# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

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

**For the fiscal year ended December 31, 2019**

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

**For the transition period from to**

**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)** | **(I.R.S. Employer Identification No.)** |

**5 Basel Street, Petach Tikva, ISRAEL, 4951033**
**(Address of principal executive offices and Zip Code)**

**+972 (3) 914-8171**
**(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** |

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

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates of the registrant, computed by reference to the closing price at which the American Depositary Shares were last sold on the New York Stock Exchange, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2019), was approximately $8.82 billion. Teva Pharmaceutical Industries Limited has no non-voting common equity. For purpose of this calculation only, this amount excludes ordinary shares and American Depositary Shares held by directors and executive officers and by each person who owns or may be deemed to own 10% or more of the registrant's common equity at June 30, 2019.

As of December 31, 2019, the registrant had 1,092,189,007 ordinary shares outstanding.

Portions of the registrant's definitive proxy statement for its annual meeting of shareholders to be filed within 120 days after the close of the registrant's fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K.

## TABLE OF CONTENTS

## 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 (formerly IMS Health Inc.), a provider of market research to the pharmaceutical industry ("IQVIA"), unless otherwise stated. References to "Actavis Generics" are to the generic pharmaceuticals business we purchased from Allergan plc ("Allergan") on August 2, 2016. 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.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K, and the reports and documents incorporated by reference in this Annual Report on Form 10-K, 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; consolidation of our customer base and commercial alliances among our customers; the increase in the number of competitors targeting generic opportunities and seeking U.S. market exclusivity for generic versions of significant products; competition for our specialty products, especially COPAXONE®, our leading medicine, which faces competition from existing and potential additional generic versions, competing glatiramer acetate products and orally-administered alternatives; the uncertainty of commercial success of AJOVY® or AUSTEDO®; competition from companies with greater resources and capabilities; delays in launches of new products and our ability to achieve expected results from investments in our product pipeline; ability to develop and commercialize biopharmaceutical products; efforts of pharmaceutical companies to limit the use of generics, including through legislation and regulations and the effectiveness of our patents and other measures to protect our intellectual property rights;
- our substantial indebtedness, which may limit our ability to incur additional indebtedness, engage in additional transactions or make new investments, may result in a further downgrade of our credit ratings; and our inability to raise debt or borrow funds in amounts or on terms that are favorable to us;
- our business and operations in general, including: implementation of our restructuring plan announced in December 2017; our ability to attract, hire and retain highly skilled personnel; our ability to develop and commercialize additional pharmaceutical products; compliance with anti-corruption, sanctions and trade control laws; manufacturing or quality control problems; interruptions in our supply chain; disruptions of information technology systems; breaches of our data security; variations in intellectual property laws; challenges associated with conducting business globally, including adverse effects of political or economic instability, major hostilities or terrorism; significant sales to a limited number of customers; our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions; our prospects and opportunities for growth if we sell assets and potential difficulties related to the operation of our new global enterprise resource planning (ERP) system;

- compliance, regulatory and litigation matters, including: increased legal and regulatory action in connection with public concern over the abuse of opioid medications in the U.S. and our ability to reach a final resolution of the remaining opioid-related litigation; costs and delays resulting from the extensive governmental regulation to which we are subject; the effects of reforms in healthcare regulation and reductions in pharmaceutical pricing, reimbursement and coverage; governmental investigations into S&M practices; potential liability for patent infringement; product liability claims; increased government scrutiny of our patent settlement agreements; failure to comply with complex Medicare and Medicaid reporting and payment obligations; and environmental risks;
- other financial and economic risks, including: our exposure to currency fluctuations and restrictions as well as credit risks; potential impairments of our intangible assets; potential significant increases in tax liabilities; and the effect on our overall effective tax rate of the termination or expiration of governmental programs or tax benefits, or of a change in our business;

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

# PART I

## ITEM 1. BUSINESS

### Business Overview

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

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

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

### Our Business Segments

We operate our business through three segments: North America, Europe and International Markets. Each business segment manages our entire product portfolio in its region, including generics, specialty and over-the-counter ("OTC") products. 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 active pharmaceutical ingredients ("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.

In December 2017, we announced a comprehensive two-year restructuring plan intended to reduce our cost base by $3 billion, unify and simplify our organization and improve business performance, profitability, cash flow generation and productivity. This plan achieved its goals, including a total cost base reduction of $3 billion by the end of 2019. We are continuing to evaluate opportunities to further optimize our manufacturing and supply network to achieve additional operational efficiencies.

For information regarding our major customers, see note 19 to our consolidated financial statements.

Below is an overview of our three business segments.

***North America***

Our North America segment includes the United States and Canada.

We are the leading generic drug company in the United States. We market over 500 generic prescription products in more than 1,500 dosage strengths, packaging sizes and forms, including oral solid dosage forms, injectable products, inhaled products, liquids, ointments and creams. Most of our generic sales in the United States are made to retail drug chains, mail order distributors and wholesalers.

Our wholesale and retail selling efforts are supported by participation in key pharmaceutical conferences as well as focused advertising in professional journals and on leading pharmacy websites. We continue to strengthen consumer awareness of the benefits of generic medicines through partnerships and digital marketing programs.

During 2019, our generics business in the United States continued to be affected by certain adverse market forces, including: (i) pricing pressure that has impacted certain products or product families in our generic portfolio, (ii) an accelerated FDA approval process for generic versions of off-patent medicines, resulting in increased competition for these products, and (iii) delays in the launch of some of our new generic products. We have also experienced supply discontinuities due to regulatory actions and approval delays, which also had an impact on our ability to timely meet demand in certain instances. These adverse market forces have been affecting our business for a number of years and, consequently, have a direct impact on our overall performance.

Our specialty portfolio in North America has an established presence in central nervous system ("CNS") medicines. COPAXONE® is among the leading products for the treatment of multiple sclerosis ("MS") in North America. In addition, we continue to strengthen our specialty portfolio with AJOVY®, a preventive treatment for migraine, and the continued growth of our neurodegenerative and movement disorder treatment medicine, AUSTEDO®. We are committed to maintaining a leading presence in the respiratory market by delivering a range of medicines for the treatment of asthma and chronic obstructive pulmonary disease ("COPD").

We maintain a meaningful presence in oncology medicines, including both specialty and generic medicines. In November 2019, we launched TRUXIMA®, our first oncology biosimilar product in the United States.

Anda, our distribution business in the United States, distributes generic, specialty and OTC pharmaceutical products from various third party manufacturers to independent retail pharmacies, pharmacy retail chains, hospitals and physician offices in the United States. Anda is able to compete in the secondary distribution market by maintaining high inventory levels for a broad offering of products, competitive pricing and offering next day delivery throughout the United States.

***Europe***

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

We are the leading generic pharmaceutical company in Europe. We are among the top three generic pharmaceutical companies in a majority of European Union markets, including some of the largest markets in the European Union. No single country in Europe represents more than 25% of our total European generic revenues, and therefore we are not highly dependent on any single country that could be affected by pricing reforms or changes in public policy.

Despite their diversity and highly fragmented nature, the European markets share many characteristics that allow us to leverage our pan-European presence and broad portfolio. Global customers are important partners in our generic business and are expanding across Europe, although customer consolidation is lower than in the United States. We are one of a few generic pharmaceutical companies with a pan-European footprint. Most competitors focus on a select few markets or business lines.

Our OTC portfolio in Europe includes global brands such as SUDOCREM® as well as local and regional brands such as NasenDuo® in Germany, Flegamina® in Poland and FLUX® and Decubal® in the Nordic countries.

Our specialty portfolio in Europe focuses on three main areas: CNS and pain, respiratory and oncology. Our leading product, COPAXONE, continues to be among the leading products for the treatment of MS, though new treatments are being introduced to various markets in the European Union.

AJOVY was granted marketing authorization in the European Union by the European Medicines Agency ("EMA") in a centralized process in April 2019. We commenced launching AJOVY in certain European markets in May 2019 and are moving forward with plans to launch the product in other European countries.

***International Markets***

Our International Markets segment includes all countries in which we operate other than those in our North America and Europe segments. These markets comprise more than 35 countries, covering a substantial portion of the global pharmaceutical market.

Our key international markets are Japan, Russia and Israel. In Japan, we operate our business through a business venture with Takeda Pharmaceutical Companies Limited ("Takeda"), in which we own a 51% stake and Takeda owns the remaining 49%. The countries in our International Markets segment range from highly regulated, pure generic markets, such as Israel, to hybrid markets, such as Japan, to branded generics oriented markets, such as Russia and certain Latin American markets.

Each market's strategy is built upon differentiation and filling the unmet needs of that market. Our integrated sales force enables us to extract synergies across our branded generic, OTC and specialty medicines product offerings and across various channels (e.g., retail, institutional).

Our specialty portfolio in International Markets focuses on three main areas: CNS and pain, respiratory and oncology.

**Our Product Portfolio and Business Offering**

Our product and service portfolio includes generic medicines, biopharmaceuticals, specialty medicines, OTC products, a distribution business, API and contract manufacturing. Each region manages the entire range of products and services offered in its region and our global marketing and portfolio function optimizes our pipeline and product lifecycle across therapeutic areas. In most markets in which we operate, we use an integrated and comprehensive marketing model, offering a broad portfolio of products, including specialty, generic and OTC products.

***Generic Medicines***

Generic medicines are the chemical and therapeutic equivalents of originator medicines and are typically more affordable in comparison to the originator's products. Generics are required to meet similar governmental requirements as their brand-name equivalents, such as those relating to manufacturing processes and health authorities' inspections, and must receive regulatory approval prior to their sale in any given country. Generic

medicines may be manufactured and marketed if relevant patents on their brand-name equivalents (and any additional government-mandated market exclusivity periods) have expired or have been challenged or otherwise circumvented.

We develop, manufacture and sell generic medicines in a variety of dosage forms, including tablets, capsules, injectables, inhalants, liquids, ointments and creams. We offer a broad range of basic chemical entities, as well as specialized product families, such as sterile products, hormones, high-potency drugs and cytotoxic substances, in both parenteral and solid dosage forms.

Our generics business has a wide-reaching commercial presence. We are the leading generic pharmaceutical company in the United States and have a top three leadership position in many countries, including some of the key European markets. We have a robust product portfolio, comprehensive R&D capabilities and product pipeline and a global operational network, which enables us to execute key generic launches to further expand our product pipeline and diversify our revenue stream. We use these capabilities to help overcome price erosion in our generics business.

When considering whether to develop a generic medicine, we take into account a number of factors, including our overall strategy, regional and local patient and customer needs, R&D and manufacturing capabilities, regulatory considerations, commercial factors and the intellectual property landscape. We will challenge patents when appropriate if we believe they are either invalid or would not be infringed by our generic version. We may seek alliances to acquire rights to products we do not have in our portfolio, to share development costs or litigation risks, or to resolve patent and regulatory barriers to entry.

As part of the comprehensive restructuring plan announced in December 2017 and implemented through 2019, we substantially optimized our global generics portfolio, particularly in the United States, through product discontinuation and price adjustments, with a focus on increasing profitability. This resulted in the restructuring and optimization of our manufacturing and supply network, including the closure or divestment of a significant number of manufacturing plants in the United States, Europe and International Markets. We plan to continue to optimize our generics portfolio and manufacturing and supply network prospectively as well.

In markets such as the United States, the United Kingdom, Canada, the Netherlands and Israel, generic medicines may be substituted by the pharmacist for their brand name equivalent or prescribed by International Nonproprietary Name ("INN"). In these so-called "pure generic" markets, physicians and patients have little control over the choice of generic manufacturer, and consequently generic medicines are not actively marketed or promoted to physicians or consumers. Instead, the relationship between the manufacturer and pharmacy chains and distributors, health funds and other health insurers is critical. Many of these markets have automatic substitution models when generics are available as alternatives to brands. In Russia, Turkey, Ukraine, Kazakhstan and certain Latin American and European countries, generic medicines are generally sold under brand names alongside the originator brand. These markets are referred to as "branded generic" markets and are generally "out of pocket" markets in which consumers can pay for a particular branded generic medicine (as opposed to government or privately funded medical health insurance), often at the recommendation of their physician. Branded generic products are actively promoted and a sales force is necessary to create and maintain brand awareness. Other markets, such as Germany, Japan, France, Italy and Spain, are hybrid markets with elements of both approaches.

