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 June 30, 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 June 30, 2023, the registrant had 1,120,650,146 ordinary shares outstanding.

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

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TEVA PHARMACEUTICAL INDUSTRIES LIMITED

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; our ability to successfully launch and execute our new strategy, including to expand our innovative and biosimilar medicines pipeline and profitably commercialize the innovative medicines and biosimilar portfolio, whether organically or through business development, and to sustain and focus our portfolio of generics medicines; 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; our ability to timely make payments required under our nationwide opioids settlement agreement and provide our generic version of Narcan® (naloxone hydrochloride nasal spray) in the amounts and at the times required under the terms of such agreement; 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)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,669	$ 2,801
Accounts receivables, net of allowance for credit losses of $87 million and $91 million as of June 30, 2023 and December 31, 2022	3,539	3,696
Inventories	4,109	3,833
Prepaid expenses	1,228	1,162
Other current assets	486	549
Assets held for sale	56	10
Total current assets	12,088	12,051
Deferred income taxes	1,578	1,453
Other non-current assets	443	441
Property, plant and equipment, net	5,712	5,739
Operating lease right-of-use assets, net	418	419
Identifiable intangible assets, net	5,738	6,270
Goodwill	17,118	17,633
Total assets	$ 43,095	$ 44,006
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 1,980	$ 2,109
Sales reserves and allowances	3,433	3,750
Accounts payables	2,508	1,887
Employee-related obligations	451	566
Accrued expenses	2,498	2,151
Other current liabilities	973	1,005
Total current liabilities	11,843	11,469
Long-term liabilities:		
Deferred income taxes	534	548
Other taxes and long-term liabilities	3,973	3,847
Senior notes and loans	18,698	19,103
Operating lease liabilities	338	349
Total long-term liabilities	23,543	23,846
Commitments and contingencies, see note 10		
Total liabilities	35,387	35,315
Equity:		
Teva shareholders' equity:		
Ordinary shares of NIS 0.10 par value per share; June 30, 2023 and December 31, 2022: authorized 2,495 million shares; issued 1,227 million shares and 1,217 million shares, respectively.	57	57
Additional paid-in capital	27,748	27,688
Accumulated deficit	(13,950)	(12,882)
Accumulated other comprehensive loss	(2,677)	(2,838)
Treasury shares as of June 30, 2023 and December 31, 2022: 106 million ordinary shares	(4,128)	(4,128)
	7,052	7,897
Non-controlling interests	656	794
Total equity	7,708	8,691
Total liabilities and equity	$ 43,095	$ 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net revenues	$3,878	$ 3,786	$ 7,539	$ 7,447
Cost of sales	2,082	1,992	4,161	3,913
Gross profit	1,796	1,794	3,378	3,534
Research and development expenses	240	228	473	453
Selling and marketing expenses	603	594	1,149	1,178
General and administrative expenses	307	313	602	609
Intangible assets impairments	63	51	241	199
Goodwill impairment	700	745	700	745
Other assets impairments, restructuring and other items	100	118	195	246
Legal settlements and loss contingencies	462	729	695	1,854
Other income	(33)	(34)	(34)	(87)
Operating income (loss)	(646)	(949)	(644)	(1,662)
Financial expenses, net	268	211	528	468
Income (loss) before income taxes	(914)	(1,160)	(1,172)	(2,131)
Income taxes (benefit)	(16)	(900)	(35)	(899)
Share in (profits) losses of associated companies, net	(1)	—	(1)	(21)
Net income (loss)	(898)	(259)	(1,136)	(1,211)
Net income (loss) attributable to non-controlling interests	(35)	(27)	(68)	(24)
Net income (loss) attributable to Teva	(863)	(232)	(1,068)	(1,187)
Earnings (loss) per share attributable to ordinary shareholders:				
Basic	$ (0.77)	$ (0.21)	$ (0.96)	$ (1.07)
Diluted	$ (0.77)	$ (0.21)	$ (0.96)	$ (1.07)
Weighted average number of shares (in millions):				
Basic	1,120	1,110	1,118	1,109
Diluted	1,120	1,110	1,118	1,109

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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	$ (898)	$ (259)	$(1,136)	$ (1,211)
Other comprehensive income (loss), net of tax:				
Currency translation adjustment	(39)	(219)	81	(282)
Unrealized gain (loss) from derivative financial instruments, net	4	7	12	14
Unrealized loss on defined benefit plans	—	—	(1)	—
Total other comprehensive income (loss)	(35)	(212)	92	(268)
Total comprehensive income (loss)	(933)	(471)	(1,044)	(1,479)
Comprehensive income (loss) attributable to non-controlling interests	(95)	(125)	(137)	(174)
Comprehensive income (loss) attributable to Teva	$ (838)	$ (346)	$ (907)	$(1,305)

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 March 31, 2023	1,226	57	27,719	(13,086)	(2,701)	(4,128)	7,860	751	8,612
Net Income (loss)				(863)			(863)	(35)	(898)
Other comprehensive income (loss)					25		25	(60)	(35)
Issuance of Shares	1	*	*				*		*
Stock-based compensation expense			30				30		30
Balance at June 30, 2023	1,227	$ 57	$ 27,748	$ (13,950)	$ (2,677)	$ (4,128)	$ 7,052	$ 656	$ 7,708

* 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 March 31, 2022	1,216	57	27,587	(11,484)	(2,687)	(4,128)	9,344	916	10,260
Net Income (loss)				(232)			(232)	(27)	(259)
Other comprehensive income (loss)					(114)		(114)	(98)	(212)
Issuance of Shares	*	*					*		*
Stock-based compensation expense			39				39		39
Balance at June 30, 2022	1,216	$ 57	$ 27,625	$ (11,716)	$ (2,801)	$(4,128)	$ 9,037	$ 791	$ 9,828

* 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, 2022	1,217	57	27,688	(12,882)	(2,838)	(4,128)	7,897	794	8,691
Net Income (loss)				(1,068)			(1,068)	(68)	(1,136)
Other comprehensive income (loss)					161		161	(69)	92
Issuance of Shares	10	*	*				*		*
Stock-based compensation expense			62				62		62
Balance at June 30, 2023	1,227	$ 57	$ 27,748	$ (13,950)	$ (2,677)	$(4,128)	$ 7,052	$ 656	$ 7,708

* 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 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)				(1,187)			(1,187)	(24)	(1,211)
Other comprehensive income (loss)					(118)		(118)	(150)	(268)
Issuance of shares	7	*	1				1		1
Stock-based compensation expense			63				63		63
Balance at June 30, 2022	1,216	$ 57	$ 27,625	$ (11,716)	$ (2,801)	$(4,128)	$ 9,037	$ 791	$ 9,828

* 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Operating activities:				
Net income (loss)	$ (898)	(259)	$(1,136)	(1,211)
Adjustments to reconcile net income (loss) to net cash provided by operations:				
Depreciation and amortization	300	358	604	681
Impairment of goodwill, long-lived assets and assets held for sale	774	810	962	975
Net change in operating assets and liabilities	204	354	(160)	913
Deferred income taxes – net and uncertain tax positions	(44)	(1,083)	(150)	(1,258)
Stock-based compensation	30	39	62	63
Other items	(12)	(107)	23	(77)
Net loss (gain) from investments and from sale of long lived assets	(30)	11	(26)	(12)
Net cash provided by (used in) operating activities	324	123	179	74
Investing activities:				
Beneficial interest collected in exchange for securitized trade receivables	371	287	694	592
Purchases of property, plant and equipment	(119)	(127)	(258)	(284)
Proceeds from sale of business and long lived assets	56	18	58	43
Acquisition of businesses, net of cash acquired	—	—	—	(7)
Purchases of investments and other assets	(2)	—	(6)	(4)
Proceeds from sale of investments	—	3	—	3
Other investing activities	(4)	(2)	(5)	(2)
Net cash provided by (used in) investing activities	302	179	483	341
Financing activities:				
Repayment of senior notes and loans and other long term liabilities	—	(296)	(3,152)	(296)
Proceeds from senior notes, net of issuance costs	—	—	2,451	—
Other financing activities	(55)	(42)	(60)	(40)
Net cash provided by (used in) financing activities	(55)	(338)	(761)	(336)
Translation adjustment on cash and cash equivalents	(77)	(123)	(65)	(185)
Net change in cash, cash equivalents and restricted cash	494	(159)	(164)	(107)
Balance of cash, cash equivalents and restricted cash at beginning of period	2,176	2,250	2,834	2,198
Balance of cash, cash equivalents and restricted cash at end of period	$ 2,670	2,091	2,670	2,091
Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets:				
Cash and cash equivalents	2,669	2,058	2,669	2,058
Restricted cash included in other current assets	1	33	1	33
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	2,670	2,091	2,670	2,091
Non-cash financing and investing activities:				
Beneficial interest obtained in exchange for securitized accounts receivables	$ 380	291	714	590

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. As part of the Company's annual goodwill analysis, Teva identified an increase in the discount rate, which led to a goodwill impairment charge in its International Markets reporting unit. This increase was due to an increase in certain components of the discount rate that were partially attributed to higher risk associated with country-specific characteristics of several countries, such as Russia, that might be a consequence of the conflict. Other than its impact on the goodwill impairment charge, during the three and six months ended June 30, 2023, the impact of this conflict on Teva's results of operation and financial condition continues to be immaterial.

Teva's results of operations for the three and six months ended June 30, 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. For further information see note 8g.

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 Teva and Modag will seek to discuss further developments with the FDA. 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® (adalimumab) and Stelara® (ustekinumab). 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. In July 2023, Alvotech and Teva expanded their collaboration agreement, adding two new biosimilar candidates as well as line extensions of two current biosimilar candidates to their partnership. 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, royalty payments, and milestone payments related to the expansion of the collaboration agreement from July 2023, 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®, Alvotech and Teva may sell the proposed biosimilar to Humira® in the U.S. beginning July 1, 2023, once U.S. regulatory approval is obtained. Alvotech announced they received complete response letters ("CRLs") from the FDA with respect to the proposed biosimilar to Humira® in September 2022, December 2022, April 2023 and June 2023. The CRLs from April and June 2023 stated that the application could not be approved at this time based on deficiencies associated with Alvotech's manufacturing facility. Alvotech is currently addressing the deficiencies identified in the most recent FDA inspection and CRLs. The expansion of the collaboration agreement in July 2023 includes increased involvement by Teva regarding manufacturing and quality at Alvotech's manufacturing facility and Teva agreed to acquire, subject to certain conditions, subordinated convertible bonds to be issued by Alvotech pursuant to a convertible bond instrument, dated December 20, 2022, for $40 million. In January 2023, the FDA accepted for review the Biologics License Application ("BLA") for the proposed biosimilar to Stelara®. On June 12, 2023, Alvotech and Teva reached a settlement and license agreement with Johnson & Johnson concerning the proposed biosimilar to Stelara®, granting it a license entry date in the U.S. no later than February 21, 2025, provided that U.S. regulatory approval is obtained by that date.

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, which was launched in the U.S. in May 2023. 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 and Liabilities Held for Sale:

General

Assets and liabilities held for sale as of June 30, 2023 included certain manufacturing assets and a business that are expected to be sold within the next year. Assets held for sale as of December 31, 2022 included certain manufacturing assets that were sold during the second quarter of 2023 or are expected to be sold in the second half of 2023. The table below summarizes all of Teva's assets and liabilities included as held for sale as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
	(U.S. $ in millions)	
Inventories	9	2
Property, plant and equipment, net and others	36	18
Goodwill	19	—
Adjustments of assets held for sale to fair value	(8)	(10)
Total assets of the disposal group classified as held for sale in the consolidated balance sheets	$ 56	$ 10
Total liabilities of the disposal group classified as held for sale in the consolidated balance sheets, recorded under other current liabilities	$ (12)	$ —

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 June 30, 2023				
	North America	Europe	International Markets	Other activities	Total
	(U.S.$ in millions)				
Sale of goods	1,579	1,153	448	151	3,331
Licensing arrangements	21	11	5	2	38
Distribution	392	§	10	—	402
Other	(1)	(1)	16	92	106
	$ 1,991	$1,163	$ 479	$ 245	$3,878

§ Represents an amount less than $0.5 million.

	Three months ended June 30, 2022				
	North America	Europe	International Markets	Other activities	Total
	(U.S.$ in millions)				
Sale of goods	1,538	1,127	448	176	3,289
Licensing arrangements	54	13	4	1	72
Distribution	308	§	10	—	318
Other	3	31	(9)	81	106
	$ 1,904	$1,171	$ 454	$ 257	$3,786

§ Represents an amount less than $0.5 million.

	Six months ended June 30, 2023				
	North America	Europe	International Markets	Other activities	Total
	(U.S.$ in millions)				
Sale of goods	2,898	2,329	912	282	6,421
Licensing arrangements	44	25	10	2	81
Distribution	816	§	19	—	836
Other	§	(7)	29	179	201
	$ 3,757	$2,347	$ 971	$ 464	$7,539

§ Represents an amount less than $0.5 million.

	Six months ended June 30, 2022				
	North America	Europe	International Markets	Other activities	Total
	(U.S.$ in millions)				
Sale of goods	2,915	2,261	894	356	6,425
Licensing arrangements	74	26	8	2	110
Distribution	650	§	26	—	677
Other	1	39	19	175	234
	$ 3,641	$2,327	$ 946	$ 532	$7,447

§ 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 67% of the Company's total SR&A as of June 30, 2023, with the remaining balance primarily related to customers in Canada and Germany. The changes in SR&A for third-party sales for the six months ended June 30, 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	175	2,037	319	3,788	141	56	6,341	6,516
Provisions related to sales made in prior periods	—	(17)	(26)	(17)	16	(3)	(47)	(47)
Credits and payments	(178)	(2,068)	(431)	(3,908)	(181)	(38)	(6,626)	(6,804)
Translation differences	—	11	2	2	2	(2)	15	15
Balance at June 30, 2023	$ 64	$ 1,538	$ 527	$ 856	$ 433	$ 79	$ 3,433	$ 3,497

	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	181	1,889	446	3,836	147	152	6,470	6,651
Provisions related to sales made in prior periods	—	(102)	20	(8)	(16)	(2)	(108)	(108)
Credits and payments	(185)	(1,901)	(497)	(3,922)	(211)	(145)	(6,676)	(6,861)
Translation differences	—	(33)	(6)	(7)	(4)	3	(47)	(47)
Balance at June 30, 2022	$ 64	$ 1,508	$ 817	$ 984	$ 451	$ 120	$ 3,880	$ 3,944

Pledged accounts receivables

Accounts receivables, net of allowance for credit losses, include $851 million and $436 million as of June 30, 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. See note 8f to the consolidated financial statements on this Form 10-Q and 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:

	June 30, 2023	December 31, 2022
	(U.S. $ in millions)	
Finished products	$2,136	$ 1,987
Raw and packaging materials	1,188	1,059
Products in process	580	555
Materials in transit and payments on account	204	232
	$4,109	$ 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	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
	(U.S. $ in millions)					
Product rights	$ 17,937	$ 18,067	$12,958	$ 12,630	$4,979	$ 5,437
Trade names	582	577	250	231	332	346
In process research and development	427	487	—	—	427	487
Total	$ 18,946	$ 19,131	$13,208	$ 12,861	$5,738	$ 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 $162 million and $212 million in the three months ended June 30, 2023 and 2022, respectively.

Amortization of intangible assets was $326 million and $412 million in the six months ended June 30, 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 June 30, 2023 and 2022 were $63 million and $51 million, respectively.

Impairments in the second quarter of 2023 consisted of:

(a) Identifiable product rights of $28 million, mainly related to updated market assumptions regarding price and volume of products; and

(b) IPR&D assets of $35 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 second quarter of 2022 consisted of:

(a) Identifiable product rights of $32 million related to updated market assumptions regarding price and volume of products acquired from Actavis Generics; and

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

Impairments of long-lived intangible assets for the six months ended June 30, 2023 and 2022 were $241 million and $199 million, respectively.

Impairments in the first six months of 2023 consisted of:

(a) Identifiable product rights of $188 million due to: (i) $112 million in Japan, mainly related to regulatory pricing reductions; and (ii) $76 million related to updated market assumptions regarding price and volume of products; and

(b) IPR&D assets of $53 million, mainly 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 six months of 2022 consisted mainly of:

(a) Identifiable product rights of $161 million related to updated market assumptions regarding price and volume of products acquired from Actavis Generics, and

(b) IPR&D assets of $21 million due to generic pipeline products acquired from Actavis Generics resulting from development progress and changes in other key valuation indications (e.g., market size, competition assumptions, legal landscape, launch date) in the United States.

The fair value measurement of the impaired intangible assets in the first six months 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 June 30, 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:						
Goodwill impairment	—	—	(700)	—	—	(700)
Goodwill reclassified as assets held for sale	—	—	(19)	—	—	(19)
Translation differences	9	95	82	10	9	205
Balance as of June 30, 2023 (1)	$ 6,459	$8,397	$ 702	$ 1,303	$258	$17,118

(1) Cumulative goodwill impairment as of June 30, 2023 and December 31, 2022 was approximately $28.3 billion and $27.6 billion, respectively.

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 table above. 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%.

Second Quarter Developments

Pursuant to Company policy, Teva conducted the annual goodwill impairment test for all reporting units during the second quarter of 2023. Management considered all information available, including information gathered from its latest long-range planning ("LRP") process and annual operating plan ("AOP"), which are parts of Teva's internal financial planning and budgeting processes, as well as Teva's newly launched "Pivot to Growth" strategy ("Teva's Strategy"). The LRP, the AOP and Teva's Strategy were discussed and reviewed by Teva's management and its board of directors.

Additionally, Teva conducted a quantitative analysis of all reporting units as part of its annual goodwill impairment test with the assistance of an independent valuation expert.

Based on this quantitative analysis, in the second quarter of 2023, Teva recorded a goodwill impairment charge of $700 million related to its International Markets reporting unit, mainly due to an increase in the discount rate due to higher risk associated with country-specific characteristics of several countries.

Following the goodwill impairment charge recorded in relation to Teva's International Markets reporting unit, the carrying value of this reporting unit equaled its fair value as of June 30, 2023. Therefore, if business conditions or expectations were to change materially, it may be necessary to record further impairment charges to Teva's International Markets reporting unit in the future.

The excess of the estimated fair value of Teva's API reporting unit over its estimated carrying amount as of June 30, 2023, was negligible. Therefore, if business conditions or expectations were to change materially, it may be necessary to record impairment charges to Teva's API reporting unit in the future.

The estimated fair value of Teva's Europe reporting unit exceeds its estimated carrying amount by 3% based on a terminal growth rate of 1.56% and a discount rate of 9.96%. If Teva holds all other assumptions constant, a reduction in the terminal growth rate of 0.25% to 1.31% or an increase in the discount rate of 0.25% to 10.21% would result in a reduction of the excess of fair value over carrying amount with respect to Teva's Europe reporting unit to 1%.

Teva's North America and Medis reporting units have fair values in excess of 10% over their respective book values as of June 30, 2023.

Teva noted its market capitalization has been below management's assessment of the aggregated fair value of the Company's reporting units. However, as of June 30, 2023, the Company's market capitalization plus a reasonable control premium exceeded its book value.

NOTE 7 – Debt obligations:

a. Short-term debt:

	Interest rate as of June 30, 2023	Maturity	June 30, 2023	December 31, 2022
			(U.S. $ in millions)	
Convertible senior debentures	0.25%	2026	23	23
Current maturities of long-term liabilities			1,957	2,086
Total short-term debt			$1,980	$ 2,109

Convertible senior debentures

The principal amount of Teva's 0.25% convertible senior debentures due 2026 was $23 million as of June 30, 2023 and as of 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 June 30, 2023	Maturity	June 30, 2023	December 31, 2022
			(U.S. $ in millions)	
Senior notes EUR 1,500 million	1.13%	2024	680	670
Sustainability-linked senior notes EUR 1,500 million (6)(*)	4.38%	2030	1,630	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	1,196	1,177
Senior notes EUR 1,000 million (5)	6.00%	2025	447	1,070
Senior notes EUR 900 million (5)	4.50%	2025	539	963
Sustainability-linked senior notes EUR 800 million (1)(*)	7.38%	2029	870	—
Senior notes EUR 750 million	1.63%	2028	812	800
Senior notes EUR 700 million	1.88%	2027	759	748
Sustainability-linked senior notes EUR 500 million (2)(*)	7.88%	2031	544	—
Senior notes USD 3,500 million (5)	3.15%	2026	3,374	3,496

Senior notes USD 3,000 million (5)(10)	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	389	382
Total senior notes			20,743	21,266
Other long-term debt			1	1
Less current maturities			(1,957)	(2,086)
Less debt issuance costs (8)			(89)	(78)
Total senior notes and loans			$18,698	$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 June 30, 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.

(10) In July 2023, Teva repaid $1,000 million of its 2.8% 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 June 30, 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, as 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 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 June 30, 2023, no amounts were outstanding under the RCF. In July 2023, a total amount of $700 million was withdrawn under the RCF and is outstanding as of the date of this Quarterly Report on Form 10-Q. 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 six months of 2023, approximately 48% 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 June 30, 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:

	June 30, 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	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
	(U.S. $ in millions)		(U.S. $ in millions)	
Asset derivatives:				
Other current assets:				
Option and forward contracts	$ —	$ —	$ 37	$ 29
Other non-current assets:				
Cross-currency swap-cash flow hedge (1)	9	—	—	—
Liability derivatives:				
Other current liabilities:				
Option and forward contracts	—	—	(47)	(101)

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,	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Reported under	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 268	$ 211	$ (35)	$ (212)
Cross-currency swaps—cash flow hedge (1)	(14)	—	(3)	—

	Financial expenses, net		Other comprehensive income (loss)	
	Six months ended,		Six months ended,	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Reported under	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 528	$ 468	$ 92	$ (268)
Cross-currency swaps—cash flow hedge (1)	(15)	—	(5)	—

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,	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Reported under	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 268	$ 211	$ (3,878)	$ (3,786)
Option and forward contracts (2)	(36)	(38)	—	—
Option and forward contracts economic hedge (3)	—	—	(4)	(16)

	Financial expenses, net		Net revenues	
	Six months ended,		Six months ended,	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Reported under	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 528	$ 468	$ (7,539)	$ (7,447)
Option and forward contracts (2)	(50)	(43)	—	—
Option and forward contracts economic hedge (3)	—	—	2	(35)

(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. For the three months ended June 30, 2023, the positive impact from these derivatives recognized under revenues was $4 million. For the three months ended June 30, 2022, the positive impact from these derivatives recognized under revenues was $16 million. In the first six months of 2023, the negative impact from these derivatives recognized under revenues was $2 million. In the first six months of 2022, the positive impact from these derivatives recognized under revenues was $35 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 $7 million were recognized under financial expenses, net, for each of the three months ended June 30, 2023 and 2022, and losses of $18 million and $15 million were recognized under financial expenses, net for each of the six months ended June 30, 2023 and 2022, respectively.

f. Securitization:

U.S. securitization program

On November 7, 2022, Teva and a bankruptcy-remote special purpose vehicle (“SPV”) entered into an accounts receivable securitization facility (“AR Facility”) with PNC Bank, National Association (“PNC”) with a three-year term. The AR Facility provided for purchases of accounts receivable by PNC in an amount of up to $1 billion through November 2023, and up to $500 million from November 2023 through November 2025. On June 30, 2023, the AR Facility agreement was amended to include an additional receivables purchaser under the agreement, in an amount of up to $250 million through November 2025. As a result, the total commitment of PNC was reduced to an amount of up to $750 million, effective June 30, 2023. Under the terms of the AR facility agreement, the total commitment of PNC is expected to further reduce to an amount of up to $500 million from November 2023 through November 2025, at which time the total commitment size for the AR facility will be $750 million. The SPV may amend the agreement and increase the commitment amount up to $1 billion in November 2023 if additional purchasers participate in the AR facility.

g. Supplier Finance Program Obligation

Teva maintains supply chain finance agreements with participating financial institutions. Under these agreements, participating suppliers may voluntarily elect to sell their accounts receivable with Teva to these financial institutions. Teva's suppliers negotiate their financing agreements directly with the respective financial institutions and Teva is not a party to these agreements. Teva has no economic interest in its suppliers' decisions to participate in the program and Teva pays the financial institutions the stated amount of confirmed invoices on the maturity dates, which is generally within 120 days from the date the invoice was received. The agreements with the financial institutions do not require Teva to provide assets pledged as security or other forms of guarantees for the supplier finance program. All outstanding amounts related to suppliers participating in the supplier finance program are recorded under accounts payables in Teva's consolidated balance sheets. As of June 30, 2023 and December 31, 2022, respectively, $84 million and $34 million of accounts payables to suppliers participating in these supplier finance programs were outstanding.

NOTE 9 – Legal settlements and loss contingencies:

In the second quarter of 2023, Teva recorded expenses of $462 million in legal settlements and loss contingencies, compared to $729 million in the second quarter of 2022. Expenses in the second quarter of 2023 were mainly related to a provision in connection with the U.S. DOJ criminal antitrust charges on the marketing and pricing of certain Teva USA generic products, an update to the estimated settlement provision related to some of the remaining opioid cases including an agreement in principle on private hospital cases, and an update to the provision related to the settlement in the reverse-payment antitrust litigation over certain HIV medicines. Expenses in the second 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.

In the first six months of 2023, Teva recorded expenses of $695 million in legal settlements and loss contingencies, compared to $1,854 million in the first six months of 2022. Expenses in the first six months of 2023 were mainly related to an update to the estimated settlement provision related to the remaining opioid cases, the provision relating to the U.S. DOJ criminal antitrust charges on the marketing and pricing of certain Teva USA generic products, an update to the estimated provision related to the DOJ patient assistance program litigation and the provision related to the settlement of the reverse-payment antitrust litigation over certain HIV medicines. Expenses in the first six months of 2022 were mainly related to an update of the estimated settlement provision recorded in connection with the remaining opioid cases.

As of June 30, 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 $4,704 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 substantial damages or other relief may be awarded. 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 began selling its carvedilol tablets (the generic version of GSK's Coreg®) in September 2007. A 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. Subsequently, the Court of Appeals for the Federal Circuit issued a series of decisions reinstating the $235.5 million verdict, finding Teva liable for patent infringement and denying rehearing. Teva then appealed this decision to the U.S. Supreme Court, which was denied. 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 the matter.

In January 2021, Teva initiated a patent invalidity action against the compound patent and Supplementary Protection Certificate ("SPC") asserted to cover Bristol-Myers Squibb Company's ("BMS") Eliquis® (apixaban). In May 2022, the UK High Court held that the compound patent and SPC are invalid and Teva began selling its generic version of Eliquis® (apixaban). In May 2023, the UK Court of Appeal upheld the first instance decision that the compound

patent and SPC are invalid and also denied BMS's request to appeal to the UK Supreme Court. In June 2023, BMS applied directly to the UK Supreme Court asking for permission to appeal. If BMS's appeal succeeds, Teva may owe monetary damages for patent infringement and may be enjoined from making further sales of its generic version of Eliquis® (apixaban) until the patent and SPC expire in May 2026.

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 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. 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, with the exception of a single-plaintiff case originally filed in the MDL alleging non-cancer injuries, which is in the very initial stages of discovery. 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 and New York on preemption and other grounds. Teva's and the other generic manufacturer defendants' preliminary objections filed in Pennsylvania based on preemption and other grounds, were largely sustained and dismissed most of the claims arising under Pennsylvania law. 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. The parties are now engaged in discovery related to the surviving metformin claims. 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. On May 30, 2023, Defendants' motion to transfer the action to the District of New Jersey, where the original case is pending, was granted. 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. On June 5, 2023, the Court of Appeals for the Third Circuit denied the indirect purchasers' petition for re-hearing. 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. On October 8, 2019, the district court dismissed, with prejudice, the direct purchasers' claims against the generic manufacturers (including Teva, Actavis, and Watson Pharmaceuticals, Inc. ("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 June 2023, the U.S. Court of Appeals for the Third Circuit granted Teva's petition for interlocutory appellate review of the trial court's partial denial of Teva's motion to dismiss, and the appeal remains pending. 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, 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 an appeal in the Court of Appeals for the Second Circuit, and the appeal is ongoing. 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 (the "New Mexico litigation"). Between September and April 2022, several private plaintiffs including retailers and health insurance providers filed similar claims in various courts, which were all removed and/or consolidated into the Northern District of California (the "California litigation"). 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®, although plaintiffs in the California litigation

abandoned any claim for damages relating to the Viread® settlement. In the California litigation, in May 2023, Teva and Gilead reached an agreement to settle with the retailer plaintiffs. In the second quarter of 2023, Teva updated the provision recognized for this matter based on the settlement that was reached. A trial was held against the remaining plaintiffs in the California litigation, and on June 30, 2023, the jury issued a verdict in favor of Teva and Gilead, rejecting all of the remaining plaintiffs' claims. In October 2022 in the New Mexico litigation, the New Mexico Supreme Court granted Teva's petition for a writ of *certiorari* regarding Teva's motion to dismiss the complaint, which motion was previously denied by the trial court. On July 6, 2023, the New Mexico Supreme Court remanded the litigation to the trial court for limited discovery and for further proceedings on the issue of whether the trial court may exercise specific personal jurisdiction over Teva. 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 responded in writing to the Statement of Objections on February 8, 2023 and orally at a hearing on March 23, 2023. The European Commission issued a Request for Information by Decision in May 2023, to which Teva is responding. Annual sales of COPAXONE in the European Economic Area in 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, which the Court granted. On May 24, 2023, the Court denied defendants' motion for summary judgment, and plaintiffs' motion for partial summary judgment. 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, and plaintiffs are seeking more than $500 million in damages, which damages would be automatically trebled in the event of an adverse judgment.

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 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 May 16, 2023, Teva and Natco, along with Celgene, moved to dismiss the complaints against them, and those motions remain pending while discovery is 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 June 5, 2023, plaintiffs filed an amended complaint, which Teva moved to dismiss. 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.

In May 2023, certain end-payor plaintiffs filed putative class action complaints in the United States District Court for the District of Massachusetts against Teva and a number of its affiliates, alleging that Teva engaged in anticompetitive conduct to suppress generic competition to its branded QVAR® asthma inhalers in violation of state and federal antitrust laws and state consumer protection laws. Teva plans to move to dismiss these claims.

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 alleged that Teva USA had 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 on the charges against Teva and its co-defendant Glenmark, which sets a May 2024 trial date. In the second quarter of 2023, Teva recognized a provision based on advanced discussions with DOJ to settle this matter on terms that would allow Teva to continue participating in U.S. federally funded health care programs. 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 in the U.S., including monetary penalties and exclusion from participation in U.S. 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, as 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), Florida (in February 2023), and Kentucky (in June 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. The State of Alabama (in March 2022) and the territories of American Samoa (in July 2020) and Guam (in February 2023) have all voluntarily dismissed all of their claims in the litigation against Actavis and Teva USA. The dismissals by Alabama and Guam were with prejudice and the dismissal by American Samoa was without prejudice.

The most recent settlement with Kentucky 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 July 2023, 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, including most recently an opt-out complaint filed by approximately 150 hospitals and pharmacies on July 1, 2023. 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 causes of action under the federal False Claims Act and for unjust enrichment (the "DOJ PAP Complaint"). It is alleged that Teva's donations to certain 501(c)(3) charities that provided financial assistance to multiple sclerosis patients violated the Anti-Kickback Statute. On September 10, 2021, the Court granted Teva's motion to dismiss the unjust enrichment claim and denied the remainder of the motion. On April 24, 2023, both parties filed summary judgment motions, and on July 14, 2023 the court denied Teva's motion and granted the DOJ's motion, adopting the DOJ's positions on materiality, causation, and damages. Under that ruling, if the DOJ can prove that any specific claim for reimbursement resulted from an illegal kickback, then the DOJ will be entitled to recover the full amount of that claim as damages. The DOJ is seeking a maximum of over $1 billion in damages, which would automatically be trebled in the event of an adverse verdict, and Teva would also be subject to mandatory statutory penalties for each false claim, the amount of which (potentially billions of U.S. dollars in additional penalties, at the high end) will be determined by the court within a statutory range. On July 27, 2023, Teva moved the district court to certify its summary judgement ruling for an immediate appeal, and that motion remains pending. Trial for this matter is currently scheduled for September 2023. 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. ("Humana") 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, which motion was denied as moot in May 2023 in light of the amended complaint filed by Humana in May 2023. In June 2023, Teva filed a joint motion to dismiss, together with co-defendant Advanced Care Scripts, Inc., on the grounds that Humana lacks standing to assert RICO claims and the claims are time-barred and/or insufficiently pled, and that motion has not yet been fully submitted to the Court. 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 all of the complaints, and decisions remain 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.

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. In January 2023, Teva confirmed participation from all states except Nevada, and decided to move forward with the participation process of the subdivisions. In February 2023, Teva and the Tribes finalized their opioids settlement with participation from 100% of the Tribes.

In June 2023, Teva finalized and fully resolved its nationwide settlement agreement with the states and 99% of litigating subdivisions. Under the financial terms of the 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 June 2023, Teva reached a separate settlement with the remaining state, Nevada. Under the terms of the Nevada settlement, Teva will pay Nevada $193 million over 20 years, including all fees and costs.

Teva has now settled with all 50 U.S. states and the Tribes. Teva's estimated cash payments in 2023 for all opioids settlements are $457 million, out of which $124 million were paid as of June 30, 2023. These payments are subject to changes based on various factors including, but not limited to, timing of payments, most favored nations clauses associated with prior settlements, the states' elections to take Teva's generic version of Narcan® (naloxone hydrochloride nasal spray), etc. Additional payments will be paid between 2024 and 2043.

Various Teva affiliates, along with several other pharmaceutical companies, have been named as defendants in opioids cases initiated by approximately 500 U.S. hospitals and other healthcare providers asserting opioid-related claims, including public nuisance. Specifically, the lawsuits brought by the hospitals allege that they have incurred financial harm in the form of what they claimed to be increased operating costs for treating patients whose underlying illnesses are purportedly exacerbated or complicated by opioid addiction. In July 2023, Teva and the representatives for acute care hospitals reached an agreement in principle on the financial terms of a national settlement. Under the financial terms of the proposed national settlement agreement, Teva will pay up to $126 million in cash, spread over 18 years, and supply up to $49 million of Teva's generic version of Narcan® (naloxone hydrochloride nasal spray), valued at wholesale acquisition cost, over 7 years. Teva's proposed settlement agreement with the acute care hospitals and health systems is contingent upon Teva's, in the exercise of its sole discretion, satisfaction with the level of participation by acute care hospitals and health care systems in the proposed settlement agreement.

In light of the nationwide settlement agreement 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 reached with Louisiana, Texas, Rhode Island, Florida, San Francisco, West Virginia, New York, the Tribes and Nevada, the agreement in principle with the hospitals discussed above, 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. The provision is a reasonable estimate of the ultimate costs for Teva's opioids settlements, after discounting payments to their net present value. Opioid-related lawsuits brought against Teva by dozens of third-party payors, such as unions and welfare funds, remain pending. A reasonable upper end of a range of loss cannot be determined for the entirety of the remaining opioid-related cases. 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 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 and dismissed all claims against one of the individual defendants. 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 or 2024, 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. In the second quarter of 2023, Teva recognized a provision based on its offer to settle the matter.

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. Oral argument in these IPR proceedings was heard on July 19, 2023, and the PTAB's decisions are expected in the second half of 2023. 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 second quarter of 2023, Teva recognized a tax benefit of $16 million, on a pre-tax loss of $914 million. In the second quarter of 2022, Teva recognized a tax benefit of $900 million, on a pre-tax loss of $1,160 million. Teva's tax rate for the second quarter of 2023 was mainly affected by impairments, legal settlements, amortization, and interest expense disallowances.

In the second quarter of 2022, one of Teva's U.S. subsidiaries was determined to be insolvent for tax purposes (i.e., its liabilities exceeded the fair market value of its assets), mainly in light of its accumulated operational losses. Consequently, Teva will recognize on its 2022 tax return, a worthless stock deduction of approximately $4.2 billion, with related tax benefit of approximately $850 million.

In the first six months of 2023, Teva recognized a tax benefit of $35 million, on a pre-tax loss of $1,172 million. In the first six months of 2022, Teva recognized a tax benefit of $899 million, on a pre-tax loss of $2,131 million. Teva's tax rate for the first six months of 2023 was mainly affected by impairments, legal settlements, 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 ongoing. 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 the 2008-2011 decrees. The case with respect to the 2012-2016 decrees 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 March 2024. The tax liability resulting from the October 2021 Central District Court decision, with respect to the decrees for 2008-2011 and the similar legal claims in the related following years, was approximately $350 million, of which a portion has been paid in 2022 and 2023 and will continue to be paid during 2023 and 2024.

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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(U.S. $ in millions)		(U.S. $ in millions)	
Impairments of long-lived tangible assets (1)	$ 11	$ 14	$ 21	$ 30
Contingent consideration	70	61	90	94
Restructuring	10	35	66	92
Other	9	8	19	30
Total	$ 100	$ 118	$ 195	$ 246

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

Impairments

Impairments of tangible assets for the three months ended June 30, 2023 and 2022 were $11 million and $14 million, respectively.

Impairments of tangible assets for the six months ended June 30, 2023 and 2022 were $21 million and $30 million, respectively. The impairments for the six months ended June 30, 2023 were mainly related to certain assets in North America and Europe. The impairments for the six months ended June 30, 2022 were mainly related to certain assets in North America.

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 ongoing network consolidation activities.

Contingent consideration

In the three months ended June 30, 2023, Teva recorded an expense of $70 million for contingent consideration, compared to an expense of $61 million in the three months ended June 30, 2022. The expense in the second quarter of 2023 and 2022 was mainly related to a change in the estimated future royalty payments to Allergan in connection with lenalidomide (generic equivalent of Revlimid®).

In the six months ended June 30, 2023, Teva recorded an expense of $90 million for contingent consideration, compared to an expense of $94 million in the six months ended June 30, 2022. The expense in the first six 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 six months of 2022 was mainly related to a change in the estimated future royalty payments to Allergan in connection with lenalidomide (generic equivalent of Revlimid®).

Restructuring

In the three months ended June 30, 2023, Teva recorded $10 million of restructuring expenses, compared to $35 million in the three months ended June 30, 2022. The expenses for the three months ended June 30, 2023 and 2022 were primarily related to network consolidation activities.

In the six months ended June 30, 2023, Teva recorded $66 million of restructuring expenses, compared to $92 million in the six months ended June 30, 2022. The expenses for the six months ended June 30, 2023 and 2022 were primarily related to network consolidation activities.

The following tables provide the components of the Company's restructuring costs:

	Three months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Restructuring		
Employee termination	$ 1	$ 11
Other	9	24
Total	$ 10	$ 35

	Six months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Restructuring		
Employee termination	$ 24	$ 63
Other	42	29
Total	$ 66	$ 92

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	(24)	(42)	(66)
Utilization and other*	60	42	102
Balance as of June 30, 2023	$ (76)	$ (7)	$ (83)

	Employee termination costs	Other	Total
	(U.S. $ in millions)		
Balance as of January 1, 2022	$ (131)	$ (7)	$(138)
Provision	(63)	(29)	(92)
Utilization and other*	74	29	103
Balance as of June 30, 2022	$ (120)	$ (7)	$(127)

* 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 June 30, 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.

In computing diluted loss per share for the six months ended June 30, 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 June 30, 2023 and 2022 were 1,120 million and 1,110 million shares, respectively.

The weighted average diluted shares outstanding used for the fully diluted share calculations for the six months ended June 30, 2023 and 2022 were 1,118 million and 1,109 million shares, respectively.

Basic and diluted loss per share was $0.77 for the three months ended June 30, 2023, compared to basic and diluted loss per share of $0.21 for the three months ended June 30, 2022.

Basic and diluted loss per share was $0.96 for the six months ended June 30, 2023, compared to basic and diluted loss per share of $1.07 for the six months ended June 30, 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	159	(5)	—	154
Amounts reclassified to the statements of income	—	17	(1)	16
Net other comprehensive income (loss) before tax	159	12	(1)	170
Corresponding income tax	(9)	—	—	(9)
Net other comprehensive income (loss) after tax*	150	12	(1)	161
Balance as of June 30, 2023, net of taxes	$ (2,364)	$ (283)	$ (29)	$(2,677)

* Amounts do not include a $69 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	(127)		—	(127)
Amounts reclassified to the statements of income	—	14	—	14
Net other comprehensive income (loss) before tax	(127)	14	—	(113)
Corresponding income tax	(5)	—	—	(5)
Net other comprehensive income (loss) after tax*	(132)	14	—	(118)
Balance as of June 30, 2022, net of taxes	$ (2,406)	$ (310)	$ (85)	$(2,801)

* Amounts do not include a $150 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, and based on such review, in May 2023 Teva launched its new Pivot to Growth strategy. Any additional 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 June 30, 2023		
	North America	Europe	International Markets
	(U.S. $ in millions)		
Revenues	$ 1,991	$1,163	$ 479
Gross profit	1,046	640	254
R&D expenses	159	53	21
S&M expenses	264	194	110
G&A expenses	106	61	29
Other income	(4)	(1)	(28)
Segment profit	$ 520	$ 334	$ 124

	Three months ended June 30, 2022		
	North America	Europe	International Markets
	(U.S. $ in millions)		
Revenues	$ 1,904	$1,171	$ 454
Gross profit	1,010	703	242
R&D expenses	147	56	19
S&M expenses	256	196	99
G&A expenses	127	63	30
Other income	(1)	(1)	(1)
Segment profit	$ 481	$ 389	$ 95

	Six months ended June 30, 2023		
	North America	Europe	International Markets
	(U.S. $ in millions)		
Revenues	$ 3,757	$2,347	$ 971
Gross profit	1,857	1,294	517
R&D expenses	315	106	40
S&M expenses	487	381	208
G&A expenses	208	130	60
Other income	(5)	(1)	(29)
Segment profit	$ 852	$ 679	$ 237

	Six months ended June 30, 2022		
	North America	Europe	International Markets
	(U.S. $ in millions)		
Revenues	$ 3,641	$2,327	$ 946
Gross profit	1,899	1,397	528
R&D expenses	289	114	39
S&M expenses	501	393	196
G&A expenses	239	122	60
Other income	(12)	(1)	(41)
Segment profit	$ 883	$ 769	$ 274

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 and six months ended June 30, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(U.S. $ in millions)		(U.S. $ in millions)	
North America profit	$ 520	$ 481	$ 852	$ 883
Europe profit	334	389	679	769
International Markets profit	124	95	237	274

Total reportable segments profit	977	964	1,769	1,926
Profit (loss) of other activities	33	55	27	107
Total segments profit	1,011	1,019	1,796	2,032
Amounts not allocated to segments:				
Amortization	162	212	326	412
Other assets impairments, restructuring and other items	100	118	195	246
Goodwill impairment	700	745	700	745
Intangible assets impairments	63	51	241	199
Legal settlements and loss contingencies	462	729	695	1,854
Other unallocated amounts	170	113	282	240
Consolidated operating income (loss)	(646)	(949)	(644)	(1,662)
Financial expenses, net	268	211	528	468
Consolidated income (loss) before income taxes	$ (914)	$(1,160)	$(1,172)	$(2,131)

b. Segment revenues by major products and activities:

The following tables present revenues by major products and activities for the three and six months ended June 30, 2023 and 2022:

North America	Three months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 969	$ 1,026
AJOVY	57	49
AUSTEDO	308	204
BENDEKA® and TREANDA®	69	83
COPAXONE	64	94
Anda	392	308
Other	133	139
Total	$ 1,991	$ 1,904

North America	Six months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 1,793	$ 1,925
AJOVY	107	86
AUSTEDO	478	358
BENDEKA and TREANDA	131	165
COPAXONE	139	180
Anda	816	650
Other	293	278
Total	$ 3,757	$ 3,641

Europe	Three months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 909	$ 873
AJOVY	39	29
COPAXONE	60	72
Respiratory products	66	65
Other	89	131
Total	$ 1,163	$ 1,171

Europe	Six months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 1,841	$ 1,749
AJOVY	74	60
COPAXONE	119	144
Respiratory products	134	137
Other	178	238
Total	$ 2,347	$ 2,327

International markets	Three months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 394	$ 394
AJOVY	9	10
COPAXONE	10	9
Other	67	40
Total	$ 479	$ 454

International markets	Six months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 793	$ 782
AJOVY	19	16
COPAXONE	22	20
Other	137	128
Total	$ 971	$ 946

NOTE 16 – Fair value measurement:

Financial items carried at fair value on a recurring basis as of June 30, 2023 and December 31, 2022 are classified in the tables below in one of the three categories of fair value levels:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
	(U.S. $ in millions)			
Cash and cash equivalents:				
Money markets	$1,080	$ —	$ —	$1,080
Cash, deposits and other	1,589	—	—	1,589
Investment in securities:				
Equity securities	8	—	—	8
Other	4	—	1	5
Restricted cash	1	—	—	1
Derivatives:				
Asset derivatives:				
Options and forward contracts	—	37	—	37
Cross currency interest rate swaps	—	9		9
Liability derivatives:				
Options and forward contracts	—	(47)	—	(47)
Bifurcated embedded derivatives	—	—	§	—
Contingent consideration*	—	—	(143)	(143)
Total	$2,682	$ (1)	$(142)	$2,539

	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. 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 8.97%. 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:

	Six months ended June 30, 2023	Six months ended June 30, 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	(64)	(92)
Eagle transaction	(24)	(2)
Novetide transaction	(1)	—
Settlement of contingent consideration:		
Actavis Generics transaction	57	30
Eagle transaction	40	46
Novetide transaction	2	—
Additional contingent consideration resulting from Novetide acquisition*	—	(11)
Fair value at the end of the period	$ (142)	$ (204)

§ 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*	
	June 30, 2023	December 31, 2022
	(U.S. $ in millions)	
Senior notes and sustainability-linked senior notes included under senior notes and loans	$16,895	$ 16,694
Senior notes and convertible senior debentures included under short-term debt	1,971	2,075
Total	$18,866	$ 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.

Pivot to Growth Strategy

In May 2023, we introduced our new "Pivot to Growth" strategy, which is based on four key pillars: (i) delivering on our growth engines, mainly AUSTEDO, UZEDY and our late-stage pipeline of biosimilars; (ii) stepping up innovation through delivering on our late-stage innovative pipeline assets as well as building up our early-stage pipeline organically and potentially through business development activities; (iii) sustaining our generics medicines powerhouse with a global commercial footprint, focused portfolio, pipeline and manufacturing footprint; and (iv) focusing our business by optimizing our portfolio and global manufacturing footprint to enable strategic capital deployment to accelerate our near and long-term growth engines and reorganizing certain of our business units to a more optimal structure, while also reorganizing key business units to enhance operational efficiency.

Macroeconomic Environment

In recent months, the global economy has been impacted by fluctuating foreign exchange rates. Approximately 46% of our revenues in the second quarter of 2023 were 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 caused disruptions to the global and the Company's internal supply chain. Supply chain disruptions 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 second quarter of 2023 included:

- Revenues in the second quarter of 2023 were $3,878 million, an increase of 2% compared to the second quarter of 2022. In local currency terms, revenues increased by 4%, mainly due to higher revenues from AUSTEDO and Anda in our North America segment and from generic products in our International Markets segment, partially offset by lower revenues from generic products and from COPAXONE in our North America segment as well as from API sales to third parties.
- Our North America segment generated revenues of $1,991 million and segment profit of $520 million in the second quarter of 2023. Revenues increased by 5% and segment profit increased by 8% compared to the second quarter of 2022.
- Our Europe segment generated revenues of $1,163 million and segment profit of $334 million in the second quarter of 2023. Revenues decreased by 1% in U.S. dollars, or flat in local currency terms, compared to the second quarter of 2022. Segment profit decreased by 14% compared to the second quarter of 2022.
- Our International Markets segment generated revenues of $479 million and segment profit of $124 million in the second quarter of 2023. Revenues increased by 5% in U.S. dollars, or 13% in local currency terms, compared to the second quarter of 2022. Segment profit increased by 30% compared to the second quarter of 2022.
- Our revenues from other activities in the second quarter of 2023 were $245 million, a decrease of 5% in both U.S. dollars and local currency terms, compared to the second quarter of 2022.
- Exchange rate movements during the second quarter of 2023, including hedging effects, negatively impacted revenues by $51 million compared to the second quarter of 2022. See note 8d to our consolidated financial statements.
- Impairments of identifiable intangible assets were $63 million in the second quarter of 2023, compared to $51 million in the second quarter of 2022. See note 5 to our consolidated financial statements.
- We recorded a goodwill impairment charge of $700 million related to our International Markets reporting unit in the second quarter of 2023, compared to a goodwill impairment charge of $745 million in the second quarter of 2022, of which $479 million was related to our International Markets reporting unit and $266 million was related to Teva's API reporting unit. See note 6 to our consolidated financial statements.
- We recorded expenses of $100 million for other asset impairments, restructuring and other items in the second quarter of 2023, compared to expenses of $118 million in the second quarter of 2022. See note 12 to our consolidated financial statements.
- Legal settlements and loss contingencies expenses were $462 million in the second quarter of 2023, compared to $729 million in the second quarter of 2022. See note 9 to our consolidated financial statements.
- Operating loss was $646 million in the second quarter of 2023, compared to an operating loss of $949 million in the second quarter of 2022.
- Financial expenses were $268 million in the second quarter of 2023, compared to $211 million in the second quarter of 2022.
- In the second quarter of 2023, we recognized a tax benefit of $16 million, on a pre-tax loss of $914 million. In the second quarter of 2022, we recognized a tax benefit of $900 million, on a pre-tax loss of $1,160 million. See note 11 to our consolidated financial statements.
- As of June 30, 2023, our debt was $20,678 million, compared to $21,212 million as of December 31, 2022. In July 2023, we repaid $1,000 million of our 2.8% senior notes at maturity. Additionally, in July 2023, a total amount of $700 million was withdrawn under the RCF and is outstanding as of the date of this Quarterly Report on Form 10-Q. See note 7 to our consolidated financial statements.
- 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 $489 million as of June 30, 2023, compared to negative $119 million as of December 31, 2022. This decrease was mainly due to an increase in accounts payables, resulting primarily from more

favorable vendor payment terms that went into effect in the second quarter of 2023 and higher inventory purchases, as well as by an increase in provisions for legal settlements and loss contingencies, partially offset by an increase in inventory levels, in accounts receivables, net of SR&A, in prepaid expenses, and a decrease in employee-related obligations.

- Cash flow generated from operating activities during the second quarter of 2023 was $324 million, compared to $123 million in the second quarter of 2022. The higher cash flow generated in the second quarter of 2023 resulted mainly from changes in working capital items, including a positive impact from accounts receivables, net of SR&A, and from inventory levels, partially offset by a negative impact from accounts payables.
- During the second quarter of 2023, we generated free cash flow of $632 million, which we define as comprising: $324 million in cash flow generated from operating activities, $371 million in beneficial interest collected in exchange for securitized accounts receivables (under our EU securitization program) and $56 million in proceeds from divestitures of businesses and other assets, partially offset by $119 million in cash used for capital investment. During the second quarter of 2022, we generated free cash flow of $301 million. The increase in the second quarter of 2023 resulted mainly from higher cash flow generated from operating activities, as well as higher proceeds from sale of business and long-lived assets.

Results of Operations

Comparison of Three Months Ended June 30, 2023 to Three Months Ended June 30, 2022

Segment Information

North America Segment

The following table presents revenues, expenses and profit for our North America segment for the three months ended June 30, 2023 and 2022:

	Three months ended June 30,			
	2023		2022	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 1,991	100%	$ 1,904	100%
Gross profit	1,046	52.5%	1,010	53.0%
R&D expenses	159	8.0%	147	7.7%
S&M expenses	264	13.3%	256	13.4%
G&A expenses	106	5.3%	127	6.7%
Other income	(4)	§	(1)	§
Segment profit*	$ 520	26.1%	$ 481	25.3%

* 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 second quarter of 2023 were $1,991 million, an increase of $87 million, or 5%, compared to the second 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, COPAXONE 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 June 30, 2023 and 2022:

	Three months ended June 30,		Percentage Change
	2023	2022	2023-2022
	(U.S. $ in millions)		
Generic products	$ 969	$ 1,026	(6%)
AJOVY	57	49	16%
AUSTEDO	308	204	51%
BENDEKA and TREANDA	69	83	(17%)
COPAXONE	64	94	(33%)
Anda	392	308	27%
Other	133	139	(4%)
Total	$ 1,991	$ 1,904	5%

Generic products revenues in our North America segment (including biosimilars) in the second quarter of 2023 were $969 million, a decrease of 6% compared to the second 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 second quarter of 2023 were lenalidomide capsules (the generic version of Revlimid®), epinephrine injectable solution (the generic equivalent of EpiPen® and EpiPen Jr®), Truxima® (the biosimilar to Rituxan®), and albuterol sulfate inhalation aerosol (our ProAir® authorized generic).

In the second quarter of 2023, our total prescriptions were approximately 319 million (based on trailing twelve months), representing 8.4% of total U.S. generic prescriptions, compared to approximately 302 million (based on trailing twelve months), representing 8.2% of total U.S. generic prescriptions in the second quarter of 2022, all according to IQVIA data.

AJOVY revenues in our North America segment in the second quarter of 2023 increased by 16% to $57 million, compared to the second quarter of 2022, mainly due to growth in volume. In the second quarter of 2023, AJOVY's exit market share in the United States in terms of total number of prescriptions was 25.1% compared to 24.4% in the second 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 (obtained in September 2018) and 10 years from marketing approval in Europe (obtained in April 2019). 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. Oral argument in these IPR proceedings was

heard on July 19, 2023, and the PTAB's decisions are expected in the second half of 2023. 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 second quarter of 2023 increased by 51%, to $308 million, compared to $204 million in the second quarter of 2022, mainly due to growth in volume and the launch of AUSTEDO XR in May 2023.

AUSTEDO was launched in the U.S. in 2017. It is indicated for the treatment of chorea associated with Huntington 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, and became commercially available in the U.S. in May 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.

UZEDY (risperidone) extended-release injectable suspension was approved by the FDA on April 28, 2023 for the treatment of schizophrenia in adults, and was launched in the U.S. in May 2023. UZEDY is the first subcutaneous, long-acting formulation of risperidone that controls the steady release of risperidone. UZEDY is protected by nine Orange Book patents expiring between 2025 and 2033.

BENDEKA and **TREANDA** combined revenues in our North America segment in the second quarter of 2023 decreased by 17% to $69 million, compared to the second 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. 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, and June 9, 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, On June 16, 2023, Teva filed suit against BendaRx USA Corp. in the U.S. District Court for the District of Eastern Virginia.

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. There are now multiple generic TREANDA products on the market.

COPAXONE revenues in our North America segment in the second quarter of 2023 decreased by 33% to $64 million, compared to the second 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 second quarter of 2023 increased by 27% to $392 million, compared to $308 million in the second 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 distribution market by maintaining a broad portfolio of products, competitive pricing and delivery throughout the United States.

Product Launches and Pipeline

In the second 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))*
Darunavir Tablets	Prezista® tablets	June	$ 308
Topiramate Extended-release Capsules 25 mg, 50 mg & 100 mg	Trokendi XR®	May	$ 244
Amlodipine Besylate Tablets, USP	Norvasc® tablets	May	$ 88
Gefitinib Tablets	Iressa® tablets	June	$ 5

* 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 June 30, 2023, 156 product applications awaiting FDA approval, including 69 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 March 31, 2023 of approximately $113 billion, according to IQVIA. Approximately 75% of pending applications include a paragraph IV patent challenge, and we believe we are first-to-file with respect to 69 of these products, or 96 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 March 31, 2023, 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 second 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))*
Tofacitinib Tablets, 5 mg and 10 mg	Xeljanz PF®	$ 879
Thalidomide Capsules USP, 50 mg, 100 mg, and 200 mg	Thalomid®	$ 12
Treprostinil ER Tabs, 0.25 mg, 1 mg and 2.5 mg**	Orenitram®	No Data

* The figures presented are for the twelve months ended in the calendar quarter immediately prior to our launch or re-launch.
** Marketed through Specialty Pharmacy that doesn't report to IQVIA.

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 second quarter of 2023 was $1,046 million, an increase of 4%, compared to $1,010 million in the second quarter of 2022.

Gross profit margin for our North America segment in the second quarter of 2023 decreased to 52.5%, compared to 53.0% in the second 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, partially offset by an increase in revenues with higher profitability from AUSTEDO.

North America R&D Expenses

R&D expenses relating to our North America segment in the second quarter of 2023 were $159 million, an increase of 8%, compared to $146 million in the second quarter of 2022.

For a description of our R&D expenses in the second 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 second quarter of 2023 were $264 million, an increase of 3%, compared to $256 million in the second quarter of 2022. This increase was mainly due to promotional activities related to AUSTEDO and UZEDY.

North America G&A Expenses

G&A expenses relating to our North America segment in the second quarter of 2023 were $106 million, a decrease of 16% compared to $127 million in the second 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 second quarter of 2023 was $520 million, an increase of 8% compared to $481 million in the second quarter of 2022. This increase was mainly due to higher revenues from certain innovative products, primarily AUSTEDO.

Europe Segment

The following table presents revenues, expenses and profit for our Europe segment for the three months ended June 30, 2023 and 2022:

	Three months ended June 30,			
	2023		2022	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 1,163	100%	$ 1,171	100%
Gross profit	640	55.0%	703	60.0%
R&D expenses	53	4.6%	56	4.7%
S&M expenses	194	16.7%	196	16.8%
G&A expenses	61	5.2%	63	5.4%
Other income	(1)	§	(1)	§
Segment profit*	$ 334	28.7%	$ 389	33.2%

* Segment profit does not include amortization and certain other items.
§ Represents an amount less than 0.5%.

Europe Revenues

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

Revenues from our Europe segment in the second quarter of 2023 were $1,163 million, a decrease of 1%, or $8 million, compared to the second quarter of 2022. In local currency terms, revenues were flat compared to the second quarter of 2022.

Revenues in the second quarter of 2023 included $1 million from a negative hedging impact, which is included in "Other" in the table below. Revenues in the second quarter of 2022 included $31 million from a positive 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 June 30, 2023 and 2022:

	Three months ended June 30,		Percentage Change 2023-2022
	2023	2022	
	(U.S. $ in millions)		
Generic products	$ 909	$ 873	4%
AJOVY	39	29	32%
COPAXONE	60	72	(17%)
Respiratory products	66	65	2%
Other	89	131	(32%)
Total	$ 1,163	$ 1,171	(1%)

Generic products revenues (including OTC and biosimilar products) in our Europe segment in the second quarter of 2023, increased by 4% to $909 million, compared to the second quarter of 2022. In local currency terms, revenues increased by 2%, mainly due to higher demand and price increases as well as from generic product launches.

AJOVY revenues in our Europe segment in the second quarter of 2023 increased by 32% in both U.S. dollars and local currency terms to $39 million, compared to $29 million in the second quarter of 2022. This increase was mainly due to growth in the European countries in which AJOVY had previously been launched.

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

COPAXONE revenues in our Europe segment in the second quarter of 2023 decreased by 17% to $60 million, compared to the second quarter of 2022. In local currency terms, revenues decreased by 21%, 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 second quarter of 2023 increased by 2% to $66 million compared to the second quarter of 2022. In local currency terms, revenues were flat compared to the second quarter of 2022.

Product Launches and Pipeline

As of June 30, 2023, our generic products pipeline in Europe included 235 generic approvals relating to 44 compounds in 83 formulations, with no European Medicines Agency ("EMA") approvals received. In addition, approximately 1,110 marketing authorization applications are pending approval in 37 European countries, relating to 97 compounds in 202 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 second quarter of 2023 was $640 million, a decrease of 9% compared to $703 million in the second quarter of 2022.

Gross profit margin for our Europe segment in the second quarter of 2023 decreased to 55.0%, compared to 60.0% in the second 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 a favorable impact of hedging activities in the second quarter of 2022.

Europe R&D Expenses

R&D expenses relating to our Europe segment in the second quarter of 2023 were $53 million, a decrease of 5% compared to $56 million in the second quarter of 2022.

For a description of our R&D expenses in the second 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 second quarter of 2023 were $194 million, a decrease of 1% compared to $196 million in the second quarter of 2022.

Europe G&A Expenses

G&A expenses relating to our Europe segment in the second quarter of 2023 were $61 million, a decrease of 4% compared to $63 million in the second 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 second quarter of 2023 was $334 million, a decrease of 14%, compared to $389 million in the second quarter of 2022. This decrease was mainly due to lower gross profit as described above.

International Markets Segment

The following table presents revenues, expenses and profit for our International Markets segment for the three months ended June 30, 2023 and 2022:

	Three months ended June 30,			
	2023		2022	
	(U.S. $ in millions /% of Segment Revenues)			
Revenues	$ 479	100%	$ 454	100%
Gross profit	254	53.2%	242	53.3%
R&D expenses	21	4.3%	19	4.2%
S&M expenses	110	23.0%	99	21.7%
G&A expenses	29	6.0%	30	6.7%
Other income	(28)	(5.9%)	(1)	§
Segment profit*	$ 124	25.8%	$ 95	20.9%

* 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 six months ended June 30, 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 second 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 second quarter of 2023 were $479 million, an increase of 5% compared to the second quarter of 2022. In local currency terms, revenues increased by 13% compared to the second quarter of 2022, mainly due to higher revenues from generic products in most markets, partially offset by regulatory price reductions and generic competition to off-patented products in Japan.

In the second quarter of 2023, revenues were negatively impacted by exchange rate fluctuations of $35 million, net of hedging effects, compared to the second quarter of 2022. Revenues in the second quarter of 2023 included a positive hedging impact of $6 million, compared to a negative hedging impact of $17 million in the second quarter of 2022, which are 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 June 30, 2023 and 2022:

	Three months ended June 30,		Percentage Change
	2023	2022	2023-2022
	(U.S. $ in millions)		
Generic products	$ 394	$ 394	§
AJOVY	9	10	(18%)
COPAXONE	10	9	1%
Other	67	40	68%
Total	$ 479	$ 454	5%

§ Represents an amount less than 0.5%.

Generic products revenues (including OTC products) in our International Markets segment in the second quarter of 2023 were flat compared to the second quarter of 2022. In local currency terms, revenues increased by 13% compared to the second quarter of 2022, mainly due to higher revenues in most markets, largely driven by 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 second quarter of 2023 were $9 million, compared to $10 million in the second quarter of 2022.

COPAXONE revenues in our International Markets segment in the second quarter of 2023 were $10 million compared to $9 million in the second quarter of 2022.

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

International Markets Gross Profit

Gross profit from our International Markets segment in the second quarter of 2023 was $254 million, an increase of 5% compared to $242 million in the second quarter of 2022.

Gross profit margin for our International Markets segment in the second quarter of 2023 decreased to 53.2%, compared to 53.3% in the second quarter of 2022. This decrease was mainly due to regulatory price reductions and generic competition to off-patented products in Japan, as well as rising costs due to inflationary and other macroeconomic pressures, partially offset by price increases largely as a result of such inflationary pressures, and the negative hedging impact in the second quarter of 2022.

International Markets R&D Expenses

R&D expenses relating to our International Markets segment in the second quarter of 2023 were $21 million, an increase of 7% compared to the second quarter of 2022.

For a description of our R&D expenses in the second 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 second quarter of 2023 were $110 million, an increase of 12% compared to the second quarter of 2022, mainly to support revenue growth.

International Markets G&A Expenses

G&A expenses relating to our International Markets segment in the second quarter of 2023 were $29 million, a decrease of 5% compared to $30 million in the second quarter of 2022.

International Markets Other Income

Other income relating to our International Markets segment in the second quarter of 2023 was $28 million, compared to $1 million in the second quarter of 2022. Other income in the second quarter of 2023 included a capital gain from the sale of assets.

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 second quarter of 2023 was $124 million, an increase of 30%, compared to $95 million in the second quarter of 2022. This increase was mainly due to higher other income and higher gross profit in the second quarter of 2023, partially offset by higher S&M expenses in the second 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 second quarter of 2023 were $245 million, a decrease of 5% in both U.S. dollars and local currency terms compared to the second quarter of 2022.

API sales to third parties in the second quarter of 2023 were $152 million, a decrease of 14% in both U.S. dollars and local currency terms, compared to the second quarter of 2022.

Teva Consolidated Results

Revenues

Revenues in the second quarter of 2023 were $3,878 million, an increase of 2% compared to the second quarter of 2022. In local currency terms, revenues increased by 4%, mainly due to higher revenues from AUSTEDO and Anda in our North America segment and from generic products in our International Markets segment, partially offset by lower revenues from generic products and from COPAXONE in our North America segment as well as from API sales to third parties. See "—North America Revenues," "—Europe Revenues," "—International Markets Revenues" and "—Other Activities" above.

Exchange rate movements during the second quarter of 2023, including hedging effects, negatively impacted revenues by $51 million, compared to the second quarter of 2022. See note 8d to our consolidated financial statements.

Gross Profit

Gross profit in the second quarter of 2023 was $1,796 million, flat compared to the second quarter of 2022.

Gross profit margin was 46.3% in the second quarter of 2023, compared to 47.4% in the second 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 and lower revenues from COPAXONE, partially offset by higher revenues from AUSTEDO.

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-stage 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 second quarter of 2023 were $240 million, an increase of 5% compared to $228 million in the second quarter of 2022.

In the second quarter of 2023, our R&D expenses related primarily to innovative product candidates in neuroscience (such as neuropsychiatry, including post-approval commitments), immunology and immuno-oncology and selected other areas, as well as generic products and biosimilars.

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

R&D expenses as a percentage of revenues were 6.2% in the second quarter of 2023, compared to 6.0% in the second quarter of 2022.

Innovative Medicines Pipeline

Below is a description of key products in our innovative medicines pipeline as of August 2, 2023:

	Phase 2	Phase 3	Pre-Submission	Under Regulatory Review
Neuroscience		***Olanzapine LAI*** Schizophrenia (September 2022)		
Immunology	***Anti- TL1A (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) Approved in the U.K.

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 second quarter of 2023 were $603 million, an increase of 2% compared to the second quarter of 2022. This increase was mainly a result of the factors discussed above under "—North America segment—S&M Expenses" and "—International Markets Segment—S&M Expenses."

S&M expenses as a percentage of revenues were 15.5% in the second quarter of 2023, compared to 15.7% in the second quarter of 2022.

General and Administrative (G&A) Expenses

G&A expenses in the second quarter of 2023 were $307 million, a decrease of 2% compared to the second quarter of 2022.

G&A expenses as a percentage of revenues were 7.9% in the second quarter of 2023 compared to 8.3% in the second quarter of 2022.

Intangible Asset Impairments

We recorded expenses of $63 million for identifiable intangible asset impairments in the second quarter of 2023, compared to expenses of $51 million in the second quarter of 2022. See note 5 to our consolidated financial statements.

Goodwill Impairment

We recorded a goodwill impairment charge of $700 million related to our International Markets reporting unit in the second quarter of 2023, compared to a goodwill impairment charge of $745 million in the second quarter of 2022, of which $479 million was related to our International Markets reporting unit and $266 million was related to Teva's API reporting unit. See note 6 to our consolidated financial statements.

Other Asset Impairments, Restructuring and Other Items

We recorded expenses of $100 million for other asset impairments, restructuring and other items in the second quarter of 2023, compared to expenses of $118 million in the second quarter of 2022. See note 12 to our consolidated financial statements.

Legal Settlements and Loss Contingencies

We recorded expenses of $462 million in legal settlements and loss contingencies in the second quarter of 2023, compared to expenses of $729 million in the second quarter of 2022. See note 9 to our consolidated financial statements.

Other Income

Other income in the second quarter of 2023 was $33 million, compared to $34 million in the second quarter of 2022.

Other income in the second quarter of 2023 included a capital gain from the sale of assets related to our International Markets segment. Other income in the second quarter of 2022 was mainly related to a capital gain related to the sale of an R&D site.

Operating Income (Loss)

Operating loss was $646 million in the second quarter of 2023, compared to an operating loss of $949 million in the second quarter of 2022. The lower operating loss in the second quarter of 2023 was mainly due to higher legal settlements and loss contingencies in the second quarter of 2022.

Operating loss as a percentage of revenues was 16.7% in the second quarter of 2023, compared to an operating loss as a percentage of revenues of 25.1% in the second quarter of 2022.

Financial Expenses, Net

In the second quarter of 2023, financial expenses were $268 million, mainly comprised of net-interest expenses of $240 million. In the second quarter of 2022, financial expenses were $211 million, mainly comprised of net-interest expenses of $229 million, partially offset by a positive exchange rate impact driven mainly from currencies which we were unable to hedge, such as the Russian ruble.

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 June 30, 2023 and 2022:

	Three months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
North America profit	$ 520	$ 481
Europe profit	334	389
International Markets profit	124	95
Total reportable segments profit	977	964
Profit (loss) of other activities	33	55
Total segments profit	1,011	1,019
Amounts not allocated to segments:		
Amortization	162	212
Other assets impairments, restructuring and other items	100	118
Goodwill impairment	700	745
Intangible assets impairments	63	51
Legal settlements and loss contingencies	462	729
Other unallocated amounts	170	113
Consolidated operating income (loss)	(646)	(949)
Financial expenses, net	268	211
Consolidated income (loss) before income taxes	$ (914)	$(1,160)

Income Taxes

In the second quarter of 2023, we recognized a tax benefit of $16 million, on a pre-tax loss of $914 million. In the second quarter of 2022, we recognized a tax benefit of $900 million, on a pre-tax loss of $1,160 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 second quarter of 2023 was $1 million. We did not have any share in (profits) losses of associated companies, net in the second quarter of 2022.

Net Income (Loss) Attributable to Teva

Net loss was $863 million in the second quarter of 2023, compared to net loss of $232 million in the second quarter of 2022. The higher net loss in the second quarter of 2023 was mainly due to a lower tax benefit, partially offset by lower operating loss, 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 June 30, 2023 and 2022 was 1,120 million and 1,110 million shares, respectively.

Diluted loss per share was $0.77 in the second quarter of 2023, compared to diluted loss per share of $0.21 in the second 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 June 30, 2023 and 2022, the fully diluted share count for purposes of calculating our market capitalization was approximately 1,157 million and 1,144 million shares, respectively.

Impact of Currency Fluctuations on Results of Operations

In the second quarter of 2023, approximately 46% 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 new Israeli shekel) impact our results.

During the second quarter of 2023, the following main currencies relevant to our operations decreased in value against the U.S. dollar (each compared on a quarterly average basis): Argentinian peso by 49%, Turkish lira by 24%, Ukrainian hryvna by 20%, Russian ruble by 17%, Israeli shekel by 8%, Swedish krona by 7% and the British pound by 1%. The following main currencies increased in value against the U.S. dollar: Mexican peso by 13%, Swiss franc by 7%, Hungarian forint by 6%, Chilean peso by 5% and the euro by 2%.

As a result, exchange rate movements during the second quarter of 2023, including hedging effects, negatively impacted overall revenues by $51 million and operating income by $38 million, compared to the second quarter of 2022.

In the second quarter of 2023, a positive hedging impact of $4 million was recognized under revenues, and a negative hedging impact of $2 million was recognized under cost of sales. In the second quarter of 2022, a positive hedging impact of $17 million was recognized under revenues and a negative hedging impact of $3 million 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.

Comparison of Six Months Ended June 30, 2023 to Six Months Ended June 30, 2022

Unless specified otherwise, the factors used to explain quarterly changes on a year-over-year basis are also relevant for the comparison of the results for the six months ended June 30, 2023 and 2022. Where there are different factors affecting the six months comparison, we have described them below.

Segment Information

North America Segment

The following table presents revenues, expenses and profit for our North America segment for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,			
	2023		2022	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 3,757	100%	$ 3,641	100%
Gross profit	1,857	49.4%	1,899	52.2%
R&D expenses	315	8.4%	289	7.9%
S&M expenses	487	12.9%	501	13.7%
G&A expenses	208	5.5%	239	6.6%
Other income	(5)	§	(12)	§
Segment profit*	$ 852	22.7%	$ 883	24.2%

* 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 six months of 2023 were $3,757 million, an increase of 3% compared to $3,641 million in the first six months of 2022.

Revenues by Major Products and Activities

The following table presents revenues for our North America segment by major products and activities for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,		Percentage Change
	2023	2022	2023-2022
	(U.S. $ in millions)		
Generic products	$ 1,793	$ 1,925	(7%)
AJOVY	107	86	24%
AUSTEDO	478	358	33%
BENDEKA and TREANDA	131	165	(20%)
COPAXONE	139	180	(23%)
Anda	816	650	26%
Other	293	278	5%
Total	$ 3,757	$ 3,641	3%

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

North America Gross Profit

Gross profit from our North America segment in the first six months of 2023 was $1,857 million, a decrease of 2%, compared to $1,899 million in the first six months of 2022.

Gross profit margin for our North America segment in the first six months of 2023 decreased to 49.4% compared to 52.2% in the first six months of 2022.

North America R&D Expenses

R&D expenses relating to our North America segment in the first six months of 2023 were $315 million, an increase of 9%, compared to $289 million in the first six months of 2022.

North America S&M Expenses

S&M expenses relating to our North America segment in the first six months of 2023 were $487 million, a decrease 3%, compared to $501 million in the first six months of 2022.

North America G&A Expenses

G&A expenses relating to our North America segment in the first six months of 2023 were $208 million, a decrease of 13%, compared to $239 million in the first six months of 2022.

North America Profit

Profit from our North America segment in the first six months of 2023 was $852 million, a decrease of 3%, compared to $883 million in the first six months 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 mentioned above, partially offset by higher revenues from AUSTEDO as well as lower operational expenses.

Europe Segment

The following table presents revenues, expenses and profit for our Europe segment for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,			
	2023		2022	
	(U.S. $ in millions /% of Segment Revenues)			
Revenues	$ 2,347	100%	$ 2,327	100%
Gross profit	1,294	55.2%	1,397	60.0%
R&D expenses	106	4.5%	114	4.9%
S&M expenses	381	16.2%	393	16.9%
G&A expenses	130	5.5%	122	5.2%
Other (income) expense	(1)	§	(1)	§
Segment profit*	$ 679	28.9%	$ 769	33.1%

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

§ Represents an amount less than 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 six months of 2023 were $2,347 million, an increase of 1% or $20 million, compared to the first six months of 2022. In local currency terms, revenues increased by 5% compared to the first six months of 2022, mainly due to higher demand and price increases from generic products and growth in volume from AJOVY, partially offset by lower sales from COPAXONE.

In the first six months of 2023, revenues were negatively impacted by exchange rate fluctuations of $87 million, net of hedging effects, compared to the first six months of 2022. Revenues in the first six months of 2023 included $7 million from a negative hedging impact, which are included in "Other" in the table below. Revenues in the first six months of 2022 included $39 million from a positive hedging impact. 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 six months ended June 30, 2023 and 2022:

	Six months ended June 30,		Percentage Change
	2023	2022	2023-2022
	(U.S. $ in millions)		
Generic products	$ 1,841	$ 1,749	5%
AJOVY	74	60	25%
COPAXONE	119	144	(17%)
Respiratory products	134	137	(2%)
Other	178	238	(25%)
Total	$ 2,347	$ 2,327	1%

Europe Gross Profit

Gross profit from our Europe segment in the first six months of 2023 was $1,294 million, a decrease of 7% compared to $1,397 million in the first six months of 2022.

Gross profit margin for our Europe segment in the first six months of 2023 decreased to 55.2% compared to 60.0% in the first six months of 2022.

Europe R&D Expenses

R&D expenses relating to our Europe segment in the first six months of 2023 were $106 million, a decrease of 7% compared to $114 million in the first six months of 2022.

Europe S&M Expenses

S&M expenses relating to our Europe segment in the first six months of 2023 were $381 million, a decrease of 3% compared to $393 million in the first six months of 2022.

Europe G&A Expenses

G&A expenses relating to our Europe segment in the first six months of 2023 were $130 million, an increase of 7% compared to $122 million in the first six months of 2022.

Europe Profit

Profit from our Europe segment in the first six months of 2023 was $679 million, a decrease of 12% compared to $769 million in the first six months of 2022.

International Markets Segment

The following table presents revenues, expenses and profit for our International Markets segment for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,			
	2023		2022	
	(U.S. $ in millions /% of Segment Revenues)			
Revenues	$ 971	100%	$ 946	100%
Gross profit	517	53.2%	528	55.8%
R&D expenses	40	4.2%	39	4.1%
S&M expenses	208	21.4%	196	20.7%
G&A expenses	60	6.2%	60	6.3%
Other (income) expense	(29)	(3.0%)	(41)	(4.3%)
Segment profit*	$ 237	24.5%	$ 274	29.0%

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

International Markets Revenues

Our International Markets segment includes all countries other than those in our North America and Europe segments. Revenues from our International Markets segment in the first six months of 2023 were $971 million, an increase of $25 million, or 3%, compared to the first six months of 2022. In local currency terms, revenues increased by 11%.

In the first six months of 2023, revenues were negatively impacted by exchange rate fluctuations of $77 million net of hedging effects, compared to the first six months of 2022. Revenues in the first six months of 2023 included a positive hedging impact of $7 million, compared to a negative hedging impact of $5 million which were 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 six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
Generic products	$ 793	$ 782
AJOVY	19	16
COPAXONE	22	20
Other	137	128
Total	$ 971	$ 946

International Markets Gross Profit

Gross profit from our International Markets segment in the first six months of 2023 was $517 million, compared to $528 million in the first six months of 2022.

Gross profit margin for our International Markets segment in the first six months of 2023 was 53.2%, a decrease of 2.6% compared to the first six months of 2022.

International Markets R&D Expenses

R&D expenses relating to our International Markets segment in the first six months of 2023 were $40 million, an increase of 3% compared to $39 million in the first six months of 2022.

International Markets S&M Expenses

S&M expenses relating to our International Markets segment in the first six months of 2023 were $208 million, an increase of 6% compared to $196 million in the first six months of 2022.

International Markets G&A Expenses

G&A expenses relating to our International Markets segment in the first six months of 2023 were $60 million flat compared to the first six months of 2022.

International Markets Other Income

Other income in the first six months of 2023 was $29 million, compared to $41 million in the first six months of 2022. Other income in the first six months of 2023 was included a capital gain from the sale of assets. Other income in the first six months of 2022 was mainly the result of settlement proceeds.

International Markets Profit

Profit from our International Markets segment in the first six months of 2023 was $237 million, a decrease of 13%, compared to $274 million in the first six months of 2022. This decrease was mainly due to lower gross profit, lower other income as well as higher S&M expenses in the first six months 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 six months of 2023 decreased by 13% to $464 million, compared to the first six months of 2022. In local currency terms, revenues decreased by 12%.

API sales to third parties in the first six months of 2023 were $284 million, a decrease of 21% in both U.S. dollars and local currency terms, compared to the first six months of 2022.

Teva Consolidated Results

Revenues

Revenues in the first six months of 2023 were $7,539 million, an increase of 1% compared to the first six months of 2022. In local currency terms, revenues increased by 4%, compared to the first six months of 2022.

Exchange rate movements during the first six months of 2023, including hedging effects, negatively impacted revenues by $180 million, compared to the first six months of 2022. See note 8d to our consolidated financial statements.

Gross Profit

Gross profit in the first six months of 2023 was $3,378 million, a decrease of 4% compared to the first six months of 2022.

Gross profit margin was 44.8% in the first six months of 2023, compared to 47.5% in the first six months of 2022.

Research and Development (R&D) Expenses

R&D expenses in the first six months of 2023 were $473 million, an increase of 5% compared to the first six months of 2022.

R&D expenses as a percentage of revenues were 6.3% in the first six months of 2023, compared to 6.1% in the first six months of 2022.

Selling and Marketing (S&M) Expenses

S&M expenses in the first six months of 2023 were $1,149 million, a decrease of 2% compared to the first six months of 2022, mainly due to exchange rate fluctuations in our Europe segment as well as cost efficiencies in our North America segment during the first quarter of 2023.

S&M expenses as a percentage of revenues were 15.2% in the first six months of 2023, compared to 15.8% in the first six months of 2022.

General and Administrative (G&A) Expenses

G&A expenses in the first six months of 2023 were $602 million, a decrease of 1% compared to the first six months of 2022.

G&A expenses as a percentage of revenues were 8.0% in the first six months of 2023, compared to 8.2% in the first six months of 2022.

Intangible Asset Impairments

We recorded expenses of $241 million for identifiable intangible asset impairments, in the first six months of 2023, compared to expenses of $199 million in the first six months of 2022. See note 5 to our consolidated financial statements.

Goodwill Impairment

We recorded a goodwill impairment charge of $700 million related to our International Markets reporting unit in the first six months of 2023, compared to a goodwill impairment charge of $745 million in the first six months of 2022, of which $479 million was related to our International Markets reporting unit and $266 million was related to Teva's API reporting unit. See note 6 to our consolidated financial statements.

Other Asset Impairments, Restructuring and Other Items

We recorded expenses of $195 million for other asset impairments, restructuring and other items in the first six months of 2023, compared to expenses of $246 million in the first six months of 2022. See note 12 to our consolidated financial statements.

Legal Settlements and Loss Contingencies

We recorded expenses of $695 million in legal settlements and loss contingencies in the first six months of 2023, compared to expenses of $1,854 million in the first six months of 2022. See note 9 to our consolidated financial statements.

Other Income

Other income in the first six months of 2023 was $34 million, compared to $87 million in the first six months of 2022. Other income in the first six months of 2023 included a capital gain from the sale of assets related to our International Markets segment. Other income in the first six months of 2022 was mainly the result of settlement proceeds in our International Markets segment as well as a capital gain related to the sale of an R&D site.

Operating Income (Loss)

Operating loss was $644 million in the first six months of 2023, compared to an operating loss of $1,662 million in the first six months of 2022.

Operating loss as a percentage of revenues was 8.5% in the first six months of 2023, compared to an operating loss as a percentage of revenues of 22.3% in the first six months of 2022.

Financial Expenses, Net

In the first six months of 2023, financial expenses were $528 million, mainly comprised of net-interest expenses of $476 million. In the first six months of 2022, financial expenses were $468 million, mainly comprised of net-interest expenses of $469 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 six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023	2022
	(U.S. $ in millions)	
North America profit	$ 852	$ 883
Europe profit	679	769
International Markets profit	237	274
Total reportable segments profit	1,769	1,926
Profit (loss) of other activities	27	107
Total segments profit	1,796	2,032
Amounts not allocated to segments:		
Amortization	326	412
Other assets impairments, restructuring and other items	195	246
Goodwill impairment	700	745
Intangible asset impairments	241	199
Legal settlements and loss contingencies	695	1,854
Other unallocated amounts	282	240
Consolidated operating income (loss)	(644)	(1,662)
Financial expenses, net	528	468
Consolidated income (loss) before income taxes	$(1,172)	$(2,131)

Income Taxes

In the first six months of 2023, we recognized a tax benefit of $35 million, on pre-tax loss of $1,172 million. In the first six months of 2022, we recognized a tax benefit of $899 million, on pre-tax loss of $2,131 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 six months of 2023 was $1 million, compared to share in profits of $21 million in the first six months of 2022. Share in profits of associated companies, net in the first six months 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 $1,068 million in the first six months of 2023, compared to net loss of $1,187 million in the first six months of 2022. The lower net loss in the first six months of 2023 was mainly due to lower legal settlements and loss contingencies partially offset by a lower tax benefit, 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 six months ended June 30, 2023 and 2022 was 1,118 million and 1,109 million shares, respectively.

Basic and diluted loss per share was $0.96 for the six months ended June 30, 2023, compared to basic and diluted loss per share of $1.07 for the six months ended June 30, 2022. See note 13 to our consolidated financial statements.

Impact of Currency Fluctuations on Results of Operations

In the first six months of 2023, approximately 48% 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 and, accordingly, changes in the exchange rate between the U.S. dollar and local currencies in markets in which we operate (primarily the euro, British pound, Canadian dollar, Russian ruble, Japanese yen, Swiss franc and new Israeli shekel) impact our results.

During the first six months of 2023, the following main currencies relevant to our operations decreased in value against the U.S. dollar: Argentinian peso by 47%, Turkish lira by 25%, Ukrainian hryvna by 21%, Japanese yen by 9%, new Israeli shekel by 9%, Swedish krona by 9%, British pound by 5% and the euro by 1% (all compared on a six-month average basis). The following main currencies relevant to our operations increased in value against the U.S. dollar: Mexican peso by 12%, Swiss franc by 3% and Chilean peso by 2%.

As a result, exchange rate movements during the first six months of 2023, including hedging effects, negatively impacted overall revenues by $180 million and our operating income by $70 million, in comparison to the first six months of 2022.

In the first six months of 2023, a negative hedging impact of $2 million was recognized under revenues, and a negative hedging impact of $1 million was recognized under cost of sales. In the first six months of 2022, a positive hedging impact of $35 million was recognized under revenues and a negative hedging impact of $4 million 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.

Liquidity and Capital Resources

Total balance sheet assets were $43,095 million as of June 30, 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 $489 million as of June 30, 2023, compared to negative $119 million as of December 31, 2022. This decrease was mainly due to an increase in accounts payables, resulting primarily from more favorable vendor payment terms that went into effect in the second quarter of 2023 and higher inventory purchases, as well as by an increase in provisions for legal settlements and loss contingencies, partially offset by an increase in inventory levels, in accounts receivables, net of SR&A, in prepaid expenses, and a decrease in employee-related obligations.

Employee-related obligations, as of June 30, 2023 were $451 million, compared to $566 million as of December 31, 2022. The decrease in the first six months 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 second quarter of 2023 was $119 million, compared to $127 million in the second quarter of 2022. Depreciation in the second quarter of 2023 was $138 million, compared to $146 million in the second quarter of 2022.

Cash and cash equivalents and short-term and long-term investments as of June 30, 2023 were $2,680 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, as amended in February 2023 ("RCF"). See note 7 to our consolidated financial statements.

Debt Balance and Movements

As of June 30, 2023, our debt was $20,678 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 $156 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.

In July 2023, a total amount of $700 million was withdrawn under the RCF and is outstanding as of the date of this Quarterly Report on Form 10-Q.

In July 2023, we repaid $1,000 million of our 2.8% senior notes at maturity.

Our debt as of June 30, 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 June 30, 2023 and as of December 31, 2022 was 10%.

Our financial leverage, which is the ratio between our debt and the sum of our debt and equity, was 73% as of June 30, 2023 and as of December 31, 2022.

Our average debt maturity was approximately 6.2 years as of June 30, 2023, compared to 5.8 years as of December 31, 2022.

Total Equity

Total equity was $7,708 million as of June 30, 2023, compared to $8,691 million as of December 31, 2022. This decrease was mainly due to a net loss of $1,136 million, partially offset by a positive impact of $81 million from exchange rate fluctuations.

Exchange rate fluctuations affected our balance sheet, as approximately 92% of our net assets as of June 30, 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 as of June 30, 2023 had a positive impact of $81 million on our equity. The following main currencies increased in value against the U.S. dollar: Mexican peso by 12%, Polish zloty by 7%, Chilean peso by 5%, Peruvian sol by 4%, British pound by 4% and the euro by 2%. The following main currencies decreased in value against the U.S. dollar: Russian ruble by 18% and Japanese yen by 10%. All comparisons are on a year-to-date basis.

Cash Flow

We continually seek to improve the efficiency of our working capital management. Periodically, as part of our cash and commercial relationship management activities, we 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. This has the effect of increasing or decreasing cash from operations during any given period. Increased cash from operations has the effect of reducing our leverage ratio, which is measured net of cash and cash equivalents, as of the end of such period. In connection with strategic continual improvement, we obtained more favorable payment terms from many of our vendors which are expected to continue in future periods. In addition, in periods in which receivable payments from customers are delayed, we have and expect we may in the future extend the time to pay certain vendors, so as to balance our liquidity position. Such decisions may have a material impact on our annual operating cash flow measurement, as well as on our quarterly results.

Cash flow generated from operating activities during the second quarter of 2023 was $324 million, compared to $123 million in the second quarter of 2022. The higher cash flow generated in the second quarter of 2023 resulted mainly from changes in working capital items, including a positive impact from accounts receivables, net of SR&A, and from inventory levels, partially offset by a negative impact from accounts payables.

During the second quarter of 2023, we generated free cash flow of $632 million, which we define as comprising $324 million in cash flow generated from operating activities, $371 million in beneficial interest collected in exchange for securitized accounts receivables (under our EU securitization program) and $56 million in proceeds from divestitures of businesses and other assets, partially offset by $119 million in cash used for capital investment. During the second quarter of 2022, we generated free cash flow of $301 million, which we define as comprising $123 million in cash flow generated from operating activities, $287 million in beneficial interest collected in exchange for securitized accounts receivables and $18 million in proceeds from divestitures of businesses and other assets, partially offset by $127 million in cash used for capital investment. The increase in the second quarter of 2023, resulted mainly from higher cash flow generated from operating activities, as well as higher proceeds from sale of business and long-lived assets.

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, 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 and six months ended June 30, 2023 and 2022, as well as reconciliations of each measure to their nearest GAAP equivalents:

($ in millions except per share amounts)	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Net income (Loss) attributable to Teva	($) (863)	(232)	($) (1,068)	(1,187)
Increase (decrease) for excluded items:				
Amortization of purchased intangible assets	162	212	326	412
Legal settlements and loss contingencies	462	729	695	1,854
Goodwill impairment	700	745	700	745
Impairment of long-lived assets	74	65	262	230
Restructuring costs	10	35	66	92
Costs related to regulatory actions taken in facilities	1	3	2	4
Equity compensation	30	39	62	63
Contingent consideration	70	61	90	94
Loss (Gain) on sale of business	1	(31)	1	(31)
Accelerated depreciation	24	32	49	33
Financial expenses	16	23	39	33
Share in profits (losses) of associated companies – net	—	0	—	(22)
Items attributable to non-controlling interests	(49)	(39)	(90)	(50)
Other non-GAAP items*	123	80	186	201
Corresponding tax effects and unusual tax items	(131)	(965)	(235)	(1,105)
Non-GAAP net income attributable to Teva	($) 629	754	($) 1,085	1,363
Non-GAAP tax rate**	15.2%	7.7%	15.3%	12.9%
GAAP diluted earnings (loss) per share attributable to Teva	($) (0.77)	(0.21)	($) (0.96)	(1.07)
EPS difference***	1.33	0.89	1.92	2.29
Non-GAAP diluted EPS attributable to Teva***	($) 0.56	0.68	($) 0.96	1.22
Non-GAAP average number of shares (in millions)***	1,129	1,114	1,127	1,116

* 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, primarily related to the rationalization of our plants, certain inventory write-offs, material litigation fees and other unusual events.

** Non-GAAP tax rate is tax expenses (benefit) excluding the impact of non-GAAP tax adjustments presented above as a percentage of income (loss) before income taxes excluding the impact of non-GAAP adjustments presented above.

*** 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. Additionally, see note 6 to our consolidated financial statements on this Form 10-Q for disclosure regarding reporting units at risk identified during our annual goodwill impairment test.

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 June 30, 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 June 30, 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 our 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 June 30, 2023.

Repurchase of Shares

We did not repurchase any of our shares during the three months ended June 30, 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

During the quarter ended June 30, 2023, none of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

10.1	Teva Global Opioids Settlement Agreement, effective on August 7, 2023, between Teva Pharmaceutical Industries Ltd. and the states, subdivisions and special districts named therein*
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: August 2, 2023

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

Exhibit 10.1

TEVA GLOBAL OPIOID SETTLEMENT AGREEMENT

TEVA GLOBAL OPIOID SETTLEMENT AGREEMENT

Whereas, the Settling States, Participating Subdivisions, Participating Special Districts, and Teva (as those terms are defined below) share a common desire to resolve disputes between them relating to opioid medications according to the terms set out in this agreement dated as of November 22, 2022 (the "*Agreement*");

Whereas, the Parties, Participating Subdivisions, and Participating Special Districts agree and understand that upon satisfaction of the conditions set forth in Sections II and XI, this Agreement will be binding on the Settling States, Teva, Participating Subdivisions, and Participating Special Districts;

Whereas, the Parties, Participating Subdivisions, and Participating Special Districts agree and understand that this Agreement will then be filed as part of Consent Judgments in the respective courts of each of the Settling States, pursuant to the terms set forth in Section III;

Whereas, the Parties, Participating Subdivisions, and Participating Special Districts agree and understand that they shall at all times act in good faith to implement and execute their obligations under this Agreement and shall not act in any way to purposefully frustrate the right of any party to receive the benefits due under the Agreement;

Whereas, it is recognized that Naloxone Hydrochloride Nasal Spray is a medication that counteracts the life-threatening effects of opioid overdose and significantly reduces opioid-overdose mortality;

Whereas, the Parties, Participating Subdivisions, and Participating Special Districts to this Agreement now desire to avoid further expense and proceedings and to settle their disputes under the terms and conditions of this Agreement as set forth below;

NOW, THEREFORE, IT IS HEREBY AGREED by and between the Parties, Participating Subdivisions, and Participating Special Districts by and through their respective counsel, as follows:

I. Definitions

Unless otherwise specified, the following definitions apply:

1. "*Abatement Accounts Fund"* means a component of the Settlement Fund described in subsection VIII.F.

2. "*Actavis Generic Entities"* means Actavis LLC (f/k/a Actavis Inc.), Actavis Elizabeth LLC, Actavis Kadian LLC, Actavis Pharma, Inc. (f/k/a Watson Pharma, Inc.), Actavis Kadian LLC, Actavis Laboratories UT, Inc. (f/k/a Watson Laboratories, Inc.—Utah), Actavis Mid Atlantic LLC, Actavis Totowa LLC, Actavis Laboratories FL, Inc. (f/k/a Watson Laboratories, Inc.—Florida), Actavis South Atlantic LLC, Warner Chilcott Company LLC, and Watson Laboratories, Inc.

3. "*Additional Restitution Amount*" means the amount available to Settling States listed in Exhibit M-3 of $28,669,762.00.

4. "*Agreement*" means this Teva Global Opioid Agreement, inclusive of all exhibits.

5. "*Alleged Harms*" means the alleged past, present, and future financial or societal and related expenditures arising out of the alleged misuse and abuse of opioid products, non-exclusive examples of which are described in the documents listed on Exhibit A, that have allegedly arisen as a result of the physical and bodily injuries sustained by individuals suffering from opioid-related addiction, abuse, death, and other related diseases and disorders, and that have allegedly been caused by Teva.

6. "*Allergan*" means Allergan Finance, LLC (f/k/a Actavis, Inc., which, in turn, was f/k/a/ Watson Pharmaceuticals, Inc.) and Allergan Limited (f/k/a Allergan plc, which, in turn, was f/k/a Actavis plc).

7. "*Allergan Global Opioid Settlement Agreement*" means the settlement agreement between and among states, participating subdivisions, participating special districts, and Allergan to resolve opioid-related Claims against Allergan and other released entities (as defined therein).

8. "*Allocation Statute*" means a state law that governs allocation, distribution, and/or use of some or all of the Settlement Fund amounts allocated to that State and/or its Subdivisions and/or its Special Districts. In addition to modifying the allocation, as set forth in subsection VIII.E.2, an Allocation Statute may, without limitation, contain a Statutory Trust, further restrict expenditure of funds, form an advisory committee, establish oversight and reporting requirements, or address other default provisions and other matters related to the funds. An Allocation Statute is not required to address all three (3) types of funds comprising the Settlement Fund or all default provisions.

9. "*Annual Payment*" means the total amount of the Net Abatement Amount payable into the Settlement Fund by Teva on each Payment Date (including the Initial Year Payment), as calculated by the Settlement Fund Administrator pursuant to subsection VII.B.4 or agreed to pursuant to subsection VII.B.5, which shall not exceed the maximum payment for any given year as set forth in Exhibit M-1. This term does not include the Additional Restitution Amount, the Settlement Product Cash Conversion Amount, or amounts paid pursuant to Section XIV.

10. "*Appropriate Official*" means the official defined in subsection XVI.F.3.

11. "*Attorney Fee and Cost Payment*" means the total amount of the Global Settlement Attorney Fee Amount payable by Teva on the Payment Date of each year into the (1) Attorney Fee and Cost Fund, described in Exhibit R, (2) the State Cost Fund described in Exhibit S, and (3) the State Outside Counsel Fee Fund described in Exhibit T, for attorneys' fees, expenses, and costs of the Settling States, and Participating Subdivisions.

12. "*Attorney Fee and Cost Fund*" means an account consisting of $331,295,027.54 to pay attorneys' fees and costs of Litigating Subdivisions that become Participating Subdivisions and the MDL Expense Fund amounts pursuant to the agreement on attorneys' fees and costs attached as Exhibit R.

13. "*Bar*" means either (1) a ruling by the highest court of the State, or the intermediate court of appeals when not subject to further review by the highest court of the State in a State with a single intermediate court of appeals, setting forth the general principle that no Subdivisions or Special Districts in the State may maintain Released Claims against Released Entities, whether on the ground of the Agreement (or the release in it) or otherwise; (2) a law barring Subdivisions and Special Districts in the State from maintaining or asserting Released Claims against Released Entities (either through a direct bar or through a grant of authority to release claims and that authority is exercised in full); or (3) a Settlement Class Resolution in the State with full force and effect. For the avoidance of doubt, a law or ruling that is conditioned or predicated upon payment by a Released Entity (apart from payments by Teva incurred under the Agreement) shall not constitute a Bar.

14. "*Base Payment*" means the payments made pursuant to subsection VII.D.

15. "*Case-Specific Resolution*" means either (1) a law barring specified Subdivisions or Special Districts from maintaining Released Claims against Released Entities (either through a direct Bar or through a grant of authority to release claims and that authority is exercised in full) or (2) a ruling by a court of competent jurisdiction over a particular Subdivision or Special District that has the legal effect of barring the Subdivision or Special District from maintaining any Released Claims at issue against Released Entities, whether on the ground of the Agreement (or the release in it) or otherwise. For the avoidance of doubt, a law, ruling, or release that is conditioned or predicated upon a post-Effective Date payment by a Released Entity (apart from payments by Teva incurred under the Agreement or injunctive relief obligations incurred by it) shall not constitute a Case-Specific Resolution.

16. "*Claim*" means any past, present or future cause of action, claim for relief, cross-claim or counterclaim, theory of liability, demand, derivative claim, request, assessment, charge, covenant, damage, debt, lien, loss, fine, penalty, restitution, reimbursement, disgorgement, expenses, judgment, right, obligation, dispute, suit, contract, controversy, agreement, parens patriae claim, promise, performance, warranty, omission, or grievance of any nature whatsoever, whether legal, equitable, statutory, regulatory or administrative, whether arising under federal, state or local common law, statute, regulation, guidance, ordinance or principles of equity, whether filed or unfiled, whether asserted or unasserted, whether known or unknown, whether accrued or unaccrued, whether foreseen, unforeseen or unforeseeable, whether discovered or undiscovered, whether suspected or unsuspected, whether fixed or contingent, and whether existing or hereafter arising, in all such cases, including but not limited to any request for declaratory, injunctive, or equitable relief, compensatory, punitive, or statutory damages, absolute liability, strict liability, restitution, subrogation, contribution, indemnity, apportionment, disgorgement, reimbursement, attorney fees, expert fees, consultant fees, fines,

penalties, expenses, costs or any other legal, equitable, civil, administrative, or regulatory remedy whatsoever. Claim does not include any individuals' personal injury or wrongful death cause of action.

17. "*Claim Over*" means a Claim asserted by a Non-Released Entity against a Released Entity on the basis of contribution, indemnity, or other claim-over on any theory relating to a Non-Party Covered Conduct Claim asserted by a Releasor.

18. "*Compensatory Restitution Amount*" means the aggregate amount of payments by Teva hereunder other than amounts paid as attorneys' fees and costs or identified pursuant to subsection VIII.C as being used to pay attorneys' fees and investigation costs or litigation costs, plus the actual aggregate cost of Settlement Product provided to the Settling States by Teva.

19. "*Consent Judgment*" means a state-specific consent judgment, the general terms of which shall be agreed by the Settling States and Teva prior to the Reference Date and shall include (1) approval of this Agreement and (2) the release set forth in Section V, including the full and final resolution of any Released Claims that the Settling State has brought against Released Entities.

20. "*Court*" means the respective court for each Settling State to which the Agreement and the Consent Judgment are presented for approval and/or entry as to that Settling State, or the Northern District of Ohio for purposes of administering the Attorney Fee and Cost Fund and any related fee and cost agreements.

21. "*Covered Conduct*" means any actual or alleged act, failure to act, negligence, statement, error, omission, breach of any duty, conduct, event, transaction, agreement, service, work, misstatement, misleading statement, or other activity of any kind whatsoever from the beginning of time through the Reference Date of this Agreement (and any past, present, or future consequence of any such act, failure to act, negligence, statement, error, omission, breach of duty, conduct, event, transaction, agreement, service, work, misstatement, misleading statement, or other activity) arising from or relating in any way to (a) the availability, discovery, research, development, manufacture, packaging, repackaging, marketing, promotion, advertising, labeling, relabeling, recall, withdrawal, distribution, delivery, monitoring, reporting, supply, sale, prescribing, dispensing, physical security, warehousing, use or abuse of, or operating procedures relating to, any Product, or any system, plan, policy, procedure, or advocacy relating to any Product or class of Products, including, but not limited to, any unbranded or branded promotion, marketing, or advertising, unbranded information, patient support or assistance, educational programs, consultancy, research, or other programs, campaigns, lobbying, or grants, sponsorships, charitable donations, or other funding relating to any Product or class of Products; (b) the characteristics, properties, risks, or benefits of any Product or class of Products; (c) the monitoring, reporting, disclosure, non-monitoring, non-reporting, or non-disclosure to federal, state, or other regulators of orders for any Product or class of Products; (d) the selective breeding, harvesting, extracting, purifying, exporting, importing, applying for quota for, procuring quota for, handling, promoting, manufacturing, processing,

packaging, supplying, distributing, converting, or selling of, or otherwise engaging in any activity relating to, precursor or component Products, including but not limited to natural, synthetic, semi-synthetic, or chemical raw materials, starting materials, finished active pharmaceutical ingredients, drug substances, or any related intermediate Products; or (e) diversion control programs or suspicious order monitoring related to any Product. The foregoing is not intended to apply to claims alleging contamination of products.

22. "*Covered Special District*" means a Special District that is (1) a school district with K-12 student enrollment of at least 25,000 or 0.12% of a State's population, whichever is greater; (2) a fire district that covers a population of 25,000, or 0.20% of a State's population if a State's population is greater than 18 million (though, if a fire district's population is not easily calculable from state data sources and agreed to between the State and Teva, it is calculated by dividing the population of the county or counties a fire district serves by the number of fire districts in the county or counties); or (3) a healthcare district or hospital district with at least 125 hospital beds in one or more hospitals rendering services in that district.

23. "*Designated State*" means New York.

24. "*Effective Date*" means the date sixty (60) days after the Reference Date.

25. "*Eligible State*" means a State that is not a Prior Settling State and is thus eligible to participate in this Agreement and become a Settling State.

26. "*Enforcement Committee*" means a committee consisting of representatives of the Settling States and of the Participating Subdivisions. Exhibit B contains the organizational bylaws of the Enforcement Committee. Notice pursuant to subsection XVI.P shall be provided when there are changes in membership or contact information.

27. "*Exhibit G Participant"* means a Participating Subdivision or Participating Special District that appears in Exhibit G at the relevant point in time. Nothing about the use of the term Exhibit G Participant changes the ability to amend the list of entities listed on Exhibit G pursuant to this Agreement.

28. "*Force Majeure Event*" means any event reasonably beyond the control of Teva that prevents Teva from manufacturing or distributing Settlement Product, including wars, hostilities, revolution, riots, civil commotion, national emergency, unavailability of supplies, epidemics, fire, flood, earthquake, force of nature, explosion, terrorist act, embargo, or any act of God, or any law, regulation, ordinance, or other act or order of any court or governmental authority.

29. "*Global Settlement Abatement Amount*" means the total abatement amount of $3,611,561,762.00. (This figure does not reflect the application of the Prior Settlements Credit or potential offsets. It also does not include amounts paid to the Additional Restitution Amount, which may be used for abatement.)

30. "*Global Settlement Amount*" means $4,246,567,371.76 and consists of the Global Settlement Abatement Amount, the Global Settlement Attorney Fee Amount, the Additional Restitution Amount, and the Settlement Product Cash Conversion Amount.

31. "*Global Settlement Attorney Fee Amount*" means $366,335,847.76, which consists of the Attorney Fee and Cost Fund, the State Outside Counsel Fee Fund, and the State Cost Fund.

32. "*Implementation Administrator*" means the vendor agreed to by the Parties and retained by Teva and Allergan to provide notice pursuant to subsection X.A and to manage the initial joinder period for Subdivisions and Special Districts, including the issuance and receipt of Settlement Participation Forms.

33. "*Implementation Costs*" means the costs for the Implementation Administrator, which shall be paid for pursuant to subsection VI.C.

34. "*Incentive A*" means the incentive payment described in subsection VII.E.5.

35. "*Incentive B*" means the incentive payment described in subsection VII.E.6.

36. "*Incentive C*" means the incentive payment described in subsection VII.E.7.

37. "*Incentive D*" means the incentive payment described in subsection VII.E.8.

38. "*Incentive Payment*" means the payments made pursuant to subsection VII.E.

39. "*Initial Participating Special District*" means a Special District that meets the requirements set forth in subsection X.L.

40. "*Initial Participating Subdivision*" means a Subdivision that meets the requirements set forth in subsection X.D.

41. "*Initial Participation Date*" means the date ninety (90) days after the Preliminary Agreement Date, unless it is extended by written agreement of Teva and the Enforcement Committee.

42. "*Initial Year Payment*" means the first Annual Payment of the Net Abatement Amount payable into the Settlement Fund by Teva on the Payment Date as calculated by the Settlement Fund Administrator pursuant to subsection VII.B.4 or agreed to pursuant to subsection VII.B.5, which shall not exceed the maximum payment for the Initial Year Payment as set forth in Exhibit M-1.

43. *Injunctive Relief Terms*" means the terms described in Section IV and set forth in Exhibit P.

44. "*Later Litigating Special District*" means a Special District (or Special District official asserting the right of or for the Special District to recover for Alleged Harms to the Special District and/or the people thereof) that is not a Litigating Special

District and that files a lawsuit bringing a Released Claim against a Released Entity, or that adds such a Claim to a pre-existing lawsuit, after the Preliminary Agreement Date. It may also include a Litigating Special District whose Claims were resolved by a Bar or Case-Specific Resolution, which is later revoked following the execution date of this Agreement, when such Litigating Special District takes any affirmative step in its lawsuit other than seeking a stay, removal or dismissal with prejudice.

45. "*Later Litigating Subdivision*" means a Subdivision (or Subdivision official asserting the right of or for the Subdivision to recover for Alleged Harms to the Subdivision and/or the people thereof) that is not a Litigating Subdivision and that files a lawsuit bringing a Released Claim against a Released Entity, or that adds such a Claim to a pre-existing lawsuit, after the Preliminary Agreement Date. It may also include a Litigating Subdivision whose Claims were resolved by a Bar or Case-Specific Resolution, which is later revoked following the execution date of this Agreement, when such Litigating Subdivision takes any affirmative step in its lawsuit other than seeking a stay, removal, or dismissal with prejudice.

46. "*Later Participating Special District*" means a Participating Special District that meets the requirements of subsection X.M but is not an Initial Participating Special District.

47. "*Later Participating Subdivision*" means a Participating Subdivision that meets the requirements of subsection X.E but is not an Initial Participating Subdivision.

48. "*Litigating Special District*" means a Special District (or Special District official asserting the right of or for the Special District to recover for Alleged Harms to the Special District and/or the people thereof) that brought any Released Claims against any Released Entities on or before the Preliminary Agreement Date that were not separately resolved prior to that date. Exhibit C includes an agreed list of the Litigating Special Districts. Exhibit C will be updated (including with any corrections) periodically, and a final version of Exhibit C will be attached hereto as of the Effective Date.

49. "*Litigating Subdivision*" means a Subdivision (or Subdivision official asserting the right of or for the Subdivision to recover for Alleged Harms to the Subdivision and/or the people thereof) that brought any Released Claims against any Released Entities on or before the Preliminary Agreement Date that were not separately resolved prior to that date. A Prior Settling Subdivision shall not be considered a Litigating Subdivision. Exhibit C includes an agreed list of the Litigating Subdivisions. Exhibit C will be updated (including with any corrections) periodically, and a final version of Exhibit C will be attached hereto as of the Effective Date.

50. "*National Arbitration Panel*" means the panel described in subsection XV.E.4.

51. "*National Disputes*" means the disputes described in subsection XV.E.

52. "*Net Abatement Amount*" means $2,945,529,111.00, which is the Global Settlement Abatement Amount adjusted for the Prior Settlements Credit pursuant to subsection VII.C.2.

53. "*Non-Litigating Covered Special District*" means a Covered Special District that is not a Litigating Special District.

54. "*Non-Litigating Special District"* means a Special District that is neither a Litigating Special District nor a Later Litigating Special District.

55. "*Non-Litigating Subdivision*" means a Subdivision that is not (1) a Litigating Subdivision, (2) a Later Litigating Subdivision, or (3) a Prior Settling Subdivision.

56. "*Non-Participating Special District*" means a Special District that is not a Participating Special District.

57. "*Non-Participating Subdivision*" means a Subdivision that is not a Participating Subdivision. For the avoidance of doubt, Non-Participating Subdivision also includes Prior Settling Subdivisions.

58. "*Non-Party Covered Conduct Claim*" means a Claim against any Non-Released Entity involving, arising out of, or related to Covered Conduct (or conduct that would be Covered Conduct if engaged in by a Released Entity).

59. "*Non-Party Settlement*" means a settlement by any Releasor that settles any Non-Party Covered Conduct Claim and includes a release of any Non-Released Entity.

60. "*Non-Released Entity*" means an entity that is not a Released Entity.

61. "*Non-Settling State*" means a State that is an Eligible State but not a Settling State.

62. "*Opioid Remediation*" means care, treatment, and other programs and expenditures (including reimbursement for past such programs or expenditures except where this Agreement restricts the use of funds solely to future Opioid Remediation) designed to (1) address the misuse and abuse of opioid products, (2) treat or mitigate opioid use or related disorders, or (3) mitigate other alleged effects of the opioid abuse crisis, including on those injured as a result of the opioid abuse crisis. Exhibit E provides a non-exhaustive list of expenditures that qualify as being paid for Opioid Remediation. Qualifying expenditures may include reasonable related administrative expenses.

63. "*Participating Special District*" means a Special District that signs the Settlement Participation Form annexed hereto as Exhibit K and meets the requirements for becoming a Participating Special District under Section X. Participating Special Districts include both Initial Participating Special Districts and Later Participating Special Districts.

64. "*Participating Subdivision*" means a Subdivision that signs a Settlement Participation Form annexed hereto as Exhibit K and meets requirements for becoming a Participating Subdivision under Section X. Participating Subdivisions include both Initial Participating Subdivisions and Later Participating Subdivisions.

65. "*Parties*" means Teva and the Settling States (each, a "*Party*").

66. "*Payment Date"* means the date on which Teva makes its Annual Payments (including its Initial Year Payment), Additional Restitution Payments, Settlement Product Cash Conversion Amount, and Attorney Fee and Cost Payments, pursuant to Section VII and XIII and Exhibit M. The first Payment Date is thirty (30) days after the Effective Date. The second Payment Date is July 15, 2024. The Payment Date is July 15 in all subsequent years.

67. "*Payment Year"* means the calendar year during which the applicable Annual Payment is due pursuant to subsection VII.B. Payment Year 1 is 2023, Payment Year 2 is 2024 and so forth. References to payment "for a Payment Year" mean the Annual Payment due that year. References to eligibility "for a Payment Year" mean eligibility in connection with the Annual Payment due during that year.

68. "*Preliminary Agreement Date"* means the date on which Teva gives notice to the Settling States and MDL Plaintiffs' Executive Committee of its determination that a sufficient number of States have agreed to be Settling States to proceed with notice pursuant to subsection X.A. This date shall be no more than fourteen (14) days after the end of the notice period to States (as set forth in subsection II.A) unless it is extended by written agreement of Teva and the Enforcement Committee.

69. "*Primary Subdivision"* means a Subdivision that has a population of 30,000 or more. A list of Primary Subdivisions in each State is provided in Exhibit I, and such list shall be updated if any Primary Subdivision is inadvertently missed or included.

70. *"Prior Settlements Credit"* means the credit of $666,032,651.00, reflecting that the allocations for Prior Settling States and Prior Settling Subdivisions for Claims related to the Covered Conduct against Teva and/or other Released Entities were or will be separately settled. The credit is applied pursuant to subsection VI.A.1.

71. *"Prior Settling State"* means Florida, Louisiana, Rhode Island, Texas, and West Virginia and all Subdivisions and Special Districts within those States, and Oklahoma,[1] whose Claims were released as part of those States' settlements

72. *"Prior Settling Subdivision"* means the City and County of San Francisco, California, Cuyahoga County, Ohio, and Summit County, Ohio.

73. "*Product*" means any chemical substance, whether used for medicinal or non-medicinal purposes, and whether natural, synthetic, or semi-synthetic, or any

[1] Claims of Oklahoma Subdivisions and Special Districts were not released as part of Teva's settlement with Oklahoma and therefore have the opportunity to participate. Terms related to Oklahoma Subdivisions and Special Districts are to be addressed in Exhibit H, which shall be prepared by Teva and presented to the Oklahoma Subdivisions and Special Districts during the notice period to States.

finished pharmaceutical product made from or with such substance, that is an opioid or opiate, as well as any product containing any such substance. It also includes: 1) the following when used in combination with opioids or opiates: benzodiazepine, carisoprodol, zolpidem, or gabapentin; and 2) a combination or "cocktail" of any stimulant or other chemical substance prescribed, sold, bought, or dispensed to be used together that includes opioids or opiates. For the avoidance of doubt, "*Product*" does not include benzodiazepine, carisoprodol, zolpidem, or gabapentin when not used in combination with opioids or opiates. "*Product*" includes but is not limited to any substance consisting of or containing buprenorphine, codeine, fentanyl, hydrocodone, hydromorphone, meperidine, methadone, morphine, naloxone, naltrexone, oxycodone, oxymorphone, pentazocine, propoxyphene, tapentadol, tramadol, opium, heroin, carfentanil, any variant of these substances, or any similar substance. "*Product*" also includes any natural, synthetic, semi-synthetic or chemical raw materials, starting materials, finished active pharmaceutical ingredients, drug substances, and any related intermediate products used or created in the manufacturing process for any of the substances described in the preceding sentence.

74. "*Reference Date"* means the date on which Teva is to inform the Settling States and MDL Plaintiffs' Executive Committee of its determination whether there is sufficient resolution of Claims and potential Claims at the Subdivision level to go forward with the settlement. The Reference Date shall be no later than thirty (30) days after the Initial Participation Date, unless it is extended by written agreement of Teva and the Enforcement Committee.

75. "*Released Claims"* means any and all Claims that directly or indirectly are based on, arise out of, or in any way relate to or concern the Covered Conduct occurring prior to the Reference Date. Without limiting the foregoing, "Released Claims" include any Claims that have been asserted against the Released Entities by any Settling State or any of its Litigating Subdivisions or Litigating Special Districts in any federal, state or local action or proceeding (whether judicial, arbitral, or administrative) based on, relating to, in whole or in part, the Covered Conduct, or any such Claims that could be or could have been asserted now or in the future in those actions or in any comparable action or proceeding brought by a State, any of its Subdivisions or Special Districts, or any Releasors (whether or not such State, Subdivision, Special District, or Releasor has brought such action or proceeding). Released Claims also include all Claims against Released Entities asserted in any proceeding to be dismissed pursuant to the Agreement, whether or not such claims relate to Covered Conduct. "Released Claims" shall be interpreted broadly. This Agreement does not release Claims by private individuals. Claims by private individuals shall be treated in accordance with applicable law. Released Claims is also used herein to describe Claims brought by a Later Litigating Subdivision or other non-party Subdivision or Special District that would have been Released Claims if they had been brought by a Releasor against a Released Entity.

76. "*Released Entities"* means Teva; and (1) all of Teva's respective past and present direct or indirect parents, subsidiaries, divisions, affiliates, joint ventures (but excluding joint venture partners), predecessors, successors and assigns; (2) Teva's

insurers (solely in their role as insurers with respect to the Released Claims); and (3) Teva's past and present officers, directors, members, shareholders (solely in their capacity as shareholders of the foregoing entities), partners, trustees, employees, agents and attorneys (for actions that occurred during and related to their work for, or employment with, Teva). Any person or entity described in clauses (2)-(3) shall be a Released Entity solely in the capacity described in such clause. A list of all of the indirect parents, subsidiaries, affiliates and joint ventures released pursuant to clause (1) is attached as Exhibit J. For the avoidance of doubt, any entity acquired, or joint venture entered into, by Teva after the Reference Date is not a Released Entity, regardless of whether they are listed on Exhibit J.

77. "*Releasors*" means (1) each Settling State; (2) each Participating Subdivision; (3) each Participating Special District; and (4) without limitation and to the maximum extent of the power of each Settling State's Attorney General and/or Participating Subdivision and Participating Special District to release Claims, (a) the Settling State's, Participating Subdivision's, and Participating Special District's departments, agencies, divisions, boards, commissions, Subdivisions, districts, instrumentalities of any kind and attorneys, including its Attorney General, and any person in their official capacity whether elected or appointed to serve any of the foregoing and any agency, person, or other entity claiming by or through any of the foregoing, (b) any public entities, public instrumentalities, public educational institutions, unincorporated districts, fire districts, irrigation districts, water districts, emergency services districts, school districts, healthcare districts, hospital districts, Sheriffs and law enforcement districts, library districts, coroner's offices, and public transportation authorities, and other Special Districts in a Settling State, including those with the regulatory authority to enforce state and federal controlled substances acts or the authority to bring Claims related to Covered Conduct seeking money (including abatement (or remediation and/or restitution)) or revoke a pharmaceutical distribution license, and (c) any person or entity acting in a parens patriae, sovereign, quasi-sovereign, private attorney general, qui tam, taxpayer, or other capacity seeking relief, including but not limited to, fines, penalties, or punitive damages, on behalf of or generally applicable to the general public with respect to a Settling State or a Subdivision or Special District in a Settling State, whether or not any of them participate in the Agreement. "Releasors" does not include persons acting in an individual capacity, regardless of the type of relief sought. The inclusion of a specific reference to a type of entity in this definition shall not be construed as meaning that the entity is not a Subdivision. In addition to being a Releasor as provided herein, Participating Subdivisions and Participating Special Districts shall also provide a Settlement Participation Form providing for a release to the fullest extent of the Participating Subdivision's and Participating Special District's authority, which is attached as Exhibit K. Each Settling State's Attorney General represents that he or she has or has obtained (or will obtain no later than the Effective Date) the authority set forth in the Representation and Warranty subsection of Section V.

78. "*Revocation Event*" means with respect to a Bar, Settlement Class Resolution, or Case-Specific Resolution, a legislative amendment or a revocation, rescission,

reversal, overruling, or interpretation that in any way limits the effect of such Bar, Settlement Class Resolution, or Case-Specific Resolution on Released Claims or any other action or event that otherwise deprives the Bar, Settlement Class Resolution or Case-Specific Resolution of force or effect in any material respect.

79. "*Settlement Class Resolution*" means a class action resolution in a court of competent jurisdiction in a Settling State with respect to a class of Subdivisions and Special Districts in that State that (1) conforms with that Settling State's statutes, case law, and/or rules of procedure regarding class actions; (2) is approved and entered as an order of a court of competent jurisdiction in that State and has become final as defined in "State-Specific Finality"; (3) is binding on all Non-Participating Subdivisions and Non-Participating Special Districts in that State (other than opt outs as permitted under the next sentence); (4) provides that all such Non—Participating Subdivisions or Non-Participating Special Districts may not bring Released Claims against Released Entities, whether on the ground of the Agreement (or the releases herein) or otherwise; and (5) does not impose any costs or obligations on Teva other than those provided for in the Agreement, or contain any provision inconsistent with any provision of the Agreement. If applicable state law requires that opt-out rights be afforded to members of the class, a class action resolution otherwise meeting the foregoing requirements shall qualify as a Settlement Class Resolution unless Subdivisions collectively representing more than 1% of the total population of all of that State's Subdivisions listed in Exhibit G opt out. In seeking certification of any Settlement Class, the applicable State and Participating Subdivisions shall make clear that certification is sought solely for settlement purposes and shall have no applicability beyond approval of the settlement for which certification is sought. Nothing in this Agreement constitutes an admission by any Party that class certification would be appropriate for litigation purposes in any case.

80. "*Settlement Fund*" means the interest-bearing fund established under the Agreement into which Annual Payments by Teva are made pursuant to Section VII. The Settlement Fund comprises the Abatement Accounts Fund, State Fund, and Subdivision Fund.

81. "*Settlement Fund Administrator*" means the entity that determines the Annual Payments (including calculating Incentive Payments pursuant to Section VI) and any amounts subject to offset pursuant to Sections VII.C and XII), and administers and distributes amounts into the Settlement Fund. It shall also administer and distribute the Additional Restitution Amount pursuant to Section XIII. The duties of the Settlement Fund Administrator shall be governed by this Agreement. Prior to the Initial Participation Date, the Parties shall agree to selection and removal processes for and a detailed description of the Settlement Fund Administrator's duties all of which shall be appended to the Agreement as Exhibit L.

82. "*Settlement Fund Administrator Costs*" means any costs and fees associated with or arising out of the duties of the Settlement Fund Administrator with regard to Teva and Allergan's payments to the Settlement Fund as described in Exhibit L and elsewhere in this Agreement, including those arising from the use of a bank or other financial institution to receive and disburse payments.

83. "*Settlement Fund Escrow"* means the interest-bearing escrow fund established pursuant to this Agreement to hold disputed payments made under this Agreement.

84. "*Settlement Participation Form"* means the form attached as Exhibit K that Participating Subdivisions and Participating Special Districts must execute and provide to Teva and the Implementation Administrator or Settlement Fund Administrator, and which shall (1) make such Participating Subdivisions and Participating Special Districts signatories to this Agreement, (2) include a full and complete release of any and all of such Participating Subdivisions' and Participating Special Districts' Claims and (3) require prompt cessation of litigation activity as set forth in Section III, and request for dismissal with prejudice of any Released Claims that have been filed against Released Entities by any such Participating Subdivisions or Participating Special Districts within fourteen (14) business days after the Reference Date.

85. "*Settlement Payment Schedule"* means the schedule of payments attached to this Agreement as Exhibit M. Actual payment amounts are subject to adjustments consistent with this Agreement.

86. *"Settlement Product"* means finished good kits (two (2) devices per kit) of "Naloxone Hydrochloride Nasal Spray" (4 mg strength) that is listed in Teva's then-current generics catalog, which can be viewed at www.tevagenerics.com, and is provided to the Settling State as part of the settlement, at no cost as set forth in Section IX and Exhibit D.

87. "*Settlement Product Cash Conversion Amount"* means the resulting dollar amount from when a Settling State has elected to convert all or a portion of its Settlement Product allocation into a cash payment pursuant to Section IX and Exhibit D. The aggregate, maximum amount that could be paid from the conversion of Settlement Product into cash is $240,000,000.00.

88. "*Settlement Product Election Form*" means the form a Settling State uses to submit its election of the Settling State's allocation of Settlement Product or cash conversion of Settlement Product pursuant to Section IX and Exhibit D.

89. "*Settling State"* means any Eligible State that has entered into this Agreement.

90. "*Special District"* means (1) formal and legally recognized sub-entities of a State recognized by the U.S. Census Bureau[2] and those listed on Exhibit C, and (2) any person, official, or entity thereof acting in an official capacity. Special Districts do not include sub-entities of a State that provide general governance for a defined

[2] All such entities are found on the "Special District," "School District," and "DEP School District" tabs of the Census Bureau's 2017 Government Units Listing spreadsheet available at https://www2.census.gov/programs-surveys/gus/datasets/2017/govt_units_2017.ZIP.

area that would qualify as a Subdivision. Entities that include any of the following words or phrases in its name shall not be considered a Special District: mosquito, pest, insect, spray, vector, animal, air quality, air pollution, clean air, coastal water, tuberculosis, and sanitary.

91. "*State*" means any state of the United States of America, the District of Columbia, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Additionally, the use of non-capitalized "state" to describe something (e.g., "state court") shall also be read to include parallel entities in commonwealths, territories, and the District of Columbia (e.g., "territorial court").

92. "*State Allocation Percentage*" means the allocation percentages for Eligible States as set forth in Exhibit F-2, which have been adjusted from the State Global Allocation Percentages to account for the Prior Settlements Credit.

93. "*State Cost Fund*" means the fund totaling $6,371,058.22 and described in Exhibit S.

94. "*State Global Allocation Percentage*" means the allocation percentages for all States as set forth in Exhibit F-1, which represents allocations before the Prior Settlements Credit is applied.

95. "*State Fund*" means a component of the Settlement Fund described in subsection VIII.D.

96. "*State Outside Counsel Fee Fund*" means the fund totaling $28,669,762.00 and described in Exhibit T.

97. "*State-Specific Finality*" means, with respect to the Settling State in question:

    a. the Agreement and the Consent Judgment have been approved and entered by the Court as to Teva, including the release of all Released Claims against Released Entities as provided in this Agreement;

    b. for all lawsuits brought by the Settling State against Released Entities for Released Claims, either previously filed or filed as part of the entry of the Consent Judgment, the Court has stated in the Consent Judgment or otherwise entered an order finding that all Released Claims against Released Entities asserted in the lawsuit have been resolved by agreement; and

    c. (1) the time for appeal or to seek review of or permission to appeal from the approval and entry as described in subsection (a) hereof and entry of such order described in subsection (b) hereof has expired; or (2) in the event of an appeal, the appeal has been dismissed or denied, or the approval and entry described in (a) hereof and the order described in subsection (b) hereof have been affirmed in all material respects (to the extent challenged in the appeal) by the court of last resort to which such appeal has been taken and such dismissal or affirmance has become no longer subject to further appeal (including, without limitation, review by the United States Supreme Court).

98. "*State-Subdivision Agreement"* means an agreement that a Settling State reaches with the Subdivisions in that State regarding the allocation, distribution, and/or use of funds allocated to that State and to Exhibit G Participants in that State. A State-Subdivision Agreement shall be effective if approved pursuant to the provisions of Exhibit O or if adopted by statute. Preexisting agreements addressing funds other than those allocated pursuant to this Agreement shall qualify if the approval requirements of Exhibit O are met. A State and its Subdivisions may revise, supplement, or refine a State-Subdivision Agreement if approved pursuant to the provisions of Exhibit O or if adopted by statute.

99. "*Statewide Payment Amount"* means the amount from an Annual Payment to be paid to a Settling State, its separate types of funds (if applicable), and its Exhibit G Participants.

100. "*Statutory Trust"* means a trust fund established by state law to receive funds allocated to a State's Abatement Accounts Fund and restrict their expenditure to Opioid Remediation purposes subject to reasonable administrative expenses. A State may give a Statutory Trust authority to allocate one or more of the three Settlement Funds, but this is not required.

101. *"Subdivision*" means (1) a formal and legally recognized sub-entity of a State that provides general governance for a defined area, such as a municipality, county, parish, city, town, incorporated township, village, borough, or any other entities that provide municipal-type government within a State, and (2) any person, official, or entity thereof acting in an official capacity on behalf of the Subdivision (including, without limitation, district attorneys, county attorneys, city attorneys, Sheriffs, and any other official, employee, or representative). Unless otherwise specified, "Subdivision" includes all functional counties and parishes and other functional levels of sub-entities of a State that provide general governance for a defined area. Historic, non-functioning sub-entities of a State (such as Connecticut counties) are not Subdivisions, unless the entity has filed a lawsuit that includes a Released Claim against a Released Entity in a direct, parens patriae, or any other capacity. For purposes of this Agreement, the term Subdivision does not include Special Districts.

102. "*Subdivision and Special District Allocation Percentage"* means for Subdivisions and Special Districts in a Settling State that are eligible to receive an allocation from the Subdivision Fund pursuant to subsection VIII.D or subsection VIII.E, the percentage as set forth in Exhibit G. The aggregate Subdivision and Special District Allocation Percentage of all Subdivisions and Special Districts receiving a Subdivision and Special District Allocation Percentage in each State shall equal 100%. Immediately upon the effectiveness of any State-Subdivision Agreement, Allocation Statute, Statutory Trust, or voluntary redistribution allowed by subsection VIII.E.3 (or upon the effectiveness of an amendment to any State-Subdivision Agreement, Allocation Statute, Statutory Trust, or voluntary

redistribution allowed by subsection VIII.E.3) that addresses allocation from the Subdivision Fund, whether before or after the Initial Participation Date, Exhibit G will automatically be amended to reflect the allocation from the Subdivision Fund pursuant to the State-Subdivision Agreement, Allocation Statute, Statutory Trust, or voluntary redistribution allowed by subsection VIII.E.3. The Subdivision and Special District Allocation Percentages contained in Exhibit G may not change once notice is distributed pursuant to subsection X.A, except upon the effectiveness of any State-Subdivision Agreement, Allocation Statute, Statutory Trust, or voluntary redistribution allowed by subsection VIII.E.3 (or upon the effectiveness of an amendment to any State-Subdivision Agreement, Allocation Statute, Statutory Trust, or voluntary redistribution allowed by subsection VIII.E.3) that addresses allocation from the Subdivision Fund. For the avoidance of doubt, no Subdivision or Special District not listed on Exhibit G shall receive an allocation from the Subdivision Fund and no provision of this Agreement shall be interpreted to create such an entitlement.

103. "*Subdivision Fund*" means a component of the Settlement Fund described in subsection VIII.D.

104. "*Teva*" means (i) Teva Pharmaceutical Industries Ltd. and (ii) all of its respective past and present direct or indirect parents, subsidiaries, divisions, affiliates, joint ventures, predecessors, successors, assigns, including but not limited to Teva Pharmaceuticals USA, Inc., the Actavis Generic Entities, and Anda Inc.

105. "*Threshold Motion*" means a motion to dismiss or equivalent dispositive motion made at the outset of litigation under applicable procedure. A Threshold Motion must include as potential grounds for dismissal, any applicable Bar or the relevant release by a Settling State, Participating Subdivision, or Participating Special District provided under this Agreement and, where appropriate under applicable law, any applicable limitations defense.

II. Participation by States and Condition to Preliminary Agreement

A. *Notice to States*. On November 22, 2022, this Agreement shall be distributed to all Eligible States. The Eligible States' Attorneys General shall then have a period of thirty (30) days to decide whether to become Settling States. Eligible States will decide whether to become Settling States for both this Agreement and the Allergan Global Opioid Settlement Agreement, or decline participation in both settlements. If a State is only an Eligible State with respect to one of the Agreements, the State need only decide whether to become a Settling State with respect to the Agreement for which it is an Eligible State. States that determine to become Settling States shall so notify the Enforcement Committee and Teva within thirty (30) days after November 22, 2022, and shall further commit to obtaining any necessary additional State releases prior to the Effective Date. This notice period for States may be extended by written agreement of Teva and the Enforcement Committee.

B. *Ineligible States.* Non-Settling States and Prior Settling States shall not be eligible for any payments or have any rights in connection with this Agreement, except for Subdivisions and Special Districts within Oklahoma as specified in Exhibit H.

C. *Condition to Preliminary Agreement.* Following the notice period to Eligible States set forth in subsection II.A above, Teva shall determine on or before the Preliminary Agreement Date whether, in its sole discretion enough States have agreed to become Settling States to proceed with notice to Subdivisions as set forth in Section X below. The determination to proceed shall be in the sole discretion of Teva and may be based on any criteria or factors deemed relevant by Teva. If Teva determines that this condition has been satisfied, and that notice to the Subdivisions should proceed, it will so notify the Settling States by providing notice to the Enforcement Committee on the Preliminary Agreement Date. If Teva determines that this condition has not been satisfied, it will so notify the Settling States by providing notice to the Enforcement Committee, and this Agreement will have no further effect and all releases and other commitments or obligations contained herein will be void other than Teva's funding of Implementation Costs incurred to date. The Preliminary Agreement Date may be extended by written agreement of Teva and the Enforcement Committee.

D. *Later Joinder by States.* After the Preliminary Agreement Date, an Eligible State may only become a Settling State with the consent of Teva, in its sole discretion. If a State becomes a Settling State more than thirty (30) days after the Preliminary Agreement Date, the Subdivisions and Special Districts in that State that become Participating Subdivisions and Participating Special Districts within ninety (90) days of the State becoming a Settling State shall be considered Initial Participating Subdivisions or Initial Participating Special Districts.

III. Cessation of Litigation Activities

A. Following the Preliminary Agreement Date, if Teva has determined to proceed with notice pursuant to subsection X.A, all Litigating States that intend to become Settling States and that are engaged in or have engaged in discovery and/or substantive motion practice ("*Active Litigation")* against a Released Entity shall make reasonable efforts to immediately cease litigation activity (e.g., written and document discovery, depositions, expert disclosures, and motion practice) against Teva, where feasible, or to minimize litigation activity by means of agreed deadline extensions and agreed postponement of depositions, document productions, and motion practice. Teva shall cooperate in such efforts. The obligations under this subsection do not extend past the Reference Date if Teva determines it is not going forward with the Agreement. This subsection III.A does not apply to Litigating States with a trial date within six (6) months of the Preliminary Agreement Date, though such Litigating States and Teva shall engage in good faith discussions regarding the potential cessation of litigation activity.

B. Following the execution of the Settlement Participation Form, attached as Exhibit K, indicating its intention to participate in the global settlement, a Litigating Subdivision

or Litigating Special District shall take reasonable steps to immediately cease all litigation activity (e.g., written and document discovery, depositions, expert disclosures, and motion practice) against Teva, where feasible, or minimize litigation activity by means of an agreed upon temporary "stay" of litigation and/or deadline extensions or postponement of litigation activity including depositions, document productions, and motion practice, unless the Litigating Subdivision or Litigating Special District reasonably concludes that it would be prejudiced by doing so. Teva shall cooperate in such efforts. The obligations under this subsection do not extend past the Reference Date if Teva determines it is not going forward with the settlement. This paragraph III.B does not apply to Litigating Subdivisions and Litigating Special Districts with a trial date within six (6) months of the Preliminary Agreement Date, though such Litigating Subdivisions and Litigating Special Districts and Teva shall engage in good faith discussions regarding the potential cessation of litigation activity.

C. Following the Reference Date, the Settling States shall endeavor to file Consent Judgments (the contents of which must be agreed upon with Teva) within thirty (30) days of the Reference Date. Participating Subdivisions and Participating Special Districts, as applicable, shall request dismissal of their actions with prejudice within fourteen (14) days of the Reference Date. The Settling States, Participating Subdivisions, and Participating Special Districts shall use best efforts to get Consent Judgments or orders of dismissal with prejudice, as applicable, entered promptly after filing.

IV. Injunctive Relief

A. *Entry of Injunctive Relief.* As part of the Consent Judgment, the Parties agree to the Injunctive Relief Terms attached as Exhibit P.

V. Release

A. *Scope.* As of the Effective Date, the Released Entities will be released and forever discharged from all of the Releasors' Released Claims. Each Settling State (for itself and its Releasors) and Participating Subdivision (for itself and its Releasors), and Participating Special District (for itself and its Releasors) will, on or before the Effective Date, absolutely, unconditionally, and irrevocably covenant not to bring, file, or claim, or to cause, assist in bringing, or permit to be brought, filed, or claimed, or to otherwise seek to establish liability for any Released Claims against any Released Entity in any forum whatsoever. The releases provided for in the Agreement are intended to be broad and shall be interpreted so as to give the Released Entities the broadest possible bar against any liability relating in any way to Released Claims and extend to the full extent of the power of each Settling State and its Attorney General to release Claims. The Release shall be a complete bar to any Released Claim.

B. *Claim Over and Non-Party Settlement*.

1. *Statement of Intent.* It is the intent of the Parties that:

   a. Released Entities should not seek contribution or indemnification (other than pursuant to an insurance contract) from other parties for their payment obligations under this Agreement;

   b. the payments made under this Agreement shall be the sole payments made by the Released Entities to the Releasors involving, arising out of, or related to Covered Conduct (or conduct that would be Covered Conduct if engaged in by a Released Entity);

   c. Claims by Releasors against non-Parties should not result in additional payments by Released Entities, whether through contribution, indemnification or any other means; and

   d. the Settlement meets the requirements of the Uniform Contribution Among Joint Tortfeasors Act and any similar state law or doctrine that reduces or discharges a released party's liability to any other parties. Any amounts payable by Teva pursuant to this Agreement, including but not limited to the Net Abatement Amount and any attorneys' fees, shall not be reduced or otherwise affected by any obligation by Teva to pay any contractual indemnity or agreed-to contribution amount to Allergan.

   The provisions of this subsection V.B are intended to be implemented consistent with these principles. This Agreement and the releases and dismissals provided for herein are made in good faith.

2. *Contribution/Indemnity Prohibited.* No Released Entity shall seek to recover for amounts paid under this Agreement based on indemnification, contribution, or any other theory from a manufacturer, pharmacy, hospital, pharmacy benefit manager, health insurer, third-party vendor, trade association, distributor, or health care practitioner, provided that a Released Entity shall be relieved of this prohibition with respect to any entity that asserts a Claim Over against it. For the avoidance of doubt, nothing herein shall prohibit a Released Entity from recovering amounts owed pursuant to insurance contracts.

3. *Non-Party Settlement*. To the extent that, on or after the Reference Date, any Releasor enters into a Non-Party Settlement, including in any bankruptcy case or through any plan of reorganization (whether individually or as a class of creditors), the Releasor will include (or in the case of a Non-Party Settlement made in connection with a bankruptcy case, will cause the debtor to include), unless prohibited from doing so under applicable law, in the Non-Party Settlement a prohibition on contribution or indemnity of any kind substantially equivalent to that required from Teva in subsection V.B.2, or a release from such Non-Released Entity in favor of the Released Entities (in a form equivalent to the releases contained in this Agreement) of any Claim Over. However, and notwithstanding

the foregoing, this provision shall not preclude Allergan from seeking indemnification under its agreement with Teva. The obligation to obtain the prohibition and/or release required by this subsection is a material term of this Agreement.

4. *Claim Over*. In the event that any Releasor obtains a judgment with respect to Non-Party Covered Conduct against a Non-Released Entity that does not contain a prohibition like that in subsection V.B.3, or any Releasor files a Non-Party Covered Conduct Claim against a Non-Released Entity in bankruptcy or a Releasor is prevented for any reason from obtaining a prohibition/release in a Non-Party Settlement as provided in subsection V.B.3, and such Non-Released Entity asserts a Claim Over against a Released Entity, that Releasor and Teva shall take the following actions to ensure that the Released Entities do not pay more with respect to Covered Conduct to Releasors or to Non-Released Entities than the amounts owed under this Agreement by Teva:

   a. Teva shall notify that Releasor of the Claim-Over within sixty (60) days of the assertion of the Claim-Over or sixty (60) days of the Effective Date of this Agreement, whichever is later;

   b. Teva and that Releasor shall meet and confer concerning the means to hold Released Entities harmless and ensure that it is not required to pay more with respect to Covered Conduct than the amounts owed by Teva under this Agreement;

   c. That Releasor and Teva shall take steps sufficient and permissible under the law of the State of the Releasor to hold Released Entities harmless from the Claim-Over and ensure Released Entities are not required to pay more with respect to Covered Conduct than the amounts owed by Teva under this Agreement. Such steps may include, where permissible:

      (i) Filing of motions to dismiss or such other appropriate motion by Teva or Released Entities, and supported by Releasors, in response to any Claim filed in litigation or arbitration;

      (ii) Reduction of that Releasor's Claim and any judgment it has obtained or may obtain against such Non-Released Entity by whatever amount or percentage is necessary to extinguish such Claim-Over under applicable law, up to the amount that Releasor has obtained, may obtain, or has authority to control from such Non-Released Entity;

      (iii) Placement into escrow of funds paid by the Non-Released Entities such that those funds are available to satisfy the Claim-Over;

      (iv) Return of monies paid by Teva to that Releasor under this Agreement to permit satisfaction of a judgment against or settlement with the Non-Released Entity to satisfy the Claim-Over;

(v) Payment of monies to Teva by that Releasor to ensure it is held harmless from such Claim-Over, up to the amount that Releasor has obtained, may obtain, or has authority to control from such Non-Released Entity;

(vi) Credit to Teva under this Agreement to reduce the overall amounts to be paid under the Agreement such that it is held harmless from the Claim-Over; and

(vii) Such other actions as that Releasor and Teva may devise to hold Teva harmless from the Claim Over.

d. The actions of that Releasor and Teva taken pursuant to paragraph (c) must, in combination, ensure Teva is not required to pay more with respect to Covered Conduct than the amounts owed by Teva under this Agreement.

e. In the event of any dispute over the sufficiency of the actions taken pursuant to paragraph (c), that Releasor and Teva may seek review by the National Arbitration Panel, provided that, if the Parties agree, such dispute may be heard by the state Court where the relevant Consent Judgment was filed. The National Arbitration Panel shall have authority to require Releasors to implement a remedy that includes one or more of the actions specified in paragraph (c) sufficient to hold Released Entities fully harmless. In the event that the panel's actions do not result in Released Entities being held fully harmless, Teva shall have a Claim for breach of this Agreement by Releasors, with the remedy being payment of sufficient funds to hold Teva harmless from the Claim Over. For the avoidance of doubt, the prior sentence does not limit or eliminate any other remedy that Teva may have.

5. To the extent that the Claim Over is based on a contractual indemnity, the obligations under subsection V.B.4 shall extend solely to a Non-Party Covered Conduct Claim against a pharmacy, clinic, hospital or other purchaser or dispenser of Products, a manufacturer that sold Products, a consultant, and/or a pharmacy benefit manager or other third-party payor. Teva shall notify the Settling States, to the extent permitted by applicable law, in the event that any of these types of Non-Released Entities asserts a Claim-Over arising out of contractual indemnity against it.

C. *General Release.* In connection with the releases provided for in the Agreement, each Settling State (for itself and its Releasors), Participating Subdivision and Participating Special District expressly waives, releases, and forever discharges any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States or other jurisdiction, or principle of common law, which is similar, comparable, or equivalent to § 1542 of the California Civil Code, which reads:

> **General Release; extent.** A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

A Releasor may thereafter discover facts other than or different from those which it knows, believes, or assumes to be true with respect to the Released Claims, but each Settling State (for itself and its Releasors), Participating Subdivision and Participating Special District hereby expressly waives and fully, finally, and forever settles, releases, and discharges, upon the Effective Date, any and all Released Claims that may exist as of such date but which Releasors do not know or suspect to exist, whether through ignorance, oversight, error, negligence or through no fault whatsoever, and which, if known, would materially affect the Settling States' decision to enter into the Agreement, the Participating Subdivisions' decision to participate in the Agreement, or the Participating Special District's decision to participate in the Agreement.

D. *Res Judicata.* Nothing in the Agreement shall be deemed to reduce the scope of the res judicata or claim preclusive effect that the settlement memorialized in the Agreement, and/or any Consent Judgment or other judgment entered on the Agreement, gives rise to under applicable law.

E. *Representation and Warranty.* The signatories hereto on behalf of their respective Settling States, its Participating Subdivisions, and its Participating Special Districts expressly represent and warrant that they will obtain on or before the Effective Date (or have obtained) the authority to settle and release, to the maximum extent of the State's power, all Released Claims of (1) their respective Settling States; (2) any of the respective Settling State's past and present executive departments, state agencies, divisions, boards, commissions and instrumentalities with the regulatory authority to enforce state and federal controlled substances acts; (3) any of their respective Settling State's past and present executive departments, agencies, divisions, boards, commissions and instrumentalities that have the authority to bring Claims related to Covered Conduct seeking money (including abatement and/or remediation) or revocation of a pharmaceutical distribution license; (4) any Participating Subdivisions; and (5) any Participating Special District. For the purposes of clause (3) above, executive departments, agencies, divisions, boards, commissions, and instrumentalities are those that are under the executive authority or direct control of the State's Governor. Also, for the purposes of clause (3), a release from a State's Governor is sufficient to demonstrate that the appropriate releases have been obtained.

F. *Effectiveness.* The releases set forth in the Agreement shall not be impacted in any way by any dispute that exists, has existed, or may later exist between or among the Releasors. Nor shall such releases be impacted in any way by any current or future law, regulation, ordinance, or court or agency order limiting, seizing, or controlling the distribution or use of the Settlement Fund or any portion thereof, or by the enactment of future laws, or by any seizure of the Settlement Fund or any portion thereof.

G. *Cooperation.* Releasors (i) will not encourage any person or entity to bring or maintain any Released Claim against any Released Entity and (ii) will reasonably cooperate with and not oppose any effort by a Released Entity to secure the prompt dismissal of any and all Released Claims.

H. *Non-Released Claims.* Notwithstanding the foregoing or anything in the definition of Released Claims, the Agreement does not waive, release or limit any criminal liability, Claims for any outstanding liability under any tax or securities law, Claims against parties who are not Released Entities, Claims by private individuals, Claims for Medicaid rebates, Claims asserted, or that could be asserted, by any State or Subdivision, related to the causes of action in *In re: Generic Pharmaceuticals Pricing Antitrust Litigation*, in the United States District court for the District of Pennsylvania, MDL No. 2724, and any related action (such excluded claims include, but are not limited to, all antitrust claims and any claims related to any non-opioid generic drugs), and any claims arising under the Agreement for enforcement of the Agreement.

VI. Monetary Relief Overview and Maximum Payments

A. Excluding Teva's share of Implementation Costs and Settlement Fund Administrator Costs, there are four main categories of monetary payments:

1. *Annual Payments to the Settlement Fund*. These payments are generally addressed in Section VII. The maximum amount Teva shall pay in Annual Payments to the Settlement Fund is the Net Abatement Amount of $2,945,529,111.00, which reflects the application of the Prior Settlements Credit to the Global Settlement Abatement Amount. Annual Payments will be made over thirteen (13) years on the Payment Dates. The actual amount paid will depend on, among other things, the level of participation of Eligible States, their Subdivisions, and their Special Districts.

2. *Cash Conversion of Settlement Product*. These potential monetary payments are generally addressed in Section IX. The maximum monetary amount Teva shall pay for the cash conversion of Settlement Product is $240,000,000.00. Payments for cash conversions of Settlement Product will be made over twelve (12) years on the Payment Dates. The actual amount paid will depend on, among other things, the level of participation of Eligible States and the number of Settling States opting for cash conversion.

3. *Additional Restitution Amount*. These payments are generally addressed in Section XIII. The maximum amount Teva shall pay for the Additional Restitution Amount is $28,669,762.00. Payments for the Additional Restitution Amount will be made over six (6) years on the Payment Dates. The actual amount paid will depend on the number of Eligible States listed in Exhibit F-2 that become Settling States.

4. *Attorney Fee and Cost Payments*. These payments are generally addressed in Section XIV and Exhibits M, R, S and T. They consist of payments for the State Outside Counsel Fee Fund, the State Cost Fund, and the Attorney Fee and Cost Fund. These payments will be made over six (6) years on the Payment Dates. The maximum amount Teva shall pay into these funds is the Global Settlement Attorney Fee Amount of $366,335,847.76.

B. The aggregate maximum amount Teva shall pay for these for these payment categories is $3,580,534,720.76. This figure does not include costs related to injunctive relief and

document disclosure addressed in Exhibits P and V, Implementation Costs and Settlement Fund Administrator Costs addressed in this Agreement, or WAC value of Settlement Product.

C. *Settlement Fund Administrator and Implementation Costs.* If this Agreement becomes effective, Teva shall be responsible for one-third of the Implementation Costs. The full amount of the Implementation Costs shall be jointly advanced by Teva and Allergan. If this Agreement becomes effective, then Teva shall deduct from Teva's Initial Year Payment the difference between the excess amount it advanced for Implementation Costs and its one-third obligation for such costs. Settlement Fund Administrator Costs shall be paid out of interest accrued on the Settlement Fund. Should such interest prove insufficient to fully cover the costs, the remaining cost amounts shall be paid one-third by Teva, one-third by Allergan and one-third from the Settlement Fund through the disbursement of Teva's final Annual Payment.

VII. Annual Payments to Settlement Fund

A. Structure of Payments to Settlement Fund

1. All payments under this Section VII shall be made into the Settlement Fund, except that where specified, they shall be made into the Settlement Fund Escrow. The Settlement Fund shall be allocated and used only as specified in Section VIII.

2. Teva shall pay into the Settlement Fund the Net Abatement Amount consisting of $2,945,529,111.00 minus: (1) any offsets specified in subsection VII.C below; (2) any unearned Incentive Payments under subsection VII.E below; and (3) any adjustments under Section XII below.

3. The payments to the Settlement Fund shall be divided into Base Payments and Incentive Payments as provided in subsections VII.D and VII.E below and set out in Exhibit M-1.

B. Settlement Fund Payment Process

1. Except as otherwise provided in this Agreement, Teva shall make one Initial Year Payment (the first Annual Payment) and twelve (12) additional Annual Payments of equal installments of the Net Abatement Amount (after all applicable offsets) into the Settlement Fund. The Settlement Payment Schedule is set forth in Exhibit M. Annual Payments shall be made on the Payment Date, provided that the necessary wire instructions and W-9 form for the Settlement Fund are provided to Teva at least twenty-one (21) days before the relevant payment is due. If there is a delay in making a payment because wire instructions and/or a W-9 form were not provided at least twenty-one (21) days in advance of the Payment Date, then the Annual Payment will be made within twenty-one (21) days of both the wire instructions and W-9 form being provided.

2. The Initial Year Payment shall consist of only Base Payments (after all applicable offsets). The other twelve (12) Annual Payments shall each consist of Base

Payments (after all applicable offsets) and Incentive Payments (after all applicable offsets). The amount of the Initial Year Payment and each other Annual Payment, payable by Teva shall not exceed the maximum amounts allocated to each Payment Year in Exhibit M.

3. To determine each Annual Payment for Payment Year 2 forward, the Settlement Fund Administrator shall use the data in its records sixty (60) days prior to the Payment Date for each payment. Prior to the Effective Date, the Parties will include an exhibit to the Agreement setting forth in detail the process for the Settlement Fund Administrator obtaining relevant data and for distributing funds to Settling States and Exhibit G Participants consistent with the terms of this Agreement as quickly as practical.

4. The Settlement Fund Administrator shall determine the Annual Payment and the Statewide Payment Amount for each Settling State, consistent with the provisions in Exhibit L, by:

    a. determining, for each Settling State, the amount of Base Payments and Incentive Payments to which the State is entitled by applying the criteria in this Section;

    b. applying any reductions or offsets required by Sections VII and XII; and

    c. determining the total amount owed by Teva to all Settling States and Exhibit G Participants.

5. If, no later than fifty (50) days prior to the Payment Date for each payment for Payment Year 2 forward, Teva and the Enforcement Committee inform the Settlement Fund Administrator that they agree on the amount of the Annual Payment and the Statewide Payment Amount for each Settling State, Teva shall pay the agreed-upon Annual Payment amount on the Payment Date and the Settlement Fund Administrator shall treat those amounts as the determination described in subsection VII.B.4. If the Settlement Fund Administrator is not so informed, it shall give notice to Teva, the Settling States, and the Enforcement Committee of the amount of the Annual Payment, and the Statewide Payment Amount for each Settling State, following the determination described in subsection VII.B.4, and the following timeline shall apply:

    a. Within twenty-one (21) days of the notice provided by the Settlement Fund Administrator, Teva, any Settling State or the Enforcement Committee may dispute, in writing, the calculation of the Annual Payment, or the Statewide Payment Amount for a Settling State. Such disputing party must provide a written notice of dispute to the Settlement Fund Administrator, the Enforcement Committee, any affected Settling State, and Teva identifying the nature of the dispute, the amount of money that is disputed, and the Settling State(s) affected.

b. Within twenty-one (21) days of the sending of a written notice of dispute, any affected party may submit a response, in writing, to the Settlement Fund Administrator, the Enforcement Committee, any affected Settling State, and Teva identifying the basis for disagreement with the notice of dispute.

c. If no response is filed, the Settlement Fund Administrator shall adjust the amount calculated consistent with the written notice of dispute, and Teva shall pay the adjusted amount as the Annual Payment on the Payment Date. If a written response to the written notice of dispute is timely sent to the Settlement Fund Administrator, the Settlement Fund Administrator shall notify Teva of the preliminary amount to be paid, which shall be the greater of the amount originally calculated by the Settlement Fund Administrator or the amount that would be consistent with the notice of dispute, *provided*, *however* that in no circumstances shall the preliminary amount to be paid be higher than the maximum amount of Base Payments and Incentive Payments for that payment as set forth in Exhibit M. For the avoidance of doubt, a transfer of payments from the Settlement Fund Escrow for other Payment Years does not count toward determining whether the amount to be paid is higher than the maximum amount of Base Payments and Incentive Payments for that payment as set forth in Exhibit M.

d. The Settlement Fund Administrator shall place any disputed amount of the preliminary amount paid by Teva into the Settlement Fund Escrow and shall disburse any undisputed amount to each Settling State and its Exhibit G Participants.

6. If a Settling State informs the Settlement Fund Administrator that it and its Exhibit G Participants have reached consensus on the amount of its Statewide Payment Amount, determined pursuant to subsections VII.B.3 or VII.B.4, to be distributed to the Settling State, among its separate types of funds (if applicable), and among its Exhibit G Participants, the Settlement Administrator shall disburse the Statewide Payment Amount pursuant to the consensus distribution amounts provided by the Settling State. For a Settling States that does not so notify the Settlement Fund Administrator, the Settlement Fund Administrator shall allocate the Settling State's Statewide Payment Amount, pursuant to Section VII, among the separate types of funds for the Settling State (if applicable), and among its Exhibit G Participants using the following procedures:

a. As soon as possible for each payment and following the determination described in subsections VII.B.3 and VII.B.4, the Settlement Fund Administrator shall give notice to the relevant Settling States and their Exhibit G Participants of the amount to be received by each Settling State, the amount to be received by the separate types of funds for each Settling State (if applicable), and the amount to be received by each Settling State's Exhibit G Participants.

b. Within twenty-one (21) days of the notice provided by the Settlement Fund Administrator, any Settling State or Exhibit G Participant may dispute, in

writing, the calculation of the amount to be received by a Settling State and/or its Exhibit G Participants. A dispute will be deemed invalid and disregarded if it challenges the allocations adopted by a State-Subdivision Agreement approved pursuant to the provisions of Exhibit O or by statute. Such disputing party must provide a written notice of dispute to the Settlement Fund Administrator, any affected Settling State, and any affected Exhibit G Participant identifying the nature of the dispute, the amount of money that is disputed, and the Settling State(s) affected.

c. Within twenty-one (21) days of the sending of a written notice of dispute, any affected Settling State or any affected Exhibit G Participant may submit a response, in writing, to the Settlement Fund Administrator, any affected Settling State and any affected Exhibit G Participant identifying the basis for disagreement with the notice of dispute.

d. If no response is filed, the Settlement Fund Administrator shall adjust the amount calculated consistent with the written notice of dispute.

e. The Settlement Fund Administrator shall place any disputed amount into the Settlement Fund Escrow and shall disburse any undisputed amount to the Settling State and its Exhibit G Participants.

7. Disputes described in this subsection (other than those for which no response is filed under subsections VII.B.5.c or VII.B.6.d) shall be resolved in accordance with the terms of Section XV.

8. The Settlement Fund Administrator may combine the disbursements of Annual Payments with disbursement of funds under other comparable opioid settlements. In determining when disbursements for each Annual Payment will be made, the Settlement Fund Administrator may take into account the timeline for the availability of disbursements under other comparable opioid settlements.

9. For the avoidance of doubt, Subdivisions and Special Districts not listed on Exhibit G shall not receive an allocation from the Subdivision Fund.

C. Offsets to Annual Payments to the Settlement Fund for Non-Settling States

1. An offset equal to the Net Abatement Amount of $2,945,529,111.00 times the State Allocation Percentage assigned to each Non-Settling State in Exhibit F-2 shall be deducted from the total amount to be paid by Teva to the Settlement Fund.

2. Non-Settling States shall not be eligible for any payments or have any rights in connection with this Agreement. Accordingly, the stated maximum dollar amounts of the Annual Payments specified in Exhibit M are reduced by the aggregate State Allocation Percentage of Non-Settling States as set forth in Exhibit F-2.

D. Base Payments

1. Teva shall make Base Payments into the Settlement Fund in an amount equal to 45% of the Net Abatement Amount of $2,945,529,111.00 minus any offsets for Non-Settling States specified in subsection VII.C.1. The maximum total for Base Payments is $1,325,488,100.00. The Base Payments will be paid in accordance with the Settlement Payment Schedule specified by Exhibit M-1, subject to potential offsets for Non-Settling States as provided in subsection VII.C.1.

2. The Base Payments will be allocated by Settling State proportionate to each Settling State's State Allocation Percentage in Exhibit F-2, adjusted for any Non-Settling State.

E. Incentive Abatement Payments

1. Teva shall make potential Incentive Payments totaling up to a maximum of 55% of the Net Abatement Amount of $2,945,529,111.00 for all Settling States with the actual amount depending on whether and the extent to which the criteria set forth below are met in each Settling State. The maximum total for Incentive Payments is $1,620,041,011.00.

2. The maximum total Incentive Payment for any Settling State shall be no more than the maximum total for Incentive Payments listed in subsection VII.E.1 times the Settling State's State Allocation Percentage specified in Exhibit F-2. Incentive Payments are state-specific, with each Settling State receiving an Incentive Payment based on the incentives for which it is eligible for that year under the criteria set forth below and any offset specified in Section XII.

3. The Incentive Payments shall be divided among four (4) categories, referred to as Incentives A–D. Incentives A–C will be due in installments over the twelve (12) Payment Years beginning with Payment Year 2, and Incentive D will be due in installments over eight (8) years beginning with Payment Year 6, as shown on Exhibit M-1. The total amount of Incentive Payments in an Annual Payment shall be the sum of the Incentive Payments for which individual Settling States are eligible for that Payment Year under the criteria set forth below. The Incentive Payments shall be made with respect to a specific Settling State based on its eligibility for that Payment Year under the criteria set forth below.

4. The maximum amount available for Incentive Payments, $1,620,041,011.00, is divided into two pools. The maximum amount of Incentive Payments for Incentives A-C shall be $1,413,853,973.00, which is 48% of the maximum Net Abatement Amount. A Settling State may be eligible for its full allocable share of this payment by either achieving Incentive A or by fully earning both Incentives B and C. The maximum amount of Incentive Payments for Incentive D shall be $206,187,038.00, which is 7% of the maximum Net Abatement Amount. (These figures represent maximum payments prior to being adjusted for any offsets and assumes every State is a Settling State and will satisfy the requirements specified below to earn its maximum incentive amount. The Incentive Payments will be paid in accordance

with the payment schedule in Exhibit M-1, subject to potential deductions as provided herein.) A Settling State qualifies to receive Incentive Payments in addition to Base Payments if it meets the incentive eligibility requirements specified below. Settling States may qualify for Incentive Payments in four ways. If a Settling State qualifies for Incentive A, it will become entitled to receive the maximum payment allocable to the State for Incentives A-C as stated in subsection VII.E.5. If a Settling State does not qualify for Incentive A, it can alternatively qualify for Incentive B and/or Incentive C. A Settling State can qualify for Incentive D regardless of whether it qualifies for another Incentive Payment.

5. *Incentive A: Full Participation or Fully Released Claims of Litigating Subdivisions, Litigating Special Districts, Non-Litigating Subdivisions with Population Greater Than 10,000, and Non-Litigating Covered Special Districts*.

   a. A Settling State's total potential Incentive A payment allocation is $1,413,853,973.00 times the percentage allocation assigned that Settling State in Exhibit F-2.

   b. A State qualifies for Incentive A by: (1) complete participation in the form of releases consistent with Section V above from all Litigating Subdivisions, Litigating Special Districts, and Subdivisions with a population of 10,000 or more, and Non-Litigating Covered Special Districts; (2) a Bar; or (3) a combination of approaches in clauses (1)-(2) that achieves the same level of resolution of Subdivision and Special District Claims (e.g., a law barring future litigation combined with full joinder by Litigating Subdivisions and Litigating Special Districts). For purposes of Incentive A, a Subdivision or Special District is considered a "Litigating Subdivision" or "Litigating Special District" if it has brought Released Claims against Released Entities on or before the Reference Date; all other Subdivisions and Special Districts are considered "Non- Litigating." For purposes of Incentive A, Non-Litigating Covered Special Districts shall not include a Special District with any of the following words or phrases in its name: mosquito, pest, insect, spray, vector, animal, air quality, air pollution, clean air, coastal water, tuberculosis, and sanitary.

   c. If a Settling State qualifies for Incentive A after receiving an Incentive Payment under Incentives B or C, described below, the Settling State's payments under Incentive A will equal the remainder of its total potential Incentive A payments less any payments previously received under Incentives B or C. A Settling State that receives all of its total potential Incentive A payment allocation shall not receive additional Incentive Payments under Incentives B or C.

   d. A Settling State that is not eligible for Incentive A as of two (2) years after the Effective Date shall not be eligible for Incentive A for that Payment Year or any subsequent Payment Years.

6. *Incentive B: Early Participation or Released Claims by Litigating Subdivisions and Litigating Special Districts.*

a. If a Settling State does not qualify for Incentive A, it may still qualify to receive up to 60% of its total potential Incentive A payment allocation under Incentive B.

b. A Settling State can qualify for an Incentive B payment if Litigating Subdivisions and Litigating Special Districts collectively representing at least 75% of the Settling State's litigating population are either Participating Subdivisions, Participating Special Districts, or have their claims resolved through Case-Specific Resolutions.

(i) A Settling State's litigating population is the sum of the population of all Litigating Subdivisions and Litigating Special Districts. A Settling State's litigating population shall include all Litigating Subdivisions and Litigating Special Districts whose populations overlap in whole or in part with other Litigating Subdivisions and Litigating Special Districts, for instance in the case of a Litigating Special District, city, or township contained within a county.

(ii) For example, if School District A is a Litigating Special District in City B with a population of 1, City B is itself a Litigating Subdivision with a population of 8, and City B is located within County C, and County C is a Litigating Subdivision with a population 10, then each of their individual populations shall be added together (i.e., 1 + 8 +10) to determine the total litigating population (i.e., 19).

c. The following time periods apply to Incentive B payments:

(i) Period 1: Zero to two hundred ten (210) days after the Effective Date.

(ii) Period 2: Two hundred eleven (211) days to one year after the Effective Date.

(iii) Period 3: One year and one day to two years after the Effective Date.

d. Within Period 1: If Litigating Subdivisions and Litigating Special Districts collectively representing at least 75% of a Settling State's litigating population are Participating Subdivisions or Participating Special Districts, or have their Claims resolved through Case-Specific Resolutions during Period 1, then a sliding scale will determine the share of the funds available under Incentive B, with a maximum of 60% of the Settling State's total potential Incentive Payment allocation available. Under that sliding scale, if Litigating Subdivisions and Litigating Special Districts collectively representing 75% of a Settling State's litigating population become

Participating Subdivisions or Participating Special Districts, or achieve Case-Specific Resolution status by the end of Period 1, a Settling State will receive 50% of the total amount available to it under Incentive B. If more Litigating Subdivisions and Litigating Special Districts become Participating Subdivisions or Participating Special Districts, or achieve Case-Specific Resolution status, the Settling State shall receive an increased percentage of the total amount available to it under Incentive B as shown in the table below.

Participation or Case-Specific Resolution Levels (As percentage of litigating population)	**Incentive B Award** (As percentage of total amount available to Settling State for Incentive B)
75%	50%
76%	52%
77%	54%
78%	56%
79%	58%
80%	60%
85%	70%
90%	80%
95%	90%
100%	100%

e. Within Period 2: If a Settling State did not qualify for an Incentive B payment in Period 1 but Litigating Subdivisions and Litigating Special Districts collectively representing at least 75% of the Settling State's litigating population become Participating Subdivisions or Participating Special Districts, or achieve Case-Specific Resolution status by the end of Period 2, then the Settling State qualifies for 75% of the Incentive B payment it would have qualified for in Period 1.

f. Within Period 3: If a Settling State did not qualify for an Incentive B payment in Periods 1 or 2, but Litigating Subdivisions and Litigating Special Districts collectively representing at least 75% of the Settling State's litigating population become Participating Subdivisions or Participating Special Districts, or achieve Case-Specific Resolution status by the end of Period 3, then the Settling State qualifies for 50% of the Incentive B payment it would have qualified for in Period 1.

g. A Settling State that receives the Incentive B payment for Periods 1 and/or 2 can receive additional payments if it secures participation from additional Litigating Subdivisions and/or Litigating Special Districts (or Case-Specific Resolutions of their Claims) during Periods 2 and/or 3. Those additional payments would equal 75% (for additional participation or Case-Specific Resolutions during Period 2) and 50% (for additional participation or Case- Specific Resolutions during Period 3) of the amount by which the increased litigating population levels would have increased the Settling State's Incentive B payment if they had been achieved in Period 1.

h. The percentage of the available Incentive B amount for which a Settling State is eligible by the end of Period 3 shall cap its eligibility for that Payment Year and all subsequent Payment Years. If Litigating Subdivisions and Litigating Special Districts that have become Participating Subdivisions or Participating Special Districts, or achieved Case-Specific Resolution status collectively represent less than 75% of a Settling State's litigating population by the end of Period 3, the Settling State shall not receive any Incentive B payment.

i. If there are no Litigating Subdivisions or Litigating Special Districts in a Settling State, and that Settling State is otherwise eligible for Incentive B, that Settling State will receive its full allocable share of Incentive B.

j. Incentives earned under Incentive B shall accrue after each of Periods 1, 2, and 3. Calculations to increase Incentive Payments in later periods based on additional joinder shall not reduce any amount already vested at the end of a prior period.

7. *Incentive C: Participation or Release of Claims by Primary Subdivisions*

a. If a Settling State does not qualify for Incentive A, it may still qualify to receive up to 40% of its total potential Incentive A payment allocation under Incentive C, which has two parts.

b. Part 1: Under Incentive C, Part 1, a Settling State can receive up to 75% of its Incentive C allocation. A Settling State can qualify for a payment under Incentive C, Part 1 only if Primary Subdivisions (whether Litigating Primary Subdivisions or Non-Litigating Primary Subdivisions as of the Reference Date) collectively representing at least 60% of the Settling State's Primary Subdivision population become Participating Subdivisions or achieve Case-Specific Resolution status.

(i) A Settling State's Primary Subdivision population is the sum of the population of all Primary Subdivisions (whether Litigating Primary Subdivisions or Non-Litigating Primary Subdivisions as of the Reference Date). A Settling State's Primary Subdivision population shall include all Primary Subdivisions whose populations overlap in whole or in part with other Primary Subdivisions, for instance in the case of a Primary Subdivision that is a city contained within a Primary Subdivision that is a county. Because Primary Subdivisions include Subdivisions whose populations overlap in whole or in part with other Subdivisions, the Settling State's Primary Subdivision population may be greater than the Settling State's total population. (Special Districts are not relevant for purposes of Incentive C calculations.)

(ii) For example, if City A is a Primary Subdivision with a population of 1 within County B, and County B is a Primary Subdivision with a population of 10, then each of their individual populations shall be added together (i.e., 1+10) to determine the total Primary Subdivision population (i.e., 11).

c. A sliding scale will determine the share of the funds available under Incentive C, Part 1 to Settling States meeting the minimum 60% threshold. Under that sliding scale, if a Settling State secures participation or Case- Specific Resolutions from Primary Subdivisions representing 60% of its total Primary Subdivision population, it will receive 40% of the total amount potentially available to it under Incentive C, Part 1. If a Settling State secures participation or Case-Specific Resolutions from Primary Subdivisions representing more than 60% of its Primary Subdivision population, the Settling State shall be entitled to receive a higher percentage of the total amount potentially available to it under Incentive C, Part 1, on the scale shown in the table below. If there are no Primary Subdivisions, and that Settling State is otherwise eligible for Incentive C, that Settling State will receive its full allocable share of Incentive C, Part 1.

Participation or Case-Specific Resolution Levels (As percentage of total Primary Subdivision population)	**Incentive C, Part 1 Award** (As percentage of total amount available to Settling State for Incentive C, Part 1)
60%	40%
70%	45%
80%	50%
85%	55%
90%	60%
91%	65%
92%	70%
93%	80%
94%	90%
95%	100%

d. Part 2: If a Settling State qualifies to receive an incentive under Incentive C, Part 1, the Settling State can also qualify to receive an additional incentive amount equal to 25% of its total potential Incentive C allocation by securing 100% participation of the ten (10) largest Subdivisions by population in the Settling State. (Special Districts are not relevant for purposes of this calculation.) If a Settling State does not qualify for any amount under Incentive C, Part 1, it cannot qualify for Incentive C, Part 2.

e. Incentives earned under Incentive C shall accrue on an annual basis up to three years after the Effective Date. At one, two, and three years after the Effective Date, the Settlement Fund Administrator will conduct a lookback to assess which Subdivisions had agreed to participate or had their Claim

resolved through a Case-Specific Resolution that year. Based on the look- back, the Settlement Fund Administrator will calculate the incentives accrued under Incentive C for the year. The percentage of the available Incentive C amount, for both Part 1 and Part 2, for which a Settling State is eligible three years after the Effective Date shall cap its eligibility for that Payment Year and all subsequent Payment Years.

8. *Incentive D: No Qualifying Lawsuits Surviving Threshold Motions at Two Look-Back Dates.*

   a. A Settling State's total potential Incentive D payment allocation is $206,187,038.00 times the percentage allocation assigned that Settling State in Exhibit F-2.

   b. If, at any time within five and one-half (5.5) years of the Preliminary Agreement Date, any Subdivision or Special District within a Settling State files litigation pursuing Released Claims against any Released Entity (a "*Qualifying Lawsuit*"), then Teva shall, within thirty (30) days of Teva or any Released Entity being served or otherwise informed of the prosecution of such Released Claims, provide notice to the Settling State in which such Released Claims are being pursued and shall give the relevant Settling State a reasonable opportunity to extinguish the Released Claims without any payment or any other obligations being imposed upon any Released Entities (apart from the Global Settlement Amount payable by Teva under the Agreement or the Injunctive Relief Terms incurred by it). The relevant Settling State and Teva shall confer and use reasonable efforts to promptly resolve a Qualifying Lawsuit so that it is dismissed with prejudice. Nothing in this subsection creates an obligation for a Settling State to make a monetary payment or incur any other obligation to an entity filing a Qualifying Lawsuit.

   c. Part 1: Under Incentive D, Part 1, a Settling State shall receive 50% of its total potential Incentive D payment allocation if, at two years after the Effective Date (the "*First Look-Back Date*"), there are no pending Released Claims from a Qualifying Lawsuit that survived a Threshold Motion within the Settling State against any Released Entities.

      (i) After the First Look-Back Date, a Settling State can become re-eligible for Incentive Payment D, Part 1 if the lawsuit that survived a Threshold Motion is dismissed pursuant to a later motion on grounds included in the Threshold Motion, in which case the Settling State shall become eligible for Incentive Payment D less any litigation fees and cost incurred by the Released Entity in the interim, except that if the dismissal motion occurs after the completion of opening statements in such action, the Settling State shall not be eligible for Incentive Payment D.

d. Part 2: Under Incentive D, Part 2, a Settling State shall receive 50% of its total potential Incentive D payment allocation if, at five and one-half (5.5) years after the Preliminary Agreement Date (the "Second *Look-Back* Date"), there are no pending Released Claims from a Qualifying Lawsuit that survived a Threshold Motion within the Settling State against any Released Entities.

VIII. Allocation and Use of Settlement Funds

A. *Components of Settlement Fund.* The Settlement Fund shall be comprised of an Abatement Accounts Fund, a State Fund, and a Subdivision Fund for each Settling State. The payments under Section VI into the Settlement Fund shall be initially allocated among those three (3) sub-funds and distributed and used as provided below or as provided for by a State-Subdivision Agreement (or other State-specific allocation of funds). Unless otherwise specified herein, payments placed into the Settlement Fund do not revert back to Teva.

B. *Use of Settlement Payments.* It is the intent of the Parties that the payments disbursed from the Settlement Fund to Settling States and Exhibit G Participants be for Opioid Remediation, subject to limited exceptions that must be documented in accordance with subsection VIII.C. In no event may less than 85% of Teva's payments pursuant to subsection VI.A.1–4 over the entirety of all Payment Years (but not any single Payment Year) be spent on Opioid Remediation.

C. While disfavored by the Parties, a Settling State or Exhibit G Participant may use monies from the Settlement Fund (that have not been restricted by this Agreement solely to future Opioid Remediation) for purposes that do not qualify as Opioid Remediation. If, at any time, a Settling State or Exhibit G Participant uses any monies from the Settlement Fund for a purpose that does not qualify as Opioid Remediation, such Settling State or Exhibit G Participant shall identify such amounts and report to the Settlement Fund Administrator and Teva how such funds were used, including if used to pay attorneys' fees, investigation costs, litigation costs, or costs related to the operation and enforcement of this Agreement. It is the intent of the Parties that the reporting under this subsection VIII.C shall be available to the public. For the avoidance of doubt, (a) any amounts not identified under this subsection VIII.C as used to pay attorneys' fees, investigation costs, or litigation costs shall be included in the "Compensatory Restitution Amount" for purposes of subsection VIII.G and (b) Participating Subdivisions not listed on Exhibit G or Participating Special Districts that receive monies from the Settlement Fund indirectly may only use such monies from the Settlement Fund for purposes that qualify as Opioid Remediation.

D. *Allocation of Settlement Fund.* The allocation of the Settlement Fund allows for different approaches to be taken in different states, such as through a State-Subdivision Agreement. Given the uniqueness of States and their Subdivisions, Settling States and Participating Subdivisions are encouraged to enter into State-Subdivision Agreements in order to direct the allocation of their portion of the Settlement Fund. As set out below, the Settlement Fund Administrator will make an initial allocation to three (3) state-level sub-funds. The

Settlement Fund Administrator will then, for each Settling State and its Exhibit G Participants, apply the terms of this Agreement and any relevant State-Subdivision Agreement, Statutory Trust, Allocation Statute, or voluntary redistribution of funds as set out below before disbursing the funds.

1. Base Payments. The Settlement Fund Administrator will allocate Base Payments under subsection VII.D among the Settling States in proportion to their respective State Allocation Percentages. Base Payments for each Settling State will then be allocated 15% to its State Fund, 70% to its Abatement Accounts Fund, and 15% to its Subdivision Fund. Amounts may be reallocated and will be distributed as provided in subsection VIII.E.

2. Incentive Payments. The Settlement Fund Administrator will treat Incentive Payments under subsection VII.E on a State-specific basis. Incentive payments for which a Settling State is eligible under subsection VII.E will be allocated 15% to its State Fund, 70% to its Abatement Accounts Fund, and 15% to its Subdivision Fund. Amounts may be reallocated and will be distributed as provided in subsection VIII.E.

3. Application of Adjustments. If any offset under Section XII applies with respect to a Settling State, the offset shall be applied proportionally to all amounts that would otherwise be apportioned and distributed to the State Fund, the Abatement Accounts Fund, and the Subdivision Fund for that State.

4. Settlement Fund Administrator. Prior to the Initial Participation Date, Teva and the Enforcement Committee will agree to a detailed mechanism consistent with the foregoing for the Settlement Fund Administrator to follow in allocating, apportioning, and distributing payments, which shall be appended hereto as Exhibit L.

E. *Settlement Fund Reallocation and Distribution*. As set forth below, within a particular Settling State's account, amounts contained in the Settlement Fund sub-funds may be reallocated and distributed per a State-Subdivision Agreement or other means. If the apportionment of amounts is not addressed and controlled under subsections VIII.E.1–2, then the default provisions of subsection VIII.E.4 apply. It is not necessary that a State-Subdivision Agreement or other means of allocating funds pursuant to subsections VIII.E.1–2 address all of the Settlement Fund sub-funds. For example, a Statutory Trust might only address disbursements from a Settling State's Abatement Accounts Fund.

1. Distribution by State-Subdivision Agreement. If a Settling State has a State-Subdivision Agreement, amounts apportioned to that State's State Fund, Abatement Accounts Fund, and Subdivision Fund under subsection VIII.D shall be reallocated and distributed as provided by that agreement. Any State-Subdivision Agreement entered into or amended after July 26, 2022 shall be applied only if it requires: (1) that all amounts be used for Opioid Remediation except as allowed by subsection VIII.C, and (2) that at least 70% of amounts be used solely for future Opioid Remediation (references to "future Opioid Remediation" include amounts paid to satisfy any future demand by another governmental entity to make a

required reimbursement in connection with the past care and treatment of a person related to the Alleged Harms). For a State-Subdivision Agreement to be applied to the relevant portion of an Annual Payment, notice must be provided to Teva and the Settlement Fund Administrator at least sixty (60) days prior to the Payment Date.

2. Distribution by Allocation Statute. If a Settling State has an Allocation Statute and/or a Statutory Trust that addresses allocation or distribution of amounts apportioned to such State's State Fund, Abatement Accounts Fund, and/or Subdivision Fund and that, to the extent any or all such sub-funds are addressed, requires (1) all amounts to be used for Opioid Remediation except as allowed by subsection VIII.C, and (2) at least 70% of all amounts to be used solely for future Opioid Remediation, then, to the extent allocation or distribution is addressed, the amounts apportioned to that State's State Fund, Abatement Accounts Fund, and Subdivision Fund under subsection VIII.D shall be allocated and distributed as addressed and provided by the applicable Allocation Statute or Statutory Trust. For the avoidance of doubt, an Allocation Statute or Statutory Trust need not address all three (3) sub-funds that comprise the Settlement Fund, and if the applicable Allocation Statute or Statutory Trust does not address distribution of all or some of these three (3) sub-funds, the applicable Allocation Statute or Statutory Trust does not replace the default provisions in subsection VIII.E.4 of any such unaddressed fund. For example, if an Allocation Statute or Statutory Trust that meets the requirements of this subsection VIII.E only addresses funds restricted to abatement, then the default provisions in this Agreement concerning allocation among the three (3) sub-funds comprising the Settlement Fund and the distribution of the State Fund and Subdivision Fund for that State would still apply, while the distribution of the applicable State's Abatement Accounts Fund would be governed by the qualifying Allocation Statute or Statutory Trust.

3. Voluntary Redistribution. A Settling State may choose to reallocate all or a portion of its State Fund to its Abatement Accounts Fund. An Exhibit G Participant may choose to reallocate all or a portion of its allocation from the Subdivision Fund to the State's Abatement Accounts Fund or to another Participating Subdivision or Participating Special District. The Settlement Fund Administrator is not required to honor voluntary redistribution for which notice is provided to it less than sixty (60) days prior to the Payment Date.

4. Distribution in the Absence of a State-Subdivision Agreement, Allocation Statute, or Statutory Trust. If subsections VIII.E.1–2 do not apply, and subject to any voluntary redistribution pursuant to subsection VIII.E.3, amounts apportioned to that State's State Fund, Abatement Accounts Fund, and Subdivision Fund under subsection VII.D shall be distributed as follows:

   a. Amounts apportioned to that State's State Fund shall be distributed to that State.

   b. Amounts apportioned to that State's Abatement Accounts Fund shall be distributed consistent with subsection VIII.F. Each Settling State shall

submit to the Settlement Fund Administrator a designation of a lead state agency or other entity to serve as the single point of contact for that Settling State's funding requests from the Abatement Accounts Fund and other communications with the Settlement Fund Administrator. The designation of an individual entity is for administrative purposes only and such designation shall not limit funding to such entity or even require that such entity receive funds from this Agreement. The designated entity shall be the only entity authorized to request funds from the Settlement Fund Administrator to be disbursed from that Settling State's Abatement Accounts Fund. If a Settling State has established a Statutory Trust, then that Settling State's single point of contact may direct the Settlement Fund Administrator to release the State's Abatement Accounts Fund to the Statutory Trust.

c. Amounts apportioned to that State's Subdivision Fund shall be distributed to Participating Subdivisions in that State listed on Exhibit G per the Subdivision Allocation Percentage listed in Exhibit G. Subsection X.I shall govern amounts that would otherwise be distributed to Non-Participating Subdivisions listed in Exhibit G.

d. Special Districts shall not be allocated funds from the Subdivision Fund, except through a voluntary redistribution allowed by subsection VIII.E.3. A Settling State may allocate funds from its State Fund or Abatement Accounts Fund for Special Districts.

5. Restrictions on Distribution. No amounts may be distributed from the Subdivision Fund contrary to Section X, *i.e.*, no amounts may be distributed directly to Non-Participating Subdivisions or to Later Participating Subdivisions in excess of what is permissible under subsection X.E. Amounts allocated to the Subdivision Fund that cannot be distributed by virtue of the preceding sentence shall be distributed into the sub-account in the Abatement Accounts Fund for the Settling State in which the Subdivision is located, unless those payments are redirected elsewhere by a State-Subdivision Agreement described in subsection VIII.E.1 or by an Allocation Statute or a Statutory Trust described in subsection VIII.E.2.

F. *Provisions Regarding Abatement Accounts Fund.*

1. State-Subdivision Agreement, Allocation Statute, and Statutory Trust Fund Provisions. A State-Subdivision Agreement, Allocation Statute, or Statutory Trust may govern the operation and use of amounts in that State's Abatement Accounts Fund so long as it complies with the requirements of subsections VIII.E.1 or VIII.E.2 as applicable, and all direct payments to Subdivisions comply with subsections X.E–H.

2. Absence of a State-Subdivision Agreement, Allocation Statute, or Statutory Trust. In the absence of a State-Subdivision Agreement, Allocation Statute, or Statutory Trust that addresses distribution, the Abatement Accounts Fund will be used solely for

future Opioid Remediation and the following shall apply with respect to a Settling State:

a. *Regional Remediation.*

(i) At least 50% of distributions for remediation from a State's Abatement Accounts Fund shall be annually allocated and tracked to the regional level. A Settling State may allow the Advisory Committee established pursuant to subsection VIII.F.2.d to define its regions and assign regional allocations percentages. Otherwise, a Settling State shall (1) define its initial regions, which shall consist of one (1) or more Subdivisions and which shall be designated by the State agency with primary responsibility for substance abuse disorder services employing, to the maximum extent practical, existing regions established in that State for opioid abuse treatment or other public health purposes; and (2) assign initial regional allocation percentages to the regions based on the Subdivision Allocation Percentages in Exhibit G and an assumption that all Subdivisions listed on Exhibit G will become Participating Subdivisions.

(ii) This minimum regional expenditure percentage is calculated on the Settling State's initial Abatement Accounts Fund allocation and does not include any additional amounts a Settling State has directed to its Abatement Accounts Fund from its State Fund, or any other amounts directed to the fund. A Settling State may dedicate more than 50% of its Abatement Accounts Fund to the regional expenditure and may annually adjust the percentage of its Abatement Accounts Fund dedicated to regional expenditures as long as the percentage remains above the minimum amount.

(iii) The Settling State (1) has the authority to adjust the definition of the regions, and (2) may annually revise the percentages allocated to each region to reflect the number of Subdivisions in each region that are Non-Participating Subdivisions.

b. *Subdivision Block Grants.* Certain Subdivisions listed on Exhibit G shall be eligible to receive regional allocation funds in the form of a block grant for future Opioid Remediation. A Participating Subdivision listed on Exhibit G eligible for block grants is a county or parish (or in the case of States that do not have counties or parishes that function as political subdivisions, a city) that (1) does not contain a Litigating Subdivision or a Later Litigating Subdivision for which it has the authority to end the litigation through a release, Bar, or other action; (2) either (i) has a population of 400,000 or more or (ii) in the case of California has a population of 750,000 or more; and (3) has funded or otherwise managed an established health care or treatment infrastructure (e.g., health department or similar agency). Each Subdivision listed on Exhibit G eligible to receive block grants shall be assigned its own region.

c. *Small States*. Notwithstanding the provisions of subsection VIII.F.2.a, Settling States with populations under four (4) million that do not have existing regions described in subsection VIII.F.2.a shall not be required to establish regions. However, such a Settling State that contains one (1) or more Subdivisions listed on Exhibit G eligible for block grants under subsection VIII.F.2.b shall be divided regionally so that each block-grant eligible Subdivision listed on Exhibit G is a region and the remainder of the State is a region.

d. *Advisory Committee*. The Settling State shall designate an Opioid Settlement Remediation Advisory Committee (the "*Advisory Committee*") to provide input and recommendations regarding remediation spending from that Settling State's Abatement Accounts Fund. A Settling State may elect to use an existing advisory committee or similar entity (created outside of a State-Subdivision Agreement or Allocation Statute); *provided, however*, the Advisory Committee or similar entity shall meet the following requirements:

(i) Written guidelines that establish the formation and composition of the Advisory Committee, terms of service for members, contingency for removal or resignation of members, a schedule of meetings, and any other administrative details;

(ii) Composition that includes at least an equal number of local representatives as state representatives;

(iii) A process for receiving input from Subdivisions and other communities regarding how the opioid crisis is affecting their communities, their abatement needs, and proposals for abatement strategies and responses; and

(iv) A process by which Advisory Committee recommendations for expenditures for Opioid Remediation will be made to and considered by the appropriate state agencies.

3. Abatement Accounts Fund Reporting. The Settlement Fund Administrator shall track and assist in the report of remediation disbursements as agreed to among the Parties.

G. *Nature of Payment.* Teva, the Settling States, the Participating Subdivisions, and the Participating Special Districts, acknowledge and agree that notwithstanding anything to the contrary in this Agreement, including, but not limited to, the scope of the Released Claims:

1. Teva has entered into this Agreement to avoid the delay, expense, inconvenience, and uncertainty of further litigation;

2. The Settling States, the Participating Subdivisions, and the Participating Special Districts sought compensatory restitution (within the meaning of 26 U.S.C. § 162(f)(2)(A)) as damages for the Alleged Harms allegedly suffered by the Settling States, Participating Subdivisions and Participating Special Districts;

3. By executing this Agreement the Settling States, the Participating Subdivisions, and the Participating Special Districts certify that: (a) the Compensatory Restitution Amount is no greater than the amount, in the aggregate, of the Alleged Harms allegedly suffered by the Settling States, Participating Subdivisions and Participating Special Districts; and (b) the portion of the Compensatory Restitution Amount received by each Settling State, Participating Subdivision or Participating Special Districts is no greater than the amount of the Alleged Harms allegedly suffered by such Settling State, Participating Subdivision or Participating Special Districts;

4. The payment of the Compensatory Restitution Amount by Teva constitutes, and is paid for, compensatory restitution (within the meaning of 26 U.S.C. § 162(f)(2)(A)) for alleged damage or harm (as compensation for alleged damage or harm arising out of alleged bodily injury) allegedly caused by Teva;

5. The Compensatory Restitution Amount is being paid as compensatory restitution (within the meaning of 26 U.S.C. § 162(f)(2)(A)) in order to restore, in whole or in part, the Settling States, Participating Subdivisions and Participating Special Districts to the same position or condition that they would be in had the Settling States, Participating Subdivisions and Participating Special Districts not suffered the Alleged Harms;

6. No portion of the Compensatory Restitution Amount represents reimbursement to any Settling State, Participating Subdivision, Participating Special District, or other person or entity for the costs of any investigation or litigation. The entire Compensatory Restitution Amount is properly characterized as described in subsection VIII.G. No portion of the Compensatory Restitution Amount constitutes disgorgement or is properly characterized as the payment of statutory or other fines, penalties, punitive damages, other punitive assessments, or attorneys' fees; and

7. The Designated State, on behalf of all Settling States, Participating Subdivisions, and Participating Special Districts (the "Form 1098-F Filer") shall complete and file Form 1098-F with the Internal Revenue Service on or before February 28 (March 31 if filed electronically) of the year following the calendar year in which the order entering this Agreement becomes binding. On the Form 1098-F, the Form 1098-F Filer shall identify the entire Compensatory Restitution Amount received by the Form 1098-F Filer as remediation/restitution, including the provision of Settlement Product set out in Section IX below. The Form 1098-F Filer shall also, on or before January 31 of the year following the calendar year in which the order entering this Agreement becomes binding, furnish Copy B of such Form 1098-F (or an acceptable substitute statement) to Teva.

IX. Settlement Product

A. The Settlement Product is Naloxone Hydrochloride Nasal Spray (generic Narcan®), a medication that counteracts the life-threatening effects of opioid overdose and significantly reduces opioid-overdose mortality.

B. For the purposes of this Agreement, Teva has agreed to provide the Settling States Settlement Product valued at $1,200,000,000, which equals 9,600,000 kits of Settlement Product, valued at a fixed WAC of $125 per kit, allocated in accordance with the allocation percentage as reflected in Exhibit D-1. Teva shall cover the cost of the Settlement Product distribution set forth in this Agreement. For the avoidance of doubt, Participating Subdivisions and Participating Special Districts are not eligible to make a Settlement Product election pursuant to this Agreement.

C. Consistent with the Settlement Product Election Form contained in Exhibit D, each Settling State shall have the discretion to convert any portion of the Settlement Product allocated to the Settling State into a cash value equaling twenty percent (20%) of the WAC value of the Settling State's allocated Settlement Product in the following years: 2023, 2025, 2027, 2029, and 2031. The State's election shall apply and remain in place for each following year until the next election date.

D. Within thirty (30) days of the Effective Date, each Settling State shall notify Teva and the Settlement Fund Administrator of its Settlement Product election by submitting the Settlement Product Election Form reflected in Exhibit D.

E. Settling States that do not make a Settlement Product Election within 30 days of the Effective Date, shall be deemed to have elected to receive the full Settlement Product Cash Conversion Amount for the first two-year period, allocated in accordance with the State Allocation Percentage as reflected in Exhibit D-1. Commencing within thirty (30) days of the Effective Date, the Settling States that have submitted a Settlement Product Election Form may place periodic orders for Settlement Product consistent with Section IX and Exhibit D.

F. By or before January 1, 2025, 2027, 2029 and 2031, each Settling State may submit a new or updated Settlement Product Election Form, which will be effective beginning with the Forecast submitted on the same date for the following calendar year. Settling States that do not submit a new or updated Settlement Product Election Form will be deemed to have made no changes to their most recent Settlement Product Election Form.

G. As is reflected in Exhibit D and the Settlement Product Election Form contained therein, Settling States may elect to convert all or a percentage of their allocation of Settlement Product into a Settlement Product Cash Conversion Amount, in the manner and method described in Exhibit D.

H. Teva will make Settlement Product Cash Conversion Amount payments to Settling States that have elected to receive a full or partial Settlement Product Cash Conversion beginning with its second Annual Payment in accordance with the Settlement Payment Schedule as set forth in Exhibit M-2.

I. The Parties understand that the provision of Settlement Product constitutes compensatory restitution within the meaning of 26 U.S.C. § 162(f)(2)(A) and that the receipt of Settlement Product must be reported on IRS Form 1098-F consistent with subsection VIII.G.7 above.

J. In addition to offering Naloxone Hydrochloride Nasal Spray per this Section IX and Exhibit D, Teva, at its sole discretion, may also offer Settling States different versions or greater amounts of Settlement Product or different products that can be accepted by the Settling State in lieu of its full allotment of the Settlement Product or Settlement Product Cash Conversion Amount. Distribution and other terms related to such substitute product shall be set out in Teva's offer. Nothing in this subsection IX.J changes the terms of this Agreement regarding the provision of Settlement Product or the calculation or availability of the Settlement Product Cash Conversion Amount. With regard to the annual product delivery schedule, to the extent that the Settling State's needs for each drug varies from year to year, such that the Settling State needs a reasonably lesser quantity one year to be offset by a reasonably greater quantity the next year, Teva will use reasonable commercial efforts to be flexible in meeting that variation in demand.

K. In the event of a Force Majeure Event, Teva shall promptly provide written notice to the Settling States. Teva and the States shall meet and confer within seven (7) days of such written notice to establish a commercially reasonable plan to resolve any inability to supply as quickly as reasonably possible, it being understood that, unless otherwise agreed to by the Parties, it is Teva's obligation to use reasonable efforts which are consistent with accepted industry practices to resume performance as soon as practicable under the circumstances.

X. Participation by Subdivisions and Special Districts

A. *Notice.* No later than fifteen (15) days after the Preliminary Agreement Date, the Settling States, with the cooperation of Teva, shall send individual written notice (which may be delivered via e-mail or other electronic means) of the opportunity to participate in this Agreement and the requirements of participation to all Subdivisions and Special Districts in the Settling State that are (1) Litigating Subdivisions or Litigating Special Districts, or (2) Non-Litigating Subdivisions listed in Exhibit G.[3] To the extent a Non-Litigating Special Districts is entitled to an allocation for a direct payment through its inclusion in Exhibit G pursuant to a State-Subdivision Agreement, Allocation Statute, Statutory Trust, or voluntary redistribution, the Settling States shall also send individual written notice (which may be delivered via e-mail or other electronic means) of the opportunity to participate in this Agreement and the requirements of participation to such Special Districts. Unless otherwise agreed by the Parties, the version of Exhibit G used for notice shall be the one in place as of the Preliminary Agreement Date. Teva's share of costs of the written notice shall be paid by Teva as part of the Implementation Costs. Notice (which may be delivered via e-mail or other electronic means) shall also be provided simultaneously to counsel of record for Litigating Subdivisions, Litigating Special

[3] Because Teva has settled with Oklahoma, but not with Oklahoma Subdivisions and Special Districts, Teva shall send individual written notice of the opportunity to participate in this Agreement and the requirements of participation to all Oklahoma Subdivisions and Special Districts. For purposes of this Section X, references to a "Subdivision in a Settling State" or "Special District in a Settling State" shall include Subdivisions and Special Districts in Oklahoma.

Districts, and known counsel for Non-Litigating Subdivisions listed on Exhibit G and Non- Litigating Special Districts listed on Exhibit G. The notice will include that the deadline for becoming an Initial Participating Subdivision or Initial Participating Special District is the Initial Participation Date. Nothing contained herein shall preclude a Settling State from providing further notice to or otherwise contacting any of its Subdivisions or Special Districts about becoming a Participating Subdivision or Participating Special District, including beginning any of the activities described in this paragraph prior to the Preliminary Agreement Date.

B. *Requirements for Becoming a Participating Subdivision: Non-Litigating Subdivisions*. A Non-Litigating Subdivision in a Settling State may become a Participating Subdivision by returning an executed Settlement Participation Form to the Implementation Administrator or Settlement Fund Administrator (which may be executed and returned by electronic means established by the Implementation Administrator or Settlement Fund Administrator) specifying (1) that the Subdivision agrees to the terms of this Agreement pertaining to Subdivisions, (2) that the Subdivision releases all Released Claims against all Released Entities, (3) that the Subdivision agrees to use monies it receives, if any, from the Settlement Fund pursuant to the applicable requirements of Section VIII, and (4) that the Subdivision submits to the jurisdiction of the Court where the Consent Judgment is filed for purposes limited to that Court's role under the Agreement. The required Settlement Participation Form is attached as Exhibit K. A Non-Litigating Subdivision will decide whether to become a Participating Subdivision for both this Agreement and the Allergan Global Opioid Settlement Agreement, or neither.

C. *Requirements for Becoming a Participating Subdivision: Litigating Subdivisions/Later Litigating Subdivisions*. A Litigating Subdivision or Later Litigating Subdivision in a Settling State may become a Participating Subdivision by returning an executed Settlement Participation Form to the Implementation Administrator or Settlement Fund Administrator (which may be executed and returned by electronic means established by the Implementation Administrator or Settlement Fund Administrator) that, in addition to the requirements set out in subsection X.B for Non-Litigating Subdivisions, commits it to promptly dismissal its legal action. The required Settlement Participation Form is attached as Exhibit K. A Litigating Subdivision or Later Litigating Subdivision will decide whether to become a Participating Subdivision for both this Agreement and the Allergan Global Opioid Settlement Agreement, or neither. Except for trials begun before the Initial Participation Date, a Litigating Subdivision or a Later Litigating Subdivision may not become a Participating Subdivision after the completion of opening statements in a trial of a legal action it brought that includes a Released Claim against a Released Entity.

D. *Initial Participating Subdivisions*. A Subdivision qualifies as an Initial Participating Subdivision if it meets the applicable requirements for becoming a Participating Subdivision set forth in subsections X.B or X.C by the Initial Participation Date. Provided however, all Subdivision Settlement Participation Forms shall be held by the Implementation Administrator until Teva provides the notice in subsection XI.B that it intends to proceed with the settlement, at which time the obligations created by such forms become effective. If Teva determines not to proceed, all Settlement Participation Forms shall be returned to Counsel for Litigating Subdivisions or to the Subdivisions not represented by counsel or destroyed to the extent that such destruction is not prohibited by then existing document preservation obligations.

E. *Later Participating Subdivisions.* A Subdivision that is not an Initial Participating Subdivision may become a Later Participating Subdivision by meeting the applicable requirements for becoming a Participating Subdivision after the Initial Participation Date and agreeing to be subject to the terms of a State-Subdivision Agreement (if any) or any other structure adopted or applicable pursuant to subsections VIII.E or VIII.F. The following provisions govern what a Later Participating Subdivision can receive (but do not apply to Initial Participating Subdivisions):

1. A Later Participating Subdivision shall not receive any share of any Base or Incentive Payments paid to the Subdivision Fund that were due before it became a Participating Subdivision.

2. A Later Participating Subdivision that becomes a Participating Subdivision after Initial Participation Date but before June 15, 2023 shall receive 75% of the share of the Initial Year Payment that it would have received had it become an Initial Participating Subdivision (unless the Later Participating Subdivision is subject to subsections X.E.3 or X.E.4 below). A Later Participating Subdivision that becomes a Participating Subdivision after June 15, 2023 shall receive no share of the Initial Year Payment.

3. A Later Participating Subdivision that, after the Initial Participation Date, maintains a lawsuit for a Released Claim(s) against a Released Entity and has judgment entered against it on every such Claim before it became a Participating Subdivision (other than a consensual dismissal with prejudice) shall receive 50% of the share of future Base Payments or Incentive Payments that it would have received had it become a Later Participating Subdivision prior to such judgment; *provided, however*, that if the Subdivision appeals the judgment and the judgment is affirmed with finality before the Subdivision becomes a Participating Subdivision, the Subdivision shall not receive any share of any Base Payments or Incentive Payments.

4. A Later Participating Subdivision that becomes a Participating Subdivision while a Bar or Case-Specific Resolution involving a different Subdivision exists in its State shall receive 25% of the share of future Base Payments or Incentive Payments that it would have received had it become a Later Participating Subdivision without such Bar or Case-Specific Resolution.

F. *No Increase in Payments*. Amounts to be received by Later Participating Subdivisions or Later Participating Special Districts shall not increase the payments due from Teva.

G. *Ineligible Subdivisions and Special Districts.* Except for Subdivisions and Special Districts in Oklahoma, prior Settling Subdivisions, and Subdivisions and Special Districts in Non- Settling States or Prior Settling States are not eligible to be Participating Subdivisions or Participating Special Districts.

H. *Non-Participating Subdivisions and Non-Participating Special Districts*. Non-Participating Subdivisions and Non-Participating Special Districts shall not directly receive any portion of any Base Payments or Incentive Payments, including from the State Fund and direct distributions from the Abatement Accounts Fund; however, a Settling State may choose to fund future Opioid Remediation that indirectly benefits Non-Participating Subdivisions and Non-Participating Special Districts.

I. *Unpaid Allocations to Later Participating and Non-Participating Subdivisions*. Any Base Payments and Incentive Payments allocated pursuant to subsection VIII.E to a Later Participating or Non-Participating Subdivision or a Later Participating or Non-Participating Special District that cannot be paid pursuant to Section X, will be allocated to the Abatement Accounts Fund for the Settling State in which the Subdivision is located, unless those payments are redirected elsewhere by a State-Subdivision Agreement or by a Statutory Trust.

J. *Requirements for Becoming a Participating Special District: Non-Litigating Special Districts*. A Non-Litigating Special District in a Settling State may become a Participating Special District by returning an executed Settlement Participation Form to the Implementation Administrator or Settlement Fund Administrator (which may be executed and returned by electronic means established by the Implementation Administrator or Settlement Fund Administrator) specifying (1) that the Special District agrees to the terms of this Agreement pertaining to Special Districts, (2) that the Special District releases all Released Claims against all Released Entities, (3) that the Special District agrees to use monies it receives, if any, from the Settlement Fund pursuant to the applicable requirements of Section VIII, and (4) that the Special District submits to the jurisdiction of the Court where the Consent Judgment is filed for purposes limited to that Court's role under the Agreement. The required Settlement Participation Form is attached as Exhibit K. A Non-Litigating Special District will decide whether to become a Participating Special District for both this Agreement and the Allergan Global Opioid Settlement Agreement, or neither.

K. *Requirements for Becoming a Participating Special District: Litigating Special Districts/Later Litigating Special Districts.* A Litigating Special District or Later Litigating Special District in a Settling State may become a Participating Special District by returning an executed Settlement Participation Form to the Implementation Administrator or Settlement Fund Administrator (which may be executed and returned by electronic means established by the Implementation Administrator or Settlement Fund Administrator) that, in addition to the requirements set out in subsection X.J for Non-Litigating Special Districts, commits it to promptly dismiss its legal action. The required Settlement Participation Form is attached as Exhibit K. A Litigating Special District or a Later Litigating Special District will decide whether to become a Participating Special District for both this Agreement and the Allergan Global Opioid Settlement Agreement, or neither. Except for trials begun before the Initial Participation Date, a Litigating Special District or a Later Litigating Special District may not become a Participating Special District after the completion of opening statements in a trial of a legal action it brought that includes a Released Claim against a Released Entity.

L. *Initial Participating Special Districts*. A Special District qualifies as an Initial Participating Special District if it meets the applicable requirements for becoming a Participating Special

District set forth in subsections X.J or X.K by the Initial Participation Date. Provided however, all Special District Settlement Participation Forms shall be held by the Implementation Administrator until Teva provides the notice in subsection XI.B that it intends to proceed with the settlement, at which time the obligations created by such forms become effective.

M. *Later Participating Special Districts.* A Special District that is not an Initial Participating Special District may become a Later Participating Special District by meeting the applicable requirements for becoming a Participating Special District after the Initial Participation Date and agreeing to be subject to the terms of a State-Subdivision Agreement (if any) or any other structure adopted or applicable pursuant to subsections VIII.E or VIII.F. or any agreement reached by the applicable Settling State with Initial Participating Special Districts. The following provisions govern what a Later Participating Special District can receive (but do not apply to Initial Participating Special Districts):

1. Except for the Initial Year Payment, a Later Participating Special District shall not receive any share of any Base or Incentive Payments paid to the Subdivision Fund that were due before it became a Participating Special District.

2. A Later Participating Special District that becomes a Participating Special District after Initial Participation Date but before June 15, 2023 shall receive 75% of the share of the Initial Year Payment that it would have received had it become an Initial Participating Special District (unless the Later Participating Special District is subject to subsections X.M.3 or X.M.4 below). A Later Participating Special District that becomes a Participating Special District after June 15, 2023 shall receive no share of the Initial Year Payment.

3. A Later Participating Special District that, after the Initial Participation Date, maintains a lawsuit for a Released Claim(s) against a Released Entity and has judgment entered against it on every such Claim before it became a Participating Special District (other than a consensual dismissal with prejudice) shall receive 50% of the share of future Base Payments or Incentive Payments that it would have received had it become a Later Participating Special District prior to such judgment; *provided, however*, that if the Special District appeals the judgment and the judgment is affirmed with finality before the Special District becomes a Participating Special District, the Special District shall not receive any share of any Base Payments or Incentive Payments.

4. A Later Participating Special District that becomes a Participating Special District while a Bar or Case-Specific Resolution involving a different Special District exists in its State shall receive 25% of the share of future Base Payments or Incentive Payments that it would have received had it become a Later Participating Special District without such Bar or Case-Specific Resolution.

XI. Condition to Effectiveness of Agreement and Filing of Consent Judgment

A. *Determination to Proceed With Settlement.* Teva will determine on or before the Reference Date whether there has been a sufficient resolution of the Claims of the Litigating

Subdivisions and Litigating Special Districts in the Settling States (through participation under Section X, Case-Specific Resolution(s), and Bar(s)) to proceed with this Agreement. The determination shall be in the sole discretion of Teva, in good faith, and may be based on any criteria or factors deemed relevant by Teva.

B. *Notice by Teva.* On or before the Reference Date, Teva shall inform the Settling States and MDL Plaintiffs' Executive Committee of its determination pursuant to subsection XI.A. If Teva determines to proceed, the Parties will proceed to file the Consent Judgments. If Teva determines not to proceed, this Agreement will have no further effect and all releases (including those given by Participating Subdivisions and Special Districts) and other commitments or obligations contained herein will be void and Settlement Participation Forms shall be returned to the Subdivision or Special District or destroyed to the extent not prohibited by then existing legal obligations or document holds.

XII. Potential Payment Adjustments

A. *Settlement Class Resolution Opt Outs.* If a Settling State is eligible for Incentive A on the basis of a Settlement Class Resolution, and a Primary Subdivision that opted out of the Settlement Class Resolution maintains a lawsuit asserting a Released Claim against a Released Entity, the following shall apply: If the lawsuit asserting a Released Claim either survives a Threshold Motion or has an unresolved Threshold Motion fewer than sixty (60) days prior to the scheduled start of a trial involving a Released Claim, and is resolved with finality on terms requiring payment by the Released Entity, Teva shall receive a dollar-for-dollar offset for the amount paid against its obligation to make remaining Incentive A payments that would be apportioned to that State or Participating Subdivisions listed on Exhibit G.

B. *Revoked Bar, Settlement Class Resolution, or Case-Specific Resolution.*

1. If Teva made a payment as a result of the existence of a Bar, Settlement Class Resolution, or Case-Specific Resolution in a Settling State, and that Bar, Settlement Class Resolution, or Case-Specific Resolution is subject to a Revocation Event, Teva shall receive a dollar-for-dollar offset against its obligation to make remaining payments that would be apportioned to that State and its Exhibit G Participants. This offset will be calculated as the dollar amount difference between (1) the total amount of Incentive Payments paid by Teva during the time the Bar, Settlement Class Resolution, or Case-Specific Resolution subject to the Revocation Event was in effect, and (2) the total amount of Incentive Payments that would have been due from Teva during that time without the Bar, Settlement Class Resolution, or Case-Specific Resolution subject to the Revocation Event being in effect. The amount of Incentive Payments that would have been due, referenced in (2) above, will be calculated based on considering any Subdivision or Special District that provides a release within one hundred eighty (180) days after the Revocation Event as having been a Participating Subdivision or Participating Special District (in addition to all other Participating Subdivisions and Participating Special Districts) during the time that the Bar, Settlement Class Resolution, or Case-Specific Resolution subject to the Revocation Event was in effect. If a Revocation Event causes a Settling State to no longer qualify for one or both parts of Incentive D, the Settling State and its Exhibit G participants shall return to Teva all relevant payments made under Incentive D through offsets as set forth above.

2. Notwithstanding anything to the contrary in paragraph 1 above, if a Bar or Case-Specific Resolution is reinstated by the Settling State, either through the same or different means as the initial Bar or Case-Specific Resolution, Teva's right to an offset is extinguished and any amounts withheld to offset amounts paid on account of the revoked, rescinded, reversed, or overruled Bar or Case-Specific Resolution shall be returned to the Settling State, less and except any Incentive Payments that would have been paid during the period in which the Bar or Case-Specific Resolution was revoked, rescinded, reversed, or overruled.

XIII. Additional Restitution Amount

Additional Restitution Amount. Teva shall pay an Additional Restitution Amount to each Settling State listed in Exhibit N in the amount and on the schedule set forth in Exhibit M-3. The maximum Additional Restitution Amount of $28,669,762.00 shall be reduced by the allocation set forth on Exhibit F-2 for any Non-Settling States listed on Exhibit N. The Settlement Fund Administrator shall allocate such funds among and within the Settling States listed in Exhibit N at the same time as its allocation of Annual Payments pursuant to subsection VII.B.

XIV. Plaintiffs' Attorneys' Fees and Costs

Attorneys' fees and costs are addressed in the following exhibits and are incorporated herein by reference:

1. The State Outside Counsel Fee Fund is addressed in Exhibit T.
2. The State Cost Fund is addressed in Exhibit S.
3. The Attorney Fee and Cost Fund is addressed and the Agreement on Attorneys' Fees, Expenses and Costs is set forth in Exhibit R.

XV. Enforcement and Dispute Resolution

A. *Enforceability.* The terms of the Agreement and Consent Judgment applicable to or in a Settling State will be enforceable solely by that Settling State and Teva. Settling States or Participating Subdivisions shall not have enforcement rights with respect either to the terms of this Agreement that apply only to or in other States or to any Consent Judgment entered into by another Settling State. Participating Subdivisions shall not have enforcement rights against Teva with respect to the Agreement or any Consent Judgment except as to payments that would be allocated to the Subdivision Fund or Abatement Accounts Fund pursuant to Section VII; *provided, however,* that each Settling State shall allow Participating Subdivisions in that State to notify it of any perceived violations of the Agreement or Consent Judgment.

B. *Consent to Jurisdiction and Service of Process.* Teva consents to the jurisdiction of the Court in which the Consent Judgment is filed, and any appellate court thereof, limited to resolution of disputes identified in subsection XV.G.2; for a civil action for any appropriate

relief to enforce compliance with the Parties' Agreement for Injunctive Relief pursuant to Exhibit P, subsection K.5 herein; and for any proceedings for or related to the enforcement or collection of any payments on the Consent Judgment for resolution in the Court in which the Consent Judgment is filed. Teva further agrees any service of process or notice required for such action or proceeding may be effectuated on Teva through delivery of all required papers by hand or by a nationally recognized private courier on Teva's representatives identified in subsection XVI.P herein. To be clear, for the purposes of this Agreement only, Teva consents to personal jurisdiction before such courts, and will not contend service must be effectuated through personal service of the Hague Convention process.

C. *Specific Terms Dispute Resolution.*

1. Any dispute that is addressed by the provisions set forth in the Injunctive Relief Terms in Exhibit P shall be resolved as provided therein and pursuant to subsection XV.E.3 herein.

2. In the event Teva believes the 85% threshold established in subsection VIII.B is not being satisfied, any Party may request that Teva and the Enforcement Committee meet and confer regarding the use of funds under subsection VIII.B. The completion of such meet-and-confer process is a precondition to further action regarding any such dispute. Further action concerning subsection VIII.B shall: (i) be limited to Teva seeking to reduce its Annual Payments by no more than 5% of the difference between the actual amount of Opioid Remediation and the 85% threshold established in subsection VIII.B; (ii) only reduce Annual Payments to those Settling States and its Participating Subdivisions that are below the 85% threshold established in subsection VIII.B; and (iii) not reduce Annual Payments restricted to future Opioid Remediation.

D. *State-Subdivision Enforcement.*

1. A Participating Subdivision shall not have enforcement rights against a Settling State in which it is located with respect to the Agreement or any Consent Judgment except: (1) as provided for in a State-Subdivision Agreement, Allocation Statute, or Statutory Trust with respect to intrastate allocation; or (2) in the absence of a State-Subdivision Agreement, Allocation Statute, or Statutory Trust, as to allegations that: (a) the Settling State's use of Abatement Accounts Fund monies were not used for uses similar to or in the nature of those uses contained in Exhibit E; or (b) a Settling State failed to pay funds directly from the Abatement Accounts Fund to a Participating Subdivision eligible to receive a block grant pursuant to subsection VIII.F.2.b.

2. A Settling State shall have enforcement rights against a Participating Subdivision located in its territory: (1) as provided for in a State-Subdivision Agreement, Allocation Statute, or Statutory Trust; or (2) in the absence of a State-Subdivision Agreement, Allocation Statute, or Statutory Trust, as to allegations that the uses of Abatement Accounts Fund monies by Participating Subdivisions listed on Exhibit G were not for uses similar to or in the nature of those uses contained in Exhibit E.

3. As between Settling States and Participating Subdivisions, the above rights are contractual in nature and nothing herein is intended to limit, restrict, change, or alter any other existing rights under law.

E. *Enforcement Committee Actions to Enforce Agreement.*

1. The Parties agree that in the event of any failure by Teva to make any required payments under this Agreement, the Enforcement Committee, on its own or through its designee such as a Settling State or Participating Subdivision acting by its authorization and on its behalf, shall have the ability and right to file an action or proceeding in any New York state court, or federal court of the United States of America, sitting in New York, for or related to the enforcement or collection of such payments.

2. If any National Dispute involving a Settling State, Participating Subdivision, and/or Teva is pending before a National Arbitration Panel concerning a given year's payment to all Settling States, any action or proceeding pursuant to this subsection XV.E shall be stayed as to any disputed amounts only, but may proceed as to any and all undisputed amounts. In the event there is a dispute between the Parties as to the disputed amounts at issue, the Enforcement Committee or any party to that dispute may seek an expedited determination from the National Arbitration Panel for that proceeding as to the disputed and undisputed amounts.

3. The Parties further Agree that in the event of Teva's breach of the Parties' Agreement for Injunctive Relief (Exhibit P attached hereto), the Enforcement Committee, on its own or through its designee such as a Settling State or Participating Subdivision acting by its authorization and on its behalf, shall have the ability and right to file a civil action pursuant to Exhibit P, subection K.5, in any New York state court, or federal court of the United States of America, sitting in New York, seeking any appropriate relief to enforce compliance with such Agreement for Injunctive Relief.

4. Teva consents to the jurisdiction of the New York state court, or federal court of the United States of America, sitting in New York, and any appellate court from any thereof, in which any action or proceeding is initiated pursuant to this subsection XV.E, and for enforcement or collection of any related judgment entered by such court. Teva further agrees any service of process or notice required for such action or proceeding, including for any action or proceeding for enforcement or collection of any judgment entered thereon, may be effectuated on Teva through delivery of all required papers by hand or by a nationally recognized private courier on Teva's representatives identified in subsection XVI.P herein. For the purposes of this Agreement only, Teva consents to personal jurisdiction before such courts and will not contend service must be effectuated through personal service or the Hague Convention process.

5. The enforcement rights under this subsection XV.E are in addition to, and not in lieu of, any other enforcement and collection rights of the Parties herein, including but not limited to enforcement rights as to payments as allowed by subsection XV.A.

F. *Subdivision Payment Enforcement.* A Participating Subdivision shall have the same right as a Settling State pursuant to subsection XV.G.4.a.iv to seek resolution of any failure by Teva to make its required Base Payments and/or Incentive Payments in a Payment Year.

G. *Other Dispute Resolution Terms.*

1. Except as provided in subsection XV.C, the parties to a dispute shall promptly meet and confer in good faith to resolve any dispute. If the parties cannot resolve the dispute informally, and unless otherwise agreed in writing, they shall follow the remaining provisions of this subsection XV.G to resolve the dispute.

2. Except as provided in subsections XV.C and XV.G.4, disputes not resolved informally shall be resolved in either the Court that entered the relevant Consent Judgment or, if no Consent Judgment was entered, a state or territorial court with jurisdiction located wherever the seat of state government is located. State court proceedings shall be governed by the rules and procedures of the forum. For the avoidance of doubt, disputes to be resolved in state court include, but are not limited to, the following:

    a. disputes concerning whether expenditures qualify for Opioid Remediation;

    b. disputes between a Settling State and Participating Subdivisions located in such Settling State as provided by subsection XV.D, except to the extent the State-Subdivision Agreement provides for other dispute resolution mechanisms. For the avoidance of doubt, disputes between a Settling State and any Participating Subdivision shall not be considered National Disputes;

    c. whether this Agreement and relevant Consent Judgment are binding under state law;

    d. the extent of the Attorney General's or other participating entity's authority under state law, including the extent of the authority to release Claims;

    e. whether the requirements of a Bar, a Case-Specific Resolution, State- Specific Finality, Later Litigating Subdivision, Litigating Subdivision, or a Threshold Motion have been met; and

    f. all other disputes not specifically identified in subsections XV.C and XV.G.4.

3. Any Party may request that the National Arbitration Panel provide an interpretation of any provision of the settlement that is relevant to the state court determination, and the National Arbitration Panel shall make reasonable best efforts to supply such interpretation within the earlier of thirty (30) days or the time period required by the state court proceedings. Any Party may submit that interpretation to the state

court to the extent permitted by, and for such weight provided by, the state court's rules and procedures. If requested by a Party, the National Arbitration Panel shall request that its interpretation be accepted in the form of an amicus curiae brief, and any attorneys' fees and costs for preparing any such filing shall be paid for by the requesting Party.

4. National Disputes involving a Settling State, Participating Subdivision, and/or Teva shall be resolved by a National Arbitration Panel.

   a. "National *Disputes"* are disputes that are exceptions to subsection XV.G.2's presumption of resolution in state courts because they involve issues of interpretation of Agreement terms applicable to all Settling States without reference to a particular State's law. Disputes between a State and any Participating Subdivisions shall not be considered National Disputes. National Disputes are limited to the following:

      (i) the amount of offset and/or credit attributable to Non-Settling States;

      (ii) issues involving the scope and definition of "Product";

      (iii) interpretation and application of the terms "Covered Conduct" and "Released Entities";

      (iv) disputes over a given year's Annual Payment or the payment of the Additional Restitution Amount to all Settling States (for the avoidance of doubt, disputes between a Settling State and Teva over the amounts owed to only that State shall not be considered National Disputes);

      (v) questions regarding the performance and/or removal of the Settlement Fund Administrator;

      (vi) disputes involving liability of successor entities;

      (vii) disputes that require a determination of sufficient Subdivision and Special District participation to qualify for Incentives A, B, C, or D,;

      (viii) disputes that require interpretation of Agreement terms (i) that concretely affect four (4) or more Settling States; and (ii) do not turn on unique definitions and interpretations under State law; and

      (ix) any dispute subject to resolution under subsection XV.G.2 but for which all parties to the dispute agree to arbitration before the National Arbitration Panel under the provisions of this subsection XV.G.4.

   b. The "National *Arbitration Panel"* shall be comprised of three (3) neutral arbitrators. One (1) arbitrator shall be chosen by Teva, one (1) arbitrator

shall be chosen by the Enforcement Committee with due input from Participating Subdivisions, and the third arbitrator shall be agreed upon by the first two (2) arbitrators. The membership of the National Arbitration Panel is intended to remain constant throughout the term of this Agreement, but in the event that replacements are required, the retiring arbitrator shall be replaced by the party that selected him/her.

(i) The National Arbitration Panel shall make reasonable best efforts to decide all matters within one hundred eighty (180) days of filing, and in no event shall it take longer than one (1) year.

(ii) The National Arbitration Panel shall conduct all proceedings in a reasonably streamlined process consistent with an opportunity for the parties to be heard. Issues shall be resolved without the need for live witnesses where feasible, and with a presumption in favor of remote participation to minimize the burdens on the parties.

(iii) To the extent allowed under state law, a Settling State, Participating Subdivision, and (at any party's request) the National Arbitration Panel may certify to an appropriate state court any question of state law. The National Arbitration Panel shall be bound by a final state court determination of such a certified question. The time period for the arbitration shall be tolled during the course of the certification process.

(iv) The arbitrators will give due deference to any authoritative interpretation of state law, including any declaratory judgment or similar relief obtained by a Settling State, Participating Subdivision, or Teva on a state law issue.

(v) The decisions of the National Arbitration Panel shall be binding on Settling States, Participating Subdivisions, Teva, and the Settlement Fund Administrator. In any proceeding before the National Arbitration Panel involving a dispute between a Settling State and Teva whose resolution could prejudice the rights of a Participating Subdivision(s) or Participating Special District(s) in that Settling State, such Participating Subdivision(s) or Participating Special District(s) shall be allowed to file a statement of view in the proceeding.

c. Nothing herein shall be construed so as to limit or otherwise restrict a State from seeking injunctive or other equitable relief in state court to protect the health, safety, or welfare of its citizens.

d. Each party shall bear its own costs in any arbitration or court proceeding arising under this subsection XV.G. The costs for the arbitrators on the National Arbitration Panel shall be divided and paid equally by the disputing sides for each individual dispute, *e.g.*, a dispute between Teva and

Settling States/Participating Subdivisions shall be split 50% by Teva and 50% by the Settling States/Participating Subdivisions that are parties to the dispute; a dispute between a Settling State and a Participating Subdivision shall be split 50% by the Settling State and 50% by any Participating Subdivisions that are party to the dispute.

5. Prior to initiating an action to enforce pursuant to this subsection XV.G, the complaining party must:

   a. Provide written notice to the Enforcement Committee of its complaint, including the provision of the Consent Judgment and/or Agreement that the practice appears to violate, as well as the basis for its interpretation of the disputed provision. The Enforcement Committee shall establish a reasonable process and timeline for obtaining additional information from the involved parties; *provided, however*, that the date the Enforcement Committee establishes for obtaining additional information from the parties shall not be more than forty-five (45) days following the notice. The Enforcement Committee may advise the involved parties of its views on the complaint and/or seek to resolve the complaint informally.

   b. Wait to commence any enforcement action until thirty (30) days after the date that the Enforcement Committee establishes for obtaining additional information from the involved parties.

6. If the parties to a dispute cannot agree on the proper forum for resolution of the dispute under the provisions of subsections XV.G.2 or XV.G.4, a committee comprising the Enforcement Committee and sufficient representatives of Teva such that the members of the Enforcement Committee have a majority of one (1) member will determine the forum where the dispute will be initiated within twenty-eight (28) days of receiving notification of the dispute relating to the proper forum. The forum identified by such committee shall be the sole forum for determining where the dispute shall be heard, and the committee's identification of such forum shall not be entitled to deference by the forum selected.

H. *No Effect*. Nothing in this Agreement shall be interpreted to limit the Settling State's Civil Investigative Demand ("CID") or investigative subpoena authority, to the extent such authority exists under applicable state law and the CID or investigative subpoena is issued pursuant to such authority, and Teva reserves all of its rights in connection with a CID or investigative subpoena issued pursuant to such authority.

XVI. Miscellaneous

A. *No Admission.* Teva does not admit liability or wrongdoing. Neither this Agreement nor the Consent Judgments shall be considered, construed, or represented to be (1) an admission, concession, or evidence of liability or wrongdoing or (2) a waiver or any limitation of any defense otherwise available to Teva.

B. *Population of Subdivisions.* The population figures for Subdivisions shall be the published U.S. Census Bureau's population estimates for July 1, 2019, released May 2020. These population figures shall remain unchanged during the term of this Agreement.

C. *Population of Special Districts.* For any purpose in this Agreement in which the population of a Special District is used, other than the use of "Covered Special District": (a) School Districts' population will be measured by the number of students enrolled who are eligible under the Individuals with Disabilities Education Act ("IDEA") or Section 504 of the Rehabilitation Act of 1973; (b) Health Districts' and Hospital Districts' population will be measured at 25% of discharges; and (c) all other Special Districts' (including Fire Districts' and Library Districts') population will be measured at 10% of the population served.

D. *Population Associated with Sheriffs.* For any purpose in this Agreement in which the population associated with a lawsuit by a sheriff is used, the population will be measured at 20% of the capacity of the jail(s) operated by the sheriff.

E. *Most-Favored-Nation Provision.*

1. If Teva enters into any settlement agreement with any Non-Settling State after November 23, 2022 that resolves Claims similar in scope to the Claims released by a Settling State under this Agreement on overall payment terms that are more favorable to such Non-Settling State on a net present value basis (calculated with a 7% discount rate) on overall payment terms the Non-Settling State would have received under this Agreement based on the same level of participation, then the Settling States, individually or collectively, may elect to seek review, pursuant to Section XVI.E.3, of the overall payment terms of this Agreement and the Non-Settling State agreement so that the Settling State(s) may obtain, with respect to Teva, overall payment terms at least as favorable as those obtained by such Non-Settling State. "Overall *payment terms"* refers to consideration of all payment terms of the two agreements, taken together, including, but not limited to the amount of payments, the timing of payments, and conditions or contingencies on payments.

2. For any settlement with a Non-Settling State involving Released Claims, Teva shall provide the Enforcement Committee with a copy of the settlement agreement or relevant Consent Judgment within thirty (30) calendar days of the consummation of such settlement. The Enforcement Committee will promptly distribute such copy to all Settling States.

3. In the event that the one or more Settling State(s) believes that the overall payment terms of an agreement by Teva with a Non-Settling State are more favorable to the Non-Settling State, when compared based on the totality of the considerations set forth in Section XVI.E.1, the Settling State(s) and Teva shall engage in the following process:

    a. The Settling State(s) shall provide notice, within sixty (60) calendar days of the date on which a settlement agreement or Consent Judgment is provided to the Enforcement Committee, to Teva of its intent to seek revision of this

Agreement to provide payment terms that are, on an overall basis, as favorable as those obtained by the Non-Settling State. Such notice shall be confidential and not disclosed publicly to the extent allowed by law and shall state, in detail, the basis for the Settling State's belief that it is entitled to a revision of the Agreement.

b. Teva shall, within thirty (30) calendar days, provide a response to the Settling State(s), explaining its position, in detail, as to whether the Settling State(s) is entitled to more favorable overall payment terms than those provided for in this Agreement.

c. In the event the Settling State(s) and Teva do not reach agreement as to the application of Section XVI.E.1, the Settling State(s) may petition the National Arbitration Panel to seek a ruling from the Panel as to the applicability of Section XVI.E.1, provided that the Settling State(s) may seek such review only if at least five (5) Settling States co-sign the petition. The Panel shall consider submissions and argument by the parties pursuant to the procedures set forth in Section XV.G.4.

d. The Settling State(s) and Teva shall be bound by the determination of the National Arbitration Panel.

4. This Section XVI.E does not apply to, and there is no ability of any Settling State to seek or obtain revision of this Agreement based on, any Non-Settling State agreement with Teva that is entered into: (a) either the earlier of (i) after the close of expert discovery or (ii) after a date ninety (90) calendar days prior to the scheduled start date of a trial between Teva and the Non-Settling State or any severed or bifurcated portion thereof, provided that, where, in order to complete a settlement, a Non-Settling State and Teva jointly request an adjournment of the scheduled start date of a trial within ninety (90) days of that date, this exception will apply as if the trial date had not been adjourned; (b) with a Non-Settling State that previously litigated to judgment a case related to opioids against any manufacturer, distributor, or pharmacy; or, (c) the earlier of: (i) after a Non-Settling State has obtained any court order or judicial determination that grants judgment (in whole or in part) against Teva in the Non-Settling State's case; (ii) after a sanctions ruling against Teva in the Non-Settling State's case against Teva; or, (iii) after any ruling has issued in the Non-Settling State's case against any manufacturer, distributor, or pharmacy on the issue of joint and several liability. The National Arbitration Panel shall have no power to review agreements that satisfy any of the conditions described in this paragraph.

5. This Section does not apply to, and there is no ability of any Settling State to seek or obtain revision of this Agreement based on, any agreement between Teva and (a) federally-recognized tribe(s),(b) Non-Participating Subdivisions or (3) Non-Participating Special Districts. This Section XVI.E will not apply to any agreement entered into more than six (6) months after the Reference Date.

F. *Tax Reporting and Cooperation*.

1. Upon request by Teva, the Settling States, Participating Subdivisions, and Participating Special Districts agree to perform such further acts and to execute and deliver such further documents as may be reasonably necessary for Teva to establish the statements set forth in subsection VIII.G to the satisfaction of their tax advisors, their independent financial auditors, the Internal Revenue Service, or any other governmental authority, including as contemplated by Treasury Regulations Section 1.162-21(b)(3)(ii) and any subsequently proposed or finalized relevant regulations or administrative guidance.

2. Without limiting the generality of subsection XVI.F, each Settling State, Participating Subdivision, and Participating Special District shall cooperate in good faith with Teva with respect to any tax claim, dispute, investigation, audit, examination, contest, litigation, or other proceeding relating to this Agreement.

3. The Designated State, on behalf of all Settling States, Participating Subdivisions, and Participating Special Districts, shall designate one of its officers or employees to act as the "appropriate official" within the meaning of Treasury Regulations Section 1.6050X-1(f)(1)(ii)(B) (the "Appropriate Official").

4. Neither Teva nor the Settling States, Participating Subdivisions, and Participating Special Districts make any warranty or representation to any Settling jurisdiction or Releasor as to the tax consequences of the payment of the Compensatory Restitution Amount (or any portion thereof).

G. *No Third-Party Beneficiaries.* Except as expressly provided in this Agreement, no portion of this Agreement shall provide any rights to, or be enforceable by, any person or entity that is not a Settling State or Released Entity. No Settling State may assign or otherwise convey any right to enforce any provision of this Agreement.

H. *Calculation*. Any figure or percentage referred to in this Agreement shall be carried to seven decimal places.

I. *Construction*. None of the Parties and no Participating Subdivision shall be considered to be the drafter of this Agreement or of any of its provisions for the purpose of any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this Agreement. The headings of the provisions of this Agreement are not binding and are for reference only and do not limit, expand, or otherwise affect the contents or meaning of this Agreement.

J. *Cooperation*. Each Party and each Participating Subdivision agrees to use its best efforts and to cooperate with the other Parties and Participating Subdivisions to cause this Agreement and the Consent Judgments to become effective, to obtain all necessary approvals, consents and authorizations, if any, and to execute all documents and to take such other action as may be appropriate in connection herewith. Consistent with the foregoing, each Party and each Participating Subdivision agrees that it will not directly or indirectly assist or encourage any challenge to this Agreement or any Consent Judgment by any other person, and will support the integrity and enforcement of the terms of this Agreement and the Consent Judgments.

K. *Entire Agreement*. This Agreement, its exhibits and any other attachments, including the attorneys' fees and cost agreement in Exhibit R, embodies the entire agreement and understanding between and among the Parties and Participating Subdivisions relating to the subject matter hereof and supersedes (1) all prior agreements and understandings relating to such subject matter, whether written or oral and (2) all purportedly contemporaneous oral agreements and understandings relating to such subject matter.

L. *Execution*. This Agreement may be executed in counterparts and by different signatories on separate counterparts, each of which shall be deemed an original, but all of which shall together be one and the same Agreement. One or more counterparts of this Agreement may be delivered by facsimile or electronic transmission with the intent that it or they shall constitute an original counterpart hereof. One or more counterparts of this Agreement may be signed by electronic signature.

M. *Good Faith and Voluntary Entry*. Each Party warrants and represents that it negotiated the terms of this Agreement in good faith. Each of the Parties and signatories to this Agreement warrants and represents that it freely and voluntarily entered into this Agreement without any degree of duress or compulsion. The Parties state that no promise of any kind or nature whatsoever (other than the written terms of this Agreement) was made to them to induce them to enter into this Agreement.

N. *No Prevailing Party.* The Parties each agree that they are not the prevailing party in this action, for purposes of any Claim for fees, costs, or expenses as prevailing parties arising under common law or under the terms of any statute, because the Parties have reached a good faith settlement. The Parties each further waive any right to challenge or contest the validity of this Agreement on any ground, including, without limitation, that any term is unconstitutional or is preempted by, or in conflict with, any current or future law.

O. *Non-Admissibility.* The settlement negotiations resulting in this Agreement have been undertaken by the Parties and by certain representatives of the Participating Subdivisions in good faith and for settlement purposes only, and no evidence of negotiations or discussions underlying this Agreement shall be offered or received in evidence in any action or proceeding for any purpose. This Agreement shall not be offered or received in evidence in any action or proceeding for any purpose other than in an action or proceeding arising under or relating to this Agreement or in any litigation or arbitration concerning Teva's right to coverage under an insurance contract.

P. *Notices.* All notices or other communications under this Agreement shall be in writing (including but not limited to electronic communications) and shall be given to the recipients indicated below:

1. For the Attorney(s) General:

[***]
North Carolina Department of Justice
Attn: [***]
PO Box 629
Raleigh, NC 27602
[***]

[***]
Office of the Attorney General of Iowa
Attn: [***]
1305 E. Walnut St.
Des Moines, IA 50319
[***]

[***]
Office of the Tennessee Attorney General
Attn: [***]
P.O. Box 20207
Nashville, TN, 37202-0207
[***]

2. For the Plaintiffs' Executive Committee:

[***]
Farrell Law
P.O. Box 1180
Huntington, WV 25714-1180
[***]

[***]
Simmons Hanly Conroy LLC
112 Madison Avenue, 7th Floor
New York, NY 10016-7416
[***]

[***]
Motley Rice LLC
28 Bridgeside Blvd.
Mount Pleasant, SC 29464
[***]

[***]
Levin Papantonio Rafferty
316 South Baylen St.
Pensacola, FL 32502
[***]

[***]
Robbins Geller Rudman & Dowd LLP
120 East Palmetto Park Road
Boca Raton, FL 33432
[***]

[***]
Skikos, Crawford, Skikos & Joseph, LLC
One Sansom Street, Suite 2830
San Francisco, CA 94104
[***]

3. For Teva:

[***]
Morgan Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
[***]

[***]
Teva Pharmaceuticals
400 Interpace Pkwy
Parsippany, NJ 07054
[***]

Any Party or the Plaintiffs' Executive Committee may change or add the contact information of the persons designated to receive notice on its behalf by notice given (effective upon the giving of such notice) as provided in this subsection.

Q. *No Waiver*. The waiver of any rights conferred hereunder shall be effective only if made by written instrument executed by the waiving Party or Parties. The waiver by any Party of any breach of this Agreement shall not be deemed to be or construed as a waiver of any other breach, whether prior, subsequent, or contemporaneous, nor shall such waiver be deemed to be or construed as a waiver by any other Party.

R. *Preservation of Privilege.* Nothing contained in this Agreement or any Consent Judgment, and no act required to be performed pursuant to this Agreement or any Consent Judgment, is intended to constitute, cause, or effect any waiver (in whole or in part) of any attorney-client privilege, work product protection, or common interest/joint defense privilege, and each Party agrees that it shall not make or cause to be made in any forum any assertion to the contrary.

S. *Successors*.

1. This Agreement shall be binding upon, and inure to the benefit of, Teva and its respective successors and assigns.

2. Teva shall not sell the majority of its voting stock or substantially all its assets without obtaining the acquiror's agreement that it will constitute a successor with respect to Teva's obligations under this Agreement.

3. Teva shall not in one (1) transaction, or a series of related transactions, sell, or transfer assets (other than sales or transfers of inventories, or sales or transfers to an entity owed directly or indirectly by Teva) having a fair market value equal to twenty-five percent (25%) or more of the consolidated assets of Teva where the sale or transfer transaction is announced after the Reference Date, is not for fair consideration, and would foreseeably and unreasonably jeopardize Teva's ability to make the payments under this Agreement that are due on or before the third Payment Date following the close of a sale or transfer transaction. The above restriction shall not apply if Teva obtains the acquiror's agreement that it will be either a guarantor of or successor to the percentage of Teva's remaining Payment Obligations under this Agreement equal to the percentage of Teva's consolidated assets being sold or transferred in such transaction. Percentages under this section shall be determined in accordance with the United States generally accepted accounting principles and as of the date of Teva's most recent publicly filed consolidated balance sheet prior to the date of entry into the sale or transfer agreement at issue. This subsection XVI.S.3 shall be enforceable solely by the Enforcement Committee, and any objection under this subsection XVI.S.3 not raised within twenty (20) calendar days from the date that Teva transmits notice of the transaction to the Enforcement Committee is waived. Any dispute under this subsection XVI.S.3 shall be a National Dispute as described in subsection XV.E and must be raised exclusively with the National Arbitration Panel as described therein within twenty (20) calendar days of the announcement, and the sole remedy shall be an order enjoining the transaction.

T. *Modification, Amendment, Alteration*. After the Reference Date, any modification, amendment, or alteration of this Agreement by the Parties shall be binding only if evidenced in writing signed by Teva along with the signatures of at least thirty-seven (37) of those then-serving Attorneys General of the Settling States along with a representation from each Attorney General that either: (1) the advisory committee or similar entity established or recognized by that Settling State (either pursuant to subsection VIII.F.2, by a State-Subdivision Agreement, or by statute) voted in favor of the modification, amendment, or alteration of this Agreement including at least one Participating Subdivision-appointed member; or (2) in States without any advisory committee, that 50.1% of the Participating Subdivisions by population expressed approval of the modification, amendment, or alteration of this Agreement in writing. Provided, however, in the event the modification, amendment, or alteration relates to injunctive relief, interstate allocation between the Settling States, intrastate allocation in a particular Settling State, or fees or costs of Settling States and Participating Subdivisions, then every Settling State and each Participating Subdivision affected by that modification, amendment, or alteration

must assent in writing. Provided further that, in the event the modification, amendment, or alteration relates to injunctive relief, then such amendment, modification, or alteration of injunctive relief against Teva will not be effective unless and until any Consent Judgment is modified by a court of competent jurisdiction, except as otherwise provided by the Injunctive Terms.

U. *Termination.*

1. Unless otherwise agreed to by Teva and the Settling State in question, this Agreement and all of its terms (except subsection XVI.O and any other non-admissibility provisions, which shall continue in full force and effect) shall be canceled and terminated with respect to the Settling State, and the Agreement and all orders issued by the courts in the Settling State pursuant to the Agreement shall become null and void and of no effect if one or more of the following conditions applies:

    a. A Consent Judgment approving this Agreement without modification of any of the Agreement's terms has not been entered as to the Settling State by a court of competent jurisdiction on or before one hundred eighty (180) days after the Effective Date; or

    b. This Agreement or the Consent Judgment as to that Settling State has been disapproved by a court of competent jurisdiction to which it was presented for approval and/or entry (or, in the event of an appeal from or review of a decision of such a court to approve this Agreement and the Consent Judgment, by the court hearing such appeal or conducting such review), and the time to appeal from such disapproval has expired, or, in the event of an appeal from such disapproval, the appeal has been dismissed or the disapproval has been affirmed by the court of last resort to which such appeal has been taken and such dismissal or disapproval has become no longer subject to further appeal (including, without limitation, review by the United States Supreme Court).

2. If this Agreement is terminated with respect to a Settling State and its Participating Subdivisions for whatever reason pursuant to subsection XVI.U.1, then:

    a. An applicable statute of limitation or any similar time requirement (excluding any statute of repose) shall be tolled from the date the Settling State signed this Agreement until the later of the time permitted by applicable law or for one year from the date of such termination, with the effect that Teva and the Settling State in question shall be in the same position with respect to the statute of limitation as they were at the time the Settling State filed its action; and

    b. Teva and the Settling State and its Participating Subdivisions in question shall jointly move the relevant court of competent jurisdiction for an order reinstating the actions and Claims dismissed pursuant to the terms of this Agreement governing dismissal, with the effect that Teva and the Settling

State and its Participating Subdivisions in question shall be in the same position with respect to those actions and Claims as they were at the time the action or Claim was stayed or dismissed.

3. Unless Teva and the Enforcement Committee agree otherwise, this Agreement, with the exception of the Injunctive Relief Terms that have their own provisions on duration, shall terminate as to all Parties as of the Payment Date for Payment Year 13, *provided* that Teva has performed its payment obligations under the Agreement as of that date. Notwithstanding any other provision in this Agreement, all releases under this Agreement will remain effective despite any termination under this paragraph.

V. *Waiver.* Teva, for good and valuable consideration the receipt of which is acknowledged, hereby (a) waives, foregoes and relinquishes all rights to utilize and/or seek relief under any of the following laws of the State of Texas for the restructuring of any of its business affairs: Tex. Bus. Orgs. Code § 10.003 (Contents of Plan of Merger: More Than One Successor) or any other statute of Subchapter A of Chapter 10 of Tex. Bus. Orgs. Code to the extent such statute relates to multi-successor mergers (and/or any other similar laws or statutes in any other state or territory); Tex. Bus. Orgs. Code §§ 11.01–11.414 (Winding Up and Termination of Domestic Entity); or Tex. Bus. & Com. Code §§ 23.01–23.33 (Assignments for the Benefit of Creditors) (collectively, the "Texas Statutes"), and (b) agrees, warrants and represents that it will not file, request or petition for relief under the Texas Statutes, in each case until such time as all of Teva's obligations incurred hereunder are satisfied in full. The foregoing waiver and relinquishment includes, without limitation, until such time as all of Teva's obligations hereunder are satisfied in full, Teva's rights to execute a divisional merger or equivalent transaction or restructuring that in each case has the intent or foreseeable effect of (i) separating material assets from material liabilities and (ii) assigning or allocating all or a substantial portion of those liabilities to any subsidiary or affiliate that files for relief under chapter 11 of the Bankruptcy Code, or pursuant to which such subsidiary or affiliate that files for relief under chapter 11 of the Bankruptcy Code would be assuming or retaining all or a substantial portion of those liabilities.

W. *Affirmative Representation of Solvency.* Teva Pharmaceutical Industries Ltd. and Teva Pharmaceuticals USA, Inc. hereby warrant and represent that, as of the date of the execution of this Agreement, it is not insolvent as such term is defined and interpreted under 11 U.S.C. §§101 et seq. ("Code") including, without limitation, Code §§ 547 and 548.

X. *Governing Law.* Except (1) as otherwise provided in the Agreement or (2) as necessary, in the sole judgment of the National Arbitration Panel, to promote uniformity of interpretation for matters within the scope of the National Arbitration Panel's authority, this Agreement shall be governed by and interpreted in accordance with the respective laws of the Settling State, without regard to the conflict of law rules of such Settling State, that is seeking to enforce the Agreement against Teva or against which Teva is seeking enforcement. Notwithstanding any other provision in this subsection on governing law, any disputes relating to the Settlement Fund Escrow shall be governed by and interpreted in accordance with the law of the state where the escrow agent has its primary place of business.

Teva Global Settlement Exhibits

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: August 2, 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: August 2, 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 June 30, 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: August 2, 2023

/s/ Richard D. Francis

Richard D. Francis
President and Chief Executive Officer

/s/ Eli Kalif

Eli Kalif
Executive Vice President, Chief Financial Officer