements, Teva may under certain circumstances be required to indemnify, and may be indemnified by, in unspecified amounts, the parties to such agreements against third-party claims. Among other things, Teva's agreements with third parties may require Teva to indemnify them, or require them to indemnify Teva, for the costs and damages incurred in connection with product liability claims, in specified or unspecified amounts.

Except as otherwise noted, all of the litigation matters disclosed below involve claims arising in the United States. Except as otherwise noted, all third party sales figures given below are based on IQVIA data.

Intellectual Property Litigation

From time to time, Teva seeks to develop generic and biosimilar versions of patent-protected pharmaceuticals and biopharmaceuticals for sale prior to patent expiration in various markets. In the United States, to obtain approval for most generics prior to the expiration of the originator's patents, Teva must challenge the patents under the procedures set forth in the Hatch-Waxman Act of 1984, as amended. For many biosimilar products that are covered by patents, Teva participates in the "patent dance" procedures of the Biologics Price Competition and Innovation Act ("BPCIA"), which allow for the challenge to originator patents prior to obtaining biosimilar product approval. To the extent that Teva seeks to utilize such patent challenge procedures, Teva is and expects to be involved in patent litigation regarding the validity, enforceability or infringement of the originator's patents. Teva may also be involved in patent litigation involving the extent to which its product or manufacturing process techniques may infringe other originator or third-party patents.

Additionally, depending upon a complex analysis of a variety of legal and commercial factors, Teva may, in certain circumstances, elect to market a generic or biosimilar version of the product even though litigation is still pending. To the extent Teva elects to proceed in this manner, it could face substantial liability for patent infringement if the final court decision is adverse to Teva, which could be material to its results of operations and cash flows in a given period.

Teva could also be sued for patent infringement outside of the context of the Hatch-Waxman Act or BPCIA. For example, Teva could be sued for patent infringement after commencing sales of a product. This type of litigation can involve any of Teva's pharmaceutical products, not just its generic and biosimilar products.

The general rule for damages in patent infringement cases in the United States is that the patentee should be compensated by no less than a reasonable royalty and it may also be able, in certain circumstances, to be compensated for its lost profits. The amount of a reasonable royalty award would generally be calculated based on the sales of Teva's product. The amount of lost profits would generally be based on the lost sales of the patentee's product. In addition, the patentee may seek consequential damages as well as enhanced damages of up to three times the profits lost by the patent holder for willful infringement, although courts have typically awarded much lower multiples.

Teva is also involved in litigation regarding patents in other countries where it does business, particularly in Europe. The laws concerning generic pharmaceuticals and patents differ from country to country. Damages for patent infringement in Europe may include lost profits or a reasonable royalty, but enhanced damages for willful infringement are generally not available.

In July 2014, GlaxoSmithKline ("GSK") filed claims against Teva in the U.S. District Court for the District of Delaware for infringement of a patent directed to using carvedilol in a specified manner to decrease the risk of mortality in patients with congestive heart failure. Teva and eight other generic producers began selling their carvedilol tablets (the generic version of GSK's Coreg®) in September 2007. A jury trial was held and the jury returned a verdict in GSK's favor finding Teva liable for induced infringement, including willful infringement, and assessing damages of $235.5 million, not including pre- or post-judgment interest or a multiplier for willfulness. Thereafter, the court overturned the jury verdict, finding no induced infringement by Teva and that Teva did not owe any damages. On August 5, 2021, the Court of Appeals for the Federal Circuit issued a two-to-one decision reinstating the $235.5 million verdict and finding Teva liable for patent infringement. On February 11, 2022, the Court of Appeals for the Federal Circuit denied rehearing. Teva appealed this decision to the U.S. Supreme Court on July 11, 2022. In response to Teva's *certiorari* petition, on October 3, 2022, the U.S. Supreme Court issued an order seeking the views of the U.S. Solicitor General as to whether to review this case. On March 29, 2023, the U.S. Solicitor General filed a brief recommending that the U.S. Supreme Court grant Teva's request and reverse the judgment of the Court of Appeals for the Federal Circuit. In addition to the pending U.S. Supreme Court proceedings, the case has been remanded to the district court for further proceedings on Teva's other legal and equitable defenses that have not yet been considered by the district court. In the first quarter of 2021, Teva recognized a provision based on its offer to settle such matter.

Product Liability Litigation

Teva's business inherently exposes it to potential product liability claims. Teva maintains a program of insurance, which may include commercial insurance, self-insurance (including direct risk retention), or a combination of both types of insurance, in amounts and on terms that it believes are reasonable and prudent in light of its business and related risks. However, Teva sells, and will continue to sell, pharmaceuticals that are not covered by its product liability insurance; in addition, it may be subject to claims for which insurance coverage is denied as well as claims that exceed its policy limits. Product liability coverage for pharmaceutical companies is becoming more expensive and increasingly difficult to obtain. As a result, Teva may not be able to obtain the type and amount of insurance it desires, or any insurance on reasonable terms, in certain or all of its markets.

Teva and its subsidiaries are parties to litigation relating to previously unknown nitrosamine impurities discovered in certain products. The discovery led to a global recall of single and combination valsartan medicines around the world starting in July 2018 and to subsequent recalls on other products. The nitrosamine impurities in valsartan are allegedly found in the active pharmaceutical ingredient ("API") supplied to Teva by multiple API manufacturers, including by Zhejiang Huahai Pharmaceuticals Co. Ltd. ("Huahai"). Since July 2018, Teva has been actively engaged with global regulatory authorities in reviewing its sartan and other products to determine whether NDMA and/or other related nitrosamine impurities are present in specific products. Where necessary, Teva has initiated additional voluntary recalls. In December 2019, Teva reached a settlement with Huahai resolving Teva's claims related to certain sartan API supplied by Huahai. Under the settlement agreement, Huahai agreed to compensate Teva for some of its direct losses and provide it with prospective cost reductions for API. The settlement does not release Huahai from liability for any losses Teva may incur as a result of third party personal injury or product liability claims relating to the sartan API at issue, as discussed below.

In addition, multiple lawsuits have been filed in connection with this matter. Teva's products allegedly at issue in the various nitrosamine-related litigations pending in the United States include valsartan, losartan, metformin and ranitidine. There are currently two Multi-District Litigations ("MDL") pending in the United States District Courts against Teva and numerous other manufacturers. One MDL is pending in the United States District Court for the District of New Jersey for valsartan, losartan and irbesartan. Teva is not named in complaints with respect to irbesartan. The second MDL is pending in the United States District Court for the Southern District of Florida for ranitidine. The lawsuits against Teva in the MDLs consist of individual personal injury and/or product liability claims and economic damages claims brought by consumers and end payors on behalf of purported classes of other consumers and end payors as well as medical monitoring class claims. The judge in the valsartan MDL ordered that the first trial, likely commencing in late 2023 or early 2024, will involve third-party payor economic loss claims via a class representative on behalf of several subclasses of payors against Teva and two other defendants. On February 8, 2023, the district court in the valsartan MDL entered an order that certified a series of subclasses on plaintiffs' economic loss claims and granted in part and denied in part the certification of a medical monitoring class. Defendants sought permission for appellate review of that decision, which was denied. In the ranitidine MDL, the generic manufacturers' motions to dismiss have been granted, although certain plaintiffs have appeals pending. In addition, on December 6, 2022, the court in the ranitidine MDL granted the brand defendants' motions to exclude all of plaintiffs' general causation experts and granted summary judgment to the brand defendants on that ground. Teva, as well as other

generic manufacturers, is also named in several state court actions asserting allegations similar to those in the ranitidine MDL and the valsartan and losartan MDL. State court valsartan and losartan actions are pending in New Jersey and Delaware and are currently stayed. State court ranitidine cases naming Teva are pending in coordinated proceedings in California, Illinois, Pennsylvania and New York, with motions to dismiss pending in Illinois, Pennsylvania and New York on preemption and other grounds. In addition to the valsartan and ranitidine MDLs and coordinated state court proceedings, Teva has also been named in a consolidated proceeding pending in the United States District Court for the District of New Jersey brought by individuals and end payors seeking economic damages on behalf of purported classes of consumers and end payors who purchased Teva's, as well as other generic manufacturers' metformin products. Defendants' motion to dismiss the plaintiffs' amended metformin complaint from June 2021 was granted without prejudice with respect to the consumer economic loss plaintiffs, and granted in part and denied in part with respect to the end payor plaintiffs. Plaintiffs were granted leave to file a second amended complaint. Defendants' motion to dismiss that complaint was granted in part and denied in part. Similar lawsuits are pending in Canada and Germany.

Competition Matters

As part of its generic pharmaceuticals business, Teva has challenged a number of patents covering branded pharmaceuticals, some of which are among the most widely-prescribed and well-known drugs on the market. Many of Teva's patent challenges have resulted in litigation relating to Teva's attempts to market generic versions of such pharmaceuticals under the federal Hatch-Waxman Act. Some of this litigation has been resolved through settlement agreements in which Teva obtained a license to market a generic version of the drug, often years before the patents expire.

Teva and its subsidiaries have been named as defendants in cases that allege antitrust violations arising from such settlement agreements. The plaintiffs in these cases are usually direct and indirect purchasers of pharmaceutical products, some of whom assert claims on behalf of classes of all direct and indirect purchasers, and they typically allege that (i) Teva received something of value from the innovator in exchange for an agreement to delay generic entry, and (ii) significant savings could have been realized if there had been no settlement agreement and generic competition had commenced earlier. These plaintiffs seek various forms of injunctive and monetary relief, including damages based on the difference between the brand price and what the generic price allegedly would have been and disgorgement of profits, which are often automatically tripled under the relevant statutes, plus attorneys' fees and costs. The alleged damages generally depend on the size of the branded market and the length of the alleged delay, and can be substantial—potentially measured in multiples of the annual brand sales—particularly where the alleged delays are lengthy or branded drugs with annual sales in the billions of dollars are involved.

Teva believes that its settlement agreements are lawful and serve to increase competition, and has defended them vigorously. In Teva's experience to date, these cases have typically settled for a fraction of the high end of the damages sought, although there can be no assurance that such outcomes will continue.

In June 2013, the U.S. Supreme Court held, in Federal Trade Commission ("FTC") v. Actavis, Inc., that a rule of reason test should be applied in analyzing whether such settlements potentially violate the federal antitrust laws. The Supreme Court held that a trial court must analyze each agreement in its entirety in order to determine whether it violates the antitrust laws. This test has resulted in increased scrutiny of Teva's patent settlements, additional action by the FTC and state and local authorities, and an increased risk of liability in Teva's currently pending antitrust litigations.

In November 2020, the European Commission issued a final decision in its proceedings against both Cephalon and Teva, finding that the 2005 settlement agreement between the parties had the object and effect of hindering the entry of generic modafinil, and imposed fines totaling euro 60.5 million on Teva and Cephalon. Teva and Cephalon filed an appeal against the decision in February 2021. A provision for this matter was included in the financial statements. Teva has provided the European Commission with a bank guarantee in the amount of the imposed fines. The hearing for the appeal took place in December 2022 and a decision is pending.

In December 2011, three groups of plaintiffs filed claims against Wyeth and Teva for alleged violations of the antitrust laws in connection with their November 2005 settlement of patent litigation involving extended release venlafaxine (generic Effexor XR®). The cases were filed by a purported class of direct purchasers, by a purported class of indirect purchasers and by certain chain pharmacies in the U.S. District Court for the District of New Jersey. The plaintiffs claim that the settlement agreement between Wyeth and Teva unlawfully delayed generic entry. In March 2020, the district court temporarily stayed discovery and referred the case to mediation, and discovery remains stayed. Annual sales of Effexor XR® were approximately $2.6 billion at the time of settlement and at the time Teva launched its generic version of Effexor XR® in July 2010.

In February 2012, two purported classes of direct-purchaser plaintiffs filed claims against GSK and Teva in New Jersey federal court for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving lamotrigine (generic Lamictal®) entered into in February 2005. The plaintiffs claimed that the settlement agreement unlawfully delayed generic entry and sought unspecified damages. On April 9, 2021, the district court, which had previously granted an initial motion for class certification by the direct purchaser plaintiffs but was reversed on that ruling by the Third Circuit in April 2020, denied the direct purchaser plaintiffs' renewed motion for class certification. Plaintiffs filed a further renewed motion for class certification on May 20, 2022, which was denied on February 1, 2023. On February 2, 2023, February 7, 2023, and February 27, 2023, a number of direct purchasers, who would otherwise have been members of the proposed class had it been certified, filed suit as individual plaintiffs in Pennsylvania's federal court. Annual sales of Lamictal® were approximately $950 million at the time of the settlement and approximately $2.3 billion at the time Teva launched its generic version of Lamictal® in July 2008.

In April 2013, purported classes of direct purchasers of, and end payers for, Niaspan® (extended release niacin) filed claims against Teva and Abbott for violating the antitrust laws by entering into a settlement agreement in April 2005 to resolve patent litigation over the product. A multidistrict litigation has been established in the U.S. District Court for the Eastern District of Pennsylvania. Throughout 2015 and in January 2016, several individual direct-purchaser opt-out plaintiffs filed complaints with allegations nearly identical to those of the direct purchasers' class. The court denied the indirect purchasers' motion for class certification with prejudice, and on April 24, 2023, the denial was affirmed by the Court of Appeals for the Third Circuit. In October 2016, the District Attorney for Orange County, California, filed a similar complaint in California state court, alleging violations of state law and seeking restitution and civil penalties. Annual sales of Niaspan® were approximately $416 million at the time of the settlement and approximately $1.1 billion at the time Teva launched its generic version of Niaspan® in September 2013.

Since January 2014, numerous lawsuits have been filed in the U.S. District Court for the Southern District of New York by purported classes of end-payers for, and direct-purchasers of, Actos® and Actoplus Met (pioglitazone and pioglitazone plus metformin) against Takeda, the innovator, and several generic manufacturers, including Teva, Actavis and Watson. The lawsuits allege, among other things, that the settlement agreements between Takeda and the generic manufacturers violated the antitrust laws. The court dismissed the end-payers' lawsuits against all defendants in September 2015. On February 8, 2017, the Court of Appeals for the Second Circuit affirmed the dismissal in part and vacated and remanded the dismissal in part with respect to the claims against Takeda. The direct purchasers' case had been stayed pending resolution of the appeal in the end payer matter and the direct purchasers amended their complaint for a second time following the Second Circuit's decision, but on October 8, 2019, the district court dismissed, with prejudice, the direct purchasers' claims against the generic manufacturers (including Teva, Actavis, and Watson). At the time of Teva's settlement, annual sales of Actos® and Actoplus Met were approximately $3.7 billion and approximately $500 million, respectively. At the time Teva launched its authorized generic version of Actos® and Actoplus Met in August 2012, annual sales of Actos® and Actoplus Met were approximately $2.8 billion and approximately $430 million, respectively.

Putative classes of direct-purchaser and end-payer plaintiffs have filed antitrust lawsuits (which have since been coordinated in federal court in Delaware) against Amgen and Teva alleging that the January 2, 2019 settlement agreement between Amgen and Teva, resolving patent litigation over cinacalcet (generic Sensipar®), violated the antitrust laws. In March 2023, Teva moved for re-argument of its motion to certify the district court's rulings denying Teva's motion to dismiss in part for review by the U.S. Court of Appeals for the Third Circuit, and is awaiting the court's decision. Annual sales of Sensipar® in the United States were approximately $1.4 billion at the time Teva launched its generic version of Sensipar® in December 2018, and at the time of the January 2, 2019 settlement.

In August 2019, certain direct-purchaser plaintiffs filed claims in federal court in Philadelphia naming Teva and its affiliates as defendants alleging that certain patent litigation settlement agreements relating to AndroGel® 1% (testosterone gel) violate the antitrust laws, specifically the September 2006 patent litigation settlement between Watson Pharmaceuticals, Inc. ("Watson"), from which Teva later acquired certain assets and liabilities, and Solvay Pharmaceuticals, Inc. ("Solvay"), and a December 2011 settlement between Teva and AbbVie. Those claims remain pending. Annual sales of AndroGel® 1% were approximately $350 million at the time of the earlier Watson/Solvay settlement and approximately $140 million at the time Actavis launched its generic version of AndroGel® 1% in November 2015. A provision for these matters and related litigations in Georgia that have since been settled was included in the financial statements.