Our position in the generics market is supported by our global R&D function, as well as our API R&D and manufacturing activities, which provide significant vertical integration for our products.

For information about our product launches and pipeline of generic medicines in North America and Europe, see "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Information—North America Segment" and "Item 7—Management's Discussions and Analysis of Financial Condition and Results of Operations—Segment Information—Europe Segment."

***Biosimilar Medicines***

Below is a description of our key biosimilar products:

**TRUXIMA**

- **TRUXIMA** (rituximab-abbs) is a monoclonal antibody biosimilar to Rituxan® (rituximab). It was approved by the FDA in November 2018 for the treatment of adult patients in three indications: (i) relapsed or refractory, low-grade or follicular, CD20-positive, B-cell Non–Hodgkin's Lymphoma (NHL) as a single agent, (ii) previously untreated follicular, CD20-positive, B-cell NHL in combination with first line chemotherapy and, in patients achieving a complete or partial response to a rituximab product in combination with chemotherapy, as single-agent maintenance therapy, and (iii) non-progressing (including stable disease), low-grade, CD20-positive, B-cell NHL as a single agent after first-line cyclophosphamide, vincristine, and prednisone (CVP) chemotherapy. In May 2019, the FDA approved TRUXIMA for two additional indications, thus matching all of the reference product's oncology indications for NHL and CLL. The two additional oncology indications are: (i) previously untreated diffuse large B-cell, CD20-positive NHL in combination with (cyclophosphamide, doxorubicin, vincristine, and prednisone) (CHOP) or other anthracycline-based chemotherapy regimens and (ii) previously untreated and previously treated CD20-positive Chronic Lymphocytic Leukemia (CLL) in combination with fludarabine and cyclophosphamide (FC). In December 2019, the FDA further approved TRUXIMA for the treatment of (i) Rheumatoid Arthritis (RA) in combination with methotrexate in adult patients with moderately-to severely-active RA who have inadequate response to one or more TNF antagonist therapies and (ii) Granulomatosis with Polyangiitis (GPA) (Wegener's Granulomatosis) and Microscopic Polyangiitis (MPA) in adult patients in combination with glucocorticoids.
- We entered into an exclusive partnership with Celltrion, Inc. ("Celltrion") in October 2016 to commercialize TRUXIMA in the United States and Canada.
- TRUXIMA, our first oncology biosimilar product in the United States, launched in November 2019 and is the first rituximab biosimilar to be approved in the United States.
- We reached an agreement with Genentech, Inc. ("Genentech") to settle U.S. patent litigation regarding TRUXIMA. Under the terms of the settlement agreement, TRUXIMA became available in the United States with the approved oncology indications on November 11, 2019. In addition, we have a license from Genentech to expand the TRUXIMA label to include the RA and GPA/MPA indications in the second quarter of 2020.

**HERZUMA®**

- **HERZUMA** (trastuzumab-pkrb) is a HER2/neu receptor antagonist biosimilar to Herceptin® (trastuzumab). HERZUMA was initially approved by the FDA in December 2018, with additional indications approved in May 2019, so that HERZUMA's label now matches all of the reference product's indications: (i) adjuvant treatment of HER2 overexpressing node positive or node negative (ER/PR negative or with one high risk feature) breast cancer, as part of a treatment regimen consisting of doxorubicin, cyclophosphamide, and either paclitaxel or docetaxel, as part of a treatment regimen with docetaxel and carboplatin, or as a single agent following multi-modality anthracycline based therapy, and (ii) in combination with paclitaxel for first-line treatment of HER2-overexpressing metastatic breast cancer, or as a single agent for treatment of HER2-overexpressing breast cancer in patients who have received one or more chemotherapy regimens for metastatic disease, and (iii) in combination with cisplatin and capecitabine or 5-fluorouracil, for the treatment of patients with HER2 overexpressing metastatic gastric or gastroesophageal junction adenocarcinoma who have not received prior treatment for metastatic disease.

- We entered into an exclusive partnership with Celltrion in October 2016 to commercialize HERZUMA in the United States and Canada.
- We reached an agreement with Genentech to settle U.S. patent litigation regarding HERZUMA. Under the terms of the settlement agreement, HERZUMA is expected to be available in the United States in the first quarter of 2020.

***Specialty Medicines***

Our specialty medicines business, which is focused on delivering innovative solutions to patients and providers via medicines, devices and services in key regions and markets around the world, includes our core therapeutic areas of CNS (with a strong emphasis on MS, neurodegenerative disorders, movement disorders and pain care including migraine) and respiratory medicines (with a focus on asthma and COPD). We also have specialty products in oncology and selected other areas.

We deploy medical and sales and marketing professionals within specific therapeutic areas who seek to address the needs of patients and healthcare professionals. We tailor our patient support, payer relations and medical affairs activities to the distinct characteristics of each therapeutic area and medicine.

The U.S. market is the most significant market in our specialty business. In Europe and International Markets, we leverage existing synergies between our specialty business and our generics and OTC businesses. Our specialty presence in International Markets is mainly built on our CNS franchise, with gradual development in other therapeutic areas closely related to our branded generics portfolios in those countries.

We have built specialized "Patient Support Programs" to help patients adhere to their treatments, improve patient outcomes and, in certain markets, to ensure timely delivery of medicines and assist in securing reimbursement. These programs reflect the importance we place on supporting patients and ensuring better medical outcomes for them. As part of our restructuring plan, we outsourced certain of these services to external vendors. Patient Support Programs are currently operated in many countries around the world in multiple therapeutic areas. We believe that it is important to provide a range of services and solutions tailored to meet the needs of patients according to their specific condition and local market requirements. We believe this capability provides an important competitive advantage in the specialty medicines market.

Below is a description of our key specialty products:

***CNS and Pain***

Our **CNS and pain** portfolio includes COPAXONE for the treatment of relapsing forms of MS, AJOVY for the preventive treatment of migraine and AUSTEDO for the treatment of tardive dyskinesia and chorea associated with Huntington disease.

**COPAXONE**

- **COPAXONE** (glatiramer acetate injection) is one of the leading MS therapies in the United States (according to IQVIA data as of December 2019). COPAXONE is indicated for the treatment of patients with relapsing forms of MS ("RMS"), including the reduction of the frequency of relapses in relapsing-remitting multiple sclerosis ("RRMS"), including in patients who have experienced a first clinical episode and have MRI features consistent with MS.
- COPAXONE is believed to have a unique mechanism of action that works with the immune system, unlike many therapies that are believed to rely on general immune suppression or cell sequestration to exert their effect. COPAXONE provides a proven mix of efficacy, safety and tolerability.

- The FDA approved generic versions of COPAXONE 40 mg/mL in October 2017 and February 2018 and a second generic version of COPAXONE 20 mg/mL in October 2017 in the United States. Hybrid versions of COPAXONE 20 mg/mL and 40 mg/mL were also approved in the European Union.
- COPAXONE 40 mg/mL is protected by one European patent expiring in 2030. This patent is being challenged in various European jurisdictions. In October 2017, the U.K. High Court found this patent invalid and our application for permission to appeal this decision was rejected. The patent was upheld by the Opposition Division of the European Patent Office in April 2019. A hearing for an appeal in this case has been set for June 2020.
- The market for MS treatments continues to develop, particularly with the approval of generic versions of COPAXONE discussed above, as well as additional generic versions expected to be approved in the future. 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®.

**AJOVY (anti CGRP)**

- **AJOVY** (fremanezumab-vfrm) injection is a fully humanized monoclonal antibody that binds to calcitonin gene-related peptide ("CGRP"). In September 2018, AJOVY was approved by the FDA for the preventive treatment of migraine in adults and was subsequently launched in the United States.
- AJOVY was granted a marketing authorization in the European Union by the EMA in a centralized process in April 2019. We commenced launching AJOVY in certain European markets in May 2019 and are moving forward with plans to launch in other European countries.
- During 2019, we received marketing authorizations for AJOVY in Israel and Australia and we continue to move forward with submissions in various other countries in our International Markets segment.
- On May 12, 2017, we entered into a license and collaboration agreement with Otsuka Pharmaceutical Co., Ltd. ("Otsuka") providing Otsuka with an exclusive license to conduct phase 2 and 3 clinical trials for AJOVY in Japan and, once approved, to commercialize the product in Japan. Results for these trials were received in January 2020, indicating that primary and secondary endpoints were achieved and that no clinically significant adverse events were observed in subjects.
- On January 27, 2020, the FDA approved an auto-injector device for AJOVY in the U.S. We have also received approval from the EMA for AJOVY's auto-injector submission in the EU.
- AJOVY is also in clinical development to evaluate safety and efficacy in the treatment of post traumatic headache and fibromyalgia.
- AJOVY is protected by patents expiring in 2026 in Europe and in 2027 in the United States. Applications for patent term extensions have been submitted in various markets around the world. An additional patent relating to the use of AJOVY in the treatment of migraine is issued in the United States and will expire in 2035. This patent is also pending in other countries. AJOVY will also be protected by regulatory exclusivity of 12 years from marketing approval in the United States and 10 years from marketing approval in Europe.
- We have 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. Lilly has also submitted IPR (inter partes review) petitions to the Patent Trial and Appeal Board, challenging the validity of the nine patents asserted against it in the litigation. The litigation in the district court has been stayed pending resolution of the IPR petitions. The patent office hearing concerning the first six IPRs was held on November 22, 2019 and the hearing concerning the remaining three IPRs was held on January 8, 2020. On February 18, 2020, the Patent Trial and Appeal Board issued decisions on the first six IPRs, finding the six patents invalid as being obvious. We are currently reviewing the possibility of appealing these decisions. In addition, we have entered into separate agreements with Alder Biopharmaceuticals, Inc. ("Alder") and Lilly, resolving the

European Patent Office oppositions that they have 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® (deutetrabenazine)**

- **AUSTEDO** (deutetrabenazine) is a deuterated form of a small molecule inhibitor of vesicular monoamine 2 transporter, or VMAT2, that is designed to regulate the levels of a specific neurotransmitter, dopamine, in the brain. The FDA granted Deutetrabenazine New Chemical Entity Exclusivity until April 2022 and Orphan Drug exclusivity for the treatment of chorea associated with Huntington disease until April 2024.
- AUSTEDO was approved by the FDA and launched in April 2017 in the United States for the treatment of chorea associated with Huntington disease. In August 2017, the FDA approved AUSTEDO for the treatment of tardive dyskinesia ("TD") in adults in the United States and we launched AUSTEDO for the treatment of TD in September 2017. TD is a debilitating, often irreversible movement disorder caused by certain medications used to treat mental health or gastrointestinal conditions.
- During 2019, we submitted requests for marketing authorizations for AUSTEDO in certain countries in our International Markets segment. We continue to move forward with additional submissions in various other countries around the world.
- In September 2017, we entered into a partnership agreement with Nuvelution Pharma, Inc ("Nuvelution") for the development of AUSTEDO for the treatment of Tourette syndrome in pediatric patients in the United States. In February 2020, we received results for these clinical trials, which found that the clinical trials failed to meet their primary endpoints. No new safety signals were identified in these studies.
- AUSTEDO is protected in the United States by five Orange Book patents expiring between 2031 and 2033 and in Europe by two patents expiring in 2029.

***Oncology***

Our specialty **oncology** portfolio includes BENDEKA® / TREANDA®, GRANIX® and TRISENOX® in the United States and LONQUEX®, TEVAGRASTIM®/RATIOGRASTIM® and TRISENOX® outside the United States.

