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 September 30, 2024

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 September 30, 2024, the registrant had 1,133,050,214 ordinary shares outstanding.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

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

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INTRODUCTION AND USE OF CERTAIN TERMS

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our ability to successfully compete in the marketplace, including: that we are substantially dependent on our generic products; concentration of our customer base and commercial alliances among our customers; delays in launches of new generic products; our ability to develop and commercialize biopharmaceutical products; competition for our innovative medicines; 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 execute our Pivot to Growth 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, including any potential challenges to our Orange Book patent listings in the U.S.;

- our substantial indebtedness, which may limit our ability to incur additional indebtedness, engage in additional transactions or make new investments, may result in a future 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; interruptions in our supply chain or problems with internal or third party manufacturing; disruptions of information technology systems; breaches of our data security challenges associated with conducting business globally, including political or economic instability, major hostilities or terrorism, such as the ongoing conflict between Russia and Ukraine and the state of war declared in Israel; costs and delays resulting from the extensive pharmaceutical regulation to which we are subject; 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 or business units and close or divest plants and facilities, as well as our ability to successfully and cost-effectively consummate such sales and divestitures, including our planned divestiture of our API business;

- compliance, regulatory and litigation matters, including: failure to comply with complex legal and regulatory environments; the effects of governmental and civil proceedings and litigation which we are, or in the future become, party to; the effects of reforms in healthcare regulation and reductions in pharmaceutical pricing, reimbursement and coverage; 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 comply with and operate under our deferred prosecution agreement ("DPA") with the U.S. Department of Justice ("DOJ"); potential liability for intellectual property right infringement; product liability claims; failure to comply with complex Medicare, Medicaid and other governmental programs reporting and payment obligations; compliance with anti-corruption, sanctions and trade control laws; environmental risks; and the impact of sustainability issues;

- the impact of the state of war declared in Israel and the military activity in the region, including the risk of disruptions to our operations and facilities, such as our manufacturing and R&D facilities, located in Israel, the impact of our employees who are military reservists being called to active military duty, and the impact of the war on the economic, social and political stability of Israel;
- 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 state of war declared in Israel and the conflict between Russia and Ukraine; potential significant increases in tax liabilities; 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 our ability to remediate an existing material weakness in our internal control over financial reporting;

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, 2023, including in the section 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)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,319	$ 3,226
Accounts receivables, net of allowance for credit losses of $91 million and $95 million as of September 30, 2024 and December 31, 2023	3,462	3,408
Inventories	3,959	4,021
Prepaid expenses	1,127	1,255
Other current assets	445	504
Assets held for sale	2	70
Total current assets	12,314	12,485
Deferred income taxes	2,070	1,812
Other non-current assets	459	470
Property, plant and equipment, net	5,672	5,750
Operating lease right-of-use assets, net	364	397
Identifiable intangible assets, net	4,756	5,387
Goodwill	16,124	17,177
Total assets	$ 41,758	$ 43,479
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 2,580	$ 1,672
Sales reserves and allowances	3,785	3,535
Accounts payables	2,371	2,602
Employee-related obligations	619	611
Accrued expenses	2,984	2,771
Other current liabilities	1,241	1,044
Liabilities held for sale	216	13
Total current liabilities	13,797	12,247
Long-term liabilities:		
Deferred income taxes	538	606
Other taxes and long-term liabilities	4,344	4,019
Senior notes and loans	16,400	18,161
Operating lease liabilities	295	320
Total long-term liabilities	21,578	23,106
Commitments and contingencies, see note 10		
Total liabilities	35,375	35,353
Equity:		
Teva shareholders' equity:		
Ordinary shares of NIS 0.10 par value per share; September 30, 2024 and December 31, 2023: authorized 2,495 million shares; issued 1,240 million shares and 1,227 million shares, respectively	58	57
Additional paid-in capital	27,860	27,807
Accumulated deficit	(14,956)	(13,534)
Accumulated other comprehensive loss	(2,769)	(2,697)
Treasury shares as of September 30, 2024 and December 31, 2023: 106 million ordinary shares	(4,128)	(4,128)
	6,065	7,506
Non-controlling interests	319	620
Total equity	6,383	8,126
Total liabilities and equity	$ 41,758	$ 43,479

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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net revenues	$ 4,332	$ 3,850	$12,315	$11,389
Cost of sales	2,183	1,999	6,372	6,159
Gross profit	2,148	1,851	5,943	5,230
Research and development expenses	240	253	751	726
Selling and marketing expenses	626	576	1,891	1,726
General and administrative expenses	298	268	859	870
Intangible assets impairments	28	47	169	289
Goodwill impairment	600	—	1,000	700
Other assets impairments, restructuring and other items	(23)	57	931	276
Legal settlements and loss contingencies	450	314	638	1,009
Other loss (income)	(21)	(9)	(22)	(43)
Operating income (loss)	(51)	344	(274)	(323)
Financial expenses, net	272	280	763	808
Income (loss) before income taxes	(324)	64	(1,037)	(1,131)
Income taxes (benefit)	69	(12)	648	(48)
Share in (profits) losses of associated companies, net	(3)	§	(1)	(1)
Net income (loss)	(390)	77	(1,684)	(1,082)
Net income (loss) attributable to non-controlling interests	47	8	(262)	(60)
Net income (loss) attributable to Teva	(437)	69	(1,422)	(1,022)
Earnings (loss) per share attributable to ordinary shareholders:				
Basic	$ (0.39)	$ 0.06	$ (1.26)	$ (0.91)
Diluted	$ (0.39)	$ 0.06	$ (1.26)	$ (0.91)
Weighted average number of shares (in millions):				
Basic	1,133	1,121	1,130	1,119
Diluted	1,133	1,135	1,130	1,119

§ Represents an amount less than $0.5 million.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net income (loss)	$ (390)	$ 77	$(1,684)	$(1,082)
Other comprehensive income (loss), net of tax:				
Currency translation adjustment	174	(255)	(94)	(173)
Unrealized gain (loss) from derivative financial instruments, net	7	7	21	19
Unrealized loss on defined benefit plans	(1)	(1)	(2)	(2)
Total other comprehensive income (loss)	180	(249)	(75)	(156)
Total comprehensive income (loss)	(210)	(172)	(1,759)	(1,238)
Comprehensive income (loss) attributable to non-controlling interests	114	(8)	(268)	(144)
Comprehensive income (loss) attributable to Teva	$ (324)	$ (164)	$(1,491)	$(1,094)

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 June 30, 2024	1,239	58	27,829	(14,519)	(2,881)	(4,128)	6,359	204	6,563
Net Income (loss)				(437)			(437)	47	(390)
Other comprehensive income (loss)					113		113	67	180
Issuance of Shares	1	*	*				*		*
Stock-based compensation expense			29				29		29
Balance at September 30, 2024	1,240	$ 58	$ 27,860	$ (14,956)	$ (2,769)	$(4,128)	$ 6,065	$ 319	$ 6,383

* 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, 2023	1,227	57	27,807	(13,534)	(2,697)	(4,128)	7,506	620	8,126
Net Income (loss)				(1,422)			(1,422)	(262)	(1,684)
Other comprehensive income (loss)					(69)		(69)	(6)	(75)
Issuance of Shares	13	1	*				1		1
Stock-based compensation expense			89				89	—	89
Proceeds from exercise of options			7				7		7
Dividend to non-controlling interests**								(18)	(18)
Purchase of shares from non-controlling interests***			(45)		(3)		(48)	(16)	(64)
Balance at September 30, 2024	1,240	$ 58	$ 27,860	$ (14,956)	$ (2,769)	$(4,128)	$ 6,065	$ 319	$ 6,383

* Represents an amount less than $0.5 million.
** In connection with dividends to non-controlling interests in Teva's joint venture in Japan.
*** Purchase of shares from non-controlling interests in a Teva's subsidiary in Switzerland.

	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 June 30, 2023 **	1,227	57	27,748	(14,066)	(2,677)	(4,128)	6,936	656	7,592
Net Income (loss)**				69			69	8	77
Other comprehensive income (loss)					(233)		(233)	(16)	(249)
Issuance of shares			*				*		*
Stock-based compensation expense			31				31		31
Dividend to non-controlling interest ***								(67)	(67)
Balance at September 30, 2023 **	1,227	$ 57	$ 27,780	$ (13,995)	$ (2,910)	$(4,128)	$ 6,804	$ 582	$ 7,387

* Represents an amount less than $0.5 million.

** The data presented for prior periods has been revised to reflect a revision in relation to a contingent consideration liability and related expenses in the consolidated financial statements. For additional information, see note 1c.

*** In connection with a declaration on dividend to non-controlling interest in Teva's joint venture in Japan.

	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	(12,975)	(2,838)	(4,128)	7,804	794	8,598
Net Income (loss)				(1,022)			(1,022)	(60)	(1,082)
Other comprehensive income (loss)					(72)		(72)	(84)	(156)
Issuance of Shares	10	*	*				*		*
Stock-based compensation expense			93				93	—	93
Dividend to non-controlling interest ***								(67)	(67)
Balance at September 30, 2023 **	1,227	$ 57	$ 27,780	$ (13,995)	$ (2,910)	$(4,128)	$ 6,804	$ 582	$ 7,387

* Represents an amount less than $0.5 million.

** The data presented for prior periods has been revised to reflect a revision in relation to a contingent consideration liability and related expenses in the consolidated financial statements. For additional information, see note 1c.

*** In connection with a declaration on dividend to non-controlling interest in Teva's joint venture in Japan.

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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Operating activities:				
Net income (loss)	$ (390)	77	$(1,684)	(1,082)
Adjustments to reconcile net income (loss) to net cash provided by operations:				
Depreciation and amortization	259	283	790	887
Impairment of goodwill	600	—	1,000	700
Impairment of long-lived assets and assets held for sale	(51)	48	758	310
Net change in operating assets and liabilities	317	(227)	(190)	(364)
Deferred income taxes – net and uncertain tax positions	(53)	(199)	(666)	(349)
Stock-based compensation	29	31	89	93
Other items *	2	(5)	597	18
Net loss (gain) from sale of business and long-lived assets	(21)	(3)	(22)	(29)
Net cash provided by (used in) operating activities	693	5	672	184
Investing activities:				
Beneficial interest collected in exchange for securitized accounts receivables	339	362	951	1,056
Purchases of property, plant and equipment and intangible assets	(148)	(149)	(369)	(407)
Proceeds from sale of business and long-lived assets	38	10	39	68
Acquisition of businesses, net of cash acquired	—	—	(15)	—
Purchases of investments and other assets	(1)	(38)	(56)	(44)
Proceeds from sale of investments	40	—	40	
Other investing activities	—	(1)	—	(6)
Net cash provided by (used in) investing activities	268	184	590	667
Financing activities:				
Repayment of senior notes and loans and other long term liabilities	—	(1,000)	(956)	(4,152)
Purchase of shares from non-controlling interests	—	—	(64)	—
Dividends paid to non-controlling interests	—	—	(78)	—
Proceeds from senior notes, net of issuance costs	—	—	—	2,451
Proceeds from short term debt	—	700	—	700
Repayment of short term debt	—	(200)	—	(200)
Other financing activities	—	(76)	(19)	(136)
Net cash provided by (used in) financing activities	—	(576)	(1,117)	(1,337)
Translation adjustment on cash and cash equivalents	100	(33)	(53)	(98)
Net change in cash, cash equivalents and restricted cash	1,061	(420)	— 92	(584)
Balance of cash, cash equivalents and restricted cash at beginning of period	2,258	2,670	3,227	2,834
Balance of cash, cash equivalents and restricted cash at end of period	$ 3,319	2,250	3,319	2,250
Cash and cash equivalents	3,319	2,249	3,319	2,249
Restricted cash included in other current assets	—	1	—	1
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	3,319	2,250	3,319	2,250
Non-cash financing and investing activities:				
Beneficial interest obtained in exchange for securitized accounts receivables	$ 332	376	$ 964	1,090
Dividend declared to non-controlling interests	$ —	67	$ —	67

* Adjustment in the nine-months period ended September 30, 2024 mainly relates to an agreement with the Israeli Tax Authorities to settle certain litigation in an amount of $495 million relating to taxes payable for the years 2008 through 2020.

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements
(Unaudited)

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, 2023, 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, 2023, 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 these consolidated financial statements, sustained conflict and disruption in the region is ongoing. Russia and Ukraine markets are included in Teva's International Markets segment results. Teva has no manufacturing or R&D facilities in these markets. During the three and nine months ended September 30, 2024, the impact of this conflict on Teva's results of operation and financial condition continues to be immaterial.

In October 2023, Israel was attacked by a terrorist organization and entered a state of war on several fronts. As of the date of these consolidated financial statements, sustained conflict in the region is ongoing. Israel is included in Teva's International Markets segment results. Teva's global headquarters and several manufacturing and R&D facilities are located in Israel. Currently, such activities in Israel remain largely unaffected. Teva continues to maintain contingency plans with backup production locations for key products. During the three and nine months ended September 30, 2024, the impact of this war on Teva's results of operations and financial condition is immaterial, but such impact may increase, which could be material, as a result of the continuation, escalation or expansion of such war.

Teva's results of operations for the three and nine months ended September 30, 2024 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

None.

Recently issued accounting pronouncements, not yet adopted

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". This guidance is intended to enhance the transparency and decision-usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to disclosure regarding rate reconciliation and income taxes paid both in the U.S. and in foreign jurisdictions. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 on a prospective basis, with the option to apply the standard retrospectively. Early adoption is permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements disclosures.

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting: Improvements to Reportable Segment Disclosures". This guidance expands public entities' segment disclosures primarily by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments are required to be applied retrospectively to all prior periods presented in an entity's financial statements. The Company does not expect the adoption of the ASU to have a material impact on its consolidated financial statements related disclosures.

In October 2023, the FASB issued ASU 2023-06 "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative," which incorporates certain SEC disclosure requirements into the FASB Accounting Standards Codification ("Codification"). The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification topics, allow investors to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this ASU should be applied prospectively. The Company does not expect ASU 2023-06 will have a material impact to its consolidated financial statements.

c. Revision of Previously Reported Consolidated Financial Statements

In connection with the preparation of the consolidated financial statements as of and for the year ended December 31, 2023, the Company identified errors in a single contingent consideration liability and related expenses in connection with estimated future royalty payments, along with corresponding deferred tax adjustments, that aggregated into an understatement of the contingent consideration liability of approximately $132 million, of which $98 million related to 2022 and $34 million related to 2023. These errors resulted from the exclusion of royalty payments that should have been included in the fair value re-measurement calculation of the contingent consideration liability as of and for the year ended December 31, 2022, and the quarterly and year-to-date periods ended June 30, September 30 and December 31, 2022, and March 31, June 30 and September 30, 2023. These errors did not impact the Company's actual royalty payments, as well as total cash flows from operating activities, financing activities and investing activities in the periods stated above.

The Company evaluated the errors, individually and in the aggregate, considering both qualitative and quantitative factors, and concluded that these errors did not have a material impact on any of the prior periods stated above. However, the aggregate amount of the prior period errors in 2022, would have been material to the consolidated financial statements for fiscal year 2023. Therefore, the Company has revised the prior periods impacted for these errors.

The tables below present the impact of the revision on the line items within the Company's consolidated financial statements for the relevant periods:

	Three months ended September 30, 2023			Nine months ended September 30, 2023		
	U.S $ in millions (except per share amounts) (Unaudited)					
	As previously reported	Adjustment	As revised	As previously reported	Adjustment	As revised
Other asset impairments, restructuring and other items	$ 46	11	57	$ 241	34	276
Operating income (loss)	355	(11)	344	(289)	(34)	(323)
Income (loss) before income taxes	75	(11)	64	(1,097)	(34)	(1,131)
Income taxes (benefit)	(12)	§	(12)	(48)	§	(48)
Net income (loss)	88	(11)	77	(1,048)	(34)	(1,082)
Net income (loss) attributable to Teva	80	(11)	69	(988)	(34)	(1,022)
Earnings (loss) per share attributable to ordinary shareholders:						
Basic and diluted loss per share	$ 0.07	(0.01)	0.06	$ (0.88)	(0.04)	(0.91)

§ Represents an amount less than $0.5 million.

	September 30, 2023		
	As previously reported	Adjustment (Unaudited)	As revised
Deferred income taxes	$ 1,748	7	1,755
Total assets	42,088	7	42,095
Other taxes and long-term liabilities	3,818	132	3,950
Total long-term liabilities	23,182	132	23,314
Total liabilities	34,576	132	34,708
Teva shareholders' equity:			
Accumulated deficit	(13,870)	(125)	(13,995)
Total equity	7,512	(125)	7,387
Total liabilities and equity	$ 42,088	7	42,095

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.

mAbxience

In April 2024, Teva announced it entered into a strategic licensing agreement with mAbxience for a biosimilar candidate currently in development for the treatment of multiple oncology indications. Under the terms of the licensing agreement, mAbxience will develop and produce the biosimilar product and Teva will lead the regulatory processes and commercialization in multiple global markets, including Europe and the U.S. In September 2024, Teva and mAbxience entered into an amendment to the licensing agreement whereby, similar to the initial licensing agreement, mAbxience will lead the development and production of an anti-PD-1 oncology biosimilar candidate and Teva will manage regulatory approvals and oversee commercialization in the designated markets.

Under the initial agreement, in the second quarter of 2024, Teva paid mAbxience upfront and milestone payments in a total amount of $20 million, which were recorded as R&D expenses. Pursuant to the amendment of the licensing agreement, in the third quarter of 2024 Teva recognized upfront and milestone payments in a total amount of $15 million as R&D expenses, of which $5 million were paid in October 2024, and the remaining is due by the end of 2024. mAbxience may be eligible for additional future development, regulatory and commercial milestone payments, in an aggregate amount of up to $320 million.

Launch Therapeutics and Abingworth

On March 28, 2024, Teva and Launch Therapeutics, Inc. ("Launch Therapeutics") entered into a clinical collaboration agreement to further accelerate the clinical research program of Teva's ICS-SABA (TEV-'248). As part of this clinical collaboration agreement Teva also entered into a development funding agreement with funds affiliated with Abingworth LLP ("Abingworth"). Under the clinical collaboration agreement, Launch Therapeutics, a clinical development company backed by Abingworth and Carlyle, the global investment firm, will have the lead role in the operational execution and management of the planned clinical trials. Teva will retain primary responsibility for manufacturing, regulatory interactions in the U.S., and commercialization. ICS-SABA (TEV-'248) is currently in Phase 3 for the treatment of asthma symptoms addressing both immediate symptoms and long-term inflammation.

Under the development funding agreement, Abingworth will provide Teva up to $150 million to fund ongoing development costs for ICS-SABA (TEV-'248). In exchange and subject to regulatory approval, Teva will pay Abingworth a milestone payment in the amount actually funded by Abingworth up to $150 million, as well as success payments based on ICS-SABA (TEV-'248) sales. During the third quarter of 2024, Teva recorded $20 million as reimbursement for R&D expenses incurred in connection with this agreement.