Between September 1, 2020 and December 20, 2020, separate plaintiffs purporting to represent putative classes of direct and indirect purchasers and opt-out retailer purchasers of Bystolic® (nebivolol hydrochloride) filed separate complaints in the U.S. District Court for the Southern District of New York against several generic manufacturers, including Teva, Actavis, and Watson, alleging, among other things, that the settlement agreements these generic manufacturers entered into with Forest Laboratories, Inc., the innovator, to resolve patent litigation over Bystolic® violated the antitrust laws. The cases were coordinated and on January 24, 2022, the court dismissed plaintiffs' amended complaints without prejudice. Plaintiffs subsequently filed second amended complaints, and on February 21, 2023, the court granted defendants' motion to dismiss and dismissed all claims with prejudice. Plaintiffs have filed notices of their intent to appeal. Annual sales of Bystolic® in the United States were approximately $700 million at the time of Watson's 2013 settlement with Forest.

In February 2021, the State of New Mexico filed a lawsuit against Teva and certain other defendants related to various medicines used to treat HIV. Between September and December 2021, several private plaintiffs including retailers and health insurance providers filed similar claims in federal court in the Northern District of California and in the District of Minnesota. As they relate to Teva, the lawsuits challenge settlement agreements Teva entered into with Gilead in 2013 and/or 2014 to resolve patent litigation relating to Teva's generic versions of Viread® and/or Truvada® and Atripla®. Plaintiffs allege that the settlement agreements contain improper reverse payments that delayed the availability of generic products, in violation of the federal antitrust laws and state law. On February 16, 2022, Teva moved to dismiss the claims by certain private plaintiffs but that motion was denied. However, Teva has successfully moved to limit the potential damages period as to certain private plaintiffs. Plaintiffs in the Northern District of California cases have abandoned any claim for damages relating to the Viread® settlement. On January 5, 2023, the court denied the parties' motions for summary judgment. Trial is currently scheduled to commence in late May 2023. In the first quarter of 2023, Teva recognized a provision based on its offer to settle this matter. In October 2022, the New Mexico Supreme Court granted Teva's petition for a writ of *certiorari* and scheduled oral argument for late May 2023 for Teva's motion to dismiss the complaint brought by the State of New Mexico, which motion was previously denied by the trial court. Annual sales in the United States at the time of the settlement of Viread®, Truvada® and Atripla® were approximately $582 million, $2.4 billion, and $2.9 billion, respectively. Annual sales in the United States at the time Teva launched its generic version of Viread® in 2017, Truvada® in 2020 and Atripla® in 2020 were approximately $728 million, $2.1 billion and $444 million, respectively.

In March 2021, following the 2019 European Commission's inspection of Teva and subsequent request for information, the European Commission opened a formal antitrust investigation to assess whether Teva may have abused a dominant position by delaying the market entry and uptake of medicines that compete with COPAXONE. On October 10, 2022, the European Commission issued a Statement of Objections, which sets forth its preliminary allegations that Teva had engaged in anti-competitive practices. Teva now has the opportunity to formally respond to the European Commission's allegations. Annual sales of COPAXONE in the European Economic Area for 2021 were approximately $373 million.

On July 15, 2021, the U.K. Competition and Markets Authority ("CMA") issued a decision imposing fines for breaches of U.K. competition law by Allergan, Actavis UK and Auden Mckenzie and a number of other companies in connection with the supply of 10mg and 20mg hydrocortisone tablets in the U.K. The decision combines the CMA's three prior investigations into the supply of hydrocortisone tablets in the U.K., as well as the CMA's subsequent investigation relating to an anti-competitive agreement with Waymade. On January 9, 2017, Teva completed the sale of Actavis UK to Accord Healthcare Limited, in connection with which Teva will indemnify Accord Healthcare for potential fines imposed by the CMA and/or damages awarded by a court against Actavis UK in relation to two of the three statements of objection from the CMA (dated December 16, 2016 and March 3, 2017), and resulting from conduct prior to the closing date of the sale. In addition, Teva agreed to indemnify Allergan against losses arising from this matter in the event of any such fines or damages. On October 6, 2021, Accord UK and Auden Mckenzie appealed the CMA's decision. A provision for the estimated exposure for Teva related to the fines and/or damages has been recorded in the financial statements. The hearing for the appeal concluded in the first quarter of 2023, and a decision remains pending.

In August 2021, a plaintiff filed a putative class action suit in the United States District Court for the Eastern District of Pennsylvania against Takeda and several generic manufacturers, including Watson and Teva, alleging violations of the antitrust laws in connection with their settlement of patent litigation involving colchicine tablets (generic Colcrys®), entered into in January 2016. Plaintiff claims that the settlement was part of a conspiracy among Takeda and the generic manufacturers to unlawfully restrict output of colchicine by delaying generic entry. On November 23, 2022, the court denied plaintiffs' motion for class certification without prejudice and on March 1, 2023, the Court denied plaintiff's renewed motion for class certification. On April 10, 2023, plaintiff filed a motion for leave to amend its complaint to add 18 previously absent class members as plaintiffs. Defendants' motion for summary judgment, and plaintiffs' motion for partial summary judgment remain pending. Trial is currently scheduled to commence in September 2023. Annual sales of Colcrys® in the United States were approximately $187 million at the time of the settlement.

In November 2022, two complaints, one brought by Walgreen Co. and Kroger Specialty Pharmacy, Inc. and another by Fraternal Order of Police, Miami Lodge 20, Insurance Trust Fund and Jacksonville Police Officers and Fire Fighters Health Insurance Trust (collectively the "Walgreen and EPP complaints"), were filed in the United States District Court for the District of New Jersey against Teva and its marketing partner, Natco Pharma Limited ("Natco"), alleging violations of the antitrust laws in connection with their December 2015 settlement of patent litigation with Celgene Corporation (which was subsequently acquired by Bristol-Myers Squibb Company ("BMS")) involving the drug Revlimid® (lenalidomide). The Walgreen and EPP complaints also name Celgene and BMS as defendants. On January 24, 2023, the Walgreen and EPP complaints were consolidated for pre-trial purposes only with an earlier-filed, already consolidated Insurer Opt-Out Action filed against BMS and Celgene, *In Re Revlimid & Thalomid Purchaser Antitrust Litigation*, Case No. 2:19-cv-7532-ES-MAH. On February 16, 2023, the Walgreen and EPP plaintiffs filed amended complaints adding additional plaintiffs. On March 21, 2023, Teva and Natco moved to dismiss the complaints against them, and briefing remains ongoing. Annual sales of Revlimid® in the United States were approximately $3.5 billion at the time of the settlement.

On December 2, 2022, plaintiffs purporting to represent putative classes of indirect purchasers of EpiPen® (epinephrine injection) and Nuvigil® (armodafinil) filed a complaint in the United States District Court for the District of Kansas against Teva, Cephalon, and a former Teva executive. Teva owns the New Drug Application ("NDA") for Nuvigil® and sold the brand product, for which generic entry occurred in 2016. Teva filed an ANDA to sell generic EpiPen®, which Teva launched in 2018, following receipt of FDA approval. The complaint alleges, among other things, that the defendants violated the federal antitrust laws, the Racketeer Influenced and Corrupt Organizations Act ("RICO Act"), and various state laws in connection with settlements resolving patent litigation relating to those products. Plaintiffs seek injunctive relief, compensatory and punitive damages, interest, attorneys' fees and costs. On March 8, 2023, Teva filed a motion to dismiss the complaint, which is pending. Annual sales of Nuvigil® in the United States were approximately $300 million at the time Teva entered into the first settlement with an ANDA filer in 2012; annual sales of EpiPen® in the United States were approximately $600 million at the time Teva entered into its settlement agreement for that product in 2012.

Government Investigations and Litigation Relating to Pricing and Marketing

Teva is involved in government investigations and litigation arising from the marketing and promotion of its pharmaceutical products in the United States.

In 2015 and 2016, Actavis and Teva USA each respectively received subpoenas from the U.S. Department of Justice ("DOJ") Antitrust Division seeking documents and other information relating to the marketing and pricing of certain Teva USA generic products and communications with competitors about such products. On August 25, 2020, a federal grand jury in the Eastern District of Pennsylvania returned a three-count indictment charging Teva USA with criminal felony Sherman Act violations. See No. 20-cr-200 (E.D. Pa.). The indictment alleges Teva USA participated in three separate conspiracies with certain other generic drug manufacturers to maintain and fix prices, allocate customers, and other alleged antitrust offenses concerning the sale of generic drugs. The indictment identified the following generic drugs: Pravastatin, Carbamazepine, Clotrimazole, Etodolac (IR and ER), Fluocinonide (Cream E-Cream, Gel, and Ointment), Warfarin, Nadolol, Temozolomide, and Tobramycin. On September 8, 2020, Teva USA pled not guilty to all counts. On December 14, 2022, the Court entered a scheduling order against Teva and its co-defendant Glenmark, which sets a May 2024 trial date. While the Company is unable to estimate a range of loss at this time, a conviction on these criminal charges could have a material adverse impact on the Company's business, including monetary penalties and debarment from federally funded health care programs.

In May 2018, Teva received a civil investigative demand from the DOJ Civil Division, pursuant to the federal False Claims Act, seeking documents and information produced since January 1, 2009 relevant to the Civil Division's investigation concerning allegations that generic pharmaceutical manufacturers, including Teva, engaged in market allocation and price-fixing agreements, paid illegal remuneration, and caused false claims to be submitted in violation of the False Claims Act. An adverse resolution of this matter may include fines, penalties, financial forfeiture and compliance conditions.

In 2015 and 2016, Actavis and Teva USA each respectively received a subpoena from the Connecticut Attorney General seeking documents and other information relating to potential state antitrust law violations. Subsequently, on December 15, 2016, a civil action was brought by the attorneys general of twenty states against Teva USA and several other companies asserting claims under federal antitrust law alleging price fixing of generic products in the United States. That complaint was later amended to add new states as named plaintiffs, as well as new allegations and new state law claims, and on June 18, 2018, the attorneys general of 49 states plus Puerto Rico and the District of Columbia filed a consolidated amended complaint against Actavis and Teva, as well as other companies and individuals. On May 10, 2019, most (though not all) of these attorneys general filed another antitrust complaint against Actavis, Teva and other companies and individuals, alleging price-fixing and market allocation with respect to additional generic products. On November 1, 2019, the state attorneys general filed an amended complaint, bringing the total number of plaintiff states and territories to 54. The amended complaint alleges that Teva was at the center of a conspiracy in the generic pharmaceutical industry, and asserts that Teva and others fixed prices, rigged bids, and allocated customers and market share with respect to certain additional products. On June 10, 2020, most, but not all, of the same states, with the addition of the U.S. Virgin Islands, filed a third complaint in the District of Connecticut naming, among other defendants, Actavis, but not Teva USA, in a similar complaint relating to dermatological generics products. On September 9, 2021, the states' attorneys general amended their third complaint to, among other things, add California as a plaintiff.

In the various complaints described above, the states seek a finding that the defendants' actions violated federal antitrust law and state antitrust and consumer protection laws, as well as injunctive relief, disgorgement, damages on behalf of various state and governmental entities and consumers, civil penalties and costs. All such complaints have been transferred to the generic drug multidistrict litigation in the Eastern District of Pennsylvania ("Pennsylvania MDL"). On July 13, 2020, the court overseeing the Pennsylvania MDL chose the attorneys' general November 1, 2019 amended complaint, referenced above, along with certain complaints filed by private plaintiffs, to proceed first in the litigation as bellwether complaints. On February 9, 2021, Teva's motion to reconsider that ruling was granted, and on May 7, 2021, the Court chose the attorneys' general third complaint filed on June 10, 2020 and subsequently amended to serve as a bellwether complaint in the Pennsylvania MDL, along with certain complaints filed by private plaintiffs. On December 9, 2021, the Court entered an order setting the schedule for the proceedings in the bellwether cases, which the Court later amended on October 13, 2022. This amended schedule does not include trial dates, but provides for the parties to complete briefing on motions for summary judgment in the third quarter of 2024. On June 7, 2022, the Court dismissed the attorneys' general claims for monetary relief under federal law, concluding that the federal statute under which the attorneys general brought suit authorizes injunctive relief only. However, the attorneys general have pending claims for monetary relief under state law. On February 27, 2023, the Court largely denied defendants' motions to dismiss the federal claims asserted by the attorneys general in their bellwether complaint. Another motion to dismiss, directed at that same complaint, and related to the state law claims asserted by the attorneys general, remains pending.

Teva has settled with the states of Mississippi (in June 2021), Louisiana (in March 2022), Georgia (in September 2022), Arkansas (in October 2022) and Florida (in February 2023). Teva paid each state an amount proportional to its share of the national population (approximately $1,000,000 for each 1% share of the national population), and the states have dismissed their claims against Actavis and Teva USA, as well as certain former employees of Actavis and Teva USA, pursuant to these settlements. On March 30, 2022, the State of Alabama voluntarily dismissed all of its claims in the litigation, including its claims against Actavis and Teva USA, without prejudice. The territories of American Samoa and Guam have also voluntarily dismissed all of their claims in the litigation, including their claims against Actavis and Teva USA; American Samoa's dismissal was without prejudice in July 2020, and Guam's dismissal was with prejudice in February 2023. The most recent settlement with Florida follows the pattern reached in earlier settlements. Specifically, as mentioned above, Teva agreed to pay each state an amount proportional to its share of the national population. This, in addition to the status of ongoing negotiations with several other U.S. state attorneys general to settle on comparable terms, caused management to consider settlement of the claims filed by the remaining attorneys general to be probable, and management recorded an estimated provision in the third quarter of 2022, in accordance with Accounting Standards Codification 450 "Accounting for Contingencies."

Beginning on March 2, 2016, and continuing through December 2020, numerous complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of several generic drug products, as well as several individual direct and indirect purchaser opt-out plaintiffs. These complaints, which allege that the defendants engaged in conspiracies to fix prices and/or allocate market share of generic products have been brought against various manufacturer defendants, including Teva USA and Actavis. The plaintiffs generally seek injunctive relief and damages under federal antitrust law, and damages under various state laws. On October 16, 2018, the court denied certain of the defendants' motions to dismiss as to certain federal claims, pending as of that date, and on February 15, 2019, the court granted in part and denied in part defendants' motions to dismiss as to certain state law claims. On July 18, 2019, May 6, 2020 and October 8, 2021, certain individual plaintiffs commenced civil actions in the Pennsylvania Court of Common Pleas of Philadelphia County against many of the defendants in the Pennsylvania MDL, including Teva and Actavis, but no complaints have been filed in the actions and each of the three cases have been placed in deferred status. Certain counties in New York and Texas have also commenced civil actions against many of the defendants in the Pennsylvania MDL, including Teva and Actavis, and the complaints have been transferred to the Pennsylvania MDL. There is also one similar complaint brought in Canada, which alleges that the defendants engaged in conspiracies to fix prices and/or allocate market share of generic drug products to the detriment of a class of private payors. The action is in its early stages.

In March 2017, Teva received a subpoena from the U.S. Attorney's office in Boston, Massachusetts requesting documents related to Teva's donations to patient assistance programs. Subsequently, in August 2020, the U.S. Attorney's office in Boston, Massachusetts brought a civil action in the U.S. District Court for the District of Massachusetts alleging violations of the federal Anti-Kickback Statute, and asserting causes of action under the federal False Claims Act and state law (the "DOJ PAP Complaint"). It is alleged that Teva caused the submission of false claims to Medicare through Teva's donations to bona fide independent charities that provide financial assistance to patients. An adverse judgment may involve damages, civil penalties and injunctive remedies. On September 10, 2021, the Court granted Teva's motion to dismiss the unjust enrichment claim and denied the remainder of the motion. On October 15, 2021, Teva filed an answer to the DOJ PAP Complaint. Trial for this matter is currently scheduled for September 2023. On April 24, 2023, both parties filed summary judgment motions, which are currently pending. In the first quarter of 2023, Teva recognized a provision based on its offer to settle this matter. Additionally, on January 8, 2021, Humana, Inc. filed an action against Teva in the United States District Court for the Middle District of Florida based on the allegations raised in the DOJ PAP Complaint. On April 2, 2021, Teva filed a motion to dismiss Humana's claims on the grounds that the claims are time-barred and/or insufficiently pled, and that motion remains pending. On April 11, 2023, the court granted Teva's motion to stay the case pending the court's decision on Teva's motion to dismiss and/or Humana's motion to amend the complaint. On November 17, 2022, United Healthcare also filed an action against Teva in the United States District Court for the District of New Jersey based on the conduct alleged in the DOJ PAP Complaint. On March 10, 2023, Teva moved to dismiss United Healthcare's claims on the grounds that it is time-barred and lacks standing and sufficient particularity to assert RICO claims, and that motion remains pending.

