TEVA PHARMACEUTICAL INDUSTIRES LIMITED
(An Israeli Corporation)

QUARTERLY REPORT
Quarter ended March 31, 2001

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TEVA PHARMACEUTICAL INDUSTIRES LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

(Unaudited)

	Three Months Ended March 31,	
	2001	**2000**
Sales	$490,928	$337,334
Cost of Sales	293,965	199,751
Gross Profit	196,963	137,583
Research and development expenses:		
Total expenses	38,586	22,257
Less - grants and participations	10,588	2,334
	27,998	19,923
Selling, general and administration expenses	90,061	61,662
Operating income	78,904	55,998
Financial expenses – net	8,756	11,364
Other income – net	2,064	4,169
Income before income taxes	72,212	48,803
Provision for income taxes	16,855	13,868
	55,357	34,935
Share in Profits (losses) on equity investments	(233)	241
Minority interests	(372)	(100)
Net income	$54,752	$35,076
Earnings per ADR:		
Basic	$0.41	$0.28
Diluted	$0.40	$0.28
Weighted average number of ADRs:		
Basic	132,164	123,190
Diluted	140,380	124,661

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

TEVA PHARMACEUTICAL INDUSTIRES LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

(Unaudited)

	March 31, 2001	December 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$353,057	$420,634
Short-term investments	7,252	3,901
Accounts receivable:		
Trade	576,452	543,664
Other	144,648	137,154
Inventories	495,794	503,493
Total current assets	1,577,203	1,608,846
Investments and other assets	99,910	100,054
Property, plant and equipment, net	526,808	534,140
Intangible assets, net	593,551	612,578
Total assets	$2,797,472	$2,855,618
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term credit – mainly from banks	$219,300	$341,522
Accounts payable and accruals	487,782	442,233
Total current liabilities	707,082	783,755
Long-term liabilities:		
Deferred income taxes	65,472	64,866
Employee related obligations	41,602	40,122
Loans and other liabilities	256,610	263,892
Convertible senior debentures	550,000	550,000
Total long-term liabilities	913,684	918,880
Contingencies		
Total liabilities	1,620,766	1,702,635
Minority interests	1,830	1,637
Shareholders' equity		
Ordinary shares of NIS 0.10 par value: March 31, 2001 and December 31, 2000: authorized-498,586,000 shares; issued and outstanding – 127,920,000 shares and 127,917,000 shares, respectively	31,030	31,030
Additional paid-in capital	476,848	476,192
Deferred compensation	(480)	(679)
Retained earnings	774,963	728,339
Accumulated other comprehensive loss	(74,271)	(52,552)
Cost of company shares held by subsidiaries – March 31, 2001 and December 31, 2000 – 2,128,000 ordinary shares and 2,119,000 ordinary shares, respectively	(33,214)	(30,984)
Total shareholders' equity	1,174,876	1,151,346
Total liabilities and shareholders' equity	$2,797,472	$2,855,618

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

TEVA PHARMACEUTICAL INDUSTIRES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOW
(U.S. dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2001	**2000**
Cash flows from operating activities:		
Net Income	$54,752	$35,076
Income and expenses not involving cash flows	23,956	26,033
Changes in certain assets and liabilities	8,264	(34,689)
Net cash provided by operating activities	86,972	26,420
Cash flows from investing activities:		
Purchase of property, plant and equipment	(23,383)	(20,525)
Investment grant related to property, plant and equipment	-	995
Acquisition of know-how, patents and product rights	(2,599)	(8,453)
Proceeds from sale of property, plant and equipment and tangible assets	364	466
Loan granted to an associated company	-	389
Acquisition of long-term investments and other assets	(263)	(439)
Net decrease (increase) in short-term investments	(3,587)	16,445
Net cash used in investing activities	(29,468)	(11,122)
Cash flows from financing activities:		
Proceeds from exercise of options	901	3,836
Cost of acquisition of Company shares, net of proceeds from sale	(2,230)	1,248
Exercise of warrants	-	594
Long-term loans and other long-term liabilities received	63	105
Discharge of long-term loans and other liabilities	(4,112)	(68)
Net increase (decrease) in short-term credit	(109,819)	19,289
Dividends paid	(6,593)	(6,733)
Net cash provided by (used in) financing activities	(121,790)	18,271
Translation differences on cash balances of certain subsidiaries	(3,291)	(2,499)
Net increase (decrease) in cash and cash equivalents	(67,577)	31,070
Cash and cash equivalents at beginning of period	420,634	77,177
Cash and cash equivalents at end of period	$353,057	$108,247

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

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

NOTE 1 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial condition and results of operations of Teva Pharmaceutical Industries Limited (the "Company"). These consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company's audited financial statements included in the Company's report on Form 20-F, as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2001 are not necessarily indicative of results that could be expected for the entire fiscal year.