Biolojic Design

On November 26, 2023, Teva entered into a license agreement with Biolojic Design Ltd. ("Biolojic"), pursuant to which Teva received exclusive rights to develop, manufacture and globally commercialize a BD9 multibody for the potential treatment of Atopic Dermatitis and Asthma. In exchange, Teva paid an upfront payment in an amount of $10 million in January 2024, which was recorded as an R&D expense in the fourth quarter of 2023. Biolojic may be eligible to receive additional development and commercial milestone payments of up to approximately $500 million, over the next several years, based on the achievement of certain pre-clinical, clinical and regulatory milestones, with the majority of the payments based on future sales achievements.

Royalty Pharma

On November 9, 2023, Teva entered into a funding agreement with Royalty Pharma plc. ("Royalty Pharma") to further accelerate the clinical research program for Teva's olanzapine LAI (TEV-'749). Under the terms of the funding agreement, Royalty Pharma will provide Teva up to $100 million to fund ongoing development costs for olanzapine LAI (TEV-'749), with an option to increase the total funding amount to $125 million, which expired in the second quarter of 2024. In exchange and subject to regulatory approval, Teva will pay Royalty Pharma a milestone payment in the amount actually funded by Royalty Pharma, paid over 5 years, in addition to royalties upon commercialization. Teva will continue to lead the development and commercialization of the product globally. During the fourth quarter of 2023, and the first, second and third quarters of 2024, Teva recorded $35 million, $27 million, $19 million and $18 million respectively, as reimbursement for R&D expenses incurred in connection with this agreement, which collectively amounted to the total funding Royalty Pharma was to provide Teva of $100 million. Olanzapine LAI (TEV-'749) is currently in Phase 3 for the treatment of schizophrenia (see also MedinCell transaction below).

Sanofi

On October 3, 2023, Teva entered into an exclusive collaboration with Sanofi to co-develop and co- commercialize Teva's duvakitug (anti-TL1A, TEV-'574) asset, a novel anti-TL1A therapy for the treatment of ulcerative colitis and Crohn's disease, two types of inflammatory bowel disease, which is currently in Phase 2b clinical trials. Under the terms of the collaboration agreement, in partial consideration of the licenses granted to Sanofi, Teva received an upfront payment of $500 million in the fourth quarter of 2023, recognized as revenue. Additionally, Teva may receive up to $1 billion in development and launch milestones. Each company will equally share the remaining development costs globally and net profits and losses in major markets, with other markets subject to a royalty arrangement, and Sanofi will lead the development of the Phase 3 program. Teva will lead commercialization of the product in Europe, Israel and specified other countries, and Sanofi will lead commercialization in North America, Japan, other parts of Asia and the rest of the world.

MODAG

In October 2021, Teva announced a license agreement with MODAG GmbH ("Modag") providing Teva with an exclusive global license to develop, manufacture and commercialize Modag's lead compound, emrusolmin (TEV-'286) and a related compound (TEV-'287). Emrusolmin (TEV-'286) 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. Teva has initiated a Phase 2 clinical trial. In the fourth quarter of 2021, Teva made an upfront payment of $10 million to Modag, recorded as an R&D expense. Modag may be eligible for additional future development milestone payments, in 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 contained 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 U.S. In July 2023, Alvotech and Teva amended their collaboration agreement, adding two new biosimilar candidates as well as line extensions of two current biosimilar candidates to their partnership.

Teva made upfront and milestone payments in an aggregate amount of $78 million in 2020, 2021 and 2023. Teva made additional milestone payments of $27 million in the second quarter of 2024 and $19 million in the third quarter of 2024. Additional development and commercial milestone payments of up to approximately $380 million, in addition to royalty and milestone payments related to the amendment of the collaboration agreement entered into in July 2023, may be payable by Teva over the next few years. Teva and Alvotech will share revenue from the commercialization of these biosimilars.

The amendment of the collaboration agreement entered into in July 2023 includes increased involvement by Teva regarding manufacturing and quality at Alvotech's manufacturing facility. Additionally, pursuant to the amendment, on September 29, 2023, Teva purchased $40 million of subordinated convertible bonds of Alvotech. On June 26, 2024, Alvotech announced its intention to exercise its redemption rights and redeemed the convertible bonds for $44 million, including accrued interest, which were paid to Teva in July 2024.

On February 24, 2024, Alvotech and Teva announced that the FDA approved SIMLANDI® (adalimumab-ryvk) injection, as an interchangeable biosimilar to Humira®, for the treatment of adult rheumatoid arthritis, juvenile idiopathic arthritis, adult psoriatic arthritis, adult ankylosing spondylitis, Crohn's disease, adult ulcerative colitis, adult plaque psoriasis, adult hidradenitis suppurativa and adult uveitis. On April 17, 2024, Alvotech and Teva amended their collaboration agreement to enable the purchase by Quallent of a private label adalimumab-ryvk injection from Alvotech for the U.S. market, with Alvotech sharing profits with Teva on the private label sales. On May 20, 2024, Alvotech and Teva announced that SIMLANDI is available in the United States.

With respect to the proposed biosimilar to Stelara®, on June 12, 2023, Alvotech and Teva reached a settlement and license agreement with Johnson & Johnson, granting a licensed entry date in the U.S. no later than February 21, 2025. On April 16, 2024, Alvotech and Teva announced that the FDA approved SELARSDI™ (ustekinumab-aekn) injection for subcutaneous use, as a biosimilar to Stelara®, for the treatment of moderate to severe plaque psoriasis and for active psoriatic arthritis in adults and pediatric patients six years and older, and on October 22, 2024, announced that the FDA approved SELARSDI in a new presentation, 130 mg/26 mL (5 mg/mL) solution in a single-dose vial for intravenous infusion, expanding its label to include treatment of adults with Crohn's disease and ulcerative colitis.

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 '573) and as a result paid Teva a milestone payment of $25 million, which was recognized as revenue in the second quarter of 2022. In April 2024, Takeda informed Teva of its intent to terminate the agreement with respect to such product candidate, which product rights will revert back to Teva in early 2025. Takeda continues to have rights under the license agreement with respect to other product candidates.

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 the 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 with respect to UZEDY. Teva also pays MedinCell royalties on net sales.

The second selected product candidate is olanzapine LAI (TEV-'749) 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, paid a $3 million milestone payment to MedinCell, which was recognized as R&D expenses. On May 8, 2024, Teva and MedinCell announced positive phase 3 efficacy results from a trial evaluating olanzapine LAI as a once-monthly subcutaneous long-acting injectable in adults with schizophrenia. Additional safety and efficacy results are planned in the first half of 2025. MedinCell may become eligible for further development and commercial milestones of up to $108 million, as well as royalties on sales of olanzapine LAI (TEV-'749).

Assets and Liabilities Held for Sale:

General

Assets and liabilities held for sale as of September 30, 2024 and December 31, 2023, included certain businesses in Teva's International Markets segment that are expected to be sold within the next year, mainly the business venture in Japan.

In connection with the held for sale classification, in the first quarter of 2024, Teva recorded expenses of $577 million due to an expected loss upon sale, including $369 million of expected loss from reclassification of currency translation adjustments to the statements of income upon sale, in other assets impairments, restructuring and other items. In the second quarter of 2024, Teva recorded an additional expense of $67 million related to the expected loss from reclassification of currency translation adjustments referred to above. In the third quarter of 2024, Teva recorded a favorable adjustment of $83 million, primarily related to the change in expected loss from reclassification of currency translation adjustments referred to above. See note 12.

The table below summarizes all of Teva's assets and liabilities included as held for sale as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
	(U.S. $ in millions)	
Inventories	169	12
Accounts receivables	123	—
Goodwill	48	30
Identifiable intangible assets, net	67	—
Property, plant and equipment, net	10	5
Other current and non-current assets	40	23
Expected loss on sale*	(455)	—
Total assets of the disposal group classified as held for sale in the consolidated balance sheets	$ 2	$ 70
Accounts payables	(76)	—
Other liabilities	(34)	(13)
Expected loss on sale*	(106)	—
Total liabilities of the disposal group classified as held for sale in the consolidated balance sheets	$ (216)	$ (13)

* Includes an expected loss from reclassification of currency translation adjustments to the consolidated statements of income (loss) upon sale.

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 September 30, 2024				
	United States	Europe	International Markets	Other activities	Total
			(U.S.$ in millions)		
Sale of goods	1,822	1,214	568	121	3,794
Licensing arrangements	23	9	6	8	45
Distribution	380	§	10	—	390
Other	§	42	29	100	102
	$ 2,225	$1,265	$ 613	$ 229	$ 4,332

§ Represents an amount less than $0.5 million.

	Three months ended September 30, 2023				
	United States	Europe	International Markets	Other activities	Total
			(U.S.$ in millions)		
Sale of goods	1,500	1,117	556	130	3,303
Licensing arrangements	30	13	9	1	53
Distribution	366	§	11	—	377
Other	§	15	15	86	117
	$ 1,896	$1,146	$ 591	$ 217	$ 3,850

§ Represents an amount less than $0.5 million.

	Nine months ended September 30, 2024				
	United States	Europe	International Markets	Other activities	Total
			(U.S.$ in millions)		
Sale of goods	4,857	3,668	1,708	399	10,701
Licensing arrangements	68	26	17	10	121
Distribution	1,134	§	28	—	1,163
Other	§	54	49	295	330
	$ 6,060	$3,749	$ 1,802	$ 703	$12,315

§ Represents an amount less than $0.5 million.

	Nine months ended September 30, 2023				
	United States	Europe	International Markets	Other activities	Total
	(U.S.$ in millions)				
Sale of goods	4,210	3,446	1,656	412	9,724
Licensing arrangements	72	38	21	4	134
Distribution	1,183	§	29	—	1,212
Other	§	8	44	265	318
	$ 5,465	$3,493	$ 1,750	$ 681	$11,389

§ 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 September 30, 2024, with the remaining balance primarily related to customers in Canada and Germany. The changes in SR&A for third-party sales for the nine months ended September 30, 2024 and 2023 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, 2024	$ 61	$ 1,603	$ 540	$ 859	$ 436	$ 97	$ 3,535	$ 3,596
Provisions related to sales made in current year period	294	3,436	579	5,925	191	146	10,277	10,571
Provisions related to sales made in prior periods	—	16	26	(11)	(28)	(2)	1	1
Credits and payments	(292)	(3,269)	(556)	(5,877)	(209)	(121)	(10,032)	(10,324)
Translation differences	—	1	3	1	(1)	—	4	4
Balance at September 30, 2024	$ 63	$ 1,787	$ 592	$ 897	$ 389	$ 120	$ 3,785	$ 3,848

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	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	262	2,968	468	5,636	205	73	9,350	9,612
Provisions related to sales made in prior periods	—	(22)	(33)	(21)	24	—	(52)	(52)
Credits and payments	(268)	(2,989)	(617)	(5,768)	(251)	(53)	(9,678)	(9,946)
Translation differences	—	(8)	(2)	(3)	—	(6)	(19)	(19)
Balance at September 30, 2023	$ 61	$ 1,524	$ 479	$ 835	$ 433	$ 80	$ 3,351	$ 3,412

NOTE 4 – Inventories:

Inventories, net of reserves, consisted of the following:

	September 30, 2024	December 31, 2023
	(U.S. $ in millions)	
Finished products	$ 2,314	$ 2,346
Raw and packaging materials	926	993
Products in process	524	500
Materials in transit and payments on account	195	183
	$ 3,959	$ 4,021

NOTE 5 – Identifiable intangible assets:

Identifiable intangible assets consisted of the following:

	Gross carrying amount net of impairment		Accumulated amortization		Net carrying amount	
	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
	(U.S. $ in millions)					
Product rights	$ 16,408	$ 17,981	$ 12,235	$ 13,274	$ 4,173	$ 4,707
Trade names	586	583	296	269	290	314
In process research and development	294	366	—	—	294	366
Total	$ 17,287	$ 18,930	$ 12,531	$ 13,543	$ 4,756	$ 5,387

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 $146 million and $145 million in the three months ended September 30, 2024 and 2023, respectively.

Amortization of intangible assets was $444 million and $471 million in the nine months ended September 30, 2024 and 2023, 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 September 30, 2024 and 2023 were $28 million and $47 million, respectively.

Impairments in the third quarter of 2024 consisted of:

Identifiable product rights of $28 million, mainly due to updated market assumptions regarding price and volume of products mainly in the U.S.

Impairments in the third quarter of 2023 consisted of:

(a) IPR&D assets of $29 million, mainly due 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); and

(b) Identifiable product rights of $18 million mainly due to updated market assumptions regarding price and volume of products.

Impairments of long-lived intangible assets for the nine months ended September 30, 2024 and 2023 were $169 million and $289 million, respectively.

Impairments in the first nine months of 2024 consisted of:

(a) Identifiable product rights of $136 million, mainly due to updated market assumptions regarding price and volume of products mainly in the U.S.; and

(b) IPR&D assets of $33 million, mainly due to generic pipeline products resulting from development progress and changes in other key valuation indications mainly in the U.S. (e.g., market size, competition assumptions, legal landscape and launch date).

Impairments in the first nine months of 2023 consisted of:

(a) Identifiable product rights of $206 million due to: (i) $112 million in Japan, mainly due to regulatory pricing reductions; and (ii) $94 million related to updated market assumptions regarding price and volume of products; and

(b) IPR&D assets of $83 million, mainly due 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).

The fair value measurement of the impaired intangible assets in the nine months ended September 30, 2024 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 of 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 September 30, 2024 were as follows:

	North America	United States	Europe	International Markets	Other Teva's API	Other Medis	Total
			(U.S. $ in millions)				
Balance as of December 31, 2023 (1)	$ 6,459	$ —	$8,466	$ 675	$ 1,313	$265	$17,177
Goodwill allocation related to the shift of Canada to International Markets	(6,459)	5,813	—	646	—	—	—
Balance as of January 1, 2024	$ —	$5,813	$8,466	$ 1,321	$ 1,313	$265	$17,177
Other changes during the period:							
Goodwill impairment	—	—	—	—	(1,000)	—	(1,000)
Goodwill reclassified as assets held for sale	—	—	—	(29)	—	—	(29)
Translation differences and other	—	—	97	(131)	5	4	(25)
Balance as of September 30, 2024 (1)	$ —	$5,813	$8,563	$ 1,161	$ 318	$269	$16,124

(1) Cumulative goodwill impairment as of September 30, 2024 and December 31, 2023 was approximately $29.3 billion and $28.3 billion, respectively.

Teva operates its business through three reporting segments: United States, 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

As further discussed in note 15, as of January 1, 2024, Canada is reported as part of Teva's International Markets segment and not as part of Teva's North America segment, which has been renamed as Teva's United States segment. As a result, Teva aligned its segment reporting and its reporting units in accordance with this change, and reallocated its goodwill to the adjusted reporting units using a relative fair value allocation. In conjunction with the goodwill reallocation, Teva performed a goodwill impairment test for the balances in its adjusted United States and International Markets reporting units and concluded that the fair value of each reporting unit was in excess of its carrying value.

During the first quarter of 2024, 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, 2024. Management concluded that no triggering event had occurred and, therefore, no quantitative assessment was performed.

Second Quarter Developments

During the second quarter of 2024, Teva completed its long-range planning ("LRP") process. The LRP is part of Teva's internal financial planning and budgeting processes and is 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.

As disclosed in prior periods, the excess of the estimated fair value of Teva's API reporting unit over its estimated carrying amount was negligible as of December 31, 2023 and March 31, 2024. The updated quantitative analysis performed in the second quarter of 2024, which was based on the aforementioned LRP process and Teva's Pivot to Growth strategy assumptions, resulted in a recognition of a goodwill impairment charge of $400 million related to Teva's API reporting unit.

Following the goodwill impairment charges recorded in relation to Teva's API reporting unit, the carrying values of this reporting unit equaled its fair value as of June 30, 2024. Therefore, if business conditions or expectations were to change materially, it may be necessary to record further impairment charges to Teva's API reporting unit in the future (see "Third Quarter Developments" below).

Teva's United States, Europe, International Markets and Medis reporting units had fair values in excess of 10% over their book values as of June 30, 2024.

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.

Third Quarter Developments

During the third quarter of 2024, 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 September 30, 2024.

As part of this evaluation, management noted a triggering event related to Teva's API reporting unit, which resulted from updated assumptions in connection with Teva's intention to divest its API business through a sale.

Teva performed a quantitative assessment in the third quarter of 2024, which resulted in the recording of a goodwill impairment charge of $600 million related to Teva's API reporting unit.

Following this goodwill impairment charge, the carrying value of Teva's API reporting unit equaled its fair value as of September 30, 2024. Therefore, if business conditions or expectations, including related to Teva's intention to divest its API business, were to change materially, it may be necessary to record further impairment charges to Teva's API reporting unit in the future.

With respect to the remaining reporting units, management concluded that it was not more likely than not that the fair value of any of the reporting units was below its carrying amounts as of September 30, 2024 and, therefore, no quantitative assessment was performed.

NOTE 7 – Debt obligations:

a. Short-term debt:

	Interest rate as of September 30, 2024	Maturity	September 30, 2024	December 31, 2023
			(U.S. $ in millions)	
Convertible senior debentures	0.25%	2026	23	23
Current maturities of long-term liabilities			2,557	1,649
Total short-term debt			$ 2,580	$ 1,672

Convertible senior debentures

The principal amount of Teva's 0.25% convertible senior debentures due in 2026 was $23 million as of September 30, 2024 and as of December 31, 2023. 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 September 30, 2024	Maturity	September 30, 2024	December 31, 2023
			(U.S. $ in millions)	
Senior notes USD 1,250 million (4)	6.00%	2024	—	956
Senior notes EUR 1,500 million (5)	1.13%	2024	700	693
Senior notes EUR 1,000 million	6.00%	2025	459	453
Senior notes USD 1,000 million	7.13%	2025	427	427
Senior notes EUR 900 million	4.50%	2025	554	547
Senior notes CHF 350 million	1.00%	2025	417	416
Senior notes USD 3,500 million	3.15%	2026	3,374	3,374
Senior notes EUR 700 million	1.88%	2027	781	771
Sustainability-linked senior notes USD 1,000 million (1)(*)	4.75%	2027	1,000	1,000
Sustainability-linked senior notes EUR 1,100 million (1)(*)	3.75%	2027	1,229	1,215
Senior notes USD 1,250 million	6.75%	2028	1,250	1,250
Senior notes EUR 750 million	1.63%	2028	834	826
Sustainability-linked senior notes USD 1,000 million (2)(*)	5.13%	2029	1,000	1,000
Sustainability-linked senior notes USD 600 million (3)(*)	7.88%	2029	600	600
Sustainability-linked senior notes EUR 800 million (3)(*)	7.38%	2029	895	884
Sustainability-linked senior notes EUR 1,500 million (2)(*)	4.38%	2030	1,676	1,656
Sustainability-linked senior notes USD 500 million (3)(*)	8.13%	2031	500	500
Sustainability-linked senior notes EUR 500 million (3)(*)	7.88%	2031	558	552
Senior notes USD 789 million	6.15%	2036	783	783
Senior notes USD 2,000 million	4.10%	2046	1,986	1,986
Total senior notes			19,023	19,889
Other long-term debt			2	1
Less current maturities			(2,557)	(1,649)
Less debt issuance costs			(68)	(80)
Total senior notes and loans			$ 16,400	$ 18,161

(1) 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.
(2) 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.
(3) 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 April 2024, Teva repaid $956 million of its 6% senior notes due 2024 at maturity.
(5) In October 2024, Teva repaid $685 million of its 1.13% senior notes due 2024 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 September 30, 2024 was effectively denominated in the following currencies: 58% in U.S. dollars, 40% 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 on February 6, 2023 and on May 3, 2024 ("RCF").