In April 2021, a city and county in Washington filed claims against Teva in the United States District Court for the Western District of Washington for alleged violations of the Racketeer Influenced and Corrupt Organizations Act, Washington's Consumer Protection Act, and unjust enrichment concerning Teva's sale of COPAXONE. Plaintiffs purport to represent a nationwide class of health plans and a subclass of Washington-based health plans that purchased and/or reimbursed health plan members for COPAXONE. Plaintiffs allege that Teva engaged in several fraudulent schemes that resulted in plaintiffs and the putative class members purchasing and/or reimbursing plan members for additional prescriptions of COPAXONE and/or at inflated COPAXONE prices. Plaintiffs seek treble damages for the excess reimbursements and inflated costs, as well as injunctive relief. On September 28, 2021, plaintiffs filed an amended complaint. On November 17, 2021, Teva moved to dismiss the suit, on the grounds that plaintiffs' claims are barred by the applicable statutes of limitations and the direct purchaser rule, suffer from jurisdictional defects, and fail to plausibly allege fraud or other elements of their claims. On March 9, 2023, the court held a hearing on the motion to dismiss, and a decision remains pending.

On June 29, 2021, Mylan Pharmaceuticals ("Mylan") filed claims against Teva in the District Court for the District of New Jersey. On March 11, 2022 and March 15, 2022, FWK Holdings, LLC, KPH Healthcare Servs., Inc. d/b/a Kinney Drugs, Inc., Meijer Inc., Meijer Distribution, Inc., Labor-Management Healthcare Fund, the Mayor and City Council of Baltimore, and the New York State Teamsters Council Health and Hospital Fund filed claims against Teva in the District Court for the District of New Jersey on behalf of themselves and other similarly situated direct and indirect purchasers of COPAXONE. On August 22, 2022, Blue Cross Blue Shield of Vermont and the Vermont Health Plan sued Teva in the

District Court for the District of Vermont on behalf of themselves and other similarly situated indirect purchasers of COPAXONE. The complaints assert claims for alleged violations of the Lanham Act, state and federal unfair competition and monopolization laws, tortious interference, trade libel, and a violation of the RICO Act. Additionally, plaintiffs claim Teva was involved in an unlawful scheme to delay and hinder generic competition concerning COPAXONE sales. Plaintiffs seek damages for lost profits and expenses, disgorgement, restitution, treble damages, attorneys' fees and costs, and injunctive relief. Teva has moved to dismiss the complaints filed by Mylan and the class plaintiffs in the District of New Jersey on the grounds, among others, that none of its challenged conduct, violates the law. Those motions are fully briefed and a decision remains pending. On November 21, 2022, the Vermont court denied Teva's motion to transfer the complaint filed in Vermont. On December 21, 2022, Teva moved to dismiss the Vermont complaint on grounds similar to those asserted in its motions to dismiss the complaints in New Jersey. Those motions are fully briefed, and a decision remains pending.

On December 1, 2022, Teva received a civil subpoena from the U.S. Attorney's office in Boston, Massachusetts requesting certain documents related to the sale and marketing of AUSTEDO and risperidone LAI. Teva is cooperating with the request for documents.

Opioids Litigation

Since May 2014, more than 3,500 complaints have been filed with respect to opioid sales and distribution against various Teva affiliates, along with several other pharmaceutical companies, by a number of cities, counties, states, other governmental agencies, tribes and private plaintiffs (including various putative class actions of individuals) in both state and federal courts. Most of the federal cases have been consolidated into a multidistrict litigation in the Northern District of Ohio ("MDL Opioid Proceeding") and many of the cases filed in state court have been removed to federal court and consolidated into the MDL Opioid Proceeding. Two cases that were included in the MDL Opioid Proceeding were transferred back to federal district court for additional discovery, pre-trial proceedings and trial. Those cases are: City of Chicago v. Purdue Pharma L.P. et al., No. 14-cv-04361 (N.D. Ill.) and City and County of San Francisco v. Purdue Pharma L.P. et al., No. 18-cv-07591-CRB (N.D. Cal.). Other cases remain pending in various states. In some jurisdictions, such as Illinois, New York, Pennsylvania, South Carolina, Texas, Utah and West Virginia, certain state court cases have been transferred to a single court within their respective state court systems for coordinated pretrial proceedings. Complaints asserting claims under similar provisions of different state law generally contend that the defendants allegedly engaged in improper marketing and distribution of opioids, including ACTIQ® and FENTORA®. The complaints also assert claims related to Teva's generic opioid products. In addition, over 950 personal injury plaintiffs, including various putative class actions of individuals, have asserted personal injury and wrongful death claims in over 600 complaints, nearly all of which are consolidated in the MDL Opioid Proceeding. Furthermore, approximately 700 non-personal injury complaints and approximately 100 personal injury complaints have named Anda, Inc. (and other distributors and manufacturers) alleging that Anda failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products to individuals who used them for other than legitimate medical purposes. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Certain plaintiffs assert that the measure of damages is the entirety of the costs associated with addressing the abuse of opioids and opioid addiction and certain plaintiffs specify multiple billions of dollars in the aggregate as alleged damages. The individual personal injury plaintiffs further seek non-economic damages. In many of these cases, plaintiffs are seeking joint and several damages among all defendants.

On April 19, 2021, a bench trial in California (The People of the State of California, acting by and through Santa Clara County Counsel James R. Williams, et. al. v. Purdue Pharma L.P., et. al.) commenced against Teva and other defendants focused on the marketing of branded opioids. On December 14, 2021, the court issued its final judgment in favor of the defendants on all claims. Plaintiffs filed a notice of appeal of this judgment in February 2022. On June 29, 2021, a jury trial in New York (*In re Opioid Litigation*, Index No. 400000/2017) commenced against Teva and other defendants, focused on the marketing and distribution of opioids. The case was bifurcated between liability and damages. On December 30, 2021, the jury returned a liability verdict in favor of plaintiffs (the County of Suffolk, the County of Nassau and the State of New York) on the plaintiffs' public nuisance claim. On November 3, 2022, Teva reached an agreement with the Attorney General of New York that settled the state's and its subdivisions' opioid-related claims, the details of which are included in the table below.

On July 21, 2021, it was announced that four other defendants (not including Teva) reached nationwide settlements, subject to certain conditions, which include payment of up to approximately $26 billion spread over up to 18 years. In July 2022, Teva, the working group of States' Attorneys General (the "Working Group"), the Multi-District Litigation Plaintiffs' Executive Committee ("PEC"), and counsel for Native American tribes ("Tribes") reached an agreement in principle on the financial terms of nationwide settlements similar in structure to the nationwide settlements of other defendants. During the third quarter of 2022, Teva and Allergan resolved their dispute with respect to Teva's indemnification obligations. In November 2022, Teva, Allergan, the Working Group and PEC, and representatives for the Tribes, finalized the terms of their respective proposed opioids nationwide settlement agreements. Under the financial terms of the proposed nationwide settlement agreement with the states and subdivisions, Teva will pay up to $4.25 billion (including the already settled cases), spread over 13 years. This total includes the supply of up to $1.2 billion of Teva's generic version of Narcan® (naloxone hydrochloride nasal spray), valued at wholesale acquisition cost, over 10 years or cash at 20% of the wholesale acquisition cost ($240 million) in lieu of product. In January of 2023, Teva confirmed participation from all states except Nevada, and decided to move forward with the participation process of the subdivisions, and that process is ongoing. In February 2023, Teva and the Tribes finalized their opioids settlement with participation from 100% of the Tribes, the details of which are included in the table below.

Teva's proposed nationwide settlement agreement with the states and subdivisions is contingent upon sufficient participation by the subdivisions in Teva's and Allergan's respective nationwide opioids settlement agreements. Currently, more than 99% of the litigating subdivisions have chosen to participate in Teva's nationwide settlement, which represents 98% of the population of the participating states. Teva has until June 8, 2023 to determine whether or not to move forward with its proposed nationwide settlement. If these nationwide settlement agreements are not finalized or if Nevada or subdivisions choose not to participate, additional trials are expected to proceed. Trials in two opioids cases currently are scheduled to commence in the second half of 2023; one brought by the Nevada Attorney General, currently scheduled to commence in August 2023, and the other brought by eight hospitals against Teva, other manufacturers, distributors, and pharmacies, currently scheduled to commence in July 2023.

In addition to its pending nationwide opioids settlement, Teva previously reached settlements with individual states and subdivisions to settle opioids claims brought by those jurisdictions. The material details of those individual settlements and Teva's settlement with the Tribes appear in the table below, which includes the cash payment to be made by Teva and the wholesale acquisition cost ("WAC") of product to be provided by Teva, in each case to such states and subdivisions and the Tribes. If the nationwide settlement reaches sufficient participation by the subdivisions, Teva will finalize opioid settlements with a total of 49 of the 50 states.

Date	Jurisdiction	Settlement Payment*	Payment Term	Settlement Product	Product WAC Value and Term
June 7, 2019	Oklahoma	$72.3 million (paid)	1 year	N/A	N/A
December 27, 2019	Cuyahoga County, OH	$12.4 million (paid)	2.5 years	buprenorphine naloxone (generic Suboxone®)	$15.5 million (3 years)
December 27, 2019	Summit County, OH	$7.6 million (paid)	2.5 years	buprenorphine naloxone (generic Suboxone®)	$9.5 million (3 years)
January 18, 2022	Louisiana	$15 million	18 years	buprenorphine naloxone (generic Suboxone®)	$3 million (1 year)
February 4, 2022	Texas	$131.5 million	15 years	naloxone hydrochloride (generic Narcan®)	$75 million (10 years)
March 21, 2022	Rhode Island	$21 million	13 years	naloxone hydrochloride (generic Narcan®) and buprenorphine naloxone (generic Suboxone®)	$78.5 million (10 years)
March 30, 2022	Florida	$177.1 million	15 years	naloxone hydrochloride (generic Narcan®)	$84 million (10 years)
July 12, 2022	San Francisco	$19.5 million	13 years	naloxone hydrochloride (generic Narcan®)	$20 million (10 years)
September 19, 2022	West Virginia	$75.4 million	15 years	naloxone hydrochloride (generic Narcan®)	$27 million (10 years)
November 3, 2022	New York	$313.3 million**	18 years	N/A	N/A
February 24, 2023	Tribes	$108.3 million	13 years	naloxone hydrochloride (generic Narcan®)	$25 million (10 years)

* Amounts exclude attorneys' fees and costs, except New York.
** Not including cash payment and attorneys' fees allocated under the nationwide settlement.

In light of the agreement on the proposed nationwide settlement between Teva and the States' Attorneys General and their subdivisions, Teva's indemnification obligations arising from Teva's acquisition of the Actavis Generics business for opioid-related claims, prior settlements with Louisiana, Texas, Rhode Island, Florida, San Francisco, West Virginia, New York, and the Tribes, as well as an estimate for a number of items including, but not limited to, costs associated with administering injunctive terms, and most favored nations clauses associated with prior settlements, the Company has recorded a provision for the potential settlement. The provision is a reasonable estimate of the ultimate costs in the likely event that the nationwide settlement is finalized under its current proposed terms and conditions, after discounting payments to states to their net present value. However, if the nationwide settlement is not finalized for the entirety of the remaining cases, a reasonable upper end of a range of loss cannot be determined. An adverse resolution of any of these lawsuits or investigations may involve large monetary penalties, damages, and/or other forms of monetary and non-monetary relief and could have a material and adverse effect on Teva's reputation, business, results of operations and cash flows.

In September 2019, Teva received subpoenas from the New York State Department of Financial Services ("NYDFS") as part of an industry-wide inquiry into the effect of opioid prescriptions on New York health insurance premiums. This was followed by a Statement of Charges and Notice of Hearing filed by the NYDFS. This matter has been resolved by Teva's November 3, 2022 settlement with the Attorney General of New York that settled the state's and its subdivisions' opioid-related claims.

In addition, Teva, certain of its subsidiaries and other defendants, are defending claims and putative class action lawsuits in Canada related to the manufacture, sale, marketing and distribution of opioid medications. The lawsuits include a claim by the Province of British Columbia on behalf of itself and a putative class of other federal and provincial governments, and claims of municipalities, First Nations, and persons who used opioids on behalf of themselves and putative classes. These cases are in early stages with the preliminary motions brought by the Province of British Columbia expected to be heard in late 2023.

Shareholder Litigation

On November 6, 2016 and December 27, 2016, two putative securities class actions were filed in the U.S. District Court for the Central District of California against Teva and certain of its current and former officers and directors. Those lawsuits subsequently were consolidated and transferred to the U.S. District Court for the District of Connecticut (the "Ontario Teachers Securities Litigation"). On December 13, 2019, the lead plaintiff filed an amended complaint, purportedly on behalf of purchasers of Teva's securities between February 6, 2014 and May 10, 2019, asserting that Teva and certain of its current and former officers and directors violated federal securities and common laws in connection with Teva's alleged failure to disclose pricing strategies for various drugs in its generic drug portfolio and by making allegedly false or misleading statements in certain offering materials. From July 2017 to June 2019, other putative securities class actions were filed in other federal courts based on similar allegations and claims, and were transferred to the U.S. District Court for the District of Connecticut. Between August 2017 and January 2022, twenty-three complaints were filed against Teva and certain of its current and former officers and directors on behalf of plaintiffs in various forums across the country, but many of those plaintiffs "opted-out" of the Ontario Teachers Securities Litigation. On March 10, 2020, the Court consolidated the Ontario Teachers Securities Litigation with all of the above-referenced putative class actions for all purposes and the "opt-out" cases for pretrial purposes. On January 18, 2022, Teva entered into a settlement in the Ontario Teachers Securities Litigation for $420 million, which received final approval from the court on June 2, 2022. The vast majority of the total settlement amount was covered by the Company's insurance carriers, with a small portion contributed by Teva. Additionally, as part of the settlement, Teva admitted no liability and denied all allegations of wrongdoing. On January 22, 2021, the Court dismissed the "opt-out" plaintiffs' claims arising from statements made prior to the five year statute of repose, but denied Teva's motion to dismiss their claims under Israeli laws. On May 24, 2021, Teva moved to dismiss a majority of the "opt-out" complaints on various other grounds, and on May 1, 2023, the Court granted in part and denied in part Teva's motions. Teva has settled several "opt-out" claims, but a number of opt-out cases remain outstanding. In addition, Teva reached a settlement agreement of Israeli shareholder motions to certify class action on similar allegations to those raised in the Ontario Teachers Securities Litigation. The settlement agreement is awaiting court approval.