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

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

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

NOTE 3 – Inventories:

Inventories consisted of the following:

	March 31, 2001	**December 31, 2000**
	U.S. dollars in thousands	
Raw and packaging materials	$105,692	$115,723
Products in process	116,160	85,269
Finished products	226,366	255,563
Purchased products	34,668	35,683
	482,886	492,238
Materials in transit and payments on account	12,908	11,255
	$495,794	$503,493

NOTE 4 – Comprehensive income:

Comprehensive income for the Company is as follows:

	Three Months Ended March 31,	
	2001	2000
	U.S. dollars in thousands	
Net income	$54,752	$35,076
Unrealized holding gains on		
Available-for-sale securities, net	181	-
Translation of non-dollar-currency		
Financial statements of subsidiaries and		
Associated companies	(21,900)	(8,247)
	$33,033	$26,829

NOTE 5 – Financial information by business segment:

a. Financial data relating to reportable operating segments:

	Pharmaceutical	API	Other	Total
	U.S. dollars in thousands			
Three month period ended March 31, 2001:				
Sales:				
To unaffiliated customers	$439,596	$46,425	$4,907	$490,928
Intersegment	1	37,039	114	37,154
Total sales	$439,597	$83,464	$5,021	$528,082
Operating income	$70,010	$28,477	$486	$98,973
Three month period ended March 31, 2000:				
Sales:				
To unaffiliated customers	$289,187	$42,849	$5,298	$337,334
Intersegment	148	29,183	144	29,475
Total sales	$289,335	$72,032	$5,442	$366,809
Operating income	$41,970	$24,340	$949	$67,259

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

	Three Months Ended March 31,	
	2001	2000
	U.S. dollars in thousands	
Total operating income of reportable segments	$98,487	$66,310
Other	486	949
Amounts not allocated to segments:		
Profits not yet realized	(8,611)	(1,384)
General and administration expenses	(9,332)	(8,496)
Other expenses	(2,126)	(1,381)
Financial expenses – net	(8,756)	(11,364)
Other income - net	2,064	4,169
Consolidated income before income taxes	$72,212	$48,803

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

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

Results of Operations

Comparison of Three Months Ended March 31, 2001 to Three Months Ended March 31, 2000

General

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

- The inclusion of the results of operations of Novopharm Limited, which was acquired in April 2000 and whose results were therefore not included in the comparable period of 2000.

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

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

- The continuation of the Company's rationalization program, including the closure of the Canton, Massachusetts facility of Copley.

- The acquisition from Aventis Pharmaceuticals of its 50% partnership interest in Teva Marion Partners, which was subsequently reorganized and renamed as Teva Neuroscience LLC.

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

The following table sets forth certain financial data presented as a percentage of sales and the percentage change, for the periods indicated:

	Percentage of Sales Three months ended March 31,		**Period to Period Percentage Change**
	2001	**2000**	
Sales	100.0%	100.0%	45.5%
Gross Profit	40.1%	40.8%	43.2%
Research and Development Expenses:			
Total expenses	7.9%	6.6%	73.4%
Less grants & participations	(2.2%)	(0.7%)	353.6%
R&D Expenses — net	5.7%	5.9%	40.5%
Selling, General and Administrative Expenses	18.3%	18.3%	46.1%
Operating Income	16.1%	16.6%	40.9%
Financial Expenses — net	1.8%	3.4%	(22.9%)
Other Income — net	0.4%	1.2%	(50.5%)
Income Before Income Taxes	14.7%	14.5%	48.0%
Net Income	11.2%	10.4%	56.1%

Sales – General

Consolidated sales for the quarter ended March 31, 2001 were $491 million, an increase of 46% over the comparable quarter of 2000. Novopharm, which Teva acquired in April 2000, was not consolidated in the comparable quarter of 2000. Not including Novopharm's sales, Teva's sales for the first quarter of 2001 increased 21% over the comparable quarter of 2000.

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

SALES BY GEOGRAPHICAL AREAS

	U.S. Dollars in thousands			
Sales for the Period	**2001**	**2000**	**% Change**	**% of Total**
Israel	**60,087**	**62,491**	**-3.9%**	**12.3%**
North America	291,724	172,567	69.0%	59.4%
Europe	115,871	88,077	31.6%	23.6%
Rest of the World	23,246	14,199	63.7%	4.7%
Total Outside Israel	**430,841**	**274,843**	**56.8%**	**87.7%**
Total	**490,928**	**337,334**	**45.5%**	**100.0%**

SALES BY BUSINESS SEGMENTS

	U.S. Dollars in thousands			
Sales for the Period	**2001**	**2000**	**% Change**	**% of Total**
Pharmaceuticals	439,596	289,187	52.0%	89.5%
A.P.I. *	46,425	42,849	8.4%	9.5%
Other	4,907	5,298	-7.4%	1.0%
Total	**490,928**	**337,334**	**45.5%**	**100.0%**

*Third party only

PHARMACEUTICAL SALES

	U.S. Dollars in thousands			
Sales for the Period	**2001**	**2000**	**% Change**	**% of Total**
Israel	**56,820**	**58,908**	**-3.5%**	**12.9%**
North America	267,348	152,174	75.7%	60.8%
Europe	97,900	69,328	41.2%	22.3%
Rest of the World	17,528	8,777	99.7%	4.0%
Total Outside Israel	**382,776**	**230,279**	**66.2%**	**87.1%**
Total	**439,596**	**289,187**	**52.0%**	**100.0%**

Pharmaceutical Sales

Teva's total pharmaceutical sales during the quarter ended March 31, 2001, were $440 million, comprising approximately 90% of Teva's total revenue and representing an increase of 52% relative to the first quarter of 2000.

North America

Pharmaceutical sales in North America for the quarter ended March 31, 2001 reached $267 million, an increase of 76% relative to the comparable quarter of 2000. This increase is attributable to: the sales of generic products introduced in late 2000 and early 2001, the growth of sales in existing generic products, additional sales of Copaxone® and the inclusion of Novopharm. These gains in sales were achieved despite price erosion in some of Teva's older generic products, which on average were milder than had been experienced in the past.

According to IMS quarterly data, during the quarter ended March 31, 2001, Teva's United States subsidiary ranked first among all pharmaceutical companies in terms of new prescriptions as well as in terms of total prescriptions in the United States.

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

Generic Product Name	Approval Date	Innovator Product Brand Name
Loratidine 10mg/10ml	January 2001*	Claritin®
Lisinopril 2, 5, 10, 20, 30, 40 mg	January 2001*	Zestril®
Nifidipine XL 30 mg	February 2001	Procardia XL ®
Etodolac ER 400 mg	February 2001	Lodine XL®
Flutamide 125 mg	March 2001*	Eulexine®
Lisinopril/HCTZ 10/12.5, 20/12.5, 20/25 mg	April 2001*	Prinzide®
Famotidine 20, 40mg	April 2001	Pepsid*

* Tentative Approval

As of March 31, 2001, 51 product applications, some significant, were awaiting FDA approval. These include 13 applications as to which tentative FDA approval has already been granted. More than half of the applications awaiting FDA approval were submitted pursuant to a Paragraph IV procedure. To the extent that Teva was the first to file such Paragraph IV certifications, it should be eligible for 180-day marketing exclusivity upon receipt of FDA approval for the related generic product. Collectively, the products covered by these 51 applications had a corresponding U.S. annual branded sales market size of approximately $16 billion.

Europe

Pharmaceutical sales in Europe were $98 million in the quarter ended March 31, 2001, an increase of approximately 41% relative to the first quarter of 2000. This increase was due to the consolidation of Novopharm's Hungarian subsidiary, Human, with Teva's financial results. Excluding Human, first quarter European pharmaceutical sales in terms of local currencies were up 3%. In dollar terms, sales decreased slightly due to the devaluation of the European currencies between the quarters.

In the U.K. as of August 2000, the prices of generic products were substantially scaled back by governmentally imposed price controls. A portion of the impact of these price controls in the U.K. was offset in the first quarter of 2001 by substantially increased unit sales. In Hungary, a freeze on pharmaceutical prices, first imposed by the government in 1999,

continued through the first quarter of 2001. The Hungarian government recently announced that as of July 1, 2001 prices of all pharmaceutical products may be increased within specified limits.

Israel

Israeli pharmaceutical sales, which for the last three years have included sales of hospital supplies, totaled $57 million during the quarter ended March 31, 2001, representing a decrease of 4% relative to the first quarter of 2000. This decrease is due to the devaluation of the NIS (2% between the quarters), as well as increased competition in the marketplace. Although representing a relatively minor portion of Teva's total pharmaceutical sales in Israel, sales to the Palestinian Authority decreased due to the current political situation.

Copaxone®

During the first quarter of 2001, global in-market sales of Teva's leading drug, Copaxone®, totaled $74 million, an increase of 50% over the comparable quarter of 2000. North America accounted for 88% of total Copaxone® sales. According to the most recently published IMS monthly data, Copaxone® increased its market share in the U.S. to an all time high of 29.8% of new prescriptions, as compared to 23.9% a year ago. In addition, according to IMS data, the total market size of multiple sclerosis treatments in the U.S. continued to grow relative to the comparable quarter of 2000. The significant increase in sales of Copaxone® is being fueled by new scientific evidence on the sustained efficacy of Copaxone® and the increased exposure of data about Copaxone® at international scientific conferences.

In Europe, Copaxone® has been submitted for filing under the Mutual Recognition Process of the European Community. This submission is based upon the approval obtained last year from the U.K. regulatory authorities. The U.K. acted as the reference country for this mutual recognition procedure.

Sales of Active Pharmaceutical Ingredients (API)

API third party sales during the quarter ended March 31, 2001 were approximately $46 million (9% of Teva's consolidated sales for the quarter), representing an 8% increase as compared to the same period last year. Inter-company API sales to Teva's pharmaceutical units increased however 27% to a total of $37 million (44% of total API sales). Combined API sales amounted to $84 million, an increase of 16%.

Gross Profit

The gross profit margin for the quarter was 40.1% compared to the average 2000 gross margin of 39.5%. On a quarter to quarter basis, the gross profit margin was lower than the 40.8% margin in the comparable quarter of 2000. The profit margins of Human are inherently lower than those of Teva generally due to the fact that a substantial portion of Human's business is derived from trading and distributing third party products. Human's sales, which were not included in the first quarter of 2000, were the principal contributor to the quarter to quarter decline in the Company's gross margins.

On the other hand, profitability in North America was higher, due to a combination of factors including the launch of new products by Teva's US subsidiary, increased sales of Copaxone® and sales of Novopharm's North American products which were not included in the comparable quarter.

Research and Development

Gross R&D expenses during the quarter ended March 31, 2001 amounted to $39 million, an increase of approximately 73% as compared to the same period last year. Generic R&D expenses increased by approximately 93 % due to increased R&D activity for North America, including the consolidation of Novopharm. Innovative R&D expenses, which amounted to approximately 44% of the total R&D expenses for the quarter, increased by approximately 67%, due to the two advanced-stage Copaxone® projects and the R&D related to two products for the treatment of Parkinson's disease, which demanded significant resources.

Net R&D expenses, which amounted to $28 million in the first quarter of 2001, were 41% higher than during the comparable quarter of 2000. In the first quarter of 2001 a larger portion of gross R&D was covered by third parties, including Lundbeck, Aventis and the Israeli government's Chief Scientist. These participations reflect Teva's strategy of limiting the effect of innovative R&D expenses on its results.

Financial Expenses

Net financial expenses in the quarter ended March 31, 2001 decreased by 23% to $8.8 million, as compared with the same period last year, despite the consolidation of Novopharm, mainly due to reduced interest expenses resulting from the $550 million of convertible senior debentures raised in October 2000.

Tax Rate

The rate of tax for the first quarter of 2001 was 23%, as compared to 28% in the first quarter of 2000. The rate of tax fluctuates with the nature and source of taxable income.

Net Income

Net income for the first quarter ended March 31, 2001 totaled $54.8 million, or $0.40 per share fully diluted, an increase over the comparable quarter of 2000 of 56% and 43% respectively**.** Net income as a percentage of sales was 11.2% in the first quarter of 2001, as compared to 10.4% in the comparable quarter of 2000.

The difference between the rate of increase of net income and of EPS is due to a significantly higher number of shares used in the calculation of fully diluted EPS (up 13%) in the reported quarter. The allotment of ordinary and exchangeable shares to the previous shareholder of Novopharm and the dilutive effect of the convertible debentures issued in October 2000 are the main factors for this increase.

Impact of Currency Fluctuations and Inflation

Because Teva's results are reported in U.S. dollars, changes in the rate of exchange between the U.S. dollar and local currencies – mainly the New Israeli Shekel (NIS), Euro, Canadian dollar, Pound Sterling and Hungarian Forint – affect Teva's results. During the reported quarter, the devaluation of the Euro as against the U.S. dollar continued. The Euro devalued relative to the U.S. dollar by 7% as compared to the comparable quarter last year (average compared with average). The Hungarian Forint and Pound Sterling devalued by approximately 11% and 9%, respectively. While sales in Europe were fully exposed to the weakening Euro, the impact on net income was mitigated by the fact that most of the sales in Europe were produced in Europe, where costs in dollar terms also declined. Additional natural hedging is achieved by purchases of European raw materials for use in non-European production.

Similarly in Israel, the dollar value of sales was affected by the devaluation of the Shekel by 2% between the reported quarter and the first quarter of 2000. The impact of this decrease in sales on the Company's net income was partially offset by decreased local expenses. Such decrease in local expenses also increased the profitability of export products manufactured in Israel.

Liquidity and Capital Resources

On March 31, 2001, Teva's working capital was $870 million, as compared to $825 million at December 31, 2000.

Net cash provided by operations for the first quarter of 2001 amounted to $87 million, as compared with $166 million generated during all of 2000. During 2000, Teva increased inventory levels as part of its ongoing production rationalization program, which included the closure of plants. By contrast, inventory levels were reduced slightly in the first quarter of 2001. Higher net income, together with these contradicting trends in inventory levels, were the principal factors contributing to the increase in net cash.

Purchase of property, plant and equipment in the first quarter of 2001 amounted to $23 million, compared to $21 million in the comparable quarter last year. Depreciation and amortization amounted to $28 million in the first quarter of 2001, as compared to $19 million in the comparable quarter of 2000.

Cash and cash equivalents at March 31, 2001 amounted to $353 million, as compared to $421 million at December 31, 2000. In January 2001, Novopharm repaid a $130 million bank credit facility, which was the principal contributor to the Company's reduction of cash balances.

The Company's principal sources of short-term liquidity are its existing cash and internally generated funds, which Teva believes are sufficient to meet its operating needs and anticipated capital expenditures over the near term. The Company continues to review additional opportunities to acquire companies in the generic industry and to acquire complementary technologies or product rights. To the extent that any such acquisitions involve cash payments, rather than the issuance of shares, they may require the Company to draw upon credit lines

available to the Company from Israeli and other banks, or may involve raising additional funds from debt or equity markets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

LEGAL PROCEEDINGS

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

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

In April 2001, Novopharm and Genpharm Inc. agreed to settle litigation that arose in 1998 out of a contract dispute relating to a 1997 profit sharing agreement among Novopharm, one of its subsidiaries and Genpharm regarding the sale of Ranitidine. Under the settlement agreement, Novopharm agreed to pay Genpharm an amount that is not material to Teva's financial position and which had been provided for at the date of the Novopharm acquisition. As a result, the pending litigation, including Novopharm's counterclaim, has been dismissed with prejudice.

On May 7, 2001, a claim for approximately U.S.$ 3.6 million was filed against Teva in the District Court of Jerusalem by 26 plaintiffs alleging that they were harmed as a result of the treatment their mothers had received during pregnancy. The complaint alleges that the plaintiffs' mothers had been treated during time periods falling between the early 1950s until the early 1970s during pregnancy with the medicines Synformon and/or Synoestron, which contain the substance diethylstilbestrol (DES). The claim is also directed at Israel's Ministry of Health, which authorized the use of these drugs in Israel. Teva has not yet responded to this claim. However, Teva intends to vigorously defend itself and believes that it has meritorious defenses against this claim. No provision for this matter has been included in Teva's accounts.