**BENDEKA and TREANDA**

- **BENDEKA** (bendamustine hydrochloride) injection and TREANDA (bendamustine hydrochloride) for injection are approved in the United States for the treatment of patients with chronic lymphocytic leukemia ("CLL") and patients with indolent B-cell non-Hodgkin's lymphoma ("NHL") that has progressed during or within six months of treatment with rituximab or a rituximab-containing regimen. BENDEKA, which was launched in the United States in January 2016, is a liquid, low-volume (50 mL) and short-time 10-minute infusion formulation of bendamustine hydrochloride that we licensed from Eagle Pharmaceuticals, Inc. ("Eagle"). 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 increasing the royalty rate. In consideration, Eagle agreed to assume a portion of BENDEKA-related patent litigation expenses.
- Eagle launched a ready-to-dilute bendamustine hydrochloride in June 2018, which competes directly with BENDEKA. Other competitors to BENDEKA include combination therapies such as R-CHOP (a combination of cyclophosphamide, vincristine, doxorubicin and prednisone in combination with rituximab) and CVP-R (a combination of cyclophosphamide, vincristine and prednisolone in combination with rituximab) for the treatment of NHL, as well as a combination of fludarabine, doxorubicin and rituximab for the treatment of CLL and newer targeted oral therapies, such as ibrutinib, idelilisib and venetoclax.

- There are 15 patents listed in the U.S. Orange Book for BENDEKA with expiry dates between 2026 and 2031. Teva and Eagle received notices of Abbreviated New Drug Application ("ANDA") filings by Slayback Pharmaceuticals, Fresenius Kabi, Apotex, Mylan, and Lupin Pharmaceuticals, Inc. ("Lupin") for generic versions of BENDEKA, which all contained Paragraph IV challenges against one or more of the BENDEKA patents. In response, Teva and Eagle filed patent infringement lawsuits against each of the ANDA filers in the U.S. District Court for the District of Delaware, four of which are pending a decision by the court, which could come as early as the first half of 2020. The respective 30-month stays, automatically triggered by the patent infringement lawsuits, began expiring in January 2020. The asserted patents expire in 2031. Additionally, Teva and Eagle received a notification from early 2018 that Hospira, Inc. ("Hospira") filed a 505(b)(2) new drug application ("NDA") referencing BENDEKA. In July 2018, Teva and Eagle filed suit against Hospira in the U.S. District Court for the District of Delaware. Hospira's 30-month stay expires in December 2020. On December 16, 2019, the Delaware District Court dismissed the case against Hospira on all but one of the asserted patents, which expires in 2031. Trial against Hospira on that patent is scheduled to begin on November 15, 2021.
- We have U.S. Orange Book patents for TREANDA expiring between 2026 and 2031. One 505(b)(2) NDA was filed for a liquid version of bendamustine and 21 ANDAs were filed for generic versions of the lyophilized form of TREANDA. We have reached final settlements with all 22 filers, providing for the launch of generic versions of TREANDA prior to patent expiration.
- In July 2018, Eagle prevailed in its suit against the FDA to obtain seven years of orphan drug exclusivity in the United States for BENDEKA. The FDA has appealed the district court's decision, but barring a reversal of the decision by the appellate court, drug applications referencing BENDEKA, TREANDA or any other bendamustine product will not be approved by the FDA until the orphan drug exclusivity expires in December 2022. If the decision is reversed, generic versions of TREANDA may be launched immediately.

***Respiratory***

Our **respiratory** portfolio includes ProAir®, QVAR®, DuoResp® Spiromax®, AirDuo® RespiClick®/ ArmonAir® RespiClick® and CINQAIR®/CINQAERO®.

We are committed to maintaining a leading presence in the respiratory market by delivering a range of medicines for the treatment of asthma and COPD. Our portfolio is centered on optimizing respiratory treatment for patients and healthcare providers through the development and commercialization of innovative delivery systems and therapies that help address unmet needs.

Our respiratory pipeline is based on drug molecules delivered in our proprietary dry powder formulations and breath-actuated device technologies and targeted biologics. With this portfolio, we are targeting high value markets in the respiratory area such as inhaled short-acting beta agonists, inhaled corticosteroids, fixed-dose corticosteroid and beta2 agonist combinations, long-acting muscarinic antagonist products and biologics.

The key areas of focus for our respiratory R&D include development of differentiated respiratory therapies for patients using innovative delivery systems to deliver chemical and biological therapies. Our device strategy is intended to result in "device consistency," allowing physicians to choose the device that best matches a patient's needs both in terms of ease of use and effectiveness of delivery of the prescribed molecule.

Our innovative delivery systems include:

- A breath-actuated inhaler ("BAI") recently approved in the United States for use with QVAR as QVAR RediHaler®; and
- Spiromax (EU) or RespiClick (U.S.), a novel inhalation-driven multi-dose dry powder inhaler ("MDPI").

**ProAir**

- The ProAir line of products includes ProAir hydrofluoroalkane ("HFA"), ProAir RespiClick® and ProAir Digihaler®, which are sold only in the United States.
- **ProAir HFA** (albuterol sulfate) is an inhalation aerosol with dose counter and is indicated for patients four years of age and older for the treatment or prevention of bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm. ProAir HFA is among the leading quick relief inhalers in the United States. In January 2019, we launched our own ProAir authorized generic in the United States following the launch of a generic version of Ventolin® HFA, another albuterol inhaler. In June 2014, we settled a patent challenge to ProAir HFA with Perrigo Pharmaceuticals ("Perrigo"), under which Perrigo is now permitted to launch its generic product. In November 2017, we settled another patent challenge to ProAir HFA, under which Lupin is now permitted to launch its generic product. As of the date hereof, neither Perrigo nor Lupin have launched generic versions of ProAir HFA.
- **ProAir Digihaler** (albuterol sulfate 117 mcg) inhalation powder is the first and only digital rescue inhaler with built-in sensors which connects to a companion mobile application and provides inhaler use information to people with asthma and COPD. ProAir Digihaler was approved by the FDA on December 21, 2018 for the treatment or prevention of bronchospasm in patients aged four years and older with reversible obstructive airway disease and for prevention of exercise-induced bronchospasm (EIB) in patients aged four years and older. Commercial availability of ProAir Digihaler is planned for 2020 through targeted launch activities.
- **ProAir RespiClick** (albuterol sulfate) inhalation powder is a breath-actuated, multi-dose, dry-powder, short-acting beta-agonist inhaler for the treatment or prevention of bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm in patients four years of age and older. ProAir RespiClick was approved by the FDA for use in adults and adolescents aged 12 years and older in March 2015 and its label was expanded for use by children 4 to 11 years of age in April 2016.
- Three major brands compete with ProAir HFA and ProAir RespiClick in the United States in the short-acting beta agonist market: Ventolin® HFA (albuterol), Proventil® HFA (albuterol) and Xopenex® HFA (levalbuterol). In addition, an authorized generic version Ventolin® HFA (albuterol) was approved in January 2019.

**QVAR**

- **QVAR** (beclomethasone dipropionate HFA) is indicated as a maintenance treatment for asthma as a prophylactic therapy in patients five years of age or older. QVAR is also indicated for asthma patients who require systemic corticosteroid administration, where adding QVAR may reduce or eliminate the need for systemic corticosteroids. We market QVAR in the United States and in major European markets.
- Four major brands compete with QVAR in the mono inhaled corticosteroid segment: Flixotide/ Flovent® (fluticasone), Pulmicort Flexhaler® (budesonide), Asmanex® (mometasone) and Alvesco® (ciclesonide).
- **QVAR RediHaler** (beclomethasone dipropionate HFA) inhalation aerosol, a breath actuated inhaler, was approved by the FDA in August 2017 for the maintenance treatment of asthma as a prophylactic therapy in patients four years of age and older. This product became commercially available in February 2018. The RediHaler device is the next generation of our QVAR product and contains the same small particle aerosol formulation as the existing QVAR in a breath-actuated device.

**CINQAIR/CINQAERO**

- **CINQAIR/CINQAERO** (reslizumab) injection, a humanized interleukin-5 antagonist monoclonal antibody for add-on maintenance treatment of adult patients with severe asthma and with an eosinophilic phenotype, received FDA, EMA and Health Canada approval in 2016. This biologic treatment became commercially available to patients in the United States in April 2016, in certain European countries in November 2016 and in Canada in 2017.
- Major brands competing with CINQAIR/CINQAERO in the United States, Europe and Canada in the interleukin-5 market are Nucala® (mepolizumab) and Fasenra® (benralizumab).

**AirDuo RespiClick / ArmonAir RespiClick / AirDuo Digihaler**

- **AirDuo RespiClick** (fluticasone propionate and salmeterol inhalation powder) is a combination of an inhaled corticosteroid and a long acting beta-agonist bronchodilator, approved in the United States for the treatment of asthma in patients aged 12 years and older who are uncontrolled on an inhaled corticosteroid ("ICS") or whose disease severity clearly warrants the use of an ICS/long-acting beta2-adrenergic agonist ("LABA") combination.
- AirDuo RespiClick and its authorized generic have the same active ingredients as Advair® but are delivered via Teva's breath-activated, MDPI, RespiClick, which is used with other approved medicines in our respiratory product portfolio
- **ArmonAir RespiClick** (fluticasone propionate MDPI U.S.) is a formulation of long acting ICS using our MDPI device, indicated for maintenance treatment of asthma as prophylactic therapy in patients 12 years of age and older, with an enhanced lung delivery designed to allow lower doses to achieve the same clinical outcomes as Flovent® Diskus.
- **AirDuo Digihaler** (fluticasone propionate and salmeterol inhalation powder) is the first and only digital maintenance inhaler with built-in sensors which connects to a companion mobile application and provides inhaler use information to people with asthma. AirDuo Digihaler was approved by the FDA on July 12, 2019 for treatment of asthma in patients aged 12 years and older who are uncontrolled on an ICS or whose disease severity clearly warrants the use of an ICS/LABA combination. Commercial availability of AirDuo Digihaler is planned for 2020 through targeted launch activities.

**BRALTUS®**

- **BRALTUS** (tiotropium bromide), a long-acting muscarinic antagonist, indicated for adult patients with COPD, delivered via the Zonda® inhaler, was launched in Europe in August 2016.

Below is a description of key products in our specialty pipeline:

| Product | Potential Indication(s) | Route of Administration | Development Phase (date entered phase 3) | Comments |
|---|---|---|---|---|
| **CNS, Neurology and Neuropsychiatry** | | | | |
| AUSTEDO (deutetrabenazine) | Tourette syndrome | Oral | 3 (December 2017) | Teva and Nuvelution entered into a partnership agreement on September 19, 2017 to develop AUSTEDO for the treatment of tics associated with |

| Product | Potential Indication(s) | Route of Administration | Development Phase (date entered phase 3) | Comments |
|---|---|---|---|---|
| | | | | Tourette syndrome in pediatric patients in the United States. In February 2020, we received results for these clinical trials, which found that the clinical trials failed to meet their primary endpoints. No new safety signals were identified in these studies. |
| | Dyskinesia in cerebral palsy | Oral | 3 (September 2019) | |
| TV-46000 (risperidone LAI) | Schizophrenia | Subcutaneous | 3 (April 2018) | |
| **Migraine and Pain** | | | | |
| fremanezumab (anti CGRP) | Post traumatic headache | Subcutaneous | 2 | |
| | fibromyalgia | Subcutaneous | 2 | |
| fasinumab | Osteoarthritis pain | Subcutaneous | 3 (March 2016) | Developed in collaboration with Regeneron Pharmaceuticals, Inc. ("Regeneron"). In August 2018, Regeneron and Teva announced positive topline phase 3 results in patients with chronic pain from osteoarthritis of the knee or hip with the remaining low dose 1mg every month (1mg4W) and 1mg every two months (1mg8W). Fasinumab is protected by patents expiring in 2028 and will also be protected by regulatory exclusivity of 12 years from marketing approval in the United States |

| Product | Potential Indication(s) | Route of Administration | Development Phase (date entered phase 3) | Comments |
|---|---|---|---|---|
| | | | | and 10 years from marketing approval in Europe. |
| **Respiratory** | | | | |
| ProAir e-RespiClick™ | Bronchospasm and exercise induced bronchitis | Oral inhalation | Approved by FDA (December 2018) | |
| AirDuo Digihaler | Treatment of asthma in patients aged 12 years and older | Oral inhalation | Approved by FDA (July 2019) | |
| ArmonAir DigiHaler | Treatment of asthma in patients aged 12 years and older | Oral inhalation | Under regulatory review | |
| GoResp® DigiHaler / DuoResp DigiHaler | Treatment of asthma in patients aged 12 years and older and COPD | Oral inhalation | Under regulatory review | |
| **Oncology** | | | | |
| HERZUMA | (biosimilar to Herceptin® US) | | Approved by FDA (December 2018) Approved in Canada (September 2019) | |

During 2019, development of the following projects was either discontinued or transferred:

- CINQAIR/CINQAERO for severe asthma with eosinophilia;
- Fremanezumab (anti CGRP) for episodic cluster headache; and
- Fasinumab for chronic lower back pain has been put on hold.