The RCF had an initial maturity date of April 2026 with two one-year extension options. In April 2024, an extension option was exercised and the RCF maturity date was extended to April 2027. 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.

On May 3, 2024, the terms of the RCF were amended to update the Company's maximum permitted leverage ratio under the RCF for certain periods. Under the terms of the RCF, as amended, the Company's leverage ratio shall not exceed (i) 4.00x in 2024, 2025 and in the first quarter of 2026, (ii) 3.75x in the second, third and fourth quarters of 2026 and (iii) 3.50x in the first quarter of 2027 and onwards. The RCF permits the Company to increase the maximum leverage ratio if it consummates or commences certain material transactions.

Under the RCF, as amended, the applicable margin used to calculate the interest rate under the RCF is linked to one sustainability performance target, the number of new regulatory submissions in low and middle-income countries.

Proceeds from borrowings under the RCF can be used for general corporate purposes, including repaying existing debt. As of September 30, 2024, and as of the date of this Quarterly Report on Form 10-Q, no amounts were outstanding under the RCF. Based on current and forecasted results, the Company expects that it will not exceed the financial covenant thresholds set forth in the RCF within one year from the date the financial statements are issued.

Under specified circumstances, including non-compliance with any of the covenants described above and the unavailability of any waiver, amendment or other modification thereto, the Company will not be able to borrow under the RCF. Additionally, violations of the covenants, under the circumstances referred to above, 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 nine months of 2024, approximately 47% 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 and convertible debentures that bear fixed or variable interest rates, as well as a syndicated sustainability-linked revolving credit facility and securitization programs that bear a 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. As of September 30, 2024, all outstanding senior notes, sustainability-linked senior notes and convertible debentures bear a fixed interest rate.

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 September 30, 2024, 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:

	September 30, 2024	December 31, 2023
	(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	September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
	(U.S. $ in millions)		(U.S. $ in millions)	
Asset derivatives:				
Other current assets:				
Option and forward contracts	$ —	$ —	$ 32	$ 38
Other non-current assets:				
Cross-currency swap-cash flow hedge (1)	—	8	—	—
Liability derivatives:				
Other current liabilities:				
Option and forward contracts	—	—	(33)	(39)

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

	Financial expenses, net		Other comprehensive income (loss)	
	Three months ended,		Three months ended,	
Reported under	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 272	$ 280	$ 180	$ (249)
Cross-currency swaps - cash flow hedge (1)	—	(7)	—	1

	Financial expenses, net		Other comprehensive income (loss)	
	Nine months ended,		Nine months ended,	
Reported under	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 763	$ 808	$ (75)	$ (156)
Cross-currency swaps - cash flow hedge (1)	(8)	(22)	1	(4)

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

	Financial expenses, net		Net revenues	
	Three months ended,		Three months ended,	
Reported under	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 272	$ 280	$ (4,332)	$ (3,850)
Option and forward contracts (2)	4	4	—	—
Option and forward contracts economic hedge (3)	—	—	9	(22)

	Financial expenses, net		Net revenues	
	Nine months ended,		Nine months ended,	
Reported under	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	(U.S. $ in millions)			
Line items in which effects of hedges are recorded	$ 763	$ 808	$ (12,315)	$ (11,389)
Option and forward contracts (2)	(33)	(46)	—	—
Option and forward contracts economic hedge (3)	—	—	(1)	(20)

(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. The agreement was terminated in the first quarter of 2024 and resulted in cash proceeds of $16 million.

(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 some other currencies to protect its projected operating results for 2024. These derivative instruments do not meet the criteria for hedge accounting, however, they are accounted for as an economic hedge. These derivative instruments, which may include hedging transactions against future projected revenues and expenses, are recognized on the balance sheet at their fair value on a quarterly basis, while the foreign exchange impact on the underlying revenues and expenses may occur in subsequent quarters. In the three months ended September 30, 2024, the negative impact from these derivatives recognized under revenues was $9 million. In the nine months ended September 30, 2024, the positive impact from these derivatives recognized under revenues was $1 million. In the three months ended September 30, 2023, the positive impact from these derivatives recognized under revenues was $22 million. In the nine months ended September 30, 2023, the positive impact from these derivatives recognized under revenues was $20 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 September 30, 2024 and 2023, and losses of $21 million and $25 million were recognized under financial expenses, net for each of the nine months ended September 30, 2024 and 2023, 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, in November 2023, the total commitment of PNC was further reduced to an amount of up to $500 million through November 2025. On November 7, 2023, the SPV amended the agreement and increased the commitment amount to a maximum of $1 billion by including an additional receivables purchaser in an amount of up to $250 million through March 2024, which was then reduced by $125 million through November 2025. As a result, the commitment amount was reduced to a maximum of $875 million without any additional purchasers participating in the AR facility. On October 29, 2024, the SPV amended the agreement and increased the commitment amount to a maximum amount of $950 million by an existing receivables purchaser increasing its commitment by $75 million.

Pledged accounts receivables

In connection with the U.S. securitization program, accounts receivables, net of allowance for credit losses, include $934 million and $437 million as of September 30, 2024 and December 31, 2023, respectively, which are pledged by the SPV to PNC.

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 September 30, 2024 and December 31, 2023, respectively, $163 million and $108 million of accounts payables to suppliers participating in these supplier finance programs were outstanding.

NOTE 9 – Legal settlements and loss contingencies:

In the third quarter of 2024, Teva recorded expenses of $450 million in legal settlements and loss contingencies, compared to expenses of $314 million in the third quarter of 2023. Expenses in the third quarter of 2024 were mainly related to a decision by the European Commission in its antitrust investigation into COPAXONE®, and an update to the estimated settlement provision for the opioid cases (mainly related to the settlement agreement with the city of Baltimore and the effect of the passage of time on the net present value of the discounted payments). Expenses in the third quarter of 2023 were mainly related to an update to the provision for the DOJ patient assistance program litigation, as well as an update to the estimated settlement provision of the opioid cases (mainly the effect of the passage of time on the net present value of the discounted payments). See note 10.

In the first nine months of 2024, Teva recorded expenses of $638 million in legal settlements and loss contingencies, compared to $1,009 million in the first nine months of 2023. Expenses in the first nine months of 2024 were mainly related to a decision by the European Commission in its antitrust investigation into COPAXONE, and an update to the estimated settlement provision for the opioid cases (mainly the effect of the passage of time on the net present value of the discounted payments and the settlement agreement with the city of Baltimore). Expenses in the first nine months of 2023 were mainly related to an estimated provision for the DOJ patient assistance program litigation, an update to the estimated settlement provision of the opioid cases, the provision for the settlement of the U.S. DOJ criminal antitrust charges on the marketing and pricing of certain Teva USA generic products, as well as the provision for the settlement of the reverse-payment antitrust litigation over certain HIV medicines.

As of September 30, 2024 and December 31, 2023, Teva's provision for legal settlements and loss contingencies recorded under accrued expenses and other taxes and long-term liabilities was $4,915 million and $4,771 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 consolidated 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 legal counsel, no material 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 consolidated 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, which was initially overturned by the U.S. District Court. The Court of Appeals for the Federal Circuit reinstated the $235.5 million jury verdict, not including pre- or post-judgment interest, finding Teva liable for patent infringement. The U.S. Supreme Court denied Teva's appeal for a rehearing. 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. 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 U.K. 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 U.K. Court of Appeal upheld this decision and denied BMS's request to appeal to the U.K. Supreme Court. On October 31, 2023, the U.K. Supreme Court denied BMS's application for further review, making the decision to revoke the compound patent and SPC final. Separately, in February 2021, Teva initiated a patent invalidity action against the formulation patents, which are also under opposition at the European Patent Office ("EPO"). On July 15, 2022, the U.K. High Court held that these formulation patents were invalid but granted permission to appeal, which was subsequently stayed pending the outcome of the opposition at the EPO to one of the formulation patents. On December 21, 2023, the EPO's Technical Board of Appeal held its hearing on the opposition, and on March 13, 2024, it issued a written decision revoking the patent. On May 13, 2024, BMS filed a submission to the Enlarged Board of Appeal seeking its permission to review the Technical Board of Appeal's decision, a hearing for which is scheduled for December 3, 2024.

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 were allegedly found in the active pharmaceutical ingredient ("API") supplied to Teva by multiple API manufacturers, including by Zhejiang Huahai Pharmaceuticals Co. Ltd. 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.

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 against Teva and other manufacturers, including one MDL in the U.S. District Court for the District of New Jersey related to, with respect to Teva, valsartan and losartan, and another MDL in the U.S. District Court for the Southern District of Florida related to ranitidine. The claims against Teva in these MDLs include individual personal injury and/or product liability claims, economic damages claims brought by consumers and end payors as putative class actions, and medical monitoring class claims. The district court in the valsartan MDL certified a series of subclasses on plaintiffs' economic loss claims as well as a medical monitoring class and originally scheduled the first trial to commence in the fourth quarter of 2024, but that trial has been postponed indefinitely by the court. Discovery is ongoing in the MDL with respect to the losartan claims against Teva. The claims against Teva and other generic manufacturers in the ranitidine MDL have been dismissed on preemption grounds but are subject to appeal. The district court in the ranitidine MDL also excluded all of plaintiffs' general causation experts and granted summary judgment to the brand defendants on preemption grounds and later applied that general causation ruling to all defendants. This ruling is on appeal in the Eleventh Circuit Court of Appeals.

Certain generic manufacturers, including Teva, have also been named in state court actions asserting allegations similar to those in the aforementioned MDLs. In particular, state court valsartan and losartan actions are pending but currently stayed in New Jersey and Delaware, with the exception of a single-plaintiff case that was later refiled in a New Jersey state court in October 2022 and is in the very initial stages of discovery. State court ranitidine cases naming Teva are also pending in coordinated proceedings in California and Pennsylvania. Teva was dismissed from all ranitidine claims pending in Illinois based on preemption grounds, which plaintiffs have appealed for final judgments as to all remaining defendants. Teva was also dismissed on preliminary objections in Pennsylvania for plaintiffs whose cases are governed by Pennsylvania law, but further motion practice may continue. The litigation in Pennsylvania has effectively been stayed pending a decision on a motion filed by plaintiffs to recuse the presiding judge which was denied but certified for interlocutory appeal.

In addition to the valsartan and ranitidine MDLs and coordinated state court proceedings, Teva has been named in a consolidated proceeding pending in the U.S. 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 and other generic manufacturers' metformin products. The parties are now engaged in discovery related to the surviving metformin claims. Teva was recently named in a related proceeding pending in the same district brought by end payors also seeking economic damages on behalf of a purported class of end payors who purchased Teva's and other generic manufacturers' metformin products. This action was consolidated with the original proceeding for discovery and pretrial purposes only. Teva, along with the other defendants, have moved to dismiss the claims in this newly consolidated proceeding. 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 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, a purported class of indirect purchasers and 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. On September 18, 2024, the district court lifted its stay of discovery and the case is now proceeding. On October 16, 2024, Teva and one group of plaintiffs (the "Indirect Purchaser Plaintiffs" or "IPPs") announced that they have reached an agreement in principle to resolve the IPPs' claims against Teva. The parties are in the process of documenting the proposed settlement, which will be subject to court approval. 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 the U.S. District Court for the District of New Jersey for alleged violations of the antitrust laws in connection with their February 2005 settlement of patent litigation involving lamotrigine (generic Lamictal®). The plaintiffs claimed that the settlement agreement unlawfully delayed generic entry and sought unspecified damages. During February 2023, a number of direct purchasers who were denied class certification filed suit as individual plaintiffs, which action was transferred to the U.S. District Court for the District of New Jersey. Discovery of the newly added individual plaintiffs is ongoing. 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. On April 24, 2023, the U.S. District Court's denial of the indirect purchasers' motion for class certification was affirmed by the Court of Appeals for the Third Circuit, and on June 5, 2023, the Court of Appeals 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. The California state court case is temporarily stayed. 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.

In August 2019, certain direct-purchaser plaintiffs filed claims in federal court in Philadelphia against Teva and its affiliates alleging that the September 2006 patent litigation settlement relating to AndroGel® 1% (testosterone gel) between Watson, from which Teva later acquired certain assets and liabilities, and Solvay Pharmaceuticals, Inc. ("Solvay") violated antitrust laws. In September 2023, the plaintiffs voluntarily dismissed certain claims, and in September 2024, certain defendants, including the remaining Teva affiliates, and the plaintiffs agreed to settle the remaining claims. The litigation has been stayed pending finalization of the settlements. 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 this matter was previously included in the financial statements.

Between September 1, 2020 and December 20, 2020, plaintiffs purporting to represent putative classes of direct and indirect purchasers and opt-out retailer purchasers of Bystolic® (nebivolol hydrochloride) filed 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 the district court granted the defendants' motion to dismiss all claims with prejudice. The plaintiffs appealed the district court's grant of defendants' motion to dismiss, and on May 13, 2024, the U.S. Court of Appeals for the Second Circuit affirmed the district court's dismissal with prejudice and issued a mandate on June 4, 2024, formally ending the appeal. The plaintiffs' period to file a petition for a writ of certiorari to the U.S. Supreme Court expired. Annual sales of Bystolic® in the United States were approximately $700 million at the time of Watson's 2013 settlement with Forest.

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, and a judgment was issued on October 18, 2023 rejecting Teva's grounds of appeal. 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. On January 4, 2024, Teva appealed the October 2023 judgment to the European Court of Justice.

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 2021 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 U.S. District Court for the Northern District of California (the "California litigation"). As they relate to Teva, the lawsuits challenged 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 May

2023, Teva and Gilead reached a settlement agreement with the retailer plaintiffs in the California litigation and Teva recognized a provision for this matter based on such settlement. On June 30, 2023, the jury in the trial against the remaining plaintiffs in the California litigation issued a verdict in favor of Teva and Gilead, rejecting all of the remaining plaintiffs' claims. On February 12, 2024, the court entered a judgment as to all claims against Teva in the California litigation and the plaintiffs have filed notices of appeal with the U.S. Court of Appeals for the Ninth Circuit, and the appeal is currently being briefed. In the New Mexico litigation, on June 27, 2024, Teva and the State of New Mexico finalized their settlement agreement, and the New Mexico court entered a consent judgment resolving the New Mexico litigation. Teva recognized a provision for the settlement with New Mexico. 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, 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. On October 31, 2024, the European Commission announced its final decision, alleging that Teva had abused a dominant position in certain European member states by (i) filing and withdrawing certain divisional patents, and (ii) raising concerns about competitors' follow-on versions of COPAXONE. The decision, which Teva intends to appeal, also includes a fine of approximately $500 million (462.6 million euros). In accordance with Accounting Standards Codification 450 "Accounting for Contingencies," Teva recognized a provision in its financial statements in the third quarter of 2024, based on management's current best estimate of the outcome within a range of outcomes for the final resolution of this case. Teva intends to provide the European Commission a bank guarantee to cover at least a portion of the fine.

On June 29, 2021, Mylan Pharmaceuticals ("Mylan") filed claims against Teva in the U.S. District Court for the District of New Jersey. On March 11, 2022 and March 15, 2022, purported purchasers of COPAXONE filed claims against Teva in the U.S. District Court for the District of New Jersey on behalf of themselves and similarly situated direct and indirect purchasers of COPAXONE. On August 22, 2022, additional purported purchasers of COPAXONE sued Teva in the U.S. District Court for the District of Vermont on behalf of themselves and similarly situated indirect purchasers of COPAXONE. The complaints variously 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 Racketeer Influenced and Corrupt Organizations Act ("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 moved to dismiss all of the complaints, and on January 22, 2024, Teva's motion to dismiss the complaint in the District of Vermont was granted as to certain state law claims but was otherwise denied. Decisions on Teva's remaining motions to dismiss are pending.

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, 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 alleged anticompetitive agreement with Waymade. On January 9, 2017, Teva completed the sale of Actavis UK to Accord Healthcare Limited, in connection with which Teva agreed to 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 (previously Actavis UK) and Auden Mckenzie appealed to the U.K. Competition Appeal Tribunal (the "Tribunal") the CMA's decisions that the prices of hydrocortisone were unfair and excessive and that the agreements amounted to infringements of the U.K.'s Competition Act as so-called pay-for-delay arrangements. The hearing for the appeal concluded in the first quarter of 2023, with partial judgments handed down by the Tribunal on September 18, 2023 (judgment on unfair pricing), March 8, 2024 (judgments on pay-for-delay and due process) and April 29, 2024 (judgment on fines). The CMA appealed to the U.K. Court of Appeals on an expedited basis against certain elements of the pay-for-delay and due process judgments that it had lost, and on September 6, 2024, the U.K. Court of Appeal overturned the Tribunal's judgment on due process and, as a result, the Tribunal will now consider and issue a further judgment on fines. Accord UK and Auden Mckenzie have requested permission to appeal to the U.K. Supreme Court and have submitted to the Tribunal additional applications for permission to appeal certain other issues relating to unfair pricing and fines. A provision for the estimated exposure for Teva related to the fines and/or damages has been recorded in the financial statements.

In November 2022, two complaints filed by plaintiffs purporting to represent retailer purchasers and a putative class of end-payor purchasers were filed in the U.S. 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 complaints also name Celgene and BMS as defendants. On January 24, 2023, the complaints were consolidated for pre-trial purposes only with an earlier-filed, already consolidated Insurer Opt-Out Action filed against BMS and Celgene. On February 16, 2023, plaintiffs filed amended complaints adding additional plaintiffs. On May 16, 2023, Teva and Natco, along with Celgene, moved to dismiss the complaints against them. Additionally, on October 6, 2023, two individual payor plaintiffs brought claims similar to those described above in the U.S. District Court for the Northern District of California, which actions were transferred to the U.S. District Court for the District of New Jersey and consolidated with the pending consolidated actions. On June 6, 2024, the court granted in full Celgene's motion to dismiss the Insurer Opt-Out Action, but allowed plaintiffs leave to amend most of their claims. The Court had previously administratively terminated Teva's, Natco's, and Celgene's motions to dismiss the retailer and end-payor complaints pending the decision on the Insurer Opt-Out Action. The plaintiffs filed amended complaints on August 5, 2024, and the defendants' filed motions to dismiss on October 7, 2024. 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 U.S. 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 federal antitrust laws, the 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 September 26, 2023, plaintiffs filed a brief in opposition to Teva's motion to dismiss the amended complaint, in which plaintiffs limited their claims only to those relating to the alleged delay of generic NUVIGIL. On March 26, 2024, the court issued its decision, which granted Teva's motion in part, dismissing plaintiffs' RICO claims and certain state law claims, but denied Teva's motion regarding plaintiffs' antitrust claims. On April 26, 2024, Teva sought certification to seek an interlocutory appeal of the decision, which is still pending. Annual sales of NUVIGIL in the United States were approximately $300 million at the time Teva entered into the first settlement with an ANDA filer in 2012.

In May 2023, certain end-payor plaintiffs filed putative class action complaints in the U.S. 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 moved to dismiss these claims, and on May 7, 2024, the court granted Teva's motion in part and denied its motion in part. The court dismissed plaintiffs' claim that Teva had engaged in "sham litigation" and certain of plaintiffs' state antitrust and consumer protection claims, but permitted the case to proceed on the remainder of plaintiffs' allegations. Following this decision, two direct purchaser plaintiffs filed similar putative class action complaints in the U.S. District Court for the District of Massachusetts. On June 18, 2024, Teva answered in all cases and simultaneously moved for judgment on the pleadings pursuant to Rule 12(c), which remains pending. Subsequently, on June 28, 2024, Teva stipulated to the dismissal of the two direct purchaser plaintiffs' claims, with prejudice.

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. The indictment alleged that Teva USA had participated in three separate conspiracies with 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 August 21, 2023, Teva USA entered into a 3-year deferred prosecution agreement ("DPA") with the DOJ. Under the terms of the DPA, Teva USA: (i) admitted to violating the antitrust laws by agreeing with competitors, in three instances between 2013 and 2015 involving three separate customers, not to bid on an opportunity to supply a customer with a particular generic product (in the first instance pravastatin, in the second clotrimazole, and in the third tobramycin); (ii) agreed to divest the pravastatin that it sells in the United States to a third-party buyer; (iii) agreed to donate $50 million worth of clotrimazole and tobramycin, valued at wholesale acquisition cost ("WAC"), to humanitarian organizations over five years; and (iv) agreed to pay a fine in the amount of $225 million over 5 years, with $22.5 million due each year from 2024 through 2027, and $135 million due in 2028. Teva recognized a provision for the resolution of this case.

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/or price-fixing agreements, paid illegal remuneration, and caused false claims to be submitted in violation of the False Claims Act. On October 10, 2024, Teva entered into a settlement agreement with the Civil Division to resolve these allegations. Teva will pay $25 million under the terms of the settlement – $10 million in the fourth quarter of 2024, and $15 million in 2025 – which includes no admission of wrongdoing. Teva has recognized a provision for the resolution of this matter.

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. On December 15, 2016, the civil action that 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 was subsequently amended to include 49 states, as well as the District of Columbia and Puerto Rico as plaintiffs, and to add new allegations and state law claims against both Actavis and Teva. On May 10, 2019, most of these attorneys general filed another antitrust complaint against Actavis, Teva and other companies and individuals, which was subsequently amended on November 1, 2019, alleging that Teva was at the center of a conspiracy in the generic pharmaceutical industry and asserting that Teva and others fixed prices, rigged bids, and allocated customers and market share with respect to certain products. On June 10, 2020, most of the same states, with the addition of the U.S. Virgin Islands, filed a third complaint in the U.S. District Court for the District of Connecticut naming, among other defendants, Actavis, in a similar complaint relating to dermatological generics products, and that complaint was later amended to, among other things, add California as a plaintiff.

In the various complaints described above, which also include claims against certain former employees of Actavis and Teva USA, 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 were transferred to the generic drug multidistrict litigation in the Eastern District of Pennsylvania ("Pennsylvania MDL"). On May 7, 2021, the Pennsylvania MDL court chose the attorneys general's 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 June 7, 2022, the Court dismissed the attorneys general's 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 related to the state law claims asserted by the attorneys general in their bellwether complaint 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), Kentucky (in June 2023), South Dakota (in June 2024), and New Mexico (in June 2024). 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. These settlements, 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. The States of Alabama (in March 2022) and Hawaii (in August 2023) 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, Hawaii and Guam were with prejudice and the dismissal by American Samoa was without prejudice.

Beginning on March 2, 2016, and 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 nine direct-action plaintiffs on April 4, 2024. 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. The Pennsylvania MDL court scheduled potential bellwether trials for the putative classes of direct and indirect purchasers of two drugs for August 2024. From 2019 to 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. One plaintiff, Aetna Inc., has filed a complaint, and the defendants have moved to place all of the cases filed in the Court of Common Pleas of Philadelphia County in deferred status, which motion remains pending. 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.

On January 31, 2024, the attorney generals' motion to remand their three lawsuits to the District of Connecticut, where they were originally filed, was granted, and on March 18, 2024, the Third Circuit Court of Appeals denied defendants' petition for *writ of mandamus*. In April 2024, all three of the attorneys general's lawsuits have been transferred back to the U.S. District Court for the District of Connecticut, which has adopted a schedule for summary judgment in the attorneys general's third complaint pursuant to which multiple groups of motions will be filed during 2024 and 2025. Fact discovery in the first and second complaints is ongoing.

There is also one similar complaint brought in Canada, which is in its early stages and 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.

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. 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 was alleged that Teva's donations to certain 501(c)(3) charities that provided financial assistance to multiple sclerosis patients violated the Anti-Kickback Statute, and the DOJ sought 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) would be determined by the court within a statutory range. On October 10, 2024, Teva entered into a settlement agreement with the DOJ to resolve these claims. Teva will pay $425 million over 6 years under the terms of the settlement – $19 million in the fourth quarter of 2024, $34 million in 2025, $49 million in each of 2026 and 2027, $99 million in 2028, and $175 million in 2029 – which includes no admission of wrongdoing. Teva has recognized a provision for the resolution of this case. Additionally, on January 8, 2021, Humana, Inc. ("Humana") filed an action against Teva in the U.S. District Court for the Middle District of Florida based on the allegations raised in the DOJ PAP Complaint. In June 2023, Teva filed a joint motion to dismiss the amended complaint, 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 remains pending. On November 17, 2022, United Healthcare also filed an action against Teva in the U.S. District Court for the District of New Jersey based on the conduct alleged in the DOJ PAP Complaint, and on February 29, 2024, United Healthcare filed an amended complaint. On August 16, 2024, several MSP Recovery-related entities filed a putative class action against Teva and others in the U.S. District Court for the District of Kansas based on the alleged conduct in the DOJ PAP Complaint.

In April 2021, a city and county in Washington filed claims against Teva in the U.S. District Court for the Western District of Washington for alleged violations of the RICO 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 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 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.

In June 2024, Teva received a civil investigative demand from the Federal Trade Commission ("FTC") seeking documents and information regarding an investigation related to patents listed in the Food and Drug Administration's Approved Drug Products with Therapeutic Equivalence Evaluations publication ("Orange Book") in connection with certain inhaler products. Teva is cooperating with the request for documents and information.

On October 1, 2024, Teva received a civil investigative demand from the U.S. Attorney's office in Boston, Massachusetts and the Civil Division of the Department of Justice requesting certain documents and information related to the manufacturing practices at its former manufacturing facility in Irvine, California, which Teva closed in 2022. Teva is cooperating with the request for documents and information.

Opioids Litigation

Since May 2014, more than 3,500 complaints have been filed by various governmental agencies and private plaintiffs in U.S. state and federal courts with respect to opioid sales and distribution against various Teva affiliates and several other pharmaceutical companies, the vast majority of which have been resolved. Cases brought by third party payers, both as individual cases and as class actions, remain. The majority of the remaining cases are consolidated in the multidistrict litigation in the Northern District of Ohio (the "MDL Opioid Proceeding"). These cases assert claims under similar provisions of different state laws and generally allege that the defendants engaged in improper marketing and distribution of Teva's branded opioids, including ACTIQ® and FENTORA®, and 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 100 personal injury complaints allege that Anda (in addition to naming other distributors and manufacturers) failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent their abuse and diversion. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, non-economic damages, attorneys' fees and injunctive relief. Certain plaintiffs seek damages for all 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. In many of these cases, plaintiffs are seeking joint and several damages among all defendants. All but a handful of these cases are stayed in the MDL Opioid Proceedings.

In June 2023, Teva finalized and fully resolved its nationwide settlement agreement with the states and 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 September 2024, Teva reached and finalized an agreement with the City of Baltimore to settle its opioid-related claims for a total of $80 million (of which $35 million will be paid by the end of 2024 and the remainder will be paid by July 1, 2025), averting a trial that was scheduled to begin on September 16, 2024.

With its settlement with the City of Baltimore, Teva has settled with 100% of the U.S. states and litigating political subdivisions and the Native American tribes (the "Tribes"). Teva's estimated cash payments between 2024 and 2028 for all opioids settlements are: $428 million payable in 2024 (of which $392 million was paid as of September 30, 2024), $423 million payable in 2025; $368 million payable in 2026; $374 million payable in 2027; and $390 million payable in 2028. These payments are subject to change based on various factors including, but not limited to, timing of payments, most favored nations clauses associated with prior settlements, and the states' elections to take Teva's generic version of Narcan® (naloxone hydrochloride nasal spray). The remaining payments, subject to adjustments, will be paid beyond 2028.

Various Teva affiliates, along with several other pharmaceutical companies, were 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 from increased operating costs for treating patients whose underlying illnesses are purportedly exacerbated or complicated by opioid addiction. In September 2024, Teva and the representatives for acute care hospitals finalized the terms of a proposed settlement agreement. 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. The proposed settlement agreement is contingent upon Teva's satisfaction, in its sole discretion, 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, Nevada and the City of Baltimore, 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 payers, 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. In November and December 2023, the British Columbia Supreme Court held a hearing regarding preliminary motions, including plaintiffs' certification motion, which remain pending.

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 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. Teva has settled the majority of the "opt-out" claims, and one opt-out case remains outstanding. Teva also reached a settlement with shareholders who filed class actions in Israel with similar allegations to those raised in the Ontario Teachers Securities Litigation, which was approved by the court in Israel in November 2023.

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 August 2, 2022, the court stayed all proceedings other than class certification proceedings pending the resolution of the DOJ PAP Complaint. On November 3, 2023, the court granted plaintiff's motion for class certification. On November 17, 2023, Teva filed a petition with the Third Circuit Court of Appeals for leave to appeal the class certification ruling, which was denied on May 16, 2024. On August 30, 2024, the court lifted the stay. 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 alleged that Cephalon had 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 claimed damages of at least $200 million, an amount they alleged was 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 included 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 on April 30, 2024, the court issued a memorandum opinion in favor of Cephalon and Teva USA, finding that they did not breach the merger agreement as plaintiffs had alleged. Plaintiffs have appealed that ruling to the Delaware Supreme Court, and the appeal remains pending.

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 resulted in a verdict in Teva's favor on November 9, 2022, in which the three method of treatment patents were determined to be valid and infringed by Lilly and Teva was awarded $176.5 million in damages. On September 26, 2023, the U.S. District Court for the District of Massachusetts issued a decision that reversed the jury's verdict and damages award, finding Teva's method of treatment patents to be invalid. Teva filed its opening appeal brief on February 2, 2024 and Lilly filed its responsive brief on April 19, 2024. Teva filed its responsive brief on May 29, 2024, and Lilly's final brief was filed on July 19, 2024. No date has been set for the appeal hearing.

In March 2024, Teva filed a lawsuit in the U.S. District Court for the District of New Jersey alleging that Amarin Pharma, Inc., Amarin Pharmaceuticals Ireland Limited, and Amarin Corporation plc (collectively "Amarin") engaged in a decade-long scheme to lock up the supply of icosapent ethyl to prevent and delay generic competition to its branded Vascepa® drug product. Teva's lawsuit coincides with four other lawsuits brought by generic drug manufacturers and purchasers of branded Vascepa® alleging the same or similar conduct by Amarin. Teva's requested relief includes compensatory damages for lost sales and lost profits from generic icosapent ethyl drug sales that Teva could have made absent Amarin's alleged interference. On May 24, 2024, Amarin filed a motion in the U.S. District Court for the District of Nevada, seeking to enforce the terms of an earlier Teva-Amarin agreement to settle patent litigation regarding Vascepa®, which Amarin asserts precludes Teva from filing the present antitrust action. Teva opposed this motion on June 7, 2024, and Amarin's motion remains pending. As the lawsuit is still in its initial stages, it is not possible to predict its outcome and there is no guarantee that Teva will be granted its requested relief.

In June 2024, Teva filed a lawsuit in the U.S. District Court for the Northern District of California alleging that Corcept Therapeutics, Inc. ("Corcept"), and Optime Care Inc. ("Optime") have engaged in a multifaceted, years-long scheme to stifle generic competition to Corcept's branded Korlym® (mifepristone) drug product, which is indicated to treat endogenous Cushing's syndrome. Teva alleges that Corcept and Optime have suppressed competition by abusing the

patent and judicial systems, entering a long-term, blanket exclusive-dealing agreement that has locked up a key pharmaceutical distribution channel, and making illicit payments to physicians as compensation for prescribing Korlym®. Teva's requested relief includes compensatory damages for lost sales and lost profits from generic mifepristone drug sales that Teva could have made absent Corcept and Optime's alleged interference, as well as injunctive relief to remove the unlawful barriers to generic competition created by Corcept and Optime. As the lawsuit is still in its initial stages, it is not possible to predict its outcome and there is no guarantee that Teva will be granted its requested relief.

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 the COPAXONE patient assistance program in the U.S., and with respect to the European Commission's investigation relating to COPAXONE. In May 2024, Teva settled the derivative action related to the opioids litigation, and on September 16, 2024, the settlement received final approval from the Tel Aviv District Court.

NOTE 11 – Income taxes:

In the third quarter of 2024, Teva recognized a tax expense of $69 million, on a pre-tax loss of $324 million. In the third quarter of 2023, Teva recognized a tax benefit of $12 million, on a pre-tax income of $64 million. Teva's tax rate for the third quarter of 2024 was mainly impacted by impairment charges with no corresponding tax effects, an adjustment to the Company's corporate tax rate in Israel on losses related to non-qualified tax incentive activities in Israel, legal expenses with no corresponding tax effect related to the fine issued by the European Commission in connection with its antitrust investigation into COPAXONE, and recording of valuation allowance with respect to certain carry over credits outside of Israel. Teva's tax rate for the third quarter for 2023 was mainly affected by deferred tax benefits resulting from intellectual property related integration plans, which have been adopted, among others, in an effort of addressing the global adoption of the Organization for Economic Co-operation and Development (OECD) Pillar Two minimum effective corporate tax. The pre-tax loss in the third quarter of 2023 was revised as discussed in note 1c.

In the first nine months of 2024, Teva recognized a tax expense of $648 million, on a pre-tax loss of $1,037 million. In the first nine months of 2023, Teva recognized a tax benefit of $48 million, on a pre-tax loss of $1,131 million. Teva's tax rate for the first nine months of 2024 was mainly impacted by a settlement agreement with the Israeli Tax Authorities ("ITA") as discussed below, impairment charges with no corresponding tax effects, deferred tax benefits resulting from intellectual property related integration plans, an adjustment to the Company's corporate tax rate in Israel on losses related to non-qualified tax incentives activities in Israel, legal expenses with no corresponding tax effect related to the fine issued by the European Commission in connection with its antitrust investigation into COPAXONE, and recording of valuation allowance with respect to certain carry over credits outside of Israel. Teva's tax rate for the first nine months of 2023 was mainly affected by deferred tax benefits from intellectual property related integration plans, impairments, legal settlements, and interest expense disallowances. The pre-tax loss in the first nine months of 2023 was revised as discussed in note 1c.

The statutory Israeli corporate tax rate is 23% in 2024. Teva's global 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, tax benefits, 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 $125 million.

On June 23, 2024, Teva entered into an agreement with the ITA to settle certain litigation with respect to taxes payable for the Company's taxable years 2008 through 2020 (the "Agreement"). Pursuant to the terms of the Agreement, the Company will pay a total amount of approximately $750 million to the ITA spread over a six-year period beginning this year. The Company has the right to prepay, and amounts paid over time are subject to interest and increase for inflation. Such total amount includes: (i) $495 million in corporate taxes with respect to the Company's historical earnings that were previously considered by the Company to be exempt from taxes under the Encouragement for Capital Investment Law; and (ii) approximately $250 million in corporate taxes, relating to additional disputed tax issues in the aforementioned taxable years. The Agreement resulted in an increase of $506 million in the Company's total income taxes in the second quarter of 2024, as certain elements had been recognized in previous periods. Additionally, under the terms of the Agreement, it was further agreed that in the future event the Company pays dividends on, or repurchases, its equity interests, the Company will pay an additional 5%-7% of the amount of such dividends or repurchases in corporate taxes, up to a maximum tax payment amount of approximately $500 million. Any amounts due under this provision of the Agreement will be recorded in the future as incurred.

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

The OECD introduced Base Erosion and Profit Shifting ("BEPS") Pillar Two rules that impose a global minimum tax rate of 15% for large multinational corporations. On December 12, 2022, the EU Council announced that EU member states had reached an agreement to implement the minimum taxation component of 15% of the OECD's reform of international taxation. Other countries have also enacted or are expected to enact legislation to be effective as early as January 1, 2024, with general implementation of a global minimum tax by January 1, 2025. Teva has evaluated the potential impact on its 2024 consolidated financial statements and related disclosures and does not expect Pillar Two to have a material impact on its effective tax rate or consolidated financial statements in the foreseeable future.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(U.S. $ in millions)		(U.S. $ in millions)	
Impairments of long-lived tangible assets (1)	$ (80)	$ 1	$ 589	$ 21
Contingent consideration (2)	34	27	305	140
Restructuring	21	27	52	93
Other	1	2	(16)	21
Total	$ (23)	$ 57	$ 931	$ 276

(1) Including impairments related to exit and disposal activities.
(2) The contingent consideration presented in the tables above for the three and nine months ended September 30, 2023 have been revised as discussed in note 1c.

Impairments

In the three months ended September 30, 2024, Teva recorded an income of $80 million under impairments of tangible assets, compared to an expense of $1 million in the three months ended September 30, 2023. The income for the three months ended September 30, 2024 was mainly related to a favorable adjustment to the changes of the expected loss from reclassification of currency translation adjustments, partially offset by an additional impairment due to fair value update in connection with the classification of the business venture in Japan as held for sale. See note 2.

Impairments of tangible assets for the nine months ended September 30, 2024 and 2023 were $589 million and $21 million, respectively. The impairment for the nine months ended September 30, 2024 was mainly related to the classification of the business venture in Japan as held for sale (see note 2). The impairments for the nine months ended September 30, 2023 were mainly related to certain assets in the U.S. and Europe.

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 and its “Pivot to Growth Strategy”.

Contingent consideration

In the three months ended September 30, 2024, Teva recorded an expense of $34 million for contingent consideration, compared to an expense of $27 million in the three months ended September 30, 2023. The expenses in the three months ended September 30, 2024 were mainly due to the effect of the passage of time on the net present value of the discounted payments. The expenses in the three months ended September 30, 2023 were mainly related to a change in the estimated future royalty payments to Allergan in connection with lenalidomide capsules (the generic version of Revlimid®) and a change in the estimated future royalty payments to Eagle in connection with expected future bendamustine sales. The expense in the three months ended September 30, 2023 was revised as discussed in note 1c.

In the nine months ended September 30, 2024, Teva recorded an expense of $305 million for contingent consideration, compared to an expense of $140 million in the nine months ended September 30, 2023. The expenses in the first nine months of 2024 and 2023 were mainly related to a change in the estimated future royalty payments to Allergan in connection with lenalidomide capsules (the generic version of Revlimid®) and a change in the estimated future royalty payments to Eagle in connection with expected future bendamustine sales. The expense in the first nine months of 2023 was revised as discussed in note 1c.

Restructuring

In the three months ended September 30, 2024, Teva recorded $21 million of restructuring expenses, compared to $27 million in the three months ended September 30, 2023. Expenses for the three months ended September 30, 2024 and 2023 were primarily related to network consolidation activities.

In the nine months ended September 30, 2024, Teva recorded $52 million of restructuring expenses, compared to $93 million in the nine months ended September 30, 2023. The expenses for the nine months ended September 30, 2024 and 2023 were primarily related to network consolidation activities.

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

	Three months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
Restructuring		
Employee termination	$ 13	$ 16
Other	8	12
Total	$ 21	$ 27

	Nine months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
Restructuring		
Employee termination	$ 33	$ 40
Other	19	53
Total	$ 52	$ 93

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, 2024	$ (75)	$ (7)	$ (82)
Provision	(33)	(19)	(52)
Utilization and other*	52	12	64
Balance as of September 30, 2024	$ (56)	$ (14)	$ (70)

	Employee termination costs	Other	Total
	(U.S. $ in millions)		
Balance as of January 1, 2023	$ (112)	$ (7)	$(119)
Provision	(40)	(53)	(93)
Utilization and other*	77	53	130
Balance as of September 30, 2023	$ (75)	$ (7)	$ (82)

* 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 September 30, 2024, 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 earnings per share for the three months ended September 30, 2023, basic earnings per share were adjusted to take into account the potential dilution that could occur upon the exercise of options and non-vested RSUs and PSUs granted under employee stock compensation plans. No account was taken of the potential dilution by the convertible senior debentures, since they had an anti-dilutive effect on earnings per share.

In computing diluted loss per share for the nine months ended September 30, 2024 and 2023, 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 September 30, 2024 and 2023 were 1,133 million shares and 1,135 million shares, respectively.

The weighted average diluted shares outstanding used for the fully diluted share calculations for the nine months ended September 30, 2024 and 2023 were 1,130 million shares and 1,119 million shares, respectively.

Basic and diluted loss per share was $0.39 for the three months ended September 30, 2024, compared to basic and diluted earnings per share of $0.06 for the three months ended September 30, 2023. Basic and diluted earnings per share for the three months ended September 30, 2023 were revised as discussed in note 1c.

Basic and diluted loss per share was $1.26 for the nine months ended September 30, 2024, compared to basic and diluted loss per share of $0.91 for the nine months ended September 30, 2023. Basic and diluted loss per share for the nine months ended September 30, 2023 were revised as discussed in note 1c.

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, 2023, net of taxes	$ (2,384)	$ (266)	$ (46)	$(2,697)
Other comprehensive income (loss) before reclassifications	(84)	—	1	(83)
Amounts reclassified to the statements of income	—	21	(3)	18
Net other comprehensive income (loss) before tax	(84)	21	(2)	(65)
Corresponding income tax	(7)	—	—	(7)
Net other comprehensive income (loss) after tax*	(91)	21	(2)	(72)
Balance as of September 30, 2024, net of taxes	$ (2,475)	$ (245)	$ (48)	$(2,769)

* Amounts do not include a $6 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, 2022, net of taxes	$ (2,514)	$ (295)	$ (28)	$(2,838)
Other comprehensive income (loss) before reclassifications	(39)	(5)	—	(44)
Amounts reclassified to the statements of income	—	24	(2)	22
Net other comprehensive income (loss) before tax	(39)	19	(2)	(22)
Corresponding income tax	(50)	—	—	(50)
Net other comprehensive income (loss) after tax*	(89)	19	(2)	(72)
Balance as of September 30, 2023, net of taxes	$ (2,603)	$ (276)	$ (30)	$(2,910)

* Amounts do not include a $84 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) United States segment.

(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 the United States and countries included in the Europe segment.

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 United States, 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. 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.

In conjunction with a recent shift in executive management responsibilities and in alignment with Teva's Pivot to Growth strategy, Teva decided that Canada is no longer included as part of Teva's North America segment as of January 1, 2024. From that date Canada is reported as part of the Company's International Markets segment and Teva's North America segment has been renamed the United States segment. Teva aligned its internal financial and segment reporting and its reporting units in accordance with this change effective January 1, 2024. Prior period amounts have been recast to conform to the reporting structure for the current year.

On January 31, 2024, Teva announced that it intends to divest its API business (including its R&D, manufacturing and commercial activities) through a sale, which divestment is expected to be completed in the first half of 2025. The intention to divest is in alignment with Teva's Pivot to Growth strategy. However, there can be no assurance regarding the ultimate timing or structure of a potential divestiture or that a divestiture will be agreed or completed at all.

a. Segment information:

	Three months ended September 30, 2024		
	United States	Europe	International Markets
	(U.S. $ in millions)		
Revenues	$ 2,225	$1,265	$ 613
Gross profit	1,265	698	306
R&D expenses	151	55	27
S&M expenses	259	203	134
G&A expenses	107	67	36
Other loss (income)	§	1	§
Segment profit	$ 748	$ 373	$ 109

§ Represents an amount less than $0.5 million.

	Three months ended September 30, 2023		
	United States	Europe	International Markets
	(U.S. $ in millions)		
Revenues	$ 1,896	$1,146	$ 591
Gross profit	1,060	648	293
R&D expenses	156	62	30
S&M expenses	243	184	116
G&A expenses	93	66	33
Other loss (income)	(2)	§	(2)
Segment profit	$ 571	$ 338	$ 117

§ Represents an amount less than $0.5 million.

	Nine months ended September 30, 2024		
	United States	Europe	International Markets
	(U.S. $ in millions)		
Revenues	$ 6,060	$3,749	$ 1,802
Gross profit	3,291	2,113	889
R&D expenses	475	173	85
S&M expenses	789	605	397
G&A expenses	300	197	109
Other loss (income)	(1)	1	(1)
Segment profit	$ 1,727	$1,137	$ 299

	Nine months ended September 30, 2023		
	United States	Europe	International Markets
	(U.S. $ in millions)		
Revenues	$ 5,465	$3,493	$ 1,750
Gross profit	2,866	1,943	861
R&D expenses	460	168	81
S&M expenses	700	565	353
G&A expenses	289	196	105
Other loss (income)	(3)	(2)	(34)
Segment profit	$ 1,421	$1,017	$ 356

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 nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(U.S. $ in millions)		(U.S. $ in millions)	
United States profit	$ 748	$ 571	$ 1,727	$ 1,421
Europe profit	373	338	1,137	1,017
International Markets profit	109	117	299	356
Total reportable segments profit	1,230	1,025	3,163	2,794
Profit (loss) of other activities	(16)	(5)	(1)	22
Total segments profit	1,214	1,020	3,162	2,816
Amounts not allocated to segments:				
Amortization	146	145	444	471
Other assets impairments, restructuring and other items*	(23)	57	931	276
Goodwill impairment	600	—	1,000	700
Intangible assets impairments	28	47	169	289
Legal settlements and loss contingencies	450	314	638	1,009
Other unallocated amounts	64	112	254	394
Consolidated operating income (loss) *	(51)	344	(274)	(323)
Financial expenses, net	272	280	763	808
Consolidated income (loss) before income taxes *	$ (324)	$ 64	$(1,037)	$(1,131)

* The data presented for the prior period have been revised to reflect a revision in the presentation of these items in the consolidated financial statements. For additional information see note 1c.

b. Segment revenues by major products and activities:

The following tables present revenues by major products and activities for the three and nine months ended September 30, 2024 and 2023:

United States	Three months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
Generic products	$1,094	$ 839
AJOVY®	58	56
AUSTEDO	435	339
BENDEKA® and TREANDA®	40	56
COPAXONE	69	98
UZEDY	35	2
Anda	380	367
Other	115	140
Total	$2,225	$1,896

United States

	Nine months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
Generic products	$ 2,924	$ 2,471
AJOVY	144	154
AUSTEDO	1,124	817
BENDEKA and TREANDA	127	185
COPAXONE	179	224
UZEDY	75	14
Anda	1,134	1,183
Other	352	417
Total	$ 6,060	$ 5,465

Europe

	Three months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
Generic products	$ 973	$ 886
AJOVY	56	41
COPAXONE	53	55
Respiratory products	60	61
Other*	124	104
Total	$ 1,265	$ 1,146

* Other revenues in the third quarter of 2024 include the sale of certain product rights.

Europe

	Nine months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
Generic products	$ 2,947	$ 2,727
AJOVY	158	115
COPAXONE	163	174
Respiratory products	183	195
Other*	299	282
Total	$ 3,749	$ 3,493

* Other revenues in the first nine months of 2024 include the sale of certain product rights.

International markets	Three months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
Generic products	$ 477	$ 470
AJOVY	24	18
COPAXONE	13	16
Other*	99	87
Total	$ 613	$ 591

* Other revenues in the third quarter of 2024 include the sale of certain product rights.

International markets	Nine months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
Generic products	$ 1,440	$ 1,425
AJOVY	63	45
COPAXONE	38	50
Other*	261	229
Total	$ 1,802	$ 1,750

* Other revenues in the first nine months of 2024 include the sale of certain product rights.

NOTE 16 – Fair value measurement:

Financial items carried at fair value on a recurring basis as of September 30, 2024 and December 31, 2023 are classified in the tables below in one of the three categories of fair value levels:

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
	(U.S. $ in millions)			
Cash and cash equivalents:				
Money markets	$1,822	$ —	$ —	$1,822
Cash, deposits and other	1,497	—	—	1,497
Investment in securities:				
Equity securities	13	—	—	13
Other	3	—	—	3
Derivatives:				
Asset derivatives:				
Options and forward contracts	—	32	—	32
Liability derivatives:				
Options and forward contracts	—	(33)	—	(33)
Bifurcated embedded derivatives	—	—	§	—
Contingent consideration*	—	—	(552)	(552)
Total	$3,335	$ (1)	$ (552)	$2,782

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(U.S. $ in millions)			
Cash and cash equivalents:				
Money markets	$1,704	$ —	$ —	$1,704
Cash, deposits and other	1,522	—	—	1,522
Investment in securities:				
Investment in convertible bond security			40	40
Equity securities	7	—	—	7
Other	1	—	—	1
Restricted cash	1	—	—	1
Derivatives:				
Asset derivatives:				
Options and forward contracts	—	38	—	38
Cross-currency interest rate swap		8		8
Liability derivatives:				
Options and forward contracts	—	(39)	—	(39)
Bifurcated embedded derivatives	—	—	§	—
Contingent consideration*	$ —	—	(517)	(517)
Total	3,235	$ 7	$ (477)	$2,765

§ 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. 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 8.8%. 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. A change of the discount rate by 1% would have not resulted in material changes to the contingent consideration liabilities.

The investment in convertible bond security is accounted for as available for sale with changes in fair value reflected in other comprehensive income. See Alvotech transaction under note 2.

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

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
	(U.S. $ in millions)	
Fair value at the beginning of the period	$ (477)	(250)
Investment in convertible bond**	—	25
Conversion option**	—	15
Redemption of convertible bond security**	(40)	—
Bifurcated embedded derivatives	§	§
Adjustments to provisions for contingent consideration:		
Allergan transaction*	(267)	(111)
Eagle transaction	(37)	(35)
Novetide transaction	(1)	2
Settlement of contingent consideration:		
Allergan transaction	227	132
Eagle transaction	41	61
Novetide transaction	2	2
Fair value at the end of the period	$ (552)	$ (159)

§ Represents an amount less than $0.5 million.
* The financial data presented in the tables above with respect to adjustments to provisions for contingent consideration related to Allergan for the nine months ended September 30, 2023 have been revised as discussed in note 1c.
** On September 29, 2023, Teva purchased $40 million of subordinated convertible bonds of Alvotech. On June 26, 2024, Alvotech announced its intention to exercise its redemption rights and redeemed the convertible bonds, which were paid to Teva in July 2024 (see note 2).

Financial instruments not measured at fair value

Financial instruments measured on a basis other than fair value mostly consist of senior notes, sustainability-linked 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*	
	September 30, 2024	December 31, 2023
	(U.S. $ in millions)	
Senior notes and sustainability-linked senior notes included under senior notes and loans	$ 16,129	$ 17,214
Senior notes and convertible senior debentures included under short-term debt	2,572	1,651
Total	$ 18,701	$ 18,865

* 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 leader, harnessing our generics expertise and stepping up innovation to continue the momentum behind the discovery, delivery, and expanded development of modern medicine.

We operate worldwide, with headquarters in Israel and a significant presence in the United States, Europe and many other markets around the world. Today, our global network of capabilities enables our approximately 37,000 employees across 58 markets to push the boundaries of scientific innovation and deliver quality medicines to help improve health outcomes of millions of patients every day.

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: United States (previously referred to as North America segment, see below "—United States Segment"), 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 Pivot to Growth strategy, which is based on four key pillars: (i) delivering on our growth engines, mainly AUSTEDO®, AJOVY®, 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 and Geopolitical Environment

In recent years, the global economy has been impacted by fluctuating foreign exchange rates. In the third quarter of 2024, approximately 45% of our revenues were denominated in currencies other than the U.S. dollar and we manufacture our products largely outside of the United States. Fluctuations in the U.S. dollar versus other currencies in which we operate may materially impact our revenues, results of operations, profits and cash flows. Additionally, high levels of inflation have recently resulted in significant economic volatility and monetary tightening by central banks through higher interest rates. Global economy has also been impacted by geopolitical tensions which have resulted in disruptions to global supply chains, including our internal supply chain. In October 2023, Israel was attacked by a terrorist organization and entered a state of war on several fronts, which as of the date of this Quarterly Report on Form 10-Q is ongoing. Our global headquarters as well as several of our manufacturing and R&D facilities are located in Israel and, while operations there currently remain largely unaffected, the impact of this war on our operations may increase, which could be material, as a result of the continuation, escalation or expansion of this war. In light of the above, 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. We have implemented certain measures in response to such events and are continually considering various initiatives, including price adjustments where we are not restricted contractually or regulatorily, enhanced inventory management, alternative sourcing strategies for our raw material supply and backup production plans for key products, to allow us to partially mitigate and offset the impact of these macroeconomic and geopolitical factors. However, although inflationary and other macroeconomic pressures may or have eased, the higher costs we have experienced during recent periods have already impacted our operations and will likely continue to have an effect on our financial results.

Highlights

Significant highlights in the third quarter of 2024 included[1]:

- Revenues in the third quarter of 2024 were $4,332 million, an increase of 13% in U.S. dollars, or 15% in local currency terms, compared to the third quarter of 2023. This increase was mainly due to higher revenues from generic products in all our segments, from AUSTEDO in our United States segment, as well as from the sale of product rights in our Europe and International Markets segments.
- Our United States segment generated revenues of $2,225 million and segment profit of $748 million in the third quarter of 2024. Revenues increased by 17% and segment profit increased by 31% compared to the third quarter of 2023.
- Our Europe segment generated revenues of $1,265 million and segment profit of $373 million in the third quarter of 2024. Revenues increased by 10% in U.S. dollars, or 11% in local currency terms, compared to the third quarter of 2023. Segment profit increased by 10% compared to the third quarter of 2023.
- Our International Markets segment generated revenues of $613 million and segment profit of $109 million in the third quarter of 2024. Revenues increased by 4% in U.S. dollars, or 18% in local currency terms, compared to the third quarter of 2023. Segment profit decreased by 7% compared to the third quarter of 2023.
- Our revenues from other activities in the third quarter of 2024 were $229 million, an increase of 6% in U.S. dollars, or 5% local currency terms, compared to the third quarter of 2023.
- Exchange rate movements during the third quarter of 2024, including hedging effects, negatively impacted overall revenues by $88 million and operating loss by $57 million, compared to the third quarter of 2023.
- Gross profit margin was 49.6% in the third quarter of 2024, compared to 48.1% in the third quarter of 2023.
- R&D expenses, net in the third quarter of 2024 were $240 million, a decrease of 5% compared to $253 million in the third quarter of 2023.
- We recorded a goodwill impairment charge of $600 million in the third quarter of 2024, related to our Teva API reporting unit. See note 6 to our consolidated financial statements.
- We recorded legal settlements and loss contingencies of $450 million in the third quarter of 2024, compared to $314 million in the third quarter of 2023. See note 9 to our consolidated financial statements.
- Operating loss was $51 million in the third quarter of 2024, compared to an operating income of $344 million in the third quarter of 2023.
- In the third quarter of 2024, we recognized a tax expense of $69 million, on a pre-tax loss of $324 million. In the third quarter of 2023, we recognized a tax benefit of $12 million, on a pre-tax income of $64 million. See note 11 to our consolidated financial statements.
- As of September 30, 2024, our debt was $18,980 million, compared to $19,833 million as of December 31, 2023. In October 2024, we repaid at maturity $685 million of our 1.13% senior notes due in 2024. See note 7 to our consolidated financial statements.
- Cash flow generated from operating activities during the third quarter of 2024 was $693 million, compared to $5 million of cash flow generated from operating activities in the third quarter of 2023. The higher cash flow generated from operating activities in the third quarter of 2024, resulted mainly from higher profit in our United States segment, as well as from changes in working capital items, including a positive impact from accounts receivables, net of SR&A, as well as from accounts payables and inventory levels, partially offset by higher legal payments during the third quarter of 2024.

[1] The data included in the Highlights section with respect operating income (loss), income taxes for the prior period have been revised to reflect a revision in relation to a contingent consideration and related expenses in the consolidated financial statements. For additional information, see note 1c to our consolidated financial statements.

- During the third quarter of 2024, we generated free cash flow of $922 million, which we define as comprising $693 million in cash flow generated from operating activities, $339 million in beneficial interest collected in exchange for securitized accounts receivables (under our EU securitization program) and $38 million in divestitures of businesses and other assets, partially offset by $148 million in cash used for capital investment. During the third quarter of 2023, we generated free cash flow of $229 million. The increase in the third quarter of 2024, resulted mainly from higher cash flow generated from operating activities.

Results of Operations

Comparison of Three Months Ended September 30, 2024 to Three Months Ended September 30, 2023

Segment Information

United States Segment

The following table presents revenues, expenses and profit for our United States segment for the three months ended September 30, 2024 and 2023:

	Three months ended September 30,			
	2024		2023	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$2,225	100%	$1,896	100%
Gross profit	1,265	56.9%	1,060	55.9%
R&D expenses	151	6.8%	156	8.2%
S&M expenses	259	11.6%	243	12.8%
G&A expenses	107	4.8%	93	4.9%
Other loss (income)	§	§	(2)	§
Segment profit*	$ 748	33.6%	$ 571	30.1%

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

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

United States Revenues

As part of a recent shift in executive management responsibilities and in line with our Pivot to Growth strategy, commencing January 1, 2024, Canada is reported as part of our International Markets segment. Prior period amounts were recast to reflect this change. See note 15 to our consolidated financial statements.

Revenues from our United States segment in the third quarter of 2024 were $2,225 million, an increase of $329 million, or 17%, compared to the third quarter of 2023. This increase was mainly due to higher revenues from generic products, AUSTEDO and UZEDY, partially offset by lower revenues from certain innovative products, primarily COPAXONE and BENDEKA and TREANDA.

Revenues by Major Products and Activities

The following table presents revenues for our United States segment by major products and activities for the three months ended September 30, 2024 and 2023:

	Three months ended September 30,		Percentage Change
	2024	2023	2024-2023
	(U.S. $ in millions)		
Generic products	$1,094	$ 839	30%
AJOVY	58	56	4%
AUSTEDO	435	339	28%
BENDEKA and TREANDA	40	56	(28%)
COPAXONE	69	98	(30%)
UZEDY	35	2	N/A
Anda	380	367	3%
Other	115	140	(18%)
Total	$2,225	$1,896	17%

Generic products revenues in our United States segment (including biosimilars) in the third quarter of 2024 were $1,094 million, an increase of 30% compared to the third quarter of 2023, the majority of which is driven by higher revenues from lenalidomide capsules (the generic version of Revlimid®), and the remaining, primarily by the launch of liraglutide injection 1.8mg (an authorized generic of Victoza®) and higher revenues from epinephrine injectable solution (the generic equivalent of EpiPen® and EpiPen Jr®).

Among the most significant generic products we sold in the United States in the third quarter of 2024 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 liraglutide 1.8 mg injection (an authorized generic of Victoza®). In the third quarter of 2024, our total prescriptions were approximately 292 million (based on trailing twelve months), representing 7.6% of total U.S. generic prescriptions, compared to approximately 320 million (based on trailing twelve months), representing 8.4% of total U.S. generic prescriptions in the third quarter of 2023, all according to IQVIA data.

On October 1, 2024, Teva launched octreotide acetate for injectable suspension, the first generic version of Sandostatin® LAR Depot. Octreotide acetate for injectable suspension is indicated for the treatment of acromegaly and severe diarrhea associated with carcinoid syndrome, and is available to patients in the U.S.

AJOVY revenues in our United States segment in the third quarter of 2024 were $58 million, an increase of 4% compared to the third quarter of 2023, mainly due to growth in volume. In the third quarter of 2024, AJOVY's exit market share in the United States in terms of total number of prescriptions was 29.1% compared to 24.9% in the third quarter of 2023.

AJOVY is indicated for the preventive treatment of migraine in adults, and was launched in the U.S. in 2018. 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 in 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).

In October 2017, 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 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 resulted in a verdict in Teva's favor on November 9, 2022, in which the three method of treatment patents were determined to be valid and infringed by Lilly, and Teva was awarded $176.5 million in damages. On September 26, 2023, the U.S. District Court for the District of Massachusetts issued a decision that reversed the jury's verdict and damages award, finding Teva's method of treatment patents to be invalid. Teva appealed this ruling on October 24, 2023. On February 2, 2024, Teva filed its opening appeal brief, to which Lilly filed its responding brief on April 19, 2024, which Teva responded to on May 29, 2024. Lilly's final brief was filed on July 19, 2024. No date has been set for the appeal hearing.

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 United States segment in the third quarter of 2024 increased by 28%, to $435 million, compared to $339 million in the third quarter of 2023, mainly due to growth in volume and expanded access for patients.

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 14 Orange Book patents expiring between 2031 and 2038. 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 in 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, in three doses of 6, 12 and 24 mg, and became commercially available in the U.S. in May 2023. In May 2024, the FDA approved AUSTEDO XR as a one pill, once-daily treatment option in doses of 30, 36, 42, and 48 mg. In July 2024, the FDA approved the 18 mg dosage for AUSTEDO XR making it a one pill, once-daily option for all available doses. AUSTEDO XR is a once-daily formulation indicated in adults for tardive dyskinesia and chorea associated with Huntington's disease, which is additional to the currently marketed twice-daily AUSTEDO. AUSTEDO XR is protected by 11 Orange Book patents expiring between 2031 and 2041.

UZEDY (risperidone) extended-release injectable suspension revenues in our United States segment in the third quarter of 2024 were $35 million. UZEDY 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 a 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. We are moving forward with plans to launch UZEDY in other countries around the world. UZEDY faces competition from multiple other products.

BENDEKA and **TREANDA** combined revenues in our United States segment in the third quarter of 2024 were $40 million, a decrease of 28% compared to the third quarter of 2023, mainly due to competition from alternative therapies, as well as the entry of generic bendamustine products 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 18 patents listed in the U.S. Orange Book for BENDEKA with expiration dates in 2026 and 2031. In April 2020, the U.S. District Court for the District of Delaware issued a trial decision upholding the validity of all of the asserted patents and finding that four ANDA filers for generic versions of BENDEKA infringe at least one of the patents. Teva settled with one of the three ANDA filers that appealed the district court's decision, and on August 13, 2021, the Federal Circuit issued a Rule 36 affirmance of such decision. Litigation against the fifth ANDA filer was dismissed after withdrawal of its patent challenge, and on October 18, 2021, the case against a sixth ANDA filer was also settled.

Teva also settled litigations against three 505(b)(2) applicants, Hospira, Inc. ("Hospira"), Dr. Reddy's Laboratories ("DRL") and Accord Healthcare ("Accord"). Based on these 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, which was then stayed and has now been transferred to the U.S. District Court for the District of Delaware where it has been consolidated with the suits filed there.

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. Currently, there are multiple generic TREANDA products on the market.

COPAXONE revenues in our United States segment in the third quarter of 2024 were $69 million, a decrease of 30% compared to the third quarter of 2023, mainly due to market share erosion and competition.

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 United States segment in the third quarter of 2024 increased by 3% to $380 million, compared to $367 million in the third quarter of 2023, mainly due to higher volumes. 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 third quarter of 2024, we launched the generic version of the following branded products in the United States:

Product Name	Brand Name	Launch Date	Total Annual U.S. Branded Sales at Time of Launch (U.S. $ in millions (IQVIA))*
Paclitaxel Protein-Bound Particles for Injectable Suspension (albumin-bound)	Abraxane®	July	$ 809
Lisdexamfetamine Dimesylate Chewable Tablets CII - USA	Vyvanse®	September	$ 200
Mesalamine Delayed-Release Tablets, USP	N/A	August	$ 167
Naloxone Hydrochloride Nasal Spray (OTC)	Narcan®	September	$ 66**
Metoclopramide Injection, USP	N/A	September	$ 12
Sulfamethoxazole and Trimethoprim Injection, USP in the PREMIERProRx®* Label	N/A	August	$ 1

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

** Represents estimated sales based on OTC sales reported through IQVIA.

As of September 30, 2024, our generic products pipeline in the United States includes 125 product applications awaiting FDA approval, including 62 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 June 30, 2024 of approximately $119 billion, according to IQVIA. Approximately 79% of pending applications include a paragraph IV patent challenge, and we believe we are first-to-file with respect to 55 of these products, or 85 products including final approvals where launch is pending a settlement agreement or court decision. Collectively, these first-to-file opportunities represent over $79 billion in U.S. brand sales for the twelve months ended June 30, 2024, 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 third quarter of 2024, 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))*
Palbociclib Capsules	Ibrance®	$ 504
Binimetinib Tablets, 15 mg	Mektovi®	$ 176

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

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

United States Gross Profit

Gross profit from our United States segment in the third quarter of 2024 was $1,265 million, an increase of 19%, compared to $1,060 million in the third quarter of 2023.

Gross profit margin for our United States segment in the third quarter of 2024 increased to 56.9%, compared to 55.9% in the third quarter of 2023. This increase was mainly due to a favorable mix of products primarily driven by higher revenues from lenalidomide capsules (the generic version of Revlimid®) and AUSTEDO.

United States R&D Expenses

R&D expenses relating to our United States segment in the third quarter of 2024 were $151 million, a decrease of 3%, compared to $156 million in the third quarter of 2023.

For a description of our R&D expenses in the third quarter of 2024, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

United States S&M Expenses

S&M expenses relating to our United States segment in the third quarter of 2024 were $259 million, an increase of 6%, compared to $243 million in the third quarter of 2023. This increase was mainly due to promotional activities related to AUSTEDO, primarily the direct-to-consumer advertising campaign and our patient support programs.

United States G&A Expenses

G&A expenses relating to our United States segment in the third quarter of 2024 were $107 million, an increase of 16% compared to $93 million in the third quarter of 2023.

United States Profit

Profit from our United States 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 United States segment in the third quarter of 2024 was $748 million, an increase of 31% compared to $571 million in the third quarter of 2023. This increase was mainly due to higher gross profit, partially offset by higher S&M and G&A expenses, as discussed above.

Europe Segment

The following table presents revenues, expenses and profit for our Europe segment for the three months ended September 30, 2024 and 2023:

	Three months ended September 30,			
	2024		2023	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 1,265	100%	$ 1,146	100%
Gross profit	698	55.2%	648	56.6%
R&D expenses	55	4.3%	62	5.4%
S&M expenses	203	16.0%	184	16.0%
G&A expenses	67	5.3%	66	5.7%
Other loss (income)	1	§	§	§
Segment profit*	$ 373	29.5%	$ 338	29.5%

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

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

Europe Revenues

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

Revenues from our Europe segment in the third quarter of 2024 were $1,265 million, an increase of 10%, or $119 million, compared to the third quarter of 2023. In local currency terms, revenues increased by 11% compared to the third quarter of 2023, mainly due to higher revenues from generic and OTC products as well as AJOVY. Our higher revenues in the third quarter of 2024 were also partly driven by the sale of certain product rights.

In the third quarter of 2024, revenues were negatively impacted by exchange rate fluctuations of $6 million, net of hedging effects, compared to the third quarter of 2023. Revenues in the third quarter of 2024, included $10 million from a negative hedging impact, which is included in "Other" in the table below. Revenues in the third quarter of 2023 included $15 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 September 30, 2024 and 2023:

	Three months ended September 30,		Percentage Change
	2024	2023	2024-2023
	(U.S. $ in millions)		
Generic products	$ 973	$ 886	10%
AJOVY	56	41	37%
COPAXONE	53	55	(5%)
Respiratory products	60	61	(1%)
Other*	124	104	19%
Total	$ 1,265	$ 1,146	10%

* Other revenues in the third quarter of 2024 include the sale of certain product rights.

Generic products revenues (including OTC and biosimilar products) in our Europe segment in the third quarter of 2024, were $973 million, an increase of 10% compared to the third quarter of 2023. In local currency terms, revenues increased by 8%, mainly due to price increases as a result of market conditions such as inflationary pressures in certain markets, as well as higher revenues from recently launched products.

AJOVY revenues in our Europe segment in the third quarter of 2024 increased by 37% to $56 million, compared to $41 million in the third quarter of 2023. In local currency terms revenues increased by 36% due to growth in volume.

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

COPAXONE revenues in our Europe segment in the third quarter of 2024 were $53 million, a decrease of 5% in both U.S. dollars and local currency terms, compared to the third quarter of 2023, due to price reductions and a decline in volume resulting from availability of alternative therapies and competing glatiramer acetate products.

In certain countries, Teva remains in litigation against generic companies regarding COPAXONE.

Respiratory products revenues in our Europe segment in the third quarter of 2024 were $60 million, a decrease of 1% compared to the third quarter of 2023. In local currency terms, revenues decreased by 3% compared to the third quarter of 2023, mainly due to net price reductions and lower volumes.

Product Launches and Pipeline

As of September 30, 2024, our generic products pipeline in Europe included 412 generic approvals relating to 53 compounds in 108 formulations, with no European Medicines Agency ("EMA") approvals received. In addition, approximately 1,508 marketing authorization applications are pending approval in 37 European countries, relating to 94 compounds in 215 formulations. Two applications are pending with the EMA relating to seven 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 third quarter of 2024 was $698 million, an increase of 8% compared to $648 million in the third quarter of 2023.

Gross profit margin for our Europe segment in the third quarter of 2024 decreased to 55.2%, compared to 56.6% in the third quarter of 2023. This decrease was mainly due to a negative exchange rate impact from hedging activities.

Europe R&D Expenses

R&D expenses relating to our Europe segment in the third quarter of 2024 were $55 million, a decrease of 11% compared to $62 million in the third quarter of 2023.

For a description of our R&D expenses in the third quarter of 2024, 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 third quarter of 2024 were $203 million, an increase of 10% compared to $184 million in the third quarter of 2023. This increase was mainly to support revenue growth in generic products and AJOVY.

Europe G&A Expenses

G&A expenses relating to our Europe segment in the third quarter of 2024 were $67 million, an increase of 2% compared to $66 million in the third quarter of 2023.

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 third quarter of 2024 was $373 million, an increase of 10%, compared to $338 million in the third quarter of 2023. This increase was mainly due to higher gross profit resulting mainly from proceeds from the sale of certain product rights, partially offset by S&M expenses.

International Markets Segment

The following table presents revenues, expenses and profit for our International Markets segment for the three months ended September 30, 2024 and 2023:

	Three months ended September 30,			
	2024		2023	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 613	100%	$ 591	100%
Gross profit	306	49.9%	293	49.6%
R&D expenses	27	4.4%	30	5.1%
S&M expenses	134	21.9%	116	19.6%
G&A expenses	36	5.8%	33	5.5%
Other loss (income)	§	§	(2)	§
Segment profit*	$ 109	17.8%	$ 117	19.7%

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

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

International Markets Revenues

Our International Markets segment includes all countries in which we operate other than the United States and the countries included in our Europe segment. The International Markets segment includes more than 35 countries, covering a substantial portion of the global pharmaceutical industry. As part of a recent shift in executive management responsibilities, commencing January 1, 2024, Canada is reported under our International Markets segment and is no longer included as part of our United States segment. Prior period amounts were recast to reflect this change. See note 15 to our consolidated financial statements.

The countries in our International Markets segment include highly regulated, mainly generic markets, such as Canada and 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 and we have no manufacturing or R&D facilities in these markets. During the three months ended September 30, 2024, 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, in the nine months ended September 30, 2024 we partially hedged our exposure to currency exchange rate fluctuations with respect to our balance sheet assets, revenues and expenses. However, as of the end of the third quarter of 2024, we hedge a small part of our projected net revenues in Russian ruble for 2024. 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 third quarter of 2024 were $613 million, an increase of 4% compared to the third quarter of 2023. In local currency terms, revenues increased by 18% compared to the third quarter of 2023, 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. Our higher revenues in the third quarter of 2024 were also partly driven by the sale of certain product rights.

In the third quarter of 2024, revenues were negatively impacted by exchange rate fluctuations of $84 million, including hedging effects, compared to the third quarter of 2023. Revenues in the third quarter of 2024 included $1 million from a positive hedging impact, compared to a positive hedging impact of $7 million in the third quarter of 2023, 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 September 30, 2024 and 2023:

	Three months ended September 30,		Percentage Change
	2024	2023	2024-2023
	(U.S. $ in millions)		
Generic products	$ 477	$ 470	1%
AJOVY	24	18	35%
COPAXONE	13	16	(18%)
Other*	99	87	14%
Total	$ 613	$ 591	4%

* Other revenues in the third quarter of 2024 include the sale of certain product rights.

Generic products revenues (including OTC and biosimilar products) in our International Markets segment were $477 million in the third quarter of 2024, an increase of 1% compared to the third quarter of 2023. In local currency terms, revenues increased by 13% compared to the third quarter of 2023, mainly due to higher revenues in most markets, largely driven by price increases as a result of higher costs due to inflationary pressure in certain markets and higher volumes, 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 Canada, Japan, Australia, Israel, South Korea, Brazil and others. AJOVY revenues in our International Markets segment in the third quarter of 2024 were $24 million, compared to $18 million in the third quarter of 2023, due to growth in existing markets in which AJOVY was launched.

COPAXONE revenues in our International Markets segment in the third quarter of 2024 were $13 million compared to $16 million in the third quarter of 2023.

AUSTEDO was launched in China and Israel in 2021 and in Brazil in 2022, for the treatment of chorea associated with Huntington's disease and for the treatment of tardive dyskinesia. In February 2024, we announced a strategic partnership for the marketing and distribution of AUSTEDO in China. We continue with additional submissions in various other markets.

International Markets Gross Profit

Gross profit from our International Markets segment in the third quarter of 2024 was $306 million, an increase of 4% compared to $293 million in the third quarter of 2023.

Gross profit margin for our International Markets segment in the third quarter of 2024 increased to 49.9%, compared to 49.6% in the third quarter of 2023. This increase was mainly due to price increases largely as a result of inflationary pressures in certain markets, the sale of certain product rights and a favorable mix of products, partially offset by regulatory price reductions and generic competition to off-patented products in Japan, as well as higher costs due to inflationary and other macroeconomic pressures.

International Markets R&D Expenses

R&D expenses relating to our International Markets segment in the third quarter of 2024 were $27 million, a decrease of 11% compared to the third quarter of 2023.

For a description of our R&D expenses in the third quarter of 2024, 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 third quarter of 2024 were $134 million, an increase of 16% compared to the third quarter of 2023, mainly to support revenue growth including through our strategic partnership in China for AUSTEDO.

International Markets G&A Expenses

G&A expenses relating to our International Markets segment in the third quarter of 2024 were $36 million, an increase of 10% compared to the third quarter of 2023.

International Markets Other Income

Other income in the third quarter of 2024 was minimal, compared to $2 million in the third quarter 2023. Other income in the third 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 third quarter of 2024 was $109 million, a decrease of 7%, compared to $117 million in the third quarter of 2023. This decrease was mainly due to higher S&M expenses in the third quarter of 2024.

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 United States, Europe or International Markets segments described above.

On January 31, 2024, we announced that we intend to divest our API business (including its R&D, manufacturing and commercial activities) through a sale, which divestment is expected to be completed in the first half of 2025. The intention to divest is in alignment with our Pivot to Growth strategy. However, there can be no assurance regarding the ultimate timing or structure of a potential divestiture or that a divestiture will be agreed or completed at all.

Our revenues from other activities in the third quarter of 2024 were $229 million, an increase of 6% in U.S. dollars, or 5% in local currency terms, compared to the third quarter of 2023.

API sales to third parties in the third quarter of 2024 were $130 million, reflecting an increase of 4% in both U.S. dollars and local currency terms, compared to the third quarter of 2023, following a reallocation of an immaterial business within our other activities, in line with our intention to divest our API business.

Teva Consolidated Results

The data presented with respect to other asset impairments, restructuring and other items, operating income (loss), income taxes, net income (loss) attributable to Teva and earnings (loss) per share for the prior period have been revised to reflect a revision in relation to a contingent consideration and related expenses in our consolidated financial statements. For additional information, see note 1c to our consolidated financial statements.

Revenues

Revenues in the third quarter of 2024 were $4,332 million, an increase of 13% in U.S. dollars, or 15% in local currency terms, compared to the third quarter of 2023. This increase was mainly due to higher revenues from generic products in all our segments, from AUSTEDO in our United States segment, as well as from the sale of product rights in our Europe and International Markets segments. See "—United States Revenues," "—Europe Revenues," "—International Markets Revenues" and "—Other Activities" above.

Exchange rate movements during the third quarter of 2024, including hedging effects, negatively impacted revenues by $88 million, compared to the third quarter of 2023. See note 8d to our consolidated financial statements.

Gross Profit

Gross profit in the third quarter of 2024 was $2,148 million, an increase of 16% compared to $1,851 million in the third quarter of 2023.

Gross profit margin was 49.6% in the third quarter of 2024, compared to 48.1% in the third quarter of 2023. This increase was mainly due to a favorable mix of products, primarily AUSTEDO, partially offset by a negative impact from foreign exchange rate movements including hedging effects.

Research and Development (R&D) Expenses, net

Our R&D activities for innovative medicines and biosimilar products in each of our segments include costs of discovery research, preclinical work, 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.

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.

In the third quarter of 2024, our R&D expenses related primarily to innovative product candidates and marketed products in immunology and immuno-oncology, neuroscience (such as neuropsychiatry, including post-approval commitments) and selected other areas, as well as generic products and biosimilars.

R&D expenses, net in the third quarter of 2024 were $240 million, a decrease of 5% compared to $253 million in the third quarter of 2023.

Our lower R&D expenses, net in the third quarter of 2024 were largely driven by reimbursements from our strategic partnerships (see note 2 to our consolidated financial statements), reflecting a decrease related to our late-stage innovative pipeline, partially offset by an increase in R&D expenses relating to immunology projects. As we continue to execute on our Pivot to Growth strategy, we see higher R&D spend in some of our late-stage innovative pipeline assets.

R&D expenses as a percentage of revenues were 5.5% in the third quarter of 2024, compared to 6.6% in the third quarter of 2023.

Innovative Medicines Pipeline

Below is a description of key products in our innovative medicines pipeline as of November 1, 2024:

	Phase 2	Phase 3
Neuroscience		***Olanzapine LAI (TEV-'749)*** Schizophrenia (September 2022)
Immunology	***Duvakitug (anti-TL1A)*** [(1)] ***(TEV-'574)*** Inflammatory Bowel Disease	***ICS/SABA***[(3)] ***(TEV-'248)*** Respiratory (February 2023)
	Emrusolmin[(2)] ***(TEV-'286)*** Multiple System Atropy	

(1) In collaboration with Sanofi.
(2) In collaboration with Modag.
(3) In collaboration with Launch Therapeutics.

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 Xgeva® (denosumab) and Xolair® (omalizumab), biosimilars to Eylea® (afilbercept), Simponi®, Simponi Aria® (golimumab) and Entyvio® (vedolizymab), which are in collaboration with Alvotech for the U.S. market, as well as our proposed biosimilar to Prolia® (denosumab), which was submitted for regulatory review in the U.S. and Europe.

Selling and Marketing (S&M) Expenses

S&M expenses in the third quarter of 2024 were $626 million, an increase of 9% compared to the third quarter of 2023. This increase was mainly a result of the factors discussed above under "—United States segment—S&M Expenses," "—Europe segment— S&M Expenses" and "—International Markets Segment—S&M Expenses."

S&M expenses as a percentage of revenues were 14.5% in the third quarter of 2024, compared to 15.0% in the third quarter of 2023.

General and Administrative (G&A) Expenses

G&A expenses in the third quarter of 2024 were $298 million, an increase of 11% compared to the third quarter of 2023.

G&A expenses as a percentage of revenues were 6.9% in the third quarter of 2024 compared to 7.0% in the third quarter of 2023.

Intangible Asset Impairments

We recorded expenses of $28 million for identifiable intangible asset impairments in the third quarter of 2024, compared to expenses of $47 million in the third quarter of 2023. See note 5 to our consolidated financial statements.

Goodwill Impairment

We recorded a goodwill impairment charge of $600 million related to Teva's API reporting unit in the third quarter of 2024. No goodwill impairment charge was recorded in the third quarter of 2023. See note 6 to our consolidated financial statements.

Other Asset Impairments, Restructuring and Other Items

We recorded income of $23 million for other asset impairments, restructuring and other items in the third quarter of 2024, compared to expenses of $57 million in the third quarter of 2023. See note 12 to our consolidated financial statements.

Legal Settlements and Loss Contingencies

We recorded expenses of $450 million in legal settlements and loss contingencies in the third quarter of 2024, compared to expenses of $314 million in the third quarter of 2023. See note 9 to our consolidated financial statements.

Other Income (Loss)

Other income in the third quarter of 2024 was $21 million, compared to $9 million in the third quarter of 2023. Other income in the third quarter of 2024 included a capital gain from the sale of a business in our International Markets segment.

Operating Income (Loss)

Operating loss was $51 million in the third quarter of 2024, compared to an operating income of $344 million in the third quarter of 2023. This decrease was mainly due to a goodwill impairment charge and higher legal settlements and loss contingencies, partially offset by higher gross profit in the third quarter of 2024.

Operating loss as a percentage of revenues was 1.2% in the third quarter of 2024, compared to an operating income as a percentage of revenues of 8.9% in the third quarter of 2023.

Financial Expenses, Net

In the third quarter of 2024, financial expenses, net were $272 million, mainly comprised of net-interest expenses of $225 million and a negative exchange rate impact driven mainly from currencies which we were unable to hedge. In the third quarter of 2023, financial expenses, net were $280 million, mainly comprised of net-interest expenses of $247 million and a negative exchange rate impact driven mainly from currencies which we were unable to hedge.

Reconciliation Table to Consolidated Income (Loss) Before Income Taxes

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 September 30, 2024 and 2023:

	Three months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
United States profit	$ 748	$ 571
Europe profit	373	338
International Markets profit	109	117
Total reportable segments profit	1,230	1,025
Profit (loss) of other activities	(16)	(5)
Total segments profit	1,214	1,020
Amounts not allocated to segments:		
Amortization	146	145
Other assets impairments, restructuring and other items*	(23)	57
Goodwill impairment	600	—
Intangible assets impairments	28	47
Legal settlements and loss contingencies	450	314
Other unallocated amounts	64	112
Consolidated operating income (loss) *	(51)	344
Financial expenses, net	272	280
Consolidated income (loss) before income taxes *	$ (324)	$ 64

* The data presented for the prior period have been revised to reflect a revision in the presentation of these items in the consolidated financial statements. For additional information see note 1c to our consolidated financial statements.

Income Taxes

In the third quarter of 2024, we recognized a tax expense of $69 million, on a pre-tax loss of $324 million. In the third quarter of 2023, we recognized a tax benefit of $12 million, on a pre-tax income of $64 million. See note 11 to our consolidated financial statements.

Net Income (Loss) Attributable to Teva

Net loss was $437 million in the third quarter of 2024, compared to a net income of $69 million in the third quarter of 2023. This decrease was mainly due to changes in operating (income) loss 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 September 30, 2024 and 2023 was 1,133 million shares and 1,135 million shares, respectively.

Diluted loss per share was $0.39 in the third quarter of 2024, compared to diluted earnings per share of $0.06 in the third quarter of 2023. 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 September 30, 2024 and 2023, the fully diluted share count for purposes of calculating our market capitalization was approximately 1,167 million shares and 1,157 million shares, respectively.

Impact of Currency Fluctuations on Results of Operations

In the third quarter of 2024, approximately 45% 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 local currencies in the markets in which we operate (primarily the euro, British pound, Russian ruble, Canadian dollar, Swiss franc, Japanese yen and the new Israeli shekel) impact our results.

During the third quarter of 2024, 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 67%, Turkish lira by 20%, Brazilian real by 12%, Ukraine hryvna by 10% and Mexican peso by 10%. The following main currencies relevant to our operations increased in value against the U.S. dollar: Polish zloty by 6%, Russian ruble by 6%, Swedish krona by 4% and the euro by 1%.

As a result, exchange rate movements during the third quarter of 2024, including hedging effects, negatively impacted overall revenues by $88 million and operating income by $57 million, compared to the third quarter of 2023.

In the third quarter of 2024, a negative hedging impact of $9 million was recognized under revenues, and a positive hedging impact of $1 million was recognized under cost of sales. In the third quarter of 2023, a positive hedging impact of $22 million was recognized under revenues and a negative hedging impact of $7 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 Nine Months Ended September 30, 2024 to Nine Months Ended September 30, 2023

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 nine months ended September 30, 2024 and 2023. Where there are different factors affecting the nine months comparison, we have described them below.

Segment Information

United States Segment

The following table presents revenues, expenses and profit for our United States segment for the nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,			
	2024		2023	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$6,060	100%	$ 5,465	100%
Gross profit	3,291	54.3%	2,866	52.4%
R&D expenses	475	7.8%	460	8.4%
S&M expenses	789	13.0%	700	12.8%
G&A expenses	300	5.0%	289	5.3%
Other loss (income)	(1)	§	(3)	§
Segment profit*	$1,727	28.5%	$ 1,421	26.0%

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

§ Represents an amount less than 0.5%.

United States Revenues

As part of a recent shift in executive management responsibilities and in line with our Pivot to Growth strategy, commencing January 1, 2024, Canada is reported as part of our International Markets segment. Prior period amounts were recast to reflect this change. See note 15 to our consolidated financial statements.

Revenues from our United States segment in the first nine months of 2024 were $6,060 million, an increase of 11% compared to $5,465 million in the first nine months of 2023.

Revenues by Major Products and Activities

The following table presents revenues for our United States segment by major products and activities for the nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,		Percentage Change
	2024	2023	2024-2023
	(U.S. $ in millions)		
Generic products	$ 2,924	$ 2,471	18%
AJOVY	144	154	(6%)
AUSTEDO	1,124	817	38%
BENDEKA and TREANDA	127	185	(31%)
COPAXONE	179	224	(20%)
UZEDY	75	14	N/A
Anda	1,134	1,183	(4%)
Other	352	417	(16%)
Total	$ 6,060	$ 5,465	11%

AJOVY revenues in our United States segment in the first nine months of 2024 were $144 million, a decrease of 6% compared to $154 million in the first nine months of 2023, mainly due to an increase in sales allowance due to a non-recurring item, partially offset by growth in volume.

Anda revenues from third-party products in our United States segment in the first nine months of 2024 decreased by 4% to $1,134 million, compared to $1,183 million in the first nine months of 2023, mainly due to lower volume.

United States Gross Profit

Gross profit from our United States segment in the first nine months of 2024 was $3,291 million, an increase of 15%, compared to $2,866 million in the first nine months of 2023.

Gross profit margin for our United States segment in the first nine months of 2024 increased to 54.3% compared to 52.4% in the first nine months of 2023.

United States R&D Expenses

R&D expenses relating to our United States segment in the first nine months of 2024 were $475 million, an increase of 3%, compared to $460 million in the first nine months of 2023.

For a description of our R&D expenses in the first nine months of 2024, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

United States S&M Expenses

S&M expenses relating to our United States segment in the first nine months of 2024 were $789 million, an increase of 13%, compared to $700 million in the first nine months of 2023.

United States G&A Expenses

G&A expenses relating to our United States segment in the first nine months of 2024 were $300 million, an increase of 4%, compared to $289 million in the first nine months of 2023.

United States Profit

Profit from our United States segment in the first nine months of 2024 was $1,727 million, an increase of 22%, compared to $1,421 million in the first nine months of 2023.

Europe Segment

The following table presents revenues, expenses and profit for our Europe segment for the nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,			
	2024		2023	
	(U.S. $ in millions	% of Segment Revenues)		
Revenues	$ 3,749	100.0%	$ 3,493	100.0%
Gross profit	2,113	56.3%	1,943	55.6%
R&D expenses	173	4.6%	168	4.8%
S&M expenses	605	16.1%	565	16.2%
G&A expenses	197	5.2%	196	5.6%
Other loss (income)	1	§	(2)	§
Segment profit*	$ 1,137	30.3%	$ 1,017	29.1%

* 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 first nine months of 2024 were $3,749 million, an increase of 7% or $257 million, compared to the first nine months of 2023. In local currency terms, revenues increased by 6% compared to the first nine months of 2023.

Revenues by Major Products and Activities

The following table presents revenues for our Europe segment by major products and activities for the nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,		Percentage Change 2024-2023
	2024	2023	
	(U.S. $ in millions)		
Generic products	$ 2,947	$ 2,727	8%
AJOVY	158	115	37%
COPAXONE	163	174	(6%)
Respiratory products	183	195	(6%)
Other*	299	282	6%
Total	$ 3,749	$ 3,493	7%

* Other revenues in the first nine months of 2024 include the sale of certain product rights.

Europe Gross Profit

Gross profit from our Europe segment in the first nine months of 2024 was $2,113 million, an increase of 9% compared to $1,943 million in the first nine months of 2023.

Gross profit margin for our Europe segment in the first nine months of 2024 increased to 56.3% compared to 55.6% in the first nine months of 2023. This increase was mainly due to price increases of generic products as a result of market conditions such as inflationary pressures in certain markets.

Europe R&D Expenses

R&D expenses relating to our Europe segment in the first nine months of 2024 were $173 million, an increase of 3% compared to $168 million in the first nine months of 2023.

Europe S&M Expenses

S&M expenses relating to our Europe segment in the first nine months of 2024 were $605 million, an increase of 7% compared to $565 million in the first nine months of 2023.

Europe G&A Expenses

G&A expenses relating to our Europe segment in the first nine months of 2024 were $197 million, an increase of 1% compared to the first nine months of 2023.

Europe Profit

Profit from our Europe segment in the first nine months of 2024 was $1,137 million, an increase of 12% compared to $1,017 million in the first nine months of 2023.

International Markets Segment

The following table presents revenues, expenses and profit for our International Markets segment for the nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,			
	2024		2023	
	(U.S. $ in millions / % of Segment Revenues)			
Revenues	$ 1,802	100%	$ 1,750	100%
Gross profit	889	49.3%	861	49.2%
R&D expenses	85	4.7%	81	4.6%
S&M expenses	397	22.0%	353	20.2%
G&A expenses	109	6.0%	105	6.0%
Other loss (income)	(1)	§	(34)	(2.0%)
Segment profit*	$ 299	16.6%	$ 356	20.4%

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

§ Represents an amount less than 0.5%.

International Markets Revenues

Our International Markets segment includes all countries in which we operate other than the United States and the countries included in our Europe segment. As part of a recent shift in executive management responsibilities, commencing January 1, 2024, Canada is reported under our International Markets segment and is no longer included as part of our United States segment. Prior period amounts were recast to reflect this change. See note 15 to our consolidated financial statements.

Revenues from our International Markets segment in the first nine months of 2024 were $1,802 million, an increase of $53 million, or 3%, compared to the first nine months of 2023. In local currency terms, revenues increased by 19%, compared to the first nine months of 2023.

In the first nine months of 2024, revenues were negatively impacted by exchange rate fluctuations of $281 million including hedging effects, compared to the first nine months of 2023. Revenues in the first nine months of 2024 included a negligible hedging impact compared to a positive hedging impact of $12 million in the first nine months of 2023, 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 nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,		Percentage Change
	2024	2023	2024-2023
	(U.S. $ in millions)		
Generic products	$ 1,440	$ 1,425	1%
AJOVY	63	45	39%
COPAXONE	38	50	(23%)
Other*	261	229	14%
Total	$ 1,802	$ 1,750	3%

* Other revenues in the first nine months of 2024 include the sale of certain product rights.

International Markets Gross Profit

Gross profit from our International Markets segment in the first nine months of 2024 was $889 million, compared to $861 million in the first nine months of 2023.

Gross profit margin for our International Markets segment in the first nine months of 2024 was 49.3%, compared to 49.2% in the first nine months of 2023.

International Markets R&D Expenses

R&D expenses relating to our International Markets segment in the first nine months of 2024 were $85 million, an increase of 5% compared to $81 million in the first nine months of 2023.

International Markets S&M Expenses

S&M expenses relating to our International Markets segment in the first nine months of 2024 were $397 million, an increase of 12% compared to $353 million in the first nine months of 2023.

International Markets G&A Expenses

G&A expenses relating to our International Markets segment in the first nine months of 2024 were $109 million an increase of 3% compared to $105 million in the first nine months of 2023.

International Markets Other Income

Other income in the first nine months of 2024 was $1 million, compared to $34 million in the first nine months of 2023. Other income in the first nine months of 2023 included a capital gain from the sale of assets.

International Markets Profit

Profit from our International Markets segment in the first nine months of 2024 was $299 million, a decrease of 16%, compared to $356 million in the first nine 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 United States, Europe or International Markets segments described above.

On January 31, 2024, we announced that we intend to divest our API business (including its R&D, manufacturing and commercial activities) through a sale, which divestment is expected to be completed in the first half of 2025. The intention to divest is in alignment with our Pivot to Growth strategy. However, there can be no assurance regarding the ultimate timing or structure of a potential divestiture or that a divestiture will be agreed or completed at all.

Our revenues from other activities in the first nine months of 2024 were $703 million, an increase of 3% in both U.S. dollars and in local currency terms, compared to the first nine months of 2023.

API sales to third parties in the first nine months of 2024 were $409 million, an increase of 4% in both U.S. dollars and local currency terms, compared to the first nine months of 2023, following a reallocation of an immaterial business within our other activities, in line with our intention to divest our API business.

Teva Consolidated Results

The data presented with respect to other asset impairments, restructuring and other items, operating income (loss), income taxes, net income (loss) attributable to Teva and earnings (loss) per share for the prior period have been revised to reflect a revision in relation to a contingent consideration and related expenses in the consolidated financial statements. For additional information, see note 1c to our consolidated financial statements.

Revenues

Revenues in the first nine months of 2024 were $12,315 million, an increase of 8% compared to the first nine months of 2023. In local currency terms, revenues increased by 10%, compared to the first nine months of 2023.

Exchange rate movements during the first nine months of 2024, including hedging effects, negatively impacted revenues by $249 million, compared to the first nine months of 2023. See note 8d to our consolidated financial statements.

Gross Profit

Gross profit in the first nine months of 2024 was $5,943 million, an increase of 14% compared to the first nine months of 2023.

Gross profit margin was 48.3% in the first nine months of 2024, compared to 45.9% in the first nine months of 2023.

Research and Development (R&D) Expenses

R&D expenses in the first nine months of 2024 were $751 million, an increase of 3% compared to the first nine months of 2023, as we continue to execute on our Pivot to Growth strategy, mainly related to investments in our innovative pipeline.

R&D expenses as a percentage of revenues were 6.1% in the first nine months of 2024, compared to 6.4% in the first nine months of 2023.

Selling and Marketing (S&M) Expenses

S&M expenses in the first nine months of 2024 were $1,891 million, an increase of 10% compared to the first nine months of 2023.

S&M expenses as a percentage of revenues were 15.4% in the first nine months of 2024, compared to 15.2% in the first nine months of 2023.

General and Administrative (G&A) Expenses

G&A expenses in the first nine months of 2024 were $859 million, a decrease of 1% compared to the first nine months of 2023.

G&A expenses as a percentage of revenues were 7.0% in the first nine months of 2024, compared to 7.6% in the first nine months of 2023.

Intangible Asset Impairments

We recorded expenses of $169 million for identifiable intangible asset impairments, in the first nine months of 2024, compared to expenses of $289 million in the first nine months of 2023. See note 5 to our consolidated financial statements.

Goodwill Impairment

We recorded goodwill impairment charges of $1,000 million related to Teva's API reporting unit in the first nine months of 2024, compared to a goodwill impairment charge of $700 million related to our International Markets reporting unit in the first nine months of 2023. See note 6 to our consolidated financial statements.

Other Asset Impairments, Restructuring and Other Items

We recorded expenses of $931 million for other asset impairments, restructuring and other items in the first nine months of 2024, compared to expenses of $276 million in the first nine months of 2023. See note 12 to our consolidated financial statements.

Legal Settlements and Loss Contingencies

We recorded expenses of $638 million in legal settlements and loss contingencies in the first nine months of 2024, compared to expenses of $1,009 million in the first nine months of 2023. See note 9 to our consolidated financial statements.

Other Income (Loss)

Other income in the first nine months of 2024 was $22 million, compared to $43 million in the first nine months of 2023. Other income in the first nine months of 2023 included a capital gain from the sale of assets in our International Markets segment.

Operating Income (Loss)

Operating loss was $274 million in the first nine months of 2024, compared to an operating loss of $323 million in the first nine months of 2023. The lower operating loss in the first nine months of 2024 was mainly due to higher gross profit and lower legal settlements and loss contingencies, partially offset by higher other asset impairments, restructuring and other items as well as higher goodwill impairment charges in the first nine months of 2024.

Operating loss as a percentage of revenues was 2.2% in the first nine months of 2024, compared to an operating loss as a percentage of revenues of 2.8% in the first nine months of 2023.

Financial Expenses, Net

In the first nine months of 2024, financial expenses, net were $763 million, mainly comprised of net-interest expenses of $691 million and a negative exchange rate impact driven mainly from currencies which we were unable to hedge. In the first nine months of 2023, financial expenses, net were $808 million, mainly comprised of net-interest expenses of $723 million and a negative exchange rate impact driven mainly from currencies which we were unable to hedge.

Reconciliation Table to Consolidated Income (Loss) Before Income Taxes

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 nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,	
	2024	2023
	(U.S. $ in millions)	
United States profit	$ 1,727	$ 1,421
Europe profit	1,137	1,017
International Markets profit	299	356
Total reportable segments profit	3,163	2,794
Profit of other activities	(1)	22
Total segments profit	3,162	2,816
Amounts not allocated to segments:		
Amortization	444	471
Other assets impairments, restructuring and other items (1)	931	276
Goodwill impairment	1,000	700
Intangible assets impairments	169	289
Legal settlements and loss contingencies	638	1,009
Other unallocated amounts	254	394
	—	—
Consolidated operating income (loss) (1)	(274)	(323)
Financial expenses, net	763	808
Consolidated income (loss) before income taxes (1)	$(1,037)	$(1,131)

(1) The data presented for 2023 have been revised to reflect a revision in relation to a contingent consideration and related expenses in the consolidated financial statements. See note 1C to our consolidated financial statements for additional information.

Income Taxes

In the first nine months 2024, we recognized a tax expense of $648 million, on pre-tax loss of $1,037 million. In the first nine months of 2023, we recognized a tax benefit of $48 million, on pre-tax loss of $1,131 million. See note 11 to our consolidated financial statements.

Net Income (Loss) Attributable to non-controlling interests

Net loss attributable to non-controlling interests was $262 million in the first nine months of 2024, compared to a net loss attributable to non-controlling interests of $60 million in the first nine months of 2023. The higher net loss in the first nine months of 2024 was mainly due to higher impairments of tangible assets largely related to the classification of our business venture in Japan as held for sale. See note 12 to our consolidated financial statements.

Net Income (Loss) Attributable to Teva

Net loss was $1,422 million in the first nine months of 2024, compared to a net loss of $1,022 million in the first nine months of 2023.

Diluted Shares Outstanding and Earnings (Loss) per Share

The weighted average diluted shares outstanding used for the fully diluted share calculations for the nine months ended September 30, 2024 and 2023 was 1,130 million shares and 1,119 million shares, respectively.

Diluted loss per share was $1.26 for the nine months ended September 30, 2024, compared to diluted loss per share of $0.91 for the nine months ended September 30, 2023. See note 13 to our consolidated financial statements.

Impact of Currency Fluctuations on Results of Operations

In the first nine months of 2024, approximately 47% 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, Swiss franc, Russian ruble, Japanese yen and new Israeli shekel) impact our results.

During the first nine months of 2024, the following main currencies relevant to our operations decreased in value against the U.S. dollar: Argentinian peso by 72%, Turkish lira by 31%, Chilean peso by 12%, Japanese yen by 9% and Russian ruble by 8% (all compared on a nine-month average basis). The following main currencies relevant to our operations increased in value against the U.S. dollar: Polish zloty by 7%, British pound by 3%, Swiss franc by 2% and Swedish krona by 1%.

As a result, exchange rate movements during the first nine months of 2024, including hedging effects, negatively impacted overall revenues by $249 million and our operating income by $124 million, in comparison to the first nine months of 2023.

In the first nine months of 2024, a positive hedging impact of $1 million was recognized under revenues, and a negative hedging impact of $5 million was recognized under cost of sales. In the first nine months of 2023, a positive hedging impact of $20 million was recognized under revenues and a negative hedging impact of $8 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.

2024 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, 2023.

Liquidity and Capital Resources

Total balance sheet assets were $41,758 million as of September 30, 2024, compared to $43,479 million as of December 31, 2023.

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 $2,009 million as of September 30, 2024, compared to negative $1,374 million as of December 31, 2023. This decrease was mainly due to a classification of the working capital balance related to our business venture in Japan as held for sale (see note 2 to our consolidated financial statements), an increase in provisions for legal settlements and loss contingencies, and a negative impact from several tax items, primarily the agreement with the Israeli Tax Authorities entered into in June 2024 (see note 11 to our consolidated financial statements), partially offset by a decrease in accounts payables.

Employee-related obligations, as of September 30, 2024 were $619 million, compared to $611 million as of December 31, 2023. The increase in the first nine months of 2024 was mainly due to an accrual for performance incentive payments to employees for 2024, partially offset by performance incentive payments to employees for 2023.

Cash investment in property, plant and equipment and intangible assets in the third quarter of 2024 was $148 million compared to $149 million in the third quarter of 2023. Depreciation in the third quarter of 2024 was $113 million, compared to $138 million in the third quarter of 2023.

Cash and cash equivalents as of September 30, 2024 were $3,319 million compared to $3,226 million as of December 31, 2023.

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 and on May 3, 2024 ("RCF"). See note 7 to our consolidated financial statements.

Debt Balance and Movements

As of September 30, 2024, our debt was $18,980 million, compared to $19,833 million as of December 31, 2023. This decrease was mainly due to repayment at maturity of $956 million of our 6% senior notes, partially offset by $88 million of exchange rate fluctuations.

In April 2024, we repaid $956 million of our 6% senior notes at maturity.

In October 2024, we repaid at maturity $685 million of our 1.13% senior notes due in 2024.

As of September 30, 2024, our debt was effectively denominated in the following currencies: 58% in U.S. dollars, 40% in euros and 2% in Swiss francs.

The portion of total debt classified as short-term as of September 30, 2024 was 14% compared to 8% as of December 31, 2023.

Our financial leverage, which is the ratio between our debt and the sum of our debt and equity, was 75% as of September 30, 2024, compared to 71% as of December 31, 2023. Our average debt maturity was approximately 5.5 years as of September 30, 2024, compared to 6.0 years as of December 31, 2023.

Total Equity

Total equity was $6,383 million as of September 30, 2024, compared to $8,126 million as of December 31, 2023. This decrease was mainly due to a net loss of $1,684 million, and a negative impact from exchange rate fluctuations of $94 million.

Exchange rate fluctuations affected our balance sheet, as approximately 94% of our net assets as of September 30, 2024 (including both monetary and non-monetary assets) were in currencies other than the U.S. dollar. When compared to December 31, 2023, changes in currency rates as of September 30, 2024 had a negative impact of $94 million on our equity. The following main currencies increased in value against the U.S. dollar: British pound by 5%, Polish zloty by 3% and the euro by 1%. The following main currencies decreased in value against the U.S. dollar: Mexican peso by 16%, Russian ruble by 6%, Chilean peso by 2%, Canadian dollar by 2% and Japanese yen by 1%. 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 third parties. This has the effect of increasing or decreasing cash from operations during any given 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 third quarter of 2024 was $693 million, compared to $5 million of cash flow generated from operating activities in the third quarter of 2023. The higher cash flow generated from operating activities in the third quarter of 2024 resulted mainly from higher profit in our United States segment, as well as from changes in working capital items, including a positive impact from accounts receivables, net of SR&A, and from accounts payables and inventory levels, partially offset by higher legal payments during the third quarter of 2024.

During the third quarter of 2024, we generated free cash flow of $922 million, which we define as comprising $693 million in cash flow generated from operating activities, $339 million in beneficial interest collected in exchange for securitized accounts receivables (under our EU securitization program) and $38 million in divestitures of businesses and other assets, partially offset by $148 million in cash used for capital investment. During the third quarter of 2023, we generated free cash flow of $229 million, which we define as comprising $5 million in cash flow generated from operating activities, $362 million in beneficial interest collected in exchange for securitized accounts receivables (under our EU securitization program) and $10 million in proceeds from divestitures of businesses and other assets, partially offset by $149 million in cash used for capital investment. The increase in the third quarter of 2024, resulted mainly from higher cash flow generated from operating activities.

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, collaboration agreements, development funding agreements and participation in joint ventures associated with R&D activities. For further information on our agreements with mAbxience, Launch Therapeutics and Abingworth, Biolojic Design, Royalty Pharma, Sanofi, 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.

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 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 nine months ended September 30, 2024 and 2023, as well as reconciliations of each measure to their nearest GAAP equivalents:

($ in millions except per share amounts)	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Net income (Loss) attributable to Teva[1]	($) (437)	69	($) (1,422)	(1,022)
Increase (decrease) for excluded items:				
Amortization of purchased intangible assets	146	145	444	471
Legal settlements and loss contingencies[2]	450	314	638	1,009
Goodwill impairment[3]	600	—	1,000	700
Impairment of long-lived assets[4]	(51)	48	758	310
Restructuring costs	21	27	52	93
Equity compensation	29	31	89	93
Contingent consideration[1][5]	34	27	305	140
Loss (Gain) on sale of business	(20)	(5)	(21)	(3)
Accelerated depreciation	1	25	8	74
Financial expenses	11	14	35	53
Items attributable to non-controlling interests[4]	41	(1)	(276)	(91)

Other non-GAAP items[6]	56	64	162	252
Corresponding tax effects and unusual tax items[7]	(83)	(80)	270	(315)
Non-GAAP net income attributable to Teva	($) 798	677	($) 2,043	1,762
Non-GAAP tax rate[8]	16.0%	9.0%	15.5%	13.0%
GAAP diluted earnings (loss) per share attributable to Teva	($) (0.39)	0.06	($) (1.26)	(0.91)
EPS difference[9]	1.08	0.54	3.04	2.47
Non-GAAP diluted EPS attributable to Teva[9]	($) 0.69	0.60	($) 1.78	1.56
Non-GAAP average number of shares (in millions)[9]	1,155	1,135	1,148	1,131

(1) The data presented for the prior period have been revised to reflect a revision in the presentation of these items in the consolidated financial statements. For additional information see note 1c to our consolidated financial statements.

(2) Adjustments for legal settlements and loss contingencies in the third quarter of 2024 were mainly related to a provision of $350 million recorded in connection with a decision by the European Commission in its antitrust investigation into COPAXONE®, and to an update to the estimated settlement provision of $121 million for the opioid cases (mainly related to the settlement agreement with the city of Baltimore and the effect of the passage of time on the net present value of the discounted payments). Adjustments for legal settlements and loss contingencies in the third quarter of 2023 were mainly related to a provision of $270 million in connection with the U.S. DOJ patient assistance program litigation. Adjustments for legal settlements and loss contingencies in the nine months ended September 30, 2024 were mainly related to a provision of $350 million recorded in connection with a decision by the European Commission in its antitrust investigation into COPAXONE®, and to an update to the estimated settlement provision of $239 million for the opioid cases (mainly the effect of the passage of time on the net present value of the discounted payments and the settlement agreement with the city of Baltimore). Adjustments for legal settlements and loss contingencies in the nine months ended September 30, 2023 were mainly related to an update to the estimated provision of $370 million related to the DOJ patient assistance program litigation, an update to the estimated settlement provision of $248 million related to the remaining opioid cases, the provision of $204 million relating to the U.S. DOJ criminal antitrust charges on the marketing and pricing of certain Teva USA generic products, and the provision of $100 million related to the settlement of the reverse-payment antitrust litigation over certain HIV medicines. See note 10 to our consolidated financial statements.

(3) Goodwill impairment charges of $600 million and $1,000 million related to Teva's API reporting unit were recorded in the three and nine months ended September 30, 2024, respectively. A goodwill impairment charge of $700 million related to our International Markets reporting unit was recorded in the nine months ended September 30, 2023.

(4) Adjustments for impairment of long-lived assets and items attributable to non-controlling interests, for the first nine months of 2024 primarily consisted of $561 million and $275 million, respectively, related to the classification of the business venture in Japan as held for sale. Adjustments for impairment of long-lived assets, for the first nine months of 2023 primarily consisted of $206 million related to impairments of identifiable product rights and $83 million related to impairments of IPR&D assets.

(5) Adjustments for contingent consideration primarily related to a change in the estimated future royalty payments to Allergan in connection with lenalidomide capsules (the generic version of Revlimid®), of $28 million and $266 million, respectively for the three and nine months ended September 30, 2024, and of $23 million and $111 million, respectively for the three and nine months ended September 30, 2023.

(6) 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.

(7) Adjustments for corresponding tax effects and unusual tax items for the nine months ended September 30, 2024, include a tax item in an amount of $495 million related to the settlement agreement with the ITA to settle certain litigation with respect to taxes payable for the Company's taxable years 2008 through 2020.

(8) 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. GAAP tax rate for the three and nine months ended September 30, 2024 was 21% and 62% respectively and for the three and nine months ended September 30, 2023 was 19% and 4% respectively.

(9) 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, 2023, 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, 2023. 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, 2023.

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 (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in Teva's reports filed or submitted under the Exchange Act 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 these 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 September 30, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, due to a material weakness in internal control over financial reporting described below, as of such date, the Company's disclosure controls and procedures were not effective.

Previously Identified Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

As previously disclosed, in our Annual Report on Form 10-K for the year ended December 31, 2023, during the preparation of our consolidated financial statements for the year ended December 31, 2023, management identified a material weakness in our internal control over financial reporting, which continues to exist as of September 30, 2024.

We did not design and maintain effective control over the contingent consideration liability and related expenses in connection with estimated future royalty payments. This material weakness resulted in the misstatement of our "Other asset impairments, restructuring and other items," "Net income" and "Other taxes and long-term liabilities" and related financial disclosures, and led to the revision of the Company's consolidated financial statements for the year ended December 31, 2022, and the interim financial information for the quarterly and year-to-date periods ended June 30, 2022, September 30, 2022, December 31, 2022, March 31, 2023, June 30, 2023 and September 30, 2023. Additionally, this material weakness could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation Plan

Management has designed and implemented the following specific controls to address the material weakness and enhance our disclosure controls and procedures over the contingent consideration liability: (i) defined responsibilities over the end-to-end process; (ii) enhanced the formality and rigor of reconciliation procedures; and (iii) implemented additional monitoring controls through management reviews. In addition, management has conducted trainings for the related control owners.

Although the new controls have been designed and implemented, they have not been operated for a sufficient period of time for management to conclude, through testing, that these controls are operating effectively. Accordingly, the material weakness described above is not remediated as of September 30, 2024.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2024, 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, 2023.

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 September 30, 2024.

Repurchase of Shares

We did not repurchase any of our shares during the three months ended September 30, 2024 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

Director and Officer Rule 10b5-1 Trading Arrangements

During the three months ended September 30, 2024, the following officer adopted a Rule 10b5-1 trading arrangement (as such term is defined in Item 408 of Regulation S-K). The trading plan is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act.

Name and Title	Date	Action	Expiration Date	Maximum Shares Subject to Plan [1]
Christine Fox, EVP, U.S. Commercial	August 13, 2024	Adopted	March 6, 2025	83,953

(1) The plan includes shares to be sold solely to cover tax withholding obligations.

ITEM 6. EXHIBITS

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: November 6, 2024

By: /s/ Eli Kalif

Name: **Eli Kalif**

Title: **Executive Vice President,**
Chief Financial Officer
(Duly Authorized Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Richard D. Francis, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 6, 2024

/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: November 6, 2024

/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 September 30, 2024 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: November 6, 2024

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

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