On September 23, 2020, a putative securities class action was filed in the U.S. District Court for the Eastern District of Pennsylvania against Teva and certain of its former officers. On August 10, 2021, the lead plaintiff filed a corrected amended class action complaint, purportedly on behalf of persons who purchased or otherwise acquired Teva securities between October 29, 2015 and August 18, 2020. The corrected amended complaint alleges that Teva and certain of its current and former officers violated federal securities laws by allegedly making false and misleading statements regarding the commercial performance of COPAXONE, namely, by failing to disclose that Teva had allegedly caused the submission of false claims to Medicare through Teva's donations to bona fide independent charities that provide financial assistance to patients, which allegedly impacted COPAXONE's commercial success and the sustainability of its revenues and resulted in the DOJ PAP Complaint filed by the DOJ. The corrected amended complaint seeks unspecified damages and legal fees. On March 25, 2022, the court granted in part and denied in part Teva's and the individual defendants' motion to dismiss the corrected amended complaint, (i) holding that the plaintiffs' complaint failed to plead that certain public statements regarding Teva's compliance with the law were misleading, (ii) holding that two alleged partial corrective disclosures did not establish loss causation and cannot serve as the basis for plaintiff's claimed loss, (iii) dismissing all claims against one of the individual defendants, and (iv) otherwise denying the motion to dismiss. On August 2, 2022, the court stayed all proceedings other than class certification proceedings pending the resolution of the DOJ PAP Complaint filed by the DOJ. On September 13, 2022, the plaintiff moved for class certification, which remains pending. A motion to approve a securities class action was also filed in the Central District Court in Israel, which has been stayed pending the U.S. litigation, with similar allegations to those made in the above complaint filed in the U.S. District Court for the Eastern District of Pennsylvania.

Environmental Matters

Teva or its subsidiaries are party to a number of environmental proceedings, or have received claims, including under the federal Superfund law or other federal, provincial or state and local laws, imposing liability for alleged noncompliance, or for the investigation and remediation of releases of hazardous substances and for natural resource damages. Many of these proceedings and claims seek to require the generators of hazardous wastes disposed of at a third party-owned site, or the party responsible for a release of hazardous substances that impacted a site, to investigate and clean the site or to pay or reimburse others for such activities, including for oversight by governmental authorities and any related damages to natural resources. Teva or its subsidiaries have received claims, or been made a party to these proceedings, along with others, as an alleged generator of wastes that were disposed of or treated at third-party waste disposal sites, or as a result of an alleged release from one of Teva's facilities or former facilities.

Although liability among the responsible parties, under certain circumstances, may be joint and several, these proceedings are frequently resolved so that the allocation of clean-up and other costs among the parties reflects the relative contributions of the parties to the site conditions and takes into account other pertinent factors. Teva's potential liability varies greatly at each of the sites; for some sites the costs of the investigation, clean-up and natural resource damages have not yet been determined, and for others Teva's allocable share of liability has not been determined. At other sites, Teva has taken an active role in identifying those costs, to the extent they are identifiable and estimable, which do not include reductions for potential recoveries of clean-up costs from insurers, indemnitors, former site owners or operators or other potentially responsible parties. In addition, enforcement proceedings relating to alleged violations of federal, state, commonwealth or local requirements at some of Teva's facilities may result in the imposition of significant penalties (in amounts not expected to materially adversely affect Teva's results of operations) and the recovery of certain costs and natural resource damages, and may require that corrective actions and enhanced compliance measures be implemented.

Item 103 of Regulation S-K promulgated by the SEC requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions, unless the Company reasonably believes that the matter will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than $300,000. The following matter is disclosed in accordance with that requirement. On July 8, 2021, the National Green Tribunal Principal Bench, New Delhi, issued an order against Teva's subsidiary in India, Teva API India Private Limited, finding non-compliance with environmental laws and assessed a penalty of $1.4 million. The Company disputed certain of the findings and the amount of the penalty and filed an appeal before the Supreme Court of India. On August 5, 2021, the Supreme Court of India admitted the appeal for hearing and granted an interim unconditional stay on the National Green Tribunal's order. The Company does not believe that the eventual outcome of such matter will have a material effect on its business.

Other Matters

On February 1, 2018, former shareholders of Ception Therapeutics, Inc., a company that was acquired by and merged into Cephalon in 2010, prior to Cephalon's acquisition by Teva, filed breach of contract and other related claims against the Company, Teva USA and Cephalon in the Delaware Court of Chancery. Among other things, the plaintiffs allege that Cephalon breached the terms of the 2010 Ception-Cephalon merger agreement by failing to exercise commercially reasonable efforts to develop and commercialize CINQAIR® (reslizumab) for the treatment of eosinophilic esophagitis ("EE"). The plaintiffs claim damages of at least $200 million, an amount they allege is equivalent to the milestones payable to the former shareholders of Ception in the event Cephalon were to obtain regulatory approval for EE in the United States ($150 million) and Europe ($50 million). On December 28, 2018, following defendants' motion to dismiss the complaint, the court granted the motion in part and dismissed all of plaintiffs' claims, except for their claim against Cephalon for breach of contract. In November 2021, plaintiffs moved to amend their complaint to, among other things, reassert claims against the Company and Teva USA. However, on July 12, 2022, plaintiffs filed a new amended complaint that includes claims against Teva USA but not the Company, in exchange for Teva USA's agreement to guarantee any judgment entered against Cephalon in the litigation. A bench trial for this matter was held in September 2022, and a ruling is expected in 2023, following closing arguments.

On March 15, 2022, The Scripps Research Institute ("Scripps") filed claims against Teva's subsidiary, Teva Pharmaceuticals International GmbH ("TPIG") in the United States District Court for the Southern District of California for alleged breach of a sublicense agreement between Scripps and Ivax Corporation ("Ivax") dated November 2000 ("Sublicense Agreement"). After Teva's acquisition of Ivax, TPIG became the successor-in-interest to Ivax under the Sublicense Agreement, pursuant to which Scripps licensed to Ivax certain rights to the drug cladribine. Scripps alleges that TPIG breached the Sublicense Agreement by failing to pay royalties on sales of cladribine in certain countries, and is seeking breach of contract damages for royalties allegedly due but not paid, as well as a declaratory judgment related to royalties due in the future. On November 17, 2022, the Court dismissed Scripps' claim for breach of the implied covenant of good faith and fair dealing but denied TPIG's motion to dismiss Scripps' breach of contract and declaratory judgment claims. TPIG answered the first amended complaint on December 16, 2022, and discovery is ongoing.

Gain Contingencies

From time to time, Teva may directly or indirectly pursue claims against certain parties, including but not limited to patent infringement lawsuits against other pharmaceutical companies to protect its patent rights, as well as derivative actions brought on behalf of Teva. Teva recognizes gain contingencies from the defendants in such lawsuits when they are realized or when all related contingencies have been resolved. No gain has been recognized regarding the matters disclosed below, unless mentioned otherwise.

In October 2017, Teva filed a lawsuit in the U.S. District Court for the District of Massachusetts alleging that Eli Lilly & Co.'s ("Lilly") marketing and sale of its galcanezumab product for the treatment of migraine infringes nine Teva patents, including three method of treatment patents and six composition of matter patents. Lilly then submitted inter partes review ("IPR") petitions to the Patent Trial and Appeal Board ("PTAB"), challenging the validity of the nine Teva patents. The PTAB issued decisions upholding the three method of treatment patents but finding the six composition of matter patents invalid, which decisions were affirmed by the Court of Appeals for the Federal Circuit on August 16, 2021. A jury trial regarding the three method of treatment patents began on October 18, 2022, and on November 9, 2022, the jury issued a verdict in Teva's favor, finding the three method of treatment patents valid and infringed by Lilly and awarding Teva $176.5 million in damages. On January 28, 2023, Lilly filed a motion requesting that the District Court overturn the jury's verdict. Once the motion is decided, the losing party may appeal the decision to the Court of Appeals for the Federal Circuit. On June 8, 2021, Teva filed another lawsuit in the U.S. District Court for the District of Massachusetts alleging that Lilly's marketing and sale of galcanezumab product infringes two patents related to the treatment of refractory migraine. Lilly's IPR petitions challenging the patentability of these two patents as well as a third patent also related to the treatment of refractory migraine were instituted by the PTAB. The litigation in the District of Massachusetts was stayed during the pendency of these IPR proceedings. Teva intends to continue to vigorously defend its patents, which it believes are valid, against infringement by companies attempting to market products prior to the expiration of such patents.

Motions to approve derivative actions seeking monetary damages against certain past and present directors and officers have been filed in Israeli Courts alleging negligence and recklessness, as well as motions for document disclosure prior to initiating derivative actions. Motions were filed with respect to several U.S. and EU settlement agreements, opioids, allegations related to the DOJ's complaint regarding COPAXONE patient assistance program in the U.S., and with respect to the COPAXONE European Commission's inspection.

NOTE 11 – Income taxes:

In the first quarter of 2023, Teva recognized a tax benefit of $19 million, on pre-tax loss of $258 million. In the first quarter of 2022, Teva recognized a tax expense of $2 million, on pre-tax loss of $971 million. Teva's tax rate for the first quarter of 2023 was mainly affected by legal settlements, impairments, amortization and interest expense disallowances.

The statutory Israeli corporate tax rate is 23% in 2023. Teva's tax rate differs from the Israeli statutory tax rate, mainly due to generation of profits in various jurisdictions in which tax rates are different than the Israeli tax rate, interest expense disallowances, tax benefits in Israel and other countries, as well as infrequent or non-recurring items.

Teva filed a claim seeking the refund of withholding taxes paid to the Indian tax authorities in 2012. A trial for this case is currently scheduled to begin in July 2023. A final and binding decision against Teva in this case may lead to a charge of $128 million.

The Israeli tax authorities ("ITA") issued tax assessment decrees for 2008-2011, 2012 and 2013-2016, challenging the Company's positions on several issues. Teva has protested the 2008-2011, 2012 and 2013-2016 decrees before the Central District Court in Israel. On April 17, 2023, the ITA issued a tax assessment for 2017-2020, challenging the Company's positions on several issues. The Company intends to challenge the tax assessment for 2017-2020, as well.

In October 2021, the Central District Court in Israel held in favor of the ITA with respect to 2008-2011 decrees. The case with respect to 2012-2016 remains pending with similar legal and other claims. Teva appealed this decision to the Israeli Supreme Court and expects the appeal hearing to begin in the second half of 2023. The tax liability resulting from the October 2021 Central District Court decision, with respect to the decrees for 2008-2011 and with regard to the similar legal claims in the related following years, was approximately $350 million, of which a portion has been and will continue to be paid during 2022 and 2023.

The Company believes it has adequately provided for all of its uncertain tax positions, including those items currently under dispute, however, adverse results could be material.

NOTE 12 – Other assets impairments, restructuring and other items:

	Three months ended March 31,	
	2023	2022
	(U.S. $ in millions)	
Impairments of long-lived tangible assets (1)	$ 10	$ 16
Contingent consideration	20	33
Restructuring	56	57
Other	9	21
Total	$ 96	$ 128

(1) Including impairments related to exit and disposal activities.

Impairments

Impairments of tangible assets for the three months ended March 31, 2023 and 2022 were $10 million and $16 million, respectively.

Teva may record additional impairments in the future, to the extent it changes its plans on any given asset and/or the assumptions underlying such plans, as a result of its network consolidation activities.

Contingent consideration

In the three months ended March 31, 2023, Teva recorded an expense of $20 million for contingent consideration, compared to an expense of $33 million in the three months ended March 31, 2022. The expense in the first three months of 2023 was mainly related to a change in the estimated future royalty payments to Eagle in connection with expected future bendamustine sales and a change in the estimated future royalty payments to Allergan in connection with lenalidomide (generic equivalent of Revlimid®). The expense in the first three months of 2022 was mainly related to a change in the estimated future royalty payments in connection with lenalidomide (generic equivalent of Revlimid®).

Restructuring

In the three months ended March 31, 2023, Teva recorded $56 million of restructuring expenses, compared to $57 million in the three months ended March 31, 2022. The expenses for the three months ended March 31, 2023 and March 31, 2022 were primarily related to network consolidation activities.

The following tables provide the components of restructuring costs:

	Three months ended March 31,	
	2023	2022
	(U.S. $ in millions)	
Restructuring		
Employee termination	$ 23	$ 52
Other	33	5
Total	$ 56	$ 57

The following table provides the components of and changes in the Company's restructuring accruals:

	Employee termination costs	Other	Total
	(U.S. $ in millions)		
Balance as of January 1, 2023	$ (112)	$ (7)	$(119)
Provision	(23)	(33)	(56)
Utilization and other*	25	27	52
Balance as of March 31, 2023	$ (110)	$(13)	$(123)

	Employee termination costs	Other	Total
	(U.S. $ in millions)		
Balance as of January 1, 2022	$ (131)	$ (7)	$(138)
Provision	(52)	(5)	(57)
Utilization and other*	59	6	65
Balance as of March 31, 2022	$ (124)	$ (6)	$(130)

* Includes adjustments for foreign currency translation.

NOTE 13 – Earnings (Loss) per share:

Basic earnings and loss per share are computed by dividing net income (loss) attributable to Teva's ordinary shareholders by the weighted average number of ordinary shares outstanding, including fully vested restricted share units ("RSUs") and performance share units ("PSUs") during the period, net of treasury shares.

In computing diluted loss per share for the three months ended March 31, 2023 and 2022, no account was taken of the potential dilution that could occur upon the exercise of options and non-vested RSUs and PSUs granted under employee stock compensation plans, and convertible senior debentures, since they had an anti-dilutive effect on loss per share.

The weighted average diluted shares outstanding used for the fully diluted share calculations for the three months ended March 31, 2023 and 2022 were 1,115 million and 1,107 million shares, respectively.

Basic and diluted loss per share was $0.18 for the three months ended March 31, 2023, compared to basic and diluted loss per share of $0.86 for the three months ended March 31, 2022.

NOTE 14 – Accumulated other comprehensive income (loss):

The components of, and changes within, accumulated other comprehensive income (loss) attributable to Teva are presented in the table below:

	Net Unrealized Gains (Losses)		Benefit Plans	
	Foreign currency translation adjustments	Derivative financial instruments	Actuarial gains (losses) and prior service (costs) credits	Total
	(U.S. $ in millions)			
Balance as of December 31, 2022, net of taxes	$ (2,514)	$ (295)	$ (28)	$(2,838)
Other comprehensive income (loss) before reclassifications	122	—	—	122
Amounts reclassified to the statements of income	—	8	(1)	7
Net other comprehensive income (loss) before tax	122	8	(1)	129
Corresponding income tax	7	—	—	7
Net other comprehensive income (loss) after tax*	129	8	(1)	136
Balance as of March 31, 2023, net of taxes	$ (2,385)	$ (287)	$ (29)	$(2,701)

* Amounts do not include a $9 million loss from foreign currency translation adjustments attributable to non-controlling interests.

	Net Unrealized Gains (Losses)		Benefit Plans	
	Foreign currency translation adjustments	Derivative financial instruments	Actuarial gains (losses) and prior service (costs) credits	Total
	(U.S. $ in millions)			
Balance as of December 31, 2021, net of taxes	$ (2,274)	$ (324)	$ (85)	$(2,683)
Other comprehensive income (loss) before reclassifications	(4)		—	(4)
Amounts reclassified to the statements of income	—	7	—	7
Net other comprehensive income (loss) before tax	(4)	7	—	3
Corresponding income tax	(7)	—	—	(7)
Net other comprehensive income (loss) after tax*	(11)	7	—	(4)
Balance as of March 31, 2022, net of taxes	$ (2,285)	$ (317)	$ (85)	$(2,687)

* Amounts do not include a $53 million loss from foreign currency translation adjustments attributable to non-controlling interests.

NOTE 15 – Segments:

Teva operates its business and reports its financial results in three segments:

(a) North America segment, which includes the United States and Canada.

(b) Europe segment, which includes the European Union, the United Kingdom and certain other European countries.

(c) International Markets segment, which includes all countries other than those in the North America and Europe segments.

In addition to these three segments, Teva has other sources of revenues, primarily the sale of APIs to third parties, certain contract manufacturing services and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through its affiliate Medis.

Teva's Chief Executive Officer ("CEO"), who is the chief operating decision maker ("CODM"), reviews financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues and contributed profit by the three identified reportable segments, namely North America, Europe and International Markets, to make decisions about resources to be allocated to the segments and assess their performance.

Segment profit is comprised of gross profit for the segment less R&D expenses, S&M expenses, G&A expenses and other income related to the segment. Segment profit does not include amortization and certain other items.

Teva manages its assets on a company basis, not by segments, as many of its assets are shared or commingled. Teva's CODM does not regularly review asset information by reportable segment and, therefore, Teva does not report asset information by reportable segment.

Teva's CEO may review its strategy and organizational structure from time to time. Currently, Teva's newly appointed CEO is reviewing its strategy and organizational structure. Any changes in strategy may lead to a reevaluation of the Company's segments and goodwill allocation to reporting units, as well as fair value attributable to its reporting units. See note 3 and note 6.

a. Segment information:

	Three months ended March 31, 2023		
	North America	Europe	International Markets
		(U.S. $ in millions)	
Revenues	$ 1,766	$1,184	$ 492
Gross profit	812	655	262
R&D expenses	156	53	20
S&M expenses	223	187	98
G&A expenses	102	70	31
Other income	(1)	§	(1)
Segment profit	$ 332	$ 345	$ 114

§ Represents an amount less than $0.5 million.

	Three months ended March 31, 2022		
	North America	Europe	International Markets
		(U.S. $ in millions)	
Revenues	$ 1,737	$1,156	$ 492
Gross profit	890	694	286
R&D expenses	143	58	20
S&M expenses	245	196	97
G&A expenses	112	59	29
Other income	(11)	§	(40)
Segment profit	$ 402	$ 381	$ 179

§ Represents an amount less than $0.5 million.

The following table presents a reconciliation of Teva's segment profits to its consolidated operating income (loss) and to consolidated income (loss) before income taxes for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
	(U.S. $ in millions)	
North America profit	$ 332	$ 402
Europe profit	345	381
International Markets profit	114	179
Total reportable segments profit	791	962
Profit (loss) of other activities	(6)	52
Total segments profit	785	1,013
Amounts not allocated to segments:		
Amortization	165	200
Other assets impairments, restructuring and other items	96	128
Intangible assets impairments	178	149
Legal settlements and loss contingencies	233	1,124
Other unallocated amounts	112	127
Consolidated operating income (loss)	2	(713)
Financial expenses, net	260	258
Consolidated income (loss) before income taxes	$ (258)	$ (971)

b. Segment revenues by major products and activities:

The following tables present revenues by major products and activities for the three months ended March 31, 2023 and 2022:

North America	Three months ended March 31,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 824	$ 899
AJOVY	49	36
AUSTEDO	170	154
BENDEKA® and TREANDA®	63	82
COPAXONE	76	86
Anda	424	342
Other	160	139
Total	$1,766	$1,737

Europe	Three months ended March 31,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 932	$ 876
AJOVY	36	30
COPAXONE	59	72
Respiratory products	68	71
Other	89	107
Total	$1,184	$1,156

International markets	Three months ended March 31,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 400	$ 388
AJOVY	10	6
COPAXONE	12	10
Other	70	88
Total	$ 492	$ 492

NOTE 16 – Fair value measurement:

Financial items carried at fair value on a recurring basis as of March 31, 2023 and December 31, 2022 are classified in the tables below in one of the three categories of fair value levels:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
	(U.S. $ in millions)			
Cash and cash equivalents:				
Money markets	$ 702	$ —	$ —	$ 702
Cash, deposits and other	1,441	—	—	1,441
Investment in securities:				
Equity securities	10	—	—	10
Other	6	—	1	7
Restricted cash	33	—	—	33
Derivatives:				
Asset derivatives:				
Options and forward contracts	—	45	—	45
Cross currency interest rate swaps	—	§	—	
Liability derivatives:				
Options and forward contracts	—	(63)	—	(63)
Bifurcated embedded derivatives	—	—	§	—
Contingent consideration*	—	—	(148)	(148)
Total	$2,192	$ (18)	$ (147)	$2,027

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(U.S. $ in millions)			
Cash and cash equivalents:				
Money markets	$1,222	$ —	$ —	$1,222
Cash, deposits and other	1,579	—	—	1,579
Investment in securities:				
Equity securities	9	—	—	9
Other	5	—	1	6
Restricted cash	33	—	—	33
Derivatives:				
Asset derivatives—options and forward contracts	—	29	—	29
Liability derivatives:				
Options and forward contracts	—	(101)	—	(101)
Bifurcated embedded derivatives	—	—	§	—
Contingent consideration*	$ —	—	(153)	(153)
Total	2,848	$ (73)	$(152)	$2,624

§ Represents an amount less than $0.5 million.
* Contingent consideration represents liabilities recorded at fair value in connection with acquisitions.

Teva determined the fair value of the liabilities for contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of contingent consideration is based on several factors, such as cash flows projected from the success of unapproved product candidates; probability of success of product candidates, including risks associated with uncertainty regarding achievement and payment of milestone events; time and resources required to complete the development and approval of product candidates; life of the potential commercialized products and associated risks with obtaining regulatory approvals in the United States and Europe, and the risk adjusted discount rate for fair value measurement. A probability of success factor of 100% was used in the fair value calculation to reflect inherent regulatory and commercial risks of the contingent payments and IPR&D. The discount rate applied ranged from 8.5% to 11%. The weighted average discount rate, calculated based on the relative fair value of Teva's contingent consideration liabilities, was 8.95%. Contingent consideration is evaluated quarterly, or more frequently, if circumstances dictate. Changes in the fair value of contingent consideration are recorded in the consolidated statements of income. Significant changes in unobservable inputs, mainly the probability of success and cash flows projected, could result in material changes to the contingent consideration liabilities.

The following table summarizes the activity for the financial assets and liabilities where fair value measurements are estimated utilizing Level 3 inputs:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	(U.S. $ in millions)	
Fair value at the beginning of the period	$ (152)	(175)
Bifurcated embedded derivatives	§	§
Adjustments to provisions for contingent consideration:		
Actavis Generics transaction	(9)	(31)
Eagle transaction	(11)	(2)
Novetide transaction	(1)	—
Settlement of contingent consideration:		
Actavis Generics transaction	2	—
Eagle transaction	21	23
Novetide transaction	2	
Additional contingent consideration resulting from Novetide acquisition*	—	(11)
Fair value at the end of the period	$ (148)	$ (196)

§ Represents an amount less than $0.5 million.

* In January 2022, Teva acquired 100% ownership of Novetide Ltd. ("Novetide"), which was previously accounted for as "investment in associated companies". This transaction was accounted for as a business combination. Total consideration for the transaction included cash and certain contingent royalty payments through 2034. As part of the transaction, Teva recognized a gain under "Share in (profits) losses of associated companies, net", reflecting the difference between the book value of its investment in Novetide and its fair value as of the date Teva completed its acquisition.

Financial instruments not measured at fair value

Financial instruments measured on a basis other than fair value mostly consist of senior notes and convertible senior debentures (see note 7) and are presented in the table below in terms of fair value (level 1 inputs):

	Estimated fair value*	
	March 31, 2023	December 31, 2022
	(U.S. $ in millions)	
Senior notes and sustainability-linked senior notes included under senior notes and loans	$ 18,007	$ 16,694
Senior notes and convertible senior debentures included under short-term debt	1,013	2,075
Total	$ 19,020	$ 18,769

* The fair value was estimated based on quoted market prices.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

We are a global pharmaceutical company, committed to helping patients around the world to access affordable medicines and benefit from innovations to improve their health. Our mission is to be a global leader in generics, innovative medicines and biopharmaceuticals, improving the lives of patients.

We operate worldwide, with headquarters in Israel and a significant presence in the United States, Europe and many other markets around the world. Our key strengths include our world-leading generic medicines expertise and portfolio, focused innovative medicines portfolio and global infrastructure and scale.

Teva was incorporated in Israel on February 13, 1944 and is the successor to a number of Israeli corporations, the oldest of which was established in 1901.

Our Business Segments

We operate our business through three segments: North America, Europe and International Markets. Each business segment manages our entire product portfolio in its region, including generics, which includes biosimilars and OTC products, as well as innovative medicines. This structure enables strong alignment and integration between operations, commercial regions, R&D and our global marketing and portfolio function, optimizing our product lifecycle across therapeutic areas.

In addition to these three segments, we have other activities, primarily the sale of API to third parties, certain contract manufacturing services and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through our affiliate Medis.

Macroeconomic Environment

In recent months, the global economy has been impacted by fluctuating foreign exchange rates. Approximately 50% of our revenues are denominated in currencies other than the U.S. dollar. The strengthening of the U.S. dollar versus other currencies in which we operate, negatively impacts our revenues, results of operations, profits and cash flows. We also manufacture largely outside of the United States, which may to varying degrees result in lower expenses. Additionally, high levels of inflation have recently resulted in significant economic volatility and monetary tightening by central banks. The global economy has also been impacted by the ongoing conflict between Russia and Ukraine, which has spurred rising energy costs and caused disruptions to the global and the Company's internal supply chain. Supply chain disruptions and rising energy costs could continue to result in delays in our production and distribution processes, R&D initiatives and our ability to timely respond to consumer demand. See also discussion under "—International Markets segment" below.

We have implemented certain measures in response to such macroeconomic pressures and are continually considering various initiatives, including price adjustments where we are not restricted contractually or regulatorily, enhanced inventory management and alternative sourcing strategies for our raw material supply, to allow us to partially mitigate and offset the impact of these macroeconomic factors. However, although inflationary and other macroeconomic pressures may ease, the higher costs we have experienced during the recent periods have already impacted our operations and will likely continue to have an effect on our financial results.

Highlights

Significant highlights in the first quarter of 2023 included:

- Revenues in the first quarter of 2023 were $3,661 million, flat compared to the first quarter of 2022. In local currency terms, revenues increased by 4%, mainly due to higher revenues from generic products in our Europe and International Markets segments, certain innovative products primarily AUSTEDO and AJOVY, as well as from Anda in our North America segment, partially offset by lower revenues from generic products in our North America segment, API sales to third parties and BENDEKA and TREANDA in our North America segment.

- Our North America segment generated revenues of $1,766 million and segment profit of $332 million in the first quarter of 2023. Revenues increased by 2% compared to the first quarter of 2022. Segment profit decreased by 17% compared to the first quarter of 2022.
- Our Europe segment generated revenues of $1,184 million and segment profit of $345 million in the first quarter of 2023. Revenues increased by 2% in U.S. dollars, or 9% in local currency terms, compared to the first quarter of 2022. Segment profit decreased by 9% compared to the first quarter of 2022.
- Our International Markets segment generated revenues of $492 million and segment profit of $114 million in the first quarter of 2023. Revenues were flat in U.S. dollars compared to the first quarter of 2022. In local currency terms, revenues increased by 8% compared to the first quarter of 2022. Segment profit decreased by 36% compared to the first quarter of 2022.
- Our revenues from other activities in the first quarter of 2023 were $219 million, a decrease of 20% in U.S. dollars, or 19% in local currency terms, compared to the first quarter of 2022.
- Exchange rate movements during the first quarter of 2023, including hedging effects, negatively impacted revenues by $128 million compared to the first quarter of 2022.
- Gross profit in the first quarter of 2023 was $1,582 million, a decrease of 9% compared to the first quarter of 2022.
- Gross profit margin was 43.2% in the first quarter of 2023, compared to 47.5% in the first quarter of 2022. This decrease was mainly driven by rising costs due to inflationary and other macroeconomic pressures, and an unfavorable product mix.
- Impairments of identifiable intangible assets were $178 million in the first quarter of 2023, compared to $149 million in the first quarter of 2022. See note 5 to our consolidated financial statements.
- We recorded expenses of $96 million for other asset impairments, restructuring and other items in the first quarter of 2023, compared to expenses of $128 million in the first quarter of 2022. See note 12 to our consolidated financial statements.
- Legal settlements and loss contingencies expenses were $233 million in the first quarter of 2023, compared to $1,124 million in the first quarter of 2022. See note 9 to our consolidated financial statements.
- Operating income was $2 million in the first quarter of 2023, compared to an operating loss of $713 million in the first quarter of 2022.
- Financial expenses were $260 million in the first quarter of 2023, compared to $258 million in the first quarter of 2022.
- In the first quarter of 2023, we recognized a tax benefit of $19 million, on a pre-tax loss of $258 million. In the first quarter of 2022, we recognized a tax expense of $2 million, on a pre-tax loss of $971 million. See note 11 to our consolidated financial statements.
- As of March 31, 2023, our debt was $20,691 million, compared to $21,212 million as of December 31, 2022. This decrease was mainly due to $646 million senior notes repaid at maturity, partially offset by $176 million of exchange rate fluctuations. Additionally, during the first quarter of 2023, we repurchased $2,506 million aggregate principal amount of notes upon consummation of a cash tender offer, and issued $2,445 million of sustainability-linked senior notes, net of issuance costs. See note 7 to our consolidated financial statements.
- Cash flow used in operating activities during the first quarter of 2023 was $145 million, compared to $49 million in the first quarter of 2022. The higher cash flow used in the first quarter of 2023 resulted mainly from lower profit and changes in working capital items, including an increase in accounts receivables net of SR&A, partially offset by an increase in accounts payables.
- During the first quarter of 2023, we generated free cash flow of $41 million, which we define as comprising: $145 million in cash flow used in operating activities, $323 million in beneficial interest collected in exchange for securitized accounts receivables (under our EU securitization program) and $2 million in proceeds from divestitures of businesses and other assets, partially offset by $139 million in cash used for capital investment. During the first quarter of 2022, we generated free cash flow of $117 million. The decrease in the first quarter of 2023 resulted mainly from higher cash flow used in operating activities.

Results of Operations

Comparison of Three Months Ended March 31, 2023 to Three Months Ended March 31, 2022

Segment Information

North America Segment

The following table presents revenues, expenses and profit for our North America segment for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,			
	2023		2022	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 1,766	100%	$ 1,737	100%
Gross profit	812	46.0%	890	51.2%
R&D expenses	156	8.8%	143	8.2%
S&M expenses	223	12.6%	245	14.1%
G&A expenses	102	5.8%	112	6.4%
Other income	(1)	§	(11)	(0.7%)
Segment profit*	$ 332	18.8%	$ 402	23.1%

* Segment profit does not include amortization and certain other items.

§ Represents an amount less than 0.5%.

North America Revenues

Our North America segment includes the United States and Canada. Revenues from our North America segment in the first quarter of 2023 were $1,766 million, an increase of $29 million, or 2%, compared to the first quarter of 2022. This increase was mainly due to higher revenues from certain innovative products, primarily AUSTEDO and AJOVY, as well as Anda, partially offset by lower revenues from generic products and BENDEKA and TREANDA.

Revenues by Major Products and Activities

The following table presents revenues for our North America segment by major products and activities for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,		Percentage Change
	2023	2022	2023-2022
	(U.S. $ in millions)		
Generic products	$ 824	$ 899	(8%)
AJOVY	49	36	36%
AUSTEDO	170	154	10%
BENDEKA and TREANDA	63	82	(23%)
COPAXONE	76	86	(12%)
Anda	424	342	24%
Other*	160	139	15%
Total	$ 1,766	$ 1,737	2%

* Other revenues in the first quarter of 2023 increased mainly due to a reduction in estimated liabilities in connection with ProAir® HFA following its discontinuation on October 1, 2022.

Generic products revenues in our North America segment (including biosimilars) in the first quarter of 2023 were $824 million, a decrease of 8% compared to the first quarter of 2022, mainly due to increased competition to parts of our portfolio.

Among the most significant generic products we sold in North America in the first quarter of 2023 were lenalidomide capsules (the generic version of Revlimid®), Truxima® (the biosimilar to Rituxan®), epinephrine injectable solution (the generic equivalent of EpiPen® and EpiPen Jr.®), and albuterol sulfate inhalation aerosol (our ProAir authorized generic).

On March 9, 2023, Teva and Natco Pharma Ltd. announced the launch of additional strengths for lenalidomide capsules (the generic equivalent of Revlimid®) in the U.S., in 2.5 mg and 20 mg strengths.

In the first quarter of 2023, our total prescriptions were approximately 81 million (based on trailing twelve months), representing 8.3% of total U.S. generic prescriptions according to IQVIA data.

AJOVY revenues in our North America segment in the first quarter of 2023 increased by 36% to $49 million, compared to the first quarter of 2022, mainly due to growth in volume. In the first quarter of 2023, AJOVY's exit market share in the United States in terms of total number of prescriptions was 24.5% compared to 23.9% in the first quarter of 2022.

AJOVY is indicated for the preventive treatment of migraine in adults. AJOVY was launched in the U.S. in 2018, and was approved in Canada in April 2020. Our auto-injector device for AJOVY became commercially available in the U.S. in April 2020 and in Canada in April 2021. AJOVY is the only anti-CGRP subcutaneous product indicated for quarterly treatment.

AJOVY is protected worldwide by patents expiring in 2026 at the earliest; extensions have been granted in several countries, including the United States and Europe, until 2031. Additional patents relating to the use of AJOVY in the treatment of migraine have also been issued in the United States and will expire between 2035 and 2039. Such patents are also pending in other countries. AJOVY will also be protected by regulatory exclusivity for 12 years from marketing approval in the United States and 10 years from marketing approval in Europe. We filed a lawsuit in the U.S. District Court for the District of Massachusetts alleging that Eli Lilly & Co.'s ("Lilly") marketing and sale of its galcanezumab product for the treatment of migraine infringes nine Teva patents, including three method of treatment patents and six composition of matter patents. Lilly then submitted inter partes review ("IPR") petitions to the Patent Trial and Appeal Board ("PTAB"), challenging the validity of the nine Teva patents. The PTAB issued decisions upholding the three method of treatment patents but finding the asserted claims of the six composition of matter patents invalid, which decisions were affirmed by the Court of Appeals for the Federal Circuit on August 16, 2021. A jury trial regarding the three method of treatment patents began on October 18, 2022, and on November 9, 2022, the jury issued a verdict in Teva's favor, finding the three method of treatment patents valid and infringed by Lilly and awarding Teva $176.5 million in damages. On January 28, 2023, Lilly filed a motion requesting that the District Court overturn the jury's verdict. Once the motion is decided, the losing party may appeal the decision to the Court of Appeals for the Federal Circuit.

On June 8, 2021, we filed another lawsuit against Lilly in the U.S. District Court for the District of Massachusetts alleging that Lilly's marketing and sale of galcanezumab product infringes two patents related to the treatment of refractory migraine. Lilly's IPR petitions challenging the patentability of these two patents as well as a third patent also related to the treatment of refractory migraine were instituted by the PTAB. The litigation in the District of Massachusetts was stayed during the pendency of these IPR proceedings. In addition, in 2018 we entered into separate agreements with Alder Biopharmaceuticals, Inc. and Lilly, resolving the European Patent Office oppositions that they filed against our AJOVY patents. The settlement agreement with Lilly also resolved Lilly's action to revoke the patent protecting AJOVY in the United Kingdom.

AUSTEDO revenues in our North America segment in the first quarter of 2023 increased by 10%, to $170 million, compared to $154 million in the first quarter of 2022, mainly due to growth in volume.

AUSTEDO was launched in the U.S. in 2017. It is indicated for the treatment of chorea associated with Huntington's disease and for the treatment of tardive dyskinesia in adults.

AUSTEDO is protected in the United States by ten Orange Book patents expiring between 2031 and 2038 and in Europe by two patents expiring in 2029. We received notice letters from two ANDA filers regarding the filing of their ANDAs with paragraph (IV) certifications for certain of the patents listed in the Orange Book for AUSTEDO. On July 1, 2021, we filed claims against two generic ANDA filers, Aurobindo and Lupin, in the U.S. District Court for the District of New Jersey. In addition, Apotex filed a petition for IPR by the PTAB of the patent covering the deutetrabenazine compound that expires in 2031. On March 9, 2022, the U.S. Patent and Trademark Office denied Apotex's petition and declined to institute a review of the deutetrabenazine patent. On April 29, 2022 and June 8, 2022, we reached agreements with Lupin and Aurobindo, respectively, to sell their generic products beginning April 2033, or earlier under certain circumstances. There are no further patent litigations pending regarding AUSTEDO.

AUSTEDO XR (deutetrabenazine) extended-release tablets was approved by the FDA on February 17, 2023. AUSTEDO XR is a new once-daily formulation indicated in adults for tardive dyskinesia and chorea associated with Huntington's disease, additional to the currently marketed twice-daily AUSTEDO. AUSTEDO XR is protected by eight Orange Book patents expiring between 2031 and 2041.

On April 28, 2023, the FDA approved **UZEDY™** (risperidone) extended-release injectable suspension for the treatment of schizophrenia in adults. UZEDY is the first subcutaneous, long-acting formulation of risperidone that controls the steady release of risperidone. UZEDY is expected to be available in the U.S. in the coming weeks.

BENDEKA and **TREANDA** combined revenues in our North America segment in the first quarter of 2023 decreased by 23% to $63 million, compared to the first quarter of 2022, mainly due to generic bendamustine product entry into the market. The orphan drug exclusivity that had attached to bendamustine products expired in December 2022.

In April 2019, we signed an amendment to the license agreement with Eagle extending the royalty term applicable to the United States to the full period for which we sell BENDEKA and increased the royalty rate. In consideration, Eagle agreed to assume a portion of BENDEKA-related patent litigation expenses.

There are 16 patents listed in the U.S. Orange Book for BENDEKA with expiry dates in 2026 and 2031. In September 2019, a patent infringement action against four of six ANDA filers for generic versions of BENDEKA was tried in the U.S. District Court for the District of Delaware. On April 27, 2020, the district court upheld the validity of all of the asserted patents and found that all four ANDA filers infringe at least one of the patents. Three of the four ANDA filers appealed the district court decision. Teva settled with one of the three ANDA filers, and on August 13, 2021, the Federal Circuit issued a Rule 36 affirmance of the district court decision. On December 14, 2021, Apotex filed a Petition for a Writ of Certiorari with the U.S. Supreme Court, which was denied. Litigation against the fifth ANDA filer was dismissed after the withdrawal of its patent challenge, and the case against a sixth ANDA filer was also settled.

Additionally, in July 2018, Teva and Eagle filed suit against Hospira, Inc. ("Hospira") related to its 505(b)(2) NDA referencing BENDEKA in the U.S. District Court for the District of Delaware. On December 16, 2019, the district court dismissed the case against Hospira on all but one of the asserted patents, which expires in 2031. On April 18, 2022, Teva and Eagle settled this matter with Hospira. Teva had also filed suit against two other 505(b)(2) NDA filers, Doctor Reddy's Laboratories ("DRL") and Accord Healthcare ("Accord"). On December 10, 2022 and April 4, 2023, Teva and Eagle settled with Accord and DRL, respectively. Based on the settlement agreements, the three 505(b)(2) filers, Hospira, Accord and DRL can launch their products on November 17, 2027 or earlier under certain circumstances. On May 4, 2023, Teva and Eagle also filed suit against BendaRx Corp. in the U.S. District Court for the District of Delaware, following its filing of a 505(b)(2) NDA for a bendamustine product.

In addition to the settlement with Eagle regarding its bendamustine 505(b)(2) NDA, between 2015 and 2020, we reached final settlements with 22 ANDA filers for generic versions of the lyophilized form of TREANDA and one 505(b)(2) NDA filer for a generic version of the liquid form of TREANDA, providing for the launch of generic versions of TREANDA prior to patent expiration. The orphan drug exclusivity that had attached to bendamustine products expired in December 2022. To-date we are aware of one generic TREANDA product on the market.

COPAXONE revenues in our North America segment in the first quarter of 2023 decreased by 12% to $76 million, compared to the first quarter of 2022, mainly due to generic competition in the United States and a decrease in glatiramer acetate market share due to availability of alternative therapies.

The market for MS treatments continues to develop, particularly with the approval of generic versions of COPAXONE. Oral treatments for MS, such as Tecfidera®, Gilenya® and Aubagio®, continue to present significant and increasing competition. COPAXONE also continues to face competition from existing injectable products, as well as from monoclonal antibodies, such as Ocrevus® and Kesimpta®.

Anda revenues from third-party products in our North America segment in the first quarter of 2023 increased by 24% to $424 million, compared to $342 million in the first quarter of 2022, mainly due to higher demand. Anda, our distribution business in the United States, distributes generic and innovative medicines and OTC pharmaceutical products from Teva and various third-party manufacturers to independent retail pharmacies, pharmacy retail chains, hospitals and physician offices in the United States. Anda is able to compete in the secondary distribution market by maintaining a broad portfolio of products, competitive pricing and offering next day delivery throughout the United States.

Product Launches and Pipeline

In the first quarter of 2023, we launched the generic version of the following branded products in North America:

Product Name	Brand Name	Launch Date	Total Annual U.S. Branded Sales at Time of Launch (U.S. $ in millions (IQVIA))*
Teriflunomide Tablets	Aubagio® Tablets	March	$ 1,970
Lubiprostone Capsules	Amitiza® capsules	January	$ 204
Topiramate Extended-release Capsules	Trokendi XR® ER capsules	March	$ 188
Lenalidomide Capsules 2.5mg & 20mg	Revlimid® capsules	March	$ 185
Sorafenib Tablets, USP	Nexavar® tablets	January	$ 64
Theophylline Extended-Release Tablets	Theo-Dur	January	$ 22
Doxepin Hydrochloride Cream	Zonalon® Cream	February	$ 6

* The figures presented are for the twelve months ended in the calendar quarter immediately prior to our launch or re-launch.

Our generic products pipeline in the United States includes, as of March 31, 2023, 160 product applications awaiting FDA approval, including 70 tentative approvals. This total reflects all pending ANDAs, supplements for product line extensions and tentatively approved applications and includes some instances where more than one application was submitted for the same reference product. Excluding overlaps, the branded products underlying these pending applications had U.S. sales for the twelve months ended December 31, 2022 of approximately $112 billion, according to IQVIA. Approximately 76% of pending applications include a paragraph IV patent challenge, and we believe we are first to file with respect to 70 of these products, or 97 products including final approvals where launch is pending a settlement agreement or court decision. Collectively, these first-to-file opportunities represent over $75 billion in U.S. brand sales for the twelve months ended December 31, 2022, according to IQVIA.

IQVIA reported brand sales are one of the many indicators of future potential value of a launch, but equally important are the mix and timing of competition, as well as cost effectiveness. The potential advantages of being the first filer with respect to some of these products may be subject to forfeiture, shared exclusivity or competition from so-called “authorized generics,” which may ultimately affect the value derived.

In the first quarter of 2023, we received tentative approvals for generic equivalents of the products listed in the table below, excluding overlapping applications. A “tentative approval” indicates that the FDA has substantially completed its review of an application and final approval is expected once the relevant patent expires, a court decision is reached, a 30-month regulatory stay lapses or a 180-day exclusivity period awarded to another manufacturer either expires or is forfeited.

Generic Name	Brand Name	Total Annual U.S. Branded Sales at Time of Launch (U.S. $ in millions (IQVIA))*
Aspirin Delayed-Release and Omeprazole Tablets, 81 mg/40 mg and 325 mg and 40 mg**	Yosprala®	No Data

* The figures presented are for the twelve months ended in the calendar quarter immediately prior to our launch or re-launch.

** Branded product discontinued on FDA website.

For information regarding our innovative and biosimilar products pipeline, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

North America Gross Profit

Gross profit from our North America segment in the first quarter of 2023 was $812 million, a decrease of 9%, compared to $890 million in the first quarter of 2022.

Gross profit margin for our North America segment in the first quarter of 2023 decreased to 46.0%, compared to 51.2% in the first quarter of 2022. This decrease was mainly due to higher cost of goods sold, mainly driven by rising costs due to inflationary and other macroeconomic pressures, as well as an increase in revenues with lower profitability from Anda.

North America R&D Expenses

R&D expenses relating to our North America segment in the first quarter of 2023 were $156 million, an increase of 9%, compared to $143 million in the first quarter of 2022.

For a description of our R&D expenses in the first quarter of 2023, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

North America S&M Expenses

S&M expenses relating to our North America segment in the first quarter of 2023 were $223 million, a decrease of 9%, compared to $245 million in the first quarter of 2022, mainly due to cost efficiencies.

North America G&A Expenses

G&A expenses relating to our North America segment in the first quarter of 2023 were $102 million, a decrease of 9% compared to $112 million in the first quarter of 2022.

North America Profit

Profit from our North America segment consists of gross profit less R&D expenses, S&M expenses, G&A expenses and any other income related to this segment. Segment profit does not include amortization and certain other items.

Profit from our North America segment in the first quarter of 2023 was $332 million, a decrease of 17% compared to $402 million in the first quarter of 2022. This decrease was mainly due to lower gross profit.

Europe Segment

The following table presents revenues, expenses and profit for our Europe segment for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,			
	2023		2022	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 1,184	100%	$ 1,156	100%
Gross profit	655	55.3%	694	60.0%
R&D expenses	53	4.5%	58	5.0%
S&M expenses	187	15.8%	196	17.0%
G&A expenses	70	5.9%	59	5.1%
Other income	§	§	§	§
Segment profit*	$ 345	29.1%	$ 381	32.9%

* Segment profit does not include amortization and certain other items.

§ Represents an amount less than $0.5 million or 0.5%, as applicable.

Europe Revenues

Our Europe segment includes the European Union, the United Kingdom and certain other European countries.

Revenues from our Europe segment in the first quarter of 2023 were $1,184 million, an increase of 2%, or $28 million, compared to the first quarter of 2022. In local currency terms, revenues increased by 9%, mainly due to higher revenues from generic products and generic product launches.

In the first quarter of 2023, revenues were negatively impacted by exchange rate fluctuations of $79 million, net of hedging effects, compared to the first quarter of 2022. Revenues in the first quarter of 2023 included $6 million from a negative hedging impact, which is included in "Other" in the table below. See note 8d to our consolidated financial statements.

Revenues by Major Products and Activities

The following table presents revenues for our Europe segment by major products and activities for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,		Percentage Change
	2023	2022	2023-2022
	(U.S. $ in millions)		
Generic products	$ 932	$ 876	6%
AJOVY	36	30	17%
COPAXONE	59	72	(17%)
Respiratory products	68	71	(4%)
Other	89	107	(17%)
Total	$ 1,184	$ 1,156	2%

Generic products revenues (including OTC and biosimilar products) in our Europe segment in the first quarter of 2023, increased by 6% to $932 million, compared to the first quarter of 2022. In local currency terms, revenues increased by 12%, mainly due to higher revenues from generic and OTC products and from generic product launches.

AJOVY revenues in our Europe segment in the first quarter of 2023 increased by 17% to $36 million, compared to $30 million in the first quarter of 2022. In local currency terms, revenues increased by 28%, mainly due to growth in European countries in which AJOVY had previously been launched.

For information about AJOVY patent protection, see "—North America Revenues—Revenues by Major Product" above.

COPAXONE revenues in our Europe segment in the first quarter of 2023 decreased by 17% to $59 million, compared to the first quarter of 2022. In local currency terms, revenues decreased by 12%, due to price reductions and a decline in volume resulting from competing glatiramer acetate products.

One European patent protecting COPAXONE 40 mg/mL was found invalid by the Board of Appeal of the European Patent Office in September 2020 and two additional patents expiring in 2030 were found invalid in December 2021. In certain countries, Teva remains in litigation against generic companies on an additional COPAXONE 40 mg/mL patent that expires in 2030.

Respiratory products revenues in our Europe segment in the first quarter of 2023 decreased by 4% to $68 million compared to the first quarter of 2022. In local currency terms, revenues increased by 2%, mainly due to higher demand.

Product Launches and Pipeline

As of March 31, 2023, our generic products pipeline in Europe included 128 generic approvals relating to 27 compounds in 53 formulations, with no European Medicines Agency ("EMA") approvals received. In addition, approximately 1,129 marketing authorization applications are pending approval in 37 European countries, relating to 102 compounds in 206 formulations. One application is pending with the EMA relating to three strengths in 30 markets.

For information regarding our innovative medicines and biosimilar products pipeline, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

Europe Gross Profit

Gross profit from our Europe segment in the first quarter of 2023 was $655 million, a decrease of 6% compared to $694 million in the first quarter of 2022.

Gross profit margin for our Europe segment in the first quarter of 2023 decreased to 55.3%, compared to 60.0% in the first quarter of 2022. This decrease was mainly due to higher cost of goods sold, mainly driven by rising costs due to inflationary and other macroeconomic pressures.

Europe R&D Expenses

R&D expenses relating to our Europe segment in the first quarter of 2023 were $53 million, a decrease of 8% compared to $58 million in the first quarter of 2022.

For a description of our R&D expenses in the first quarter of 2023, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

Europe S&M Expenses

S&M expenses relating to our Europe segment in the first quarter of 2023 were $187 million, a decrease of 5% compared to $196 million in the first quarter of 2022. This decrease was mainly due to exchange rate fluctuations.

Europe G&A Expenses

G&A expenses relating to our Europe segment in the first quarter of 2023 were $70 million, an increase of 18% compared to $59 million in the first quarter of 2022.

Europe Profit

Profit from our Europe segment consists of gross profit less R&D expenses, S&M expenses, G&A expenses and any other income related to this segment. Segment profit does not include amortization and certain other items.

Profit from our Europe segment in the first quarter of 2023 was $345 million, a decrease of 9%, compared to $381 million in the first quarter of 2022. This decrease was mainly due to lower gross profit as described above and exchange rate fluctuations.

International Markets Segment

The following table presents revenues, expenses and profit for our International Markets segment for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,			
	2023		2022	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 492	100%	$ 492	100%
Gross profit	262	53.2%	286	58.1%
R&D expenses	20	4.0%	20	4.0%
S&M expenses	98	19.8%	97	19.8%
G&A expenses	31	6.4%	29	5.9%
Other income	(1)	§	(40)	(8.1%)
Segment profit*	$ 114	23.1%	$ 179	36.4%

* Segment profit does not include amortization and certain other items.

§ Represents an amount less than 0.5%.

International Markets Revenues

Our International Markets segment includes all countries in which we operate other than those in our North America and Europe segments. The International Markets segment includes more than 35 countries, covering a substantial portion of the global pharmaceutical market. The countries in our International Markets segment include highly regulated, pure generic markets, such as Israel, branded generics oriented markets, such as Russia and certain Latin America markets and hybrid markets, such as Japan.

In February 2022, Russia launched an invasion of Ukraine. As of the date of this Quarterly Report on Form 10-Q, sustained conflict and disruption in the region is ongoing. Russia and Ukraine markets are included in our International Markets segment results. We have no manufacturing or R&D facilities in these markets. During the three months ended March 31, 2023, the impact of this conflict on our International Markets segment's results of operations and financial condition was immaterial. Consistent with our foreign exchange risk management hedging programs, we entered into hedges to hedge our exposure to currency exchange rate fluctuations with respect to our balance sheet assets, revenues and expenses. However, as of the end of the first quarter of 2023, we were unable to renew certain of our expiring hedging positions due to the liquidity situation in the market for Russian rubles and we currently hedge a small part of our projected net revenues for 2023. Prior to and since the escalation of the conflict, we have been taking measures to reduce our operational cash balances in Russia and Ukraine. We have been monitoring the solvency of our customers in Russia and Ukraine and have taken measures, where practicable, to mitigate our exposure to risks related to the conflict in the region. However, the duration, severity and global implications (including potential inflation and devaluation consequences) of the conflict cannot be predicted at this time and could have an effect on our business, including on our exchange rate exposure, supply chain, operational costs and commercial presence in these markets.

Revenues from our International Markets segment in the first quarter of 2023 were $492 million, flat compared to the first quarter of 2022. In local currency terms, revenues increased by 8% compared to the first quarter of 2022.

In the first quarter of 2023, revenues were negatively impacted by exchange rate fluctuations of $41 million, net of hedging effects, compared to the first quarter of 2022. Revenues in the first quarter of 2023 included a minimal hedging impact, compared to a positive hedging impact of $12 million in the first quarter of 2022, which is included in "Other" in the table below. See note 8d to our consolidated financial statements.

Revenues by Major Products and Activities

The following table presents revenues for our International Markets segment by major products and activities for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,		Percentage Change
	2023	2022	2023-2022
	(U.S. $ in millions)		
Generic products	$ 400	$ 388	3%
AJOVY	10	6	74%
COPAXONE	12	10	16%
Other	70	88	(20%)
Total	$ 492	$ 492	§

Generic products revenues in our International Markets segment in the first quarter of 2023, which include OTC products, increased by 3% in U.S. dollars to $400 million. In local currency terms, revenues increased by 9% compared to the first quarter of 2022, mainly due to higher revenues in certain markets, as well as price increases largely as a result of rising costs due to inflationary pressure, partially offset by regulatory price reductions and generic competition to off-patented products in Japan.

AJOVY was launched in certain markets in our International Markets segment, including in Japan in August 2021. We are moving forward with plans to launch AJOVY in other markets. AJOVY revenues in our International Markets segment in the first quarter of 2023 were $10 million, compared to $6 million in the first quarter of 2022, mainly due to growth in volume.

COPAXONE revenues in our International Markets segment in the first quarter of 2023 were $12 million compared to $10 million in the first quarter of 2022.

AUSTEDO was launched in early 2021 in China for the treatment of chorea associated with Huntington's disease and for the treatment of tardive dyskinesia, and was also launched in Israel during 2021. During the third quarter of 2022, AUSTEDO was launched in Brazil. We continue with additional submissions in various other markets.

International Markets Gross Profit

Gross profit from our International Markets segment in the first quarter of 2023 was $262 million, a decrease of 8% compared to $286 million in the first quarter of 2022.

Gross profit margin for our International Markets segment in the first quarter of 2023 decreased to 53.2%, compared to 58.1% in the first quarter of 2022. This decrease was mainly due to regulatory price reductions and generic competition to off-patented products in Japan, the positive hedging impact of $12 million in the first quarter of 2022, as well as rising costs due to inflationary and other macroeconomic pressures, partially offset by price increases largely as a result of such rising costs.

International Markets R&D Expenses

R&D expenses relating to our International Markets segment in the first quarter of 2023 were $20 million, flat compared to the first quarter of 2022.

For a description of our R&D expenses in the first quarter of 2023, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

International Markets S&M Expenses

S&M expenses relating to our International Markets segment in the first quarter of 2023 were $98 million, flat compared to the first quarter of 2022.

International Markets G&A Expenses

G&A expenses relating to our International Markets segment in the first quarter of 2023 were $31 million, an increase of 7% compared to $29 million in the first quarter of 2022.

International Markets Other Income

Other income relating to our International Markets segment in the first quarter of 2023 was $1 million, compared to $40 million in the first quarter of 2022. Other income in the first quarter of 2022 was mainly the result of settlement proceeds.

International Markets Profit

Profit from our International Markets segment consists of gross profit less R&D expenses, S&M expenses, G&A expenses and any other income related to this segment. Segment profit does not include amortization and certain other items.

Profit from our International Markets segment in the first quarter of 2023 was $114 million, a decrease of 36%, compared to $179 million in the first quarter of 2022. This decrease was mainly due to higher other income and higher gross profit in the first quarter of 2022 as compared to the first quarter of 2023.

Other Activities

We have other sources of revenues, primarily the sale of APIs to third parties, certain contract manufacturing services and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through our affiliate Medis. Our other activities are not included in our North America, Europe or International Markets segments described above.

Our revenues from other activities in the first quarter of 2023 were $219 million, a decrease of 20% in U.S. dollars compared to the first quarter of 2022. In local currency terms, revenues decreased by 19%.

API sales to third parties in the first quarter of 2023 were $132 million, a decrease of 27% in both U.S. dollars and local currency terms, compared to the first quarter of 2022, as many pharmaceutical customers de-stocked inventory levels that had remained high through the COVID-19 pandemic.

Teva Consolidated Results

Revenues

Revenues in the first quarter of 2023 were $3,661 million, flat compared to the first quarter of 2022. In local currency terms, revenues increased by 4%, mainly due to higher revenues from generic products in our Europe and International Markets segments, certain innovative products primarily AUSTEDO and AJOVY, as well as from Anda in our North America segment, partially offset by lower revenues from generic products in our North America segment, API sales to third parties and BENDEKA and TREANDA in our North America segment. See "—North America Revenues," "—Europe Revenues," "—International Markets Revenues" and "—Other Activities" above.

Exchange rate movements during the first quarter of 2023, including hedging effects, negatively impacted revenues by $128 million, compared to the first quarter of 2022. See note 8d to our consolidated financial statements.

Gross Profit

Gross profit in the first quarter of 2023 was $1,582 million, a decrease of 9% compared to the first quarter of 2022.

Gross profit margin was 43.2% in the first quarter of 2023, compared to 47.5% in the first quarter of 2022. This decrease was mainly driven by rising costs due to inflationary and other macroeconomic pressures, an increase in revenues with lower profitability from Anda in our North America segment, lower revenues from COPAXONE and BENDEKA and TREANDA, and an unfavorable impact of hedging activities, partially offset by higher revenues from AUSTEDO and AJOVY.

Research and Development (R&D) Expenses

Our R&D activities for generic products in each of our segments include both (i) direct expenses relating to product formulation, analytical method development, stability testing, management of bioequivalence and other clinical studies and regulatory filings; and (ii) indirect expenses, such as costs of internal administration, infrastructure and personnel.

Our R&D activities for innovative medicines and biosimilar products in each of our segments include costs of discovery research, preclinical development, drug formulation, early- and late-clinical development and product registration costs. These expenditures are reported net of contributions received from collaboration partners. Our spending takes place throughout the development process, including (i) early-stage projects in both discovery and preclinical phases; (ii) middle-stage projects in clinical programs up to phase 3; (iii) late-stage projects in phase 3 programs, including where a new drug application is currently pending approval; (iv) post-approval studies for marketed products; and (v) indirect expenses, such as costs of internal administration, infrastructure and personnel.

R&D expenses in the first quarter of 2023 were $234 million, an increase of 4% compared to $225 million in the first quarter of 2022.

In the first quarter of 2023, our R&D expenses related primarily to innovative product candidates in neuroscience (such as neuropsychiatry migraine and movement disorders/ neurodegeneration, including post-approval commitments), immunology (such as respiratory medicines) and selected other areas, as well as generic products and biosimilars.

Our higher R&D expenses in the first quarter of 2023, compared to the first quarter of 2022, were mainly due to an increase in neuroscience (mainly neuropsychiatry) and immunology as well as various generics and biosimilar products.

R&D expenses as a percentage of revenues were 6.4% in the first quarter of 2023, compared to 6.2% in the first quarter of 2022.

Innovative Medicines Pipeline

Below is a description of key products in our innovative medicines pipeline as of May 1, 2023:

	Phase 2	Phase 3	Pre-Submission	Under Regulatory Review
Neuroscience		***Olanzapine LAI*** Schizophrenia (September 2022)		
Immunology	***TEV-48574*** Inflammatory Bowel Disease	ICS-SABA (***TEV-56248***) Respiratory (February 2023)		
Other			***Digihaler®*** (beclomethasone dipropionate HFA)(U.S.)	***Digihaler®*** (budesonide and formoterol fumarate dihydrate) (EU)[1]

(1) Digital component approved in the U.K. by the Medicines and Healthcare products Regulatory Agency (MHRA).

Discontinued Project

In the first quarter of 2023, development of deutetrabenazine for dyskinesia in cerebral palsy was discontinued.

Biosimilar Products Pipeline

We have additional biosimilar products in development internally and with our partners that are in various stages of clinical trials and regulatory review worldwide, including phase 3 clinical trials for biosimilars to Prolia® (denosumab), Xolair® (omalizumab), Eylea® (afilbercept) and Simponi® (golimumab), a biosimilar to Lucentis® (ranibizumab) that was submitted in Canada, and biosimilars to Stelara® (ustekinumab) and to Humira® (adalimumab), each of which are currently under U.S. regulatory review.

Selling and Marketing (S&M) Expenses

S&M expenses in the first quarter of 2023 were $546 million, a decrease of 6% compared to the first quarter of 2022. This decrease was mainly a result of the factors discussed above under "—North America segment—S&M Expenses" and "—Europe Segment—S&M Expenses."

S&M expenses as a percentage of revenues were 14.9% in the first quarter of 2023, compared to 15.9% in the first quarter of 2022.

General and Administrative (G&A) Expenses

G&A expenses in the first quarter of 2023 were $296 million, flat compared to the first quarter of 2022.

G&A expenses as a percentage of revenues were 8.1% in the first quarter of 2023 and in the first quarter of 2022.

Intangible Asset Impairments

We recorded expenses of $178 million for identifiable intangible asset impairments in the first quarter of 2023, compared to expenses of $149 million in the first quarter of 2022. See note 5 to our consolidated financial statements.

Goodwill Impairment

No goodwill impairments were recorded in the first quarters of 2023 and 2022.

Other Asset Impairments, Restructuring and Other Items

We recorded expenses of $96 million for other asset impairments, restructuring and other items in the first quarter of 2023, compared to expenses of $128 million in the first quarter of 2022. See note 12 to our consolidated financial statements.

Legal Settlements and Loss Contingencies

In the first quarter of 2023, we recorded expenses of $233 million in legal settlements and loss contingencies, compared to an expense of $1,124 million in the first quarter of 2022. See note 9 to our consolidated financial statements.

Other Income

Other income in the first quarter of 2023 was $2 million, compared to $52 million in the first quarter of 2022. Other income in the first quarter of 2022 was mainly the result of settlement proceeds in our International Markets segment.

Operating Income (Loss)

Operating income was $2 million in the first quarter of 2023, compared to an operating loss of $713 million in the first quarter of 2022. The increase in operating income in the first quarter of 2023 was mainly due to higher legal settlements and loss contingencies in the first quarter of 2022.

Operating income as a percentage of revenues was 0.1% in the first quarter of 2023, compared to operating loss as a percentage of revenues of 19.5% in the first quarter of 2022.

Financial Expenses, Net

Financial expenses were $260 million in the first quarter of 2023, compared to $258 million in the first quarter of 2022. Financial expenses in the first quarter of 2023 were mainly comprised of interest expenses of $260 million. Financial expenses in the first quarter of 2022 were mainly comprised of interest expenses of $238 million.

The following table presents a reconciliation of our segment profits to our consolidated operating income (loss) and to consolidated income (loss) before income taxes for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
	(U.S. $ in millions)	
North America profit	$ 332	$ 402
Europe profit	345	381
International Markets profit	114	179
Total reportable segments profit	791	962
Profit (loss) of other activities	(6)	52
Total segments profit	785	1,013
Amounts not allocated to segments:		
Amortization	165	200
Other assets impairments, restructuring and other items	96	128
Intangible assets impairments	178	149
Legal settlements and loss contingencies	233	1,124
Other unallocated amounts	112	127
Consolidated operating income (loss)	2	(713)
Financial expenses, net	260	258
Consolidated income (loss) before income taxes	$ (258)	$ (971)

Income Taxes

In the first quarter of 2023, we recognized a tax benefit of $19 million, on a pre-tax loss of $258 million. In the first quarter of 2022, we recognized a tax expense of $2 million, on a pre-tax loss of $971 million. See note 11 to our consolidated financial statements.

Share in (Profits) Losses of Associated Companies, Net

Share in profits of associated companies, net in the first quarter of 2023 was immaterial, compared to share in profits of associated companies, net of $21 million in the first quarter of 2022. Share in profits of associated companies, net in the first quarter of 2022 was mainly related to the difference between the book value of our investment in Novetide and its fair value as of the date we completed its acquisition in January 2022.

Net Income (Loss) Attributable to Teva

Net loss was $205 million in the first quarter of 2023, compared to net loss of $955 million in the first quarter of 2022. Net loss in the first quarter of 2022 was mainly impacted by legal settlements and loss contingencies, as discussed above.

Diluted Shares Outstanding and Earnings (Loss) per Share

The weighted average diluted shares outstanding used for the fully diluted share calculations for the three months ended March 31, 2023 and 2022 were 1,115 million and 1,107 million shares, respectively.

Diluted loss per share was $0.18 in the first quarter of 2023, compared to diluted loss per share of $0.86 in the first quarter of 2022. See note 13 to our consolidated financial statements.

Share Count for Market Capitalization

We calculate share amounts using the outstanding number of shares (i.e., excluding treasury shares) plus shares that would be outstanding upon the exercise of options and vesting of RSUs and PSUs, and the conversion of our convertible senior debentures, in each case, at period end.

As of March 31, 2023 and 2022, the fully diluted share count for purposes of calculating our market capitalization was approximately 1,158 million and 1,145 million, respectively.

Impact of Currency Fluctuations on Results of Operations

In the first quarter of 2023, approximately 50% of our revenues were denominated in currencies other than the U.S. dollar. Because our results are reported in U.S. dollars, we are subject to significant foreign currency risks. Accordingly, changes in the rate of exchange between the U.S. dollar and the local currencies in the markets in which we operate (primarily the euro, British pound, Canadian dollar, Russian ruble, Japanese yen, Swiss franc and the new Israeli shekel) impact our results.

During the first quarter of 2023, the following main currencies relevant to our operations decreased in value against the U.S. dollar (each on a quarterly average compared to quarterly average basis): Argentinian peso by 44%, Turkish lira by 26%, Ukrainian hryvna by 22%, Japanese yen by 12%, Swedish krona by 11%, Hungarian forint by 10%, Israeli shekel by 10%, British pound by 10% and the euro by 4%. The following main currencies increased in value against the U.S. dollar: Russian ruble by 18%, Mexican peso by 10% and Brazilian real by 1%.

As a result, exchange rate movements during the first quarter of 2023, including hedging effects, negatively impacted overall revenues by $128 million and operating income by $32 million, compared to the first quarter of 2022.

In the first quarter of 2023, a negative hedging impact of $6 million was recognized under revenues, and a minimal positive impact was recognized under cost of sales. In the first quarter of 2022, a positive hedging impact of $19 million was recognized under revenues and a minimal negative impact was recognized under cost of sales.

Hedging transactions against future projected revenues and expenses are recognized on the balance sheet at their fair value on a quarterly basis, while the foreign exchange impact on the underlying revenues and expenses may occur in subsequent quarters. See note 8d to our consolidated financial statements.

Commencing in the third quarter of 2018, the cumulative inflation in Argentina exceeded 100% or more over a three-year period. Although this triggered highly inflationary accounting treatment, it did not have a material impact on our results of operations.

Commencing in the second quarter of 2022, the cumulative inflation in Turkey exceeded 100% or more over a three-year period. Although this triggered highly inflationary accounting treatment, it did not have a material impact on our results of operations.

Liquidity and Capital Resources

Total balance sheet assets were $43,456 million as of March 31, 2023, compared to $44,006 million as of December 31, 2022.

Our working capital balance, which includes accounts receivables net of SR&A, inventories, prepaid expenses and other current assets, accounts payables, employee-related obligations, accrued expenses and other current liabilities, was negative $41 million as of March 31, 2023, compared to negative $119 million as of December 31, 2022. This increase was mainly due to an increase in accounts receivables, net of SR&A, as well as in inventory levels and prepaid expenses, and a decrease in employee-related obligations, partially offset by an increase in accounts payables and provisions for legal settlements and loss contingencies.

Employee-related obligations, as of March 31, 2023 were $432 million, compared to $566 million as of December 31, 2022. The decrease in the first quarter of 2023 was mainly due to performance incentive payments to employees for 2022, partially offset by an accrual for performance incentive payments to employees for 2023.

Cash investment in property, plant and equipment in the first quarter of 2023 was $139 million, compared to $157 million in the first quarter of 2022. Depreciation in the first quarter of 2023 was $139 million, compared to $123 million in the first quarter of 2022.

Cash and cash equivalents and short-term and long-term investments as of March 31, 2023 were $2,161 million, compared to $2,817 million as of December 31, 2022.

Our cash on hand that is not used for ongoing operations is generally invested in bank deposits as well as liquid securities that bear fixed and floating rates.

Teva's principal sources of short-term liquidity are its cash on hand, existing cash investments, liquid securities and available credit facilities, primarily our $1.8 billion unsecured syndicated sustainability-linked revolving credit facility, entered into in April 2022, which was amended in February 2023 ("RCF"). See note 7 to our consolidated financial statements.

Debt Balance and Movements

As of March 31, 2023, our debt was $20,691 million, compared to $21,212 million as of December 31, 2022. This decrease was mainly due to $646 million senior notes repaid at maturity, partially offset by $176 million of exchange rate fluctuations. Additionally, during the first quarter of 2023, we repurchased $2,506 million aggregate principal amount of notes upon consummation of a cash tender offer, and issued $2,445 million of sustainability-linked senior notes, net of issuance costs. For further information, see note 7 to our consolidated financial statements.

Our debt as of March 31, 2023 was effectively denominated in the following currencies: 62% in U.S. dollars, 36% in euros and 2% in Swiss francs.

The portion of total debt classified as short-term as of March 31, 2023 was 5%, compared to 10% as of December 31, 2022.

Our financial leverage, which is the ratio between our debt and the sum of our debt and equity, was 71% as of March 31, 2023 and as of December 31, 2022.

Our average debt maturity was approximately 6.4 years as of March 31, 2023, compared to 5.8 years as of December 31, 2022.

Total Equity

Total equity was $8,612 million as of March 31, 2023, compared to $8,691 million as of December 31, 2022. This decrease was mainly due to a net loss of $238 million, partially offset by a positive impact of $120 million from exchange rate fluctuations.

Exchange rate fluctuations affected our balance sheet, as approximately 82% of our net assets as of March 31, 2023 (including both non-monetary and monetary assets) were in currencies other than the U.S. dollar. When compared to December 31, 2022, changes in currency rates had a positive impact of $120 million on our equity as of March 31, 2023. The following main currencies increased in value against the U.S. dollar: Mexican peso by 7%, Chilean peso by 7%, Polish zloty by 2%, British pound by 2%, Bulgarian lev by 2% and euro by 2%. The Russian ruble decreased in value against the U.S. dollar by 5%. All comparisons are on a year-to-date basis.

Cash Flow

We seek to continually improve the efficiency of our working capital management. From time to time, as part of our cash and commercial relationship management activities, we may make decisions in our commercial and supply chain activities which may drive an acceleration of receivable payments from customers or deceleration of payments to vendors, having the effect of increasing or decreasing cash from operations during an individual period. Such decisions may have an impact on our annual operating cash flow measurement, as well as on our quarterly results.

Cash flow used in operating activities during the first quarter of 2023 was $145 million, compared to $49 million in the first quarter of 2022. The higher cash flow used in the first quarter of 2023 resulted mainly from lower profit and changes in working capital items, including an increase in accounts receivables, net of SR&A, partially offset by an increase in accounts payables.

During the first quarter of 2023, we generated free cash flow of $41 million, which we define as comprising $145 million in cash flow used in operating activities, $323 million in beneficial interest collected in exchange for securitized accounts receivables (under our EU securitization program) and $2 million in proceeds from divestitures of businesses and other assets, partially offset by $139 million in cash used for capital investment. During the first quarter of 2022, we generated free cash flow of $117 million, which we define as comprising $49 million in cash flow used in operating activities, $305 million in beneficial interest collected in exchange for securitized accounts receivables (under our EU securitization program) and $25 million in proceeds from divestitures of businesses and other assets, partially offset by $157 million in cash used for capital investment and $7 million in cash used for acquisition of businesses, net of cash acquired. The decrease in the first quarter of 2023, resulted mainly from higher cash flow used in operating activities, as discussed above.

Dividends

We have not paid dividends on our ordinary shares or ADSs since December 2017.

Commitments

In addition to financing obligations under short-term debt and long-term senior notes and loans, debentures and convertible debentures, our major contractual obligations and commercial commitments include leases, royalty payments, contingent payments pursuant to acquisition agreements and participation in joint ventures associated with R&D activities. For further information on our agreements with Modag, Alvotech, Otsuka, Takeda and MedinCell, see note 2 to our consolidated financial statements.

We are committed to paying royalties to owners of know-how, partners in alliances and certain other arrangements, and to parties that financed R&D at a wide range of rates as a percentage of sales of certain products, as defined in the agreements. In some cases, the royalty period is not defined; in other cases, royalties will be paid over various periods not exceeding 20 years.

In connection with certain development, supply and marketing, and research and collaboration or services agreements, we are required to indemnify, in unspecified amounts, the parties to such agreements against third-party claims relating to (i) infringement or violation of intellectual property or other rights of such third party; or (ii) damages to users of the related products. Except as described in our financial statements, we are not aware of any material pending action that may result in the counterparties to these agreements claiming such indemnification.

2023 Aggregated Contractual Obligations

There have not been any material changes in our assessment of material contractual obligations and commitments as set forth in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022.

Non-GAAP Net Income and Non-GAAP EPS Data

We present non-GAAP net income and non-GAAP earnings per share (“EPS”) as management believes that such data provide useful information to investors because they are used by management and our Board of Directors, in conjunction with other performance metrics, to evaluate our operational performance, to prepare and evaluate our work plans and annual budgets and ultimately to evaluate the performance of management, including annual compensation. While other qualitative factors and judgment also affect annual compensation, the principal quantitative element in the determination of such compensation are performance targets tied to the work plan, which are based on these non-GAAP measures.

Non-GAAP financial measures have no standardized meaning and accordingly have limitations in their usefulness to investors. Investors are cautioned that, unlike financial measures prepared in accordance with U.S. GAAP, non-GAAP measures may not be comparable with the calculation of similar measures for other companies. These non-GAAP financial measures are presented solely to permit investors to more fully understand how management assesses our performance. The limitations of using non-GAAP financial measures as performance measures are that they provide a view of our results of operations without including all events during a period and may not provide a comparable view of our performance to other companies in the pharmaceutical industry. Investors should consider non-GAAP net income and non-GAAP EPS in addition to, and not as replacements for, or superior to, measures of financial performance prepared in accordance with GAAP.

In preparing our non-GAAP net income and non-GAAP EPS data, we exclude items that either have a non-recurring impact on our financial performance or which, in the judgment of our management, are items that, either as a result of their nature or size, could, were they not excluded, potentially cause investors to extrapolate future performance from an improper base that is not reflective of our underlying business performance. Certain of these items are also excluded because of the difficulty in predicting their timing and scope. The items excluded from our non-GAAP net income and non-GAAP EPS include:

- amortization of purchased intangible assets;
- legal settlements and material litigation fees and/or loss contingencies, due to the difficulty in predicting their timing and scope;
- impairments of long-lived assets, including intangibles, property, plant and equipment and goodwill;
- restructuring expenses, including severance, retention costs, contract cancellation costs and certain accelerated depreciation expenses primarily related to the rationalization of our plants or to certain other strategic activities, such as the realignment of R&D focus or other similar activities;
- acquisition- or divestment- related items, including changes in contingent consideration, integration costs, banker and other professional fees and inventory step-up;
- expenses related to our equity compensation;
- significant one-time financing costs, amortization of issuance costs and terminated derivative instruments, and marketable securities investment valuation gains/losses;
- unusual tax items;
- other awards or settlement amounts, either paid or received;
- other exceptional items that we believe are sufficiently large that their exclusion is important to facilitate an understanding of trends in our financial results, such as impacts due to changes in accounting, significant costs for remediation of plants, or other unusual events; and
- corresponding tax effects of the foregoing items.

The following tables present our non-GAAP net income and non-GAAP EPS for the three months ended March 31, 2023 and 2022, as well as reconciliations of each measure to their nearest GAAP equivalents:

($ in millions except per share amounts)	Three months ended March 31, 2023	2022
Net income (loss) attributable to Teva	$ (205)	$ (955)
Increase (decrease) for excluded items:		
Amortization of purchased intangible assets	165	200
Legal settlements and loss contingencies	233	1,124
Impairment of long-lived assets	188	165
Restructuring costs	56	57
Costs related to regulatory actions taken in facilities	1	1
Equity compensation	32	24
Contingent consideration	20	33
Accelerated depreciation	25	1
Financial expenses	23	11
Share in profits (losses) of associated companies – net	—	(22)
Items attributable to non-controlling interests	(40)	(11)
Other non-GAAP items*	63	121
Corresponding tax effects and unusual tax items	(104)	(140)
Non-GAAP net income attributable to Teva	$ 457	$ 609
Diluted earnings (loss) per share attributable to Teva	$ (0.18)	$ (0.86)
EPS difference**	0.59	1.41
Diluted Non-GAAP EPS attributable to Teva**	$ 0.40	$ 0.55
Non-GAAP weighted average number of shares (in millions)	1,128	1,112

* Other non-GAAP items include other exceptional items that we believe are sufficiently large that their exclusion is important to facilitate an understanding of trends in our financial results, such as inventory write-offs, primarily related to the rationalization of our plants, material litigation fees and other unusual events.

** EPS difference and diluted non-GAAP EPS are calculated by dividing our non-GAAP net income attributable to Teva by our non-GAAP diluted weighted average number of shares.

Off-Balance Sheet Arrangements

Except for securitization transactions, which are disclosed in note 10f to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022, we do not have any material off-balance sheet arrangements.

Critical Accounting Policies

For a summary of our significant accounting policies, see note 1 to our consolidated financial statements and "Critical Accounting Policies" included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Recently Issued Accounting Pronouncements

See note 1 to our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has not been any material change in our assessment of market risk as set forth in Item 7A to our Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Teva maintains "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to provide reasonable assurance that information required to be disclosed in Teva's reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Teva's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

After evaluating the effectiveness of our disclosure controls and procedures as of March 31, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, Teva's disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2023, there were no changes in internal control over financial reporting that materially affected or are reasonably likely to materially affect Teva's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various litigation and other legal proceedings. For a discussion of these matters, see "Commitments and Contingencies" included in note 10 to the consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There are no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

There were no sales of unregistered equity securities during the three months ended March 31, 2023.

Repurchase of Shares

We did not repurchase any of our shares during the three months ended March 31, 2023 and currently cannot conduct share repurchases or pay dividends due to our accumulated deficit.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

4.1	Fourth Supplemental Senior Indenture, dated as of March 9, 2023, among Teva Pharmaceutical Finance Netherlands II B.V., Teva Pharmaceutical Industries Limited, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon, London Branch, as paying agent (incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed with the SEC on March 9, 2023)
4.2	Form of 2029 Euro Notes (included in Exhibit 4.1)
4.3	Form of 2031 Euro Notes (included in Exhibit 4.1)
4.4	Fourth Supplemental Senior Indenture, dated as of March 9, 2023, among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.6 to Current Report on Form 8-K filed with the SEC on March 9, 2023)
4.5	Form of 2029 USD Notes (included in Exhibit 4.4)
4.6	Form of 2031 USD Notes (included in Exhibit 4.4)
10.1	Letter Agreement, dated as of February 8, 2023, between Teva Pharmaceutical Industries Ltd. and Eric Drapé *
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
101.INS	Inline XBRL Taxonomy Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

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

Date: May 10, 2023

By: /s/ Eli Kalif
Name: **Eli Kalif**
Title: **Executive Vice President,**
Chief Financial Officer
(Duly Authorized Officer)

Exhibit 10.1

February 8, 2023

To: Eric Drape

Dear Eric,

I am pleased to inform you that in recognition of your importance and criticality to the success of the Teva Group, the Board of Directors and its Compensation Committee approved granting you with the following additional terms.

- Certain continued vesting benefits: In the event you are terminated by the Company without cause (as defined in Section 7.4 of your employment agreement with the Company), or if you retire from the Company on or after December 31, 2024, you will receive full continued vesting of equity awards that were and/or will be granted to you by the end of your employee-employer relationship, and all vested options shall continue to be exercisable in accordance with their original terms, including expiration terms.

All other terms of your Employment Agreement will remain without change.

We are confident that you will continue to make a significant contribution to our future growth.

Sincerely,

/s/ Richard Francis
Richard Francis
President and Chief Executive Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Richard D. Francis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Teva Pharmaceutical Industries Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 10, 2023

/s/ Richard D. Francis
Richard D. Francis
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Eli Kalif, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Teva Pharmaceutical Industries Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 10, 2023

/s/ Eli Kalif
Eli Kalif
Executive Vice President, Chief Financial Officer

Exhibit 32

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Teva Pharmaceutical Industries Limited (the "Company") on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Richard D. Francis, President and Chief Executive Officer of the Company, and Eli Kalif, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2023

/s/ Richard D. Francis
Richard D. Francis
President and Chief Executive Officer

/s/ Eli Kalif
Eli Kalif
Executive Vice President, Chief Financial Officer