**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.

We produce approximately 350 APIs for our own use and for sale to third parties in many therapeutic areas. APIs used in pharmaceutical products are subject to regulatory oversight by national health authorities. We utilize a variety of production technologies, including chemical synthesis, semi-synthetic fermentation, enzymatic synthesis, high potency manufacturing, plant extract technology and peptide synthesis. Our advanced technology and expertise in the field of solid state particle technology enable us to meet specifications for particle size distribution, bulk density, specific surface area and polymorphism, as well as other characteristics.

We provide contract manufacturing services related to products divested in connection with the sale of certain business lines, as well as other miscellaneous items. Our other activities are not included in our North America, Europe and International Markets segments described above.

**Research and Development**

Our R&D activities span the breadth of our business, including generic medicines (finished goods and API), specialty pharmaceuticals, biopharmaceuticals and OTC medicines.

All of our R&D activities are concentrated under one global group with overall responsibility for generics, specialty and biologics, enabling better focus and efficiency.

A strong focus for Teva is the development of new generic medicines. We develop generic products for the United States, Europe, and our International Markets segment. Our focus is on developing complex formulations with complex technologies, which have higher barriers to entry. Generic R&D activities, which are carried out in development centers located around the world, include product formulation, analytical method development, stability testing, management of bioequivalence, bio-analytical studies, other clinical studies and registration of generic drugs in all of the markets where we operate. We also operate several clinics where most of our bioequivalent studies are performed. We have more than 1,250 generic products in our pre-approved global pipeline, which includes products in all stages of the approval process: pre-submission, post-submission and after tentative approval.

In addition, our generic R&D supports our OTC business in developing OTC products, as well as in overseeing the work performed by contract developers.

Current R&D capabilities include solid oral dosage forms (such as tablets and capsules), inhalation, semi-solid and liquid formulations (such as ointments and creams), sterile formulations and other dosage forms, and delivery systems, such as matrix systems, special coating systems for sustained release products, orally disintegrating systems, sterile systems, such as vials, syringes and blow-fill-seal systems, and more recently, capability build-up in long-acting release injectable, transdermal patches, oral thin film, drug device combinations and nasal delivery systems. In addition, we are in the process of developing multiple AB-rated respiratory programs and devices for our long active injectable pipeline.

Our API R&D division focuses on the development of processes for the manufacturing of APIs, including intermediates, chemicals and fermentation products, for both our generic and proprietary drugs. Our facilities include two large development centers in India and Croatia, focusing on synthetic products, and three centers with specific expertise: a center in Hungary specializing in fermentation and semi-synthetic products, a center in Israel for oligonucleotides and a center in the Czech Republic for high-potency APIs. Our substantial investment in API R&D generates a steady flow of API products, supporting the timely introduction of generic products to market. The API R&D division also seeks methods to continuously reduce API production costs, enabling us to improve our cost structure.

Our specialty R&D product pipeline is focused on biologic products, biosimilar products and discovery of new biologic candidates. Specialty development activities include preclinical assessment (including toxicology, pharmacokinetics, pharmacodynamics and pharmacology studies), clinical development (including pharmacology and the design, execution and analysis of global safety and efficacy trials), as well as regulatory strategy to deliver registration of our pipeline products.

Our specialty R&D develops novel specialty products in our core therapeutic and disease focus areas. We have CNS projects in areas such as migraine, pain, movement disorders/neurodegeneration and neuropsychiatry. Our respiratory projects are focused on asthma and COPD and include both novel compounds and delivery systems designed to address unmet patient needs. We also pursue select pipeline projects (e.g., biosimilars) in other therapeutic and disease areas that leverage our global R&D and commercial areas of expertise.

While our focus is on internal growth that leverages our R&D capabilities, we have entered into, and expect to pursue, in-licensing, acquisition and partnership opportunities to supplement and expand our existing specialty pipeline (e.g., the transactions with Celltrion, Eagle and Regeneron). In parallel, we evaluate and expand the development scope of our existing R&D pipeline products as well as our existing products for submission in additional markets.

**Operations**

We operate our business globally and believe that our global infrastructure provides us with the following capabilities and advantages:

- global R&D facilities that enable us to have a broad global generic pipeline and product line, as well as a focused pipeline of specialty products;

- pharmaceutical manufacturing facilities approved by the FDA, EMA and other regulatory authorities located around the world, which offer a broad range of production technologies and the ability to concentrate production in order to achieve high quality and economies of scale;
- API manufacturing capabilities that offer a stable, high-quality supply of key APIs, vertically integrated with our pharmaceutical operations; and
- high-volume, technologically advanced distribution facilities that allow us to deliver new products to our customers quickly and efficiently, providing a cost-effective, safe and reliable supply.

These capabilities provide us with the means to respond on a global scale to a wide range of therapeutic and commercial requirements of patients, customers and healthcare providers.

***Pharmaceutical Production***

We operate 47 finished dosage and packaging pharmaceutical plants in 22 countries. These plants manufacture solid dosage forms, sterile injectables, liquids, semi-solids, inhalers, transdermal patches and medical devices. In 2019, we produced approximately 73 billion tablets and capsules and approximately 753 million sterile units.

Our primary manufacturing technologies, solid dosage forms, injectables and blow-fill-seal, are available in North America, Europe, Latin America and Israel. The manufacturing sites located in Israel, Germany, Hungary, Croatia, Bulgaria, India, Spain, Poland and the Czech Republic make up the majority of our production capacity.

We use several external contract manufacturers to achieve operational and cost benefits. We continue to strengthen our third party operations unit to strategically work with our supplier base in order to meet cost, supply security and quality targets on a sustainable base in alignment with our global procurement organization.

Our policy is to maintain multiple supply sources for our strategic products and APIs to appropriately mitigate risk in our supply chain to the extent possible. However, our ability to do so may be limited by regulatory and other requirements.

Since 2017, we closed or divested a significant number of manufacturing plants in North America, Europe, Israel and Japan in connection with our restructuring plan, announced in December 2017. We plan to continue to optimize our manufacturing and supply network prospectively as well.

***Raw Materials for Pharmaceutical Production***

In general, we purchase our raw materials and supplies required for the production of our products in the open market. For some products, we purchase such raw materials and supplies from one source (the only source available to us) or a single source (the only approved source among many available to us), thereby requiring us to obtain such raw materials and supplies from that particular source. We attempt, if possible, to mitigate our raw material supply risks through inventory management and alternative sourcing strategies.

We source a large portion of our APIs from our own manufacturing facilities. Additional APIs are purchased from suppliers located in Europe, Asia and the United States. We have implemented a supplier audit program to ensure that our suppliers meet our high standards and are able to fulfill the requirements of our global operations.

We currently have 17 API production facilities, producing approximately 350 APIs in various therapeutic areas. Our API intellectual property portfolio includes hundreds of granted patents and pending applications worldwide.

We have expertise in a variety of production technologies, including chemical synthesis, semi-synthetic fermentation, enzymatic synthesis, high-potency manufacturing, plant extract technology, peptides synthesis, vitamin D derivatives synthesis and prostaglandins synthesis. Our advanced technology and expertise in the field of solid state particle technology enable us to meet specifications for particle size distribution, bulk density, specific surface area and polymorphism, as well as other characteristics.

Our API facilities are required to comply with applicable current Good Manufacturing Practices ("cGMP") requirements under U.S., European, Japanese and other applicable quality standards. Our API plants are regularly inspected by the FDA, European agencies and other authorities, as applicable.

**Patents and Other Intellectual Property Rights**

We rely on a combination of patents, trademarks, copyrights, trade secrets and other proprietary know-how and regulatory exclusivities, as well as contractual protections, to establish and protect our intellectual property rights. We own or license numerous patents covering our products in the United States and other countries. We have also developed many brand names and own many trademarks covering our products. We consider the overall protection of our intellectual property rights to be of material value and act to protect these rights from infringement. We license or assign certain intellectual property rights to third parties in connection with certain business transactions.

**Environment, Health and Safety**

We are committed to business practices that promote socially and environmentally responsible economic growth. During 2019, we continued to make significant progress on our multi-year plan towards our long-term environment, health and safety ("EHS") goal referred to as "Target Zero": zero incidents, zero injuries and zero releases. Among other things, in 2019, we:

- continued the implementation of our global EHS management system, which promotes proactive compliance with applicable EHS requirements, establishes EHS standards throughout our global operations and helps drive continuous improvement in our EHS performance;
- provided EHS regulatory monitoring tools in all countries where we have significant operations; and
- proactively evaluated EHS compliance through self-evaluation and an internal audit program, addressing non-conformities through appropriate corrective and preventative action.

**Quality**

We are committed not only to complying with quality requirements but to developing and leveraging quality as a competitive advantage. In 2019, we successfully completed numerous inspections by various regulatory agencies of our finished dosage pharmaceutical plants and our pharmacovigilance function, continued discussions with authorities about drug shortages and participated in several industry-wide task forces. We continue to focus on maintaining a solid and sustainable quality compliance foundation, as well as making quality a priority to continuous compliance. We seek to ensure that quality is an embedded part of our corporate culture and is reflected in all of our daily operations, delivering reliable and high quality products.

For information regarding significant regulatory events, see note 15 to our consolidated financial statements.

**Geographic Areas**

Our business is conducted in many countries around the world and a significant portion of our revenues is generated from operations outside the United States. We operate our business through three segments: North America, Europe and International Markets. Each region manages our entire product portfolio, including generics, specialty and OTC products. The products we manufacture and sell around the world include many of those described above under "—Our Product Portfolio and Business Offering."

Investments and activities in some countries outside the Unites States are subject to higher risks than comparable U.S. activities because the investment and commercial climate in such countries may be influenced by financial instability in international economies, restrictive economic policies and political and legal system uncertainties. Changes in the relative value of international currencies may also materially affect our results of operations. For a discussion of these risks, see "Item 1A—Risk Factors."

**Competition**

Sales of generic medicines have benefitted from increasing awareness and acceptance on the part of healthcare insurers and institutions, consumers, physicians and pharmacists around the world. Factors contributing to this increased awareness are the passage of legislation permitting or encouraging generic substitution and the publication by regulatory authorities of lists of equivalent pharmaceuticals, which provide physicians and pharmacists with generic alternatives. In addition, various government agencies and many private managed care or insurance programs encourage the substitution of brand-name pharmaceuticals with generic products as a cost-savings measure in the purchase of, or reimbursement for, prescription pharmaceuticals.

In the United States, we are subject to competition in the generic drug market from domestic and international generic drug manufacturers and brand-name pharmaceutical companies through lifecycle management initiatives, authorized generics, existing brand equivalents and manufacturers of therapeutically similar drugs. An increase in FDA approvals for generic products is increasing the competition on our base generic products. Price competition from additional generic versions of the same product typically results in margin pressures, which is causing some generics companies to increase focus on portfolio efficiency and product life cycle management.

The European market continues to be ever more competitive, especially in terms of pricing, higher quality standards, customer service and portfolio relevance. We are one of only a few companies with a pan-European footprint, while most of our European competitors focus on a limited number of selected markets or business lines. Our leadership position in Europe allows us to be a reliable partner to fulfill the needs of patients, physicians, pharmacies, customers and payers.

In our International Markets, our global scale and broad portfolio give us a significant competitive advantage over local competitors, allowing us to optimize our offerings through a combination of high quality medicines and unique go-to-market approaches.

Furthermore, in significant markets such as Japan and Russia, governments have issued or are in process of issuing regulations designed to increase generic penetration. Specifically, in Japan, ongoing regulatory pricing reductions and generic competition to off-patented products have negatively affected our sales in Japan. These conditions result in intense competition in the generic market, with generic companies competing for advantage based on pricing, time to market, reputation and customer service.

Our specialty medicines business faces intense competition from both specialty and generic pharmaceutical companies. The specialty business may continue to be affected by price reforms and changes in the political landscape, following recent public debate in the United States. We believe that our primary competitive advantages include our commercial marketing teams, global R&D capabilities, the body of scientific evidence substantiating the safety and efficacy of our various medicines, our patient-centric solutions, physician and patient experience with our medicines and our medical capabilities, which are tailored to our product offerings, regional and local markets and the needs of our stakeholders.

## Regulation

### United States

#### *Food and Drug Administration and the Drug Enforcement Administration*

All pharmaceutical manufacturers selling products in the United States are subject to extensive regulation by the United States federal government, principally by the FDA and the Drug Enforcement Administration ("DEA"), and, to a lesser extent, by state and local governments. The Federal Food, Drug, and Cosmetic Act, the Controlled Substances Act ("CSA") and other federal and state statutes and regulations govern or influence the development, manufacture, testing, safety, efficacy, labeling, approval, storage, distribution, recordkeeping, advertising, promotion, sale, import and export of our products. Our facilities are periodically inspected by the FDA, which has extensive enforcement powers over the activities of pharmaceutical manufacturers. Noncompliance with applicable requirements may result in fines, criminal penalties, civil injunction against shipment of products, recall and seizure of products, total or partial suspension of production, sale or import of products, refusal of the government to enter into supply contracts or to approve NDAs, ANDAs or biologics license applications ("BLAs") and criminal prosecution by the Department of Justice. The FDA also has the authority to deny or revoke approvals of marketing applications and the power to halt the operations of non-complying manufacturers. Any failure to comply with applicable FDA policies and regulations could have a material adverse effect on our operations.

FDA approval is required before any "new drug" (including generic versions of previously approved drugs) may be marketed, including new strengths, dosage forms and formulations of previously approved drugs. Applications for FDA approval must contain information relating to bioequivalence (for generics), safety, toxicity and efficacy (for new drugs), product formulation, raw material suppliers, stability, manufacturing processes, packaging, labeling and quality control. FDA procedures generally require that commercial manufacturing equipment be used to produce test batches for FDA approval. The FDA also requires validation of manufacturing processes so that a company may market new products. The FDA conducts pre-approval and post-approval reviews and plant inspections to implement these requirements.

The federal CSA and its implementing regulations establish a closed system of controlled substance distribution for legitimate handlers. The CSA imposes registration, security, recordkeeping and reporting, storage, manufacturing, distribution, importation and other requirements upon legitimate handlers under the oversight of the DEA. The DEA categorizes controlled substances into one of five schedules—Schedule I, II, III, IV, or V—with varying qualifications for listing in each schedule. Facilities that manufacture, distribute, conduct chemical analysis, import or export any controlled substance must register annually with the DEA. The DEA inspects all registered facilities to review security, record keeping and reporting and handling prior to issuing a controlled substance registration and periodically thereafter. Failure to maintain compliance with applicable requirements, particularly as manifested in the loss or diversion of controlled substances, can result in enforcement action, such as civil penalties, refusal to renew necessary registrations or the initiation of proceedings to revoke those registrations. In certain circumstances, violations could lead to criminal prosecution.

The Drug Price Competition and Patent Term Restoration Act (the "Hatch-Waxman Act") established the procedures for obtaining FDA approval for generic forms of brand-name drugs. This act also provides market exclusivity provisions that can delay the approval of certain NDAs and ANDAs. One such provision allows a five-year period of data exclusivity for NDAs containing new chemical entities and a three-year period of market exclusivity for NDAs (including different dosage forms) containing new clinical trial(s) essential to the approval of the application. The Orphan Drug Act grants seven years of exclusive marketing rights to a specific drug for a specific orphan indication. The term "orphan drug" refers, generally, to a drug that treats a rare disease affecting fewer than 200,000 Americans. Market exclusivity provisions are distinct from patent protections and apply equally to patented and non-patented drug products. Another provision of the Hatch-Waxman Act extends certain patents for up to five years as compensation for the reduction of effective life of the patent which resulted from time spent in clinical trials and time spent by the FDA reviewing a drug application.

Under the Hatch-Waxman Act, any company submitting an ANDA or an NDA under Section 505(b)(2) of the Food, Drug, and Cosmetic Act (i.e., an NDA that, similar to an ANDA, relies, in whole or in part, on FDA's prior approval of another company's drug product; also known as a "505(b)(2) application") must make certain certifications with respect to the patent status of the drug for which it is seeking approval. In the event that such applicant plans to challenge the validity or enforceability of an existing listed patent or asserts that the proposed product does not infringe an existing listed patent, it files a "Paragraph IV" certification. In the case of ANDAs, the Hatch-Waxman Act provides for a potential 180-day period of generic exclusivity for the first company to submit an ANDA with a Paragraph IV certification. This filing triggers a regulatory process in which the FDA is required to delay the final approval of subsequently filed ANDAs containing Paragraph IV certifications until 180 days after the first commercial marketing. For both ANDAs and 505(b)(2) applications, when litigation is brought by the patent holder, in response to this Paragraph IV certification, the FDA generally may not approve the ANDA or 505(b)(2) application until the earlier of 30 months or a court decision finding the patent invalid, not infringed or unenforceable. Submission of an ANDA or a 505(b)(2) application with a Paragraph IV certification can result in protracted and expensive patent litigation.

Products manufactured outside the United States and marketed in the United States are subject to all of the above regulations, as well as to FDA, DEA and United States customs regulations at the port of entry. Products marketed outside the United States that are manufactured in the United States are additionally subject to various export statutes and regulations, as well as regulation by the country in which the products are to be sold.

Our products also include biopharmaceutical products that are comparable to brand-name biologics, but that are not approved as biosimilar versions of such brand-name products. While regulations are still being developed by the FDA relating to the Biologics Price Competition and Innovation Act of 2009, which created a statutory pathway for the approval of biosimilar versions of brand-name biological products and a process to resolve patent disputes, the FDA has issued guidance to provide a roadmap for development of biosimilar products.

In August 2017, the FDA user fee reauthorization legislation, known as the FDA Reauthorization Act of 2017 ("FDARA") was enacted in the United States. The agreements for pharmaceuticals, biosimilars and medical devices were negotiated with industry representatives over the course of 2016 to establish the amounts regulated companies would pay the FDA to support the product review process at the agency. Various fees must be paid by these manufacturers at different times, such as annually and with the submission of different types of applications. In return for this additional funding, the FDA has entered into agreements with each of the affected industries (known as the "user fee agreements") that commit the agency to interacting with manufacturers and reviewing applications such as NDAs, ANDAs and BLAs in certain ways, and taking action on those applications at certain times. The agency is obligated to set specific timelines to communicate with companies, meet with company product sponsors during the review process and take action on their applications. On the generics side, FDARA established a new 180-day exclusivity for generic drugs that are no longer protected by exclusivity or patents, as well as new programs for enhanced and priority review of certain generic drug applications. On the branded side, this was the sixth agreement between the industry and the FDA. The user fee agreement for biosimilars was reauthorized for the second time as well.

***The Patient Protection and Affordable Care Act and Certain Government Programs***

The Patient Protection and Affordable Care Act ("ACA") from 2010 represented the most significant health care reform in the United States in over thirty years. It was passed to require individuals to have health insurance and to control the rate of growth in healthcare spending through, among other things, stronger prevention and wellness measures, increased access to primary care, changes in healthcare delivery systems and the creation of health insurance exchanges. Enrollment in the health insurance exchanges began in October 2013. However, the individual mandate was subsequently repealed by Congress in the tax reform bill signed into law in December 2017. The Joint Committee on Taxation estimates that the repeal will result in over 13 million Americans losing their health insurance coverage over the next ten years and is likely to lead to increases in insurance premiums. In

December 2018, a U.S. federal district court ruled that the ACA is unconstitutional, but such decision has been stayed and will not take effect while such decision is on appeal.

The ACA requires the pharmaceutical industry to share in the costs of reform, by, among other things, increasing Medicaid rebates and expanding Medicaid rebates to cover Medicaid managed care programs. The ACA also included funding of pharmaceutical costs for Medicare patients in excess of the prescription drug coverage limit and below the catastrophic coverage threshold. Commencing 2019, under the ACA, pharmaceutical companies are obligated to fund 70% of the patient obligation for branded prescription pharmaceuticals in this gap, or "donut hole." Additionally, an excise tax was levied against certain branded pharmaceutical products. The tax is specified by statute to be approximately $3.5 billion in 2017, $4.2 billion in 2018 and $2.8 billion each year thereafter. The tax is to be apportioned to qualifying pharmaceutical companies based on an allocation of their governmental programs as a portion of total pharmaceutical government programs.

The Centers for Medicare & Medicaid Services ("CMS") administer the Medicaid drug rebate program, in which pharmaceutical manufacturers pay quarterly rebates to each state Medicaid agency. Generally, for generic drugs marketed under ANDAs, manufacturers (including Teva) are required to rebate 13% of the average manufacturer price, and for products marketed under NDAs or BLAs, manufacturers are required to rebate the greater of 23.1% of the average manufacturer price or the difference between such price and the best price during a specified period. An additional rebate for products marketed under NDAs or BLAs is payable if the average manufacturer price increases at a rate higher than inflation and other methodologies apply to new formulations of existing drugs. This provision was extended at the end of 2015 to cover generic drugs marketed under ANDAs as well. The Association for Accessible Medicines, the generic drug manufacturers' trade association, is working to undo this policy as penalty on the industry and will continue to lobby for its abolishment.

In addition, the ACA revised certain definitions used for purposes of calculating the rebates, including the definition of "average manufacturer price." The Comprehensive Addiction and Recovery Act of 2016 contains language intended to exempt certain abuse-deterrent formulations of a drug from the definition of line extension for purposes of the program.

On September 27, 2019, the Continuing Appropriations Act of 2020 and the Health Extenders Act of 2019 became effective, amending the Medicaid Drug Rebate Statute in two key ways: (i) by requiring manufacturers to exclude (rather than include) the prices paid by wholesalers to manufacturers for authorized generic drugs from the calculation of the "average manufacturers' price" in the United States (i.e., the average between the price paid to manufacturers by wholesalers who distribute generic drugs to retail community pharmacies and the price paid to manufacturers by retail community pharmacies that purchase drugs directly from the manufacturer and (ii) by deleting references to "manufacturers" from the definition of wholesaler.

Various state Medicaid programs have implemented voluntary supplemental drug rebate programs that may provide states with additional manufacturer rebates in exchange for preferred status on a state's formulary or for patient populations that are not included in the traditional Medicaid drug benefit coverage.

**Europe**

***General***

In Europe, marketing authorizations for pharmaceutical products may be obtained either through a centralized procedure involving the EMA, a mutual recognition procedure which requires submission of applications in other member states following approval by a so-called reference member state, a decentralized procedure that entails simultaneous submission of applications to chosen member states or occasionally through a local national procedure.

During 2019, we continued to register products in the European Union, primarily using the decentralized procedure (simultaneous submission of applications to chosen member states). We continue to use, on occasion, the mutual recognition and centralized procedures.

The European pharmaceutical industry is highly regulated and much of the legislative and regulatory framework is driven by the European Parliament and the European Commission. This has many benefits, including the potential to harmonize standards across the complex European market, but it also has the potential to create complexities affecting the entire European market.

In November 2017, the last part of the 2012 European Union regulation regarding pharmacovigilance was implemented, requiring centralized reporting in the European Union instead of individual country reporting. Under this regulation, all adverse events need to be reported regardless of severity.

***European Union***

The medicines regulatory framework of the European Union requires that medicinal products, including generic versions of previously approved products and new strengths, dosage forms and formulations of previously approved products, receive a marketing authorization before they can be placed on the market in the European Union. Authorizations are granted after a favorable assessment of quality, safety and efficacy by the respective health authorities. In order to obtain authorization, application must be made to the EMA or to the competent authority of the member state concerned. Besides various formal requirements, the application must contain the results of pharmaceutical (physico-chemical, biological or microbiological) tests, pre-clinical (toxicological and pharmacological) tests and clinical trials. All of these tests must have been conducted in accordance with relevant European regulations and must allow the reviewer to evaluate the quality, safety and efficacy of the medicinal product.

In order to control expenditures on pharmaceuticals, most member states of the European Union regulate the pricing of such products and in some cases limit the range of different forms of a drug available for prescription by national health services. These controls can result in considerable price differences among member states.

In addition to patent protection, exclusivity provisions in the European Union may prevent companies from applying for marketing approval for a generic product for eight years (or ten years for orphan medicinal products) from the date of the first marketing authorization of the original product in the European Union. Further, the generic product will be barred from market entry (marketing exclusivity) for a further two years, with the possibility of extending the market exclusivity by one additional year under certain circumstances.

The term of certain pharmaceutical patents may be extended in the European Union by up to five years upon grant of Supplementary Patent Certificates (“SPC”). The purpose of this extension is to increase effective patent life (i.e., the period between grant of a marketing authorization and patent expiry) to 15 years.

Subject to the respective pediatric regulation, the holder of an SPC may obtain a further patent term extension of up to six months under certain conditions. This six-month period cannot be claimed if the license holder claims a one-year extension of the period of marketing exclusivity based on the grounds that a new pediatric indication brings a significant clinical benefit in comparison with other existing therapies.

In July 2019, the SPC Manufacturing Waiver Regulation came into force in the European Union (subject to certain conditions and transitional provisions) allowing products manufactured prior to SPC expiry to be exempt from SPC infringement if such products are manufactured for export to non-European Union markets or for launch in the European Union upon expiry of the SPC.

Orphan designated products, which receive, under certain conditions, a blanket period of ten years of market exclusivity, may receive an additional two years of exclusivity instead of an extension of the SPC if the requirements of the pediatric regulation are met.

The legislation also allows for R&D work during the patent term for the purpose of developing and submitting registration dossiers.

In 2016, the United Kingdom conducted a referendum and voted to leave the European Union, also known as "Brexit." On March 29, 2017, the British government invoked Article 50 of the Treaty on the European Union and on January 31, 2020 the United Kingdom left the European Union. The United Kingdom and European Union entered a transition period of 11 months which may be extended once by agreement of the E.U. and the U.K. before July 2020 for up to one or two years. However, the transition agreement between the two parties means that the United Kingdom will abide by current regulatory and trading frameworks at least until December 31, 2020 pending the agreement of their future relationship. As pharmaceutical legislation in the United Kingdom is largely derived from European Union law and relies on mutual recognition of decision making, implementation of a number of practical steps is required before the end of 2020 if the transition period is not extended. We are working on processes to ensure a smooth transition irrespective of the future relationship between the European Union and the United Kingdom.

**International Markets**

In addition to regulations in the United States and Europe, we, and our partners, are subject to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales, marketing and distribution of our products. Such regulations may be similar or, in some cases, more stringent than those applicable in the United States and Europe.

Whether or not we, or our partners, obtain FDA approval for a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or marketing of such product in those countries. The requirements and processes governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In addition, we, and our partners, may be subject to foreign laws and regulations and other compliance requirements, including, without limitation, anti kickback laws, false claims laws and other fraud and abuse laws, as well as laws and regulations requiring transparency of pricing and marketing information and governing the privacy and security of health information.

If we, or our partners, fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

**Miscellaneous Regulatory Matters**

We are subject to various national, regional and local laws of general applicability, such as laws regulating working conditions. We are also subject to country specific data protection laws and regulations applicable to the storage and processing of personal data around the world. In addition, we are subject to various national, regional and local environmental protection laws and regulations, including those governing the emission of material into the environment. We are also subject to various national, regional and local laws regulating how we interact with healthcare professionals and representatives of government that impact our promotional activities.

Data exclusivity provisions exist in many countries around the world and may be introduced in additional countries in the future, although their application is not uniform. In general, these exclusivity provisions prevent the approval and/or submission of generic drug applications to the health authorities for a fixed period of time following the first approval of the brand-name product in that country. As these exclusivity provisions operate independently of patent exclusivity, they may prevent the submission of generic drug applications for some products even after the patent protection has expired.

In October 2015, the European Commission adopted regulations providing detailed rules for the safety features appearing on the packaging of medicinal products for human use. This legislation, part of the Falsified

Medicines Directive ("FMD"), is intended to prevent counterfeit medicines entering into the supply chain and will allow wholesale distributors and others who supply medicines to the public to verify the authenticity of the medicine at the level of the individual pack. The safety features comprise a unique identifier and a tamper-evident seal on the outer packaging, which are to be applied to certain categories of medicines. FMD is effective as of February 2019. Teva's packaging sites, distribution centers and contract manufacturing operators ("CMOs") for the European market comply with this new requirement.

In November 2017, the federal Drug Supply Chain Security Act became effective in the United States, mandating an industry-wide, national serialization system for pharmaceutical packaging with a ten-year phase-in process. By November 2018, all manufacturers and re-packagers were required to mark each prescription drug package with a unique serialized code. Teva's packing sites, distribution centers and CMOs for the U.S. market comply with the new requirements. Other countries are following suit with variations of two main requirements: (i) to be able to associate the unit data with the uniquely-identified shipping package, or (ii) to report the data for tracking and tracing of products, reimbursements and other purposes. Certain countries, such as Russia, China, Korea, Turkey, Argentina, Brazil and India (for exported products), already have laws mandating serialization and aggregation and we are working to comply with these requirements. Other countries, including India (domestic market), Indonesia, Kazakhstan, Malaysia, Taiwan and other Latin American countries are currently considering mandating similar requirements.

**Employees**

As of December 31, 2019, Teva's work force consisted of 40,039 full-time-equivalent employees. In certain countries, we are party to collective bargaining agreements with certain groups of employees.

The following table presents our work force by geographic area:

| | December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| United States | 6,390 | 7,056 | 8,807 |
| Europe | 18,780 | 19,236 | 22,352 |
| International Markets (excluding Israel) | 10,908 | 11,351 | 14,387 |
| Israel | 3,961 | 4,893 | 6,245 |
| Total | 40,039 | 42,535 | 51,792 |

Since the announcement of our restructuring plan, we reduced our global headcount by approximately 13,000 full-time-equivalent employees. Restructuring efforts were conducted in accordance with applicable local requirements.

**Available Information**

Our main corporate website address is http://www.tevapharm.com. Copies of our Quarterly Reports on Form 10-Q, Annual Report on Form 10-K and Current Reports on Form 8-K filed or furnished to the U.S. Securities and Exchange Commission (the "SEC"), and any amendments to the foregoing, will be provided without charge to any shareholder submitting a written request to our company secretary at our principal executive offices or by calling 1-800-950-5089. All of our SEC filings are also available on our website at http://www.tevapharm.com, as soon as reasonably practicable after having been electronically filed or furnished to the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The information on our website is not, and will not be deemed, a part of this Report or incorporated into any other filings we make with the SEC. We also file our annual reports and other information with the Israeli Securities Authority through its fair disclosure electronic system called MAGNA. You may review these filings on the website of the MAGNA system operated by the Israeli Securities Authority at www.magna.isa.gov.il or on the website of the Tel Aviv Stock Exchange (the "TASE") at www.tase.co.il.

## ITEM 1A. RISK FACTORS

Our business faces significant risks. You should carefully consider all of the information set forth in this annual report and in our other filings with the SEC, including the following risk factors which we face and which are faced by our industry. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. This report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements as a result of certain factors including the risks described below and elsewhere in this report and our other SEC filings. See "Forward-Looking Statements" on page 1.

### Risks related to our ability to successfully compete in the marketplace

***Sales of our generic medicines comprise a significant portion of our business, and we therefore continue to be subject to the significant risks associated with the generic pharmaceutical business.***

In 2019, total revenues from sales of our generic medicines in all our business segments were $9,325 million, or 55% of our total revenues. Generic pharmaceuticals are, as a general matter, less profitable than specialty pharmaceuticals, and have faced price erosion in each of our business segments, placing even greater importance on our ability to continually introduce new products. We have become more dependent on sales of our generics medicines and are increasingly subject to market and regulatory factors and other risks affecting generic pharmaceuticals worldwide.

During 2019, our generics business in the United States continued to be affected by certain adverse market forces, including: (i) pricing pressure that has impacted certain products or product families in our generic portfolio, (ii) an accelerated FDA approval process for generic versions of off-patent medicines, resulting in increased competition for these products, and (iii) delays in the launch of some of our new generic products. We have also experienced supply discontinuities due to regulatory actions and approval delays, which also had an impact on our ability to timely meet demand in certain instances. These adverse market forces have been affecting our business for a number of years and, consequently, have a direct impact on our overall performance.

We also expect to continue to experience significant adverse challenges in the U.S. generics market deriving from limitations on our ability to influence generic medicine pricing in the long term and a decrease in value from future launches and growth. The developments in the U.S. generics market were the cause of goodwill impairments of $17.1 billion in 2017. If these trends continue or worsen, or if we experience further difficulty in this market, this may continue to adversely affect our revenues and profits from our North America business segment.

In 2018, we experienced certain challenges in our International Markets business segment, particularly in Japan and Russia, and with our Medis reporting unit. These developments were the cause of goodwill impairments of $3.0 billion in 2018. If these trends continue or worsen, or if we experience further difficulty in International Markets, this may continue to adversely affect our revenues and profits from our International Markets business segment.

***Sales of our generic products may be adversely affected by the continuing consolidation of our customer base and commercial alliances among our customers.***

A significant portion of our sales are made to relatively few U.S. retail drug chains, wholesalers, managed care purchasing organizations, mail order distributors and hospitals. These customers have undergone significant consolidation and formed various commercial alliances in recent years, which may continue to increase the pricing pressures that we face in the United States. Additionally, the emergence of large buying groups, and the prevalence and influence of managed care organizations and similar institutions, have increased pressure on price, as well as terms and conditions required to do business. During 2017, certain of these Group Purchasing Organizations ("GPOs") made aggressive requests for pricing proposals and established commercial alliances

resulting in greater bargaining power. Due to such consolidation and commercial alliances, there are three large GPOs that account for approximately 85% of generics purchases in the United States. We expect the trend of increased pricing pressures from our customers and price erosion in the U.S. generics market to continue.

The traditional model for distribution of pharmaceutical products is also undergoing disruption as a result of the entry or potential entry of new competitors and significant mergers among key industry participants. For example, Amazon.com has made initial moves to develop a pharmaceutical distribution business. Also, the consolidation resulting from the merger between CVS Health and Aetna in November 2018 created a vertically integrated organization with increased control over the physician and pharmacy networks and, ultimately, over which medicines are sold to patients. In addition, several major hospital systems in the United States announced a plan to form a nonprofit company that will provide U.S. hospitals with a number of generic drugs. In January 2018, Amazon Inc., Berkshire Hathaway Inc. and JPMorgan Chase & Co., announced that they plan to join forces by forming an independent health care company for their combined one million U.S. employees. This initiative is expected to further increase competition and enhance price erosion. These changes to the traditional supply chain could lead to our customers having increased negotiation leverage and to additional pricing pressure and price erosion.

Our net sales may also be affected by fluctuations in the buying patterns of retail chains, mail order distributors, wholesalers and other trade buyers, whether resulting from seasonality, pricing, wholesaler buying decisions or other factors. In addition, since a significant portion of our U.S. revenues is derived from relatively few key customers, any financial difficulties experienced by a single key customer, or any delay in receiving payments from such a customer, could have a material adverse effect on our business, financial condition and results of operations.

***The increase in the number of competitors targeting generic opportunities and seeking U.S. market exclusivity for generic versions of significant products may adversely affect our revenues and profits.***

Our ability to achieve continued growth and profitability through sales of generic pharmaceuticals is dependent on our continued success in challenging patents, developing non-infringing products or developing products with increased complexity to provide opportunities with U.S. market exclusivity or limited competition.

To the extent that we succeed in being the first to market a generic version of a product, and particularly if we are the only company authorized to sell during the 180-day period of exclusivity in the U.S. market, as provided under the Hatch-Waxman Act, our sales, profits and profitability can be substantially increased in the period following the introduction of such product and prior to a competitor's introduction of an equivalent product. Even after the exclusivity period ends, there is often continuing benefit from having the first generic product in the market.

However, the number of generic manufacturers targeting significant new generic opportunities with exclusivity under the Hatch-Waxman Act, or which are complex to develop, continues to increase. Additionally, many of the smaller generic manufacturers have increased their capabilities, level of sophistication and development resources in recent years. The FDA has also been limiting the availability of exclusivity periods for new products, which reduces the economic benefit from being first-to-file for generic approvals. The failure to maintain our industry-leading performance in the United States on first-to-file opportunities and to develop and commercialize high complexity generic products could adversely affect our sales and profitability.

The 180-day market exclusivity period is triggered by commercial marketing of the generic product. However, the exclusivity period can be forfeited by our failure to obtain tentative or final approval of our product within a specified statutory period or to launch a product following final court decisions that are no longer subject to appeal holding the applicable patents to be invalid, unenforceable or not infringed. The Hatch-Waxman Act also contains other forfeiture provisions that may deprive the first "Paragraph IV" filer of exclusivity if certain conditions are met, some of which may be outside our control. Accordingly, we may face the risk that our exclusivity period is forfeited before we are able to commercialize a product.

***Our revenues and profits from generic products may decline as a result of competition from other pharmaceutical companies and changes in regulatory policy.***

Our generic drugs face intense competition. Prices of generic drugs may, and often do, decline, sometimes dramatically, especially as additional generic pharmaceutical companies (including low-cost generic producers based in China and India) receive approvals and enter the market for a given product and competition intensifies. Consequently, our ability to sustain our sales and profitability on any given product over time is affected by the number of companies selling such product, including new market entrants, and the timing of their approvals. The goals established under the Generic Drug User Fee Act, and increased funding of the FDA's Office of Generic Drugs, have led to more and faster generic approvals, and consequently increased competition for some of our products. The FDA has stated that it has established new steps to enhance competition, promote access and lower drug prices and is approving record-breaking numbers of generic applications. While these FDA improvements are expected to benefit Teva's generic product pipeline, they will also benefit competitors that seek to launch products in established generic markets where Teva currently offers products.

Furthermore, brand pharmaceutical companies continue to defend their products vigorously through life cycle management and marketing agreements with payers, pharmacy benefits managers and generic manufacturers. For example, brand companies often sell or license their own generic versions of their products, either directly or through other generic pharmaceutical companies (so-called "authorized generics"). No significant regulatory approvals are required for authorized generics, and brand companies do not face any other significant barriers to entry into such market. Brand companies may seek to delay introductions of generic equivalents through a variety of commercial and regulatory tactics. These actions may increase the costs and risks of our efforts to introduce generic products and may delay or prevent such introduction altogether.

***Our leading specialty medicine, COPAXONE, faces increasing competition from generic versions in the United States and competing glatiramer acetate products in Europe, as well as from orally-administered therapies.***

The FDA approved generic versions of COPAXONE 40 mg/mL in October 2017 and February 2018 and a second generic version of COPAXONE 20 mg/mL in October 2017. Hybrid versions of COPAXONE 20 mg/mL and 40 mg/mL were also approved in the European Union. Competitors have launched and may launch additional generic products in the U.S. market and these launches have reduced, and we expect will continue to reduce, our revenues from COPAXONE and our MS market share.

COPAXONE 40 mg/mL is protected by one European patent expiring in 2030. This patent is being challenged in various jurisdictions across Europe. In October 2017, the U.K. High Court found this patent invalid and our application for permission to appeal this decision was rejected. The patent was upheld by the Opposition Division of the European Patent Office in April 2019. A hearing for an appeal in this case has been set for June 2020.

The market for MS treatments continues to develop, particularly with the approvals of generic versions of COPAXONE discussed above, as well as additional generic versions expected to be approved in the future. 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®.

Our COPAXONE revenues were $1,512 million, $2,365 million and $3,801 million in 2019, 2018, and 2017, respectively. Following the approval of generic competition, COPAXONE's revenues and profitability have decreased. We expect this trend to continue in the future, which is expected to have a material adverse effect on our financial results and cash flow.

***If generic products that compete with any of our specialty products are approved and sold, sales of our specialty products will be adversely affected.***

In addition to COPAXONE, certain of our other leading specialty medicines also face patent challenges and impending patent expirations. For example, in January 2019, we launched our own ProAir authorized generic in the United States following the launch of a generic version of Ventolin® HFA, another albuterol inhaler. In June 2014, we settled a patent challenge to ProAir HFA with Perrigo, under which Perrigo is now permitted to launch its generic product. In November 2017, we settled another patent challenge to ProAir HFA with Lupin, under which Lupin is now permitted to launch its generic product. As of the date hereof, neither Perrigo nor Lupin have launched generic versions of ProAir HFA. Also, in addition to the ANDAs and NDAs filed by competitors in connection with TREANDA and BENDEKA, Eagle has launched a ready-to-dilute bendamustine hydrochloride in June 2018, which directly competes with BENDEKA.

Generic equivalents for branded pharmaceutical products are typically sold at lower costs than the branded products. After the introduction of a competing generic product, a significant percentage of the prescriptions previously written for the branded product are often written for the generic version. Legislation enacted in most U.S. states allows or, in some instances mandates, that a pharmacist dispense an available generic equivalent when filling a prescription for a branded product in the absence of specific instructions from the prescribing physician. Pursuant to the provisions of the Hatch Waxman Act, manufacturers of branded products often bring lawsuits to enforce their patent rights against generic products released prior to the expiration of branded products' patents, but it is possible for generic manufacturers to offer generic products while such litigation is pending. As a result, branded products typically experience a significant loss in revenues following the introduction of a competing generic product, even if subject to an existing patent. Our specialty products are or may become subject to competition from generic equivalents because our patent protection expired or may expire soon. In addition, we may not be successful in our efforts to extend the proprietary protection afforded our specialty products through the development and commercialization of proprietary product improvements and new and enhanced dosage forms.

***Our specialty pharmaceutical products face intense competition from companies that have greater resources and capabilities.***

We face intense competition to our specialty pharmaceutical products. Many of our competitors are larger and/or have substantially longer experience in the development, acquisition and marketing of branded, innovative and consumer-oriented products. They may be able to respond more quickly to new or emerging market preferences or to devote greater resources to the development and marketing of new products and/or technologies than we can. As a result, any products and/or innovations that we develop may become obsolete or noncompetitive before we can recover the expenses incurred in connection with their development. In addition, we must demonstrate the benefits of our products relative to competing products that are often more familiar or otherwise better established to physicians, patients and third-party payers. If competitors introduce new products or new variations on their existing products, our marketed products, even those protected by patents, may be replaced in the marketplace or we may be required to lower our prices. For example:

- AJOVY, which was launched in the United States in September 2018, faces strong competition from two products that were introduced into the market around the same time and are competing for market share in the same space, as well as from other emerging competing therapies. Also, our auto-injector for AJOVY was just approved by the FDA in January 2020. Until we begin marketing AJOVY with the auto-injector, we are at a competitive disadvantage in our ability to sell and market this product.
- Our future success also depends on our ability to maximize the growth and commercial success of AUSTEDO. If our revenues derived from AUSTEDO do not increase as expected, this would have an adverse effect on our results of operations.

In addition, our specialty pharmaceutical products require much greater use of a direct sales force than does our core generics business. Our ability to realize significant revenues from direct marketing and sales activities

depends on our ability to attract and retain qualified sales personnel. Competition for qualified sales personnel is intense. We may also need to enter into co-promotion, contract sales force or other such arrangements with third parties, for example, where our own direct sales force is not large enough or sufficiently well-aligned to achieve maximum market penetration. Any failure to attract or retain qualified sales personnel or to enter into third-party arrangements on favorable terms could prevent us from successfully maintaining current sales levels or commercializing new innovative and specialty products.

***We have experienced, and may continue to experience, delays in launches of our new generic products.***

Although we believe we have one of the most extensive pipelines of generic products in the industry, we were unable to successfully execute a number of key generic launches in 2017, 2018 and 2019. Certain launches planned for 2020 may also be delayed due to unforeseen circumstances. As a result of these delays, we may not realize the economic benefits previously anticipated in connection with these launches due to increased competition in the market for such products or otherwise. If we cannot execute timely launches of new products, we may not be able to offset the increasing price erosion on existing products in the United States resulting from pricing pressures and accelerated generics approvals for competing products. Such delays can be caused by many factors, including delays in regulatory approvals, lack of operational readiness or patent litigation. Delays in launches of new generic products could have a material adverse effect on our business, financial condition and results of operations.

***Investments in our pipeline of specialty and other products may not achieve expected results.***

We must invest significant resources to develop specialty medicines, both through our own efforts and through collaborations with, and in-licensing or acquisition of products from, third parties. We have entered into, and expect to pursue, in-licensing, acquisition and partnership opportunities to supplement and expand our existing specialty pipeline (e.g., the transactions with Celltrion, Eagle and Regeneron).

The development of specialty medicines involves processes and expertise different from those used in the development of generic medicines, which increase the risk of failure. For example, the time from discovery to commercial launch of a specialty medicine can be 15 years or more and involves multiple stages, including intensive preclinical and clinical testing and highly complex, lengthy and expensive approval processes, which vary from country to country. The longer it takes to develop a new product, the less time that remains to recover development costs and generate profits. Specialty medicines currently in development include fasinumab for osteoarthritic pain, AUSTEDO for Tourette syndrome and fremanezumab for post-traumatic headache and fibromyalgia.

During each stage, we may encounter obstacles that delay the development process and increase expenses, potentially forcing us to abandon a potential product in which we may have invested substantial amounts of time and money. These obstacles may include preclinical failures, difficulty enrolling patients in clinical trials, delays in completing formulation and other work needed to support an application for approval, adverse reactions or other safety concerns arising during clinical testing, insufficient clinical trial data to support the safety or efficacy of the product candidate and delays or failure to obtain the required regulatory approvals for the product candidate or the facilities in which it is manufactured. For example, in 2019, the development of CINQAIR/CINQAERO for severe asthma with eosinophilia and the development of fremanezumab for episodic cluster headache were both discontinued.

When we enter into partnerships and joint ventures with third parties, such as our collaborations with Celltrion, Eagle, Otsuka, Nuvelution and Regeneron, we face the risk that some of these third parties may fail to perform their obligations or fail to reach the levels of success that we are relying on to meet our revenue and profit goals. There is a trend in the specialty pharmaceutical industry of seeking to “outsource” drug development by acquiring companies with promising drug candidates and we face substantial competition from historically innovative companies, as well as companies with greater financial resources than us, for such acquisition targets.

***We may be unable to take advantage of the increasing number of high-value biopharmaceutical opportunities.***

We aim to be a global leader in biopharmaceuticals. TRUXIMA, our first oncology biosimilar product in the United States, launched in November 2019 and is the first rituximab biosimilar to be approved in the United States. HERZUMA, a biosimilar to Herceptin® (trastuzumab), is expected to be available in the United States in the first quarter of 2020. We are developing a product pipeline and manufacturing capabilities for biosimilar products, which are expected to make up an increasing proportion of the high-value generic opportunities in the coming years. The development, manufacture and commercialization of biopharmaceutical products require specialized expertise and are very costly and subject to complex regulation, which is still evolving. We are behind many of our competitors in developing biopharmaceuticals and will require significant investments and collaborations with third parties to benefit from these opportunities. Failure to develop and commercialize biopharmaceuticals could have a material adverse effect on our business, financial condition, results of operations and prospects.

***If pharmaceutical companies are successful in limiting the use of generic products through their legislative, regulatory and other efforts, our sales of generic products may suffer.***

Many pharmaceutical companies increasingly have used state and federal legislative and regulatory means to delay generic competition. These efforts have included:

- pursuing new patents for existing products which may be granted just before the expiration of earlier patents, which could extend patent protection for additional years or otherwise delay the launch of generic competitors;
- selling the brand product as their own generic equivalent (an authorized generic), either by the brand company directly, through an affiliate or by a marketing partner;
- using the Citizen Petition process to request amendments to FDA standards or otherwise delay generic drug approvals;
- seeking changes to U.S. Pharmacopeia, an organization which publishes industry recognized compendia of drug standards;
- attempting to use the legislative and regulatory process to have drugs reclassified or rescheduled;
- attaching patent extension amendments to unrelated federal legislation; and
- entering into agreements with pharmacy benefit management companies that have the effect of blocking the dispensing of generic products.

If pharmaceutical companies or other third parties are successful in limiting the use of generic products through these or other means, our sales of generic products may decline. A material decline in generic product sales could have a material adverse effect on our business, financial condition and results of operations.

The United States Congress and various state legislatures in the United States have passed, or have proposed passing, legislation that could have an adverse impact on pharmaceutical manufacturers' ability (i) to settle litigation initiated pursuant to the federal Hatch-Waxman Act and Biologics Price Competition and Innovation Act ("BPCIA") and (ii) to secure the full benefit of first-to-file regulatory approval status secured under the federal Hatch-Waxman Act. Hatch-Waxman and BPCIA create various pathways for generic drug manufacturers to secure accelerated approvals of their abbreviated new drug applications and abbreviated biologics license applications. The new laws and proposals from the states and federal government could change Hatch-Waxman and BPCIA, as well as impact the ability of generic manufacturers to accelerate the launch of their new generic and biosimilar products, and the ability of brand manufacturers to protect their investments in the intellectual property associated with their branded specialty and innovative biologic products. Teva continues to monitor these legislative developments and advocate for policies that support both innovation and access to high quality medicines for patients.

***We depend on the effectiveness of our patents, confidentiality agreements and other measures to protect our intellectual property rights.***

The success of our specialty medicines business depends substantially on our ability to obtain patents and to defend our intellectual property rights. If we fail to protect our intellectual property adequately, competitors may manufacture and market products identical or similar to ours. We have been issued numerous patents covering our specialty medicines, and have filed, and expect to continue to file, patent applications seeking to protect newly developed technologies and products in various countries, including the United States. Currently pending patent applications may not result in issued patents or be approved on a timely basis or at all. Any existing or future patents issued to or licensed by us may not provide us with any competitive advantages for our products or may be challenged or circumvented by competitors or governments.

Efforts to defend the validity of our patents are expensive and time-consuming, and there can be no assurance that such efforts will be successful. Our ability to enforce our patents also depends on the laws of individual countries and each country's practices regarding the enforcement of intellectual property rights. The loss of patent protection or regulatory exclusivity on specialty medicines could materially impact our business, results of operations, financial condition and prospects. For example, COPAXONE 40 mg/mL is protected by one European patent expiring in 2030. The European Patent Office upheld the patent in its first instance decision; an appeal hearing will be heard in June 2020. This patent is also being challenged in various European jurisdictions.

We also rely on trade secrets, unpatented proprietary know-how, trademarks, regulatory exclusivity and continuing technological innovation that we seek to protect, in part by confidentiality agreements with licensees, suppliers, employees and consultants. These measures may not provide adequate protection for our unpatented technology. If these agreements are breached, it is possible that we will not have adequate remedies. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. Furthermore, our trade secrets and proprietary technology may otherwise become known or be independently developed by our competitors or we may not be able to maintain the confidentiality of information relating to such products. If we are unable to adequately protect our technology, trade secrets or proprietary know-how, or enforce our intellectual property rights, our results of operations, financial condition and cash flows could suffer.

**Risks related to our substantial indebtedness**

***We have substantial debt of $26,908 million as of December 31, 2019, which has increased our expenses and restricts our ability to incur additional indebtedness or engage in other transactions.***

Our consolidated debt was $26,908 million at December 31, 2019, compared to $28,917 million at December 31, 2018. If we are unable to meet our debt service obligations and other financial obligations, we could be forced to restructure or refinance our indebtedness and other financial transactions, seek additional debt or equity capital or sell our assets. We might then be unable to obtain such financing or capital or sell our assets on satisfactory terms, if at all. Any refinancing of our indebtedness could be at significantly higher interest rates, incur significant transaction fees or include more restrictive covenants. See "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity" and note 9 to our consolidated financial statements for a detailed discussion of our outstanding indebtedness.

We may have lower-than-anticipated cash flows in the future, which could further reduce our available cash. Although we believe that we will have access to cash sufficient to meet our business objectives and capital needs, this reduced availability of cash could constrain our ability to grow our business. We may have lower-than-anticipated net income in the future. Our revolving credit facility contains certain covenants, including certain limitations on incurring liens and indebtedness and maintenance of certain financial ratios, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. We borrowed $500 million from our revolving credit facility during 2019, which has since been fully repaid. As of December 31, 2019, we did not have any outstanding debt under the revolving credit facility. Under specified

circumstances, including non-compliance with any of the covenants and the unavailability of any waiver, amendment or other modification thereto, we will not be able to borrow under the revolving credit facility. Additionally, violations of the covenants, under certain circumstances, would result in an event of default in all borrowings under the revolving credit facility and, when greater than a specified threshold amount as set forth in each series of senior notes is outstanding, could lead to an event of default under our senior notes due to cross acceleration provisions.

As of December 31, 2019, we were in compliance with all applicable financial ratios. We continue to take steps to reduce our debt levels and improve profitability to ensure continual compliance with the financial maintenance covenants. If such covenants will not be met, we believe we will be able to renegotiate and amend the covenants, or refinance the debt with different repayment terms to address such situation as circumstances warrant. We have amended such covenants in the past, including the net debt to EBITDA ratio covenant to permit a higher ratio, most recently in April 2019, when we amended the terms of our revolving credit facility. Although we have successfully negotiated amendments to our loan agreements in the past, we cannot guarantee that we will be able to amend such agreements on terms satisfactory to us, or at all, if required to maintain compliance in the future. If we experience lower than required earnings and cash flows to continue to maintain compliance and efforts could not be successfully completed on commercially acceptable terms, we may curtail additional planned spending, may divest additional assets in order to generate enough cash to meet our debt requirements and all other financial obligations.

This substantial level of debt and lower levels of cash flow and earnings have severely impacted our business and resulted in the restructuring plan announced in December 2017 that included: (i) a substantial reduction in our global workforce; (ii) substantial optimization of our generics medicines portfolio; (iii) the restructuring and optimization of our manufacturing and supply network, including the closure or divestment of a significant number of manufacturing plants around the world; (iv) a thorough review of R&D programs in preparation of the closure or divestment of a significant number of R&D facilities, headquarters and other office locations across all geographies; (v) a review of additional potential divestments of non-core assets; and (vi) the suspension of dividend payments to holders of ordinary shares.

Our substantial net debt could also have other important consequences to our business, including, but not limited to:

- making it more difficult for us to satisfy our obligations;
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- restricting us from pursuing certain business opportunities.

***We may need to raise additional funds in the future, which may not be available on acceptable terms or at all.***

We may consider issuing additional debt or equity securities in the future to refinance existing debt or for general corporate purposes, including to fund potential acquisitions or investments. If we issue ordinary equity, convertible preferred equity or convertible debt securities to raise additional funds, our existing shareholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing shareholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest and potentially lowering our credit

ratings. We may not be able to market such issuances on favorable terms, or at all, in which case, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities or respond to competitive pressures or unanticipated customer requirements.

***If our credit ratings are further downgraded by leading rating agencies, we may not be able to raise debt or borrow funds in amounts or on terms that are favorable to us, if at all.***

Our credit ratings impact the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings at any time will reflect each rating organization's then opinion of our financial strength, operating performance and ability to meet our debt obligations. Following the completion of the Actavis Generics acquisition, Standard and Poor's Financial Services LLC ("Standard and Poor's") and Moody's Investor Service, Inc. ("Moody's") downgraded our ratings to BBB and Baa2, respectively, compared to A- and A2, respectively, prior to the announcement of the acquisition in July 2015. In February 2017, following the court ruling invalidating our COPAXONE 40 mg/mL patents, both Standard and Poor's and Moody's changed our ratings outlook from stable to negative. In August 2017, following our release of revised 2017 guidance, both Standard and Poor's and Moody's downgraded our rating to BBB- and Baa3, respectively. In November 2017, Fitch Ratings Inc. ("Fitch") downgraded our rating to non-investment grade, from BBB- to BB, with a negative outlook. On January 12, 2018, Moody's downgraded our rating to non-investment grade from Baa3 to Ba2, with a stable outlook. On February 8, 2018, Standard and Poor's downgraded our rating to non-investment grade from BBB- to BB, with a stable outlook. On February 14, 2019, Standard and Poor's revised our rating outlook from stable to negative. On August 16, 2019, Moody's revised our rating outlook to negative. On October 24, 2019, Standard and Poor's placed our rating on Creditwatch negative following the announcement of the framework agreement to settle the multistate opioid litigation.

The downgrade of our ratings to non-investment grade by Fitch, Moody's and Standard & Poor's limits our ability to borrow at interest rates consistent with the interest rates that were available to us prior to such downgrades. This may limit our ability to sell additional debt securities or borrow money in the amounts, at the times or interest rates, or upon the terms and conditions that would have been available to us if our previous credit ratings had been maintained.

**Additional risks related to our business and operations**

***Implementation of our restructuring plan may adversely affect our business, financial condition and results of operations.***

In December 2017, we announced a comprehensive restructuring plan aimed at restoring our financial security and stabilizing our business by realizing operational efficiencies and reducing our total cost base by $3 billion by the end of 2019. The restructuring plan included:

- substantial optimization of the generics portfolio globally, and most specifically in the United States, through a more tailored approach to the portfolio with increased focus on profitability;
- closure or divestment of a significant number of manufacturing plants in the United States, Europe, Israel and International Markets;
- closure or divestment of a significant number of R&D facilities, headquarters and other office locations across all geographies; and
- a thorough review of all R&D programs across the Company to prioritize core projects and immediately terminate others.

The restructuring plan has resulted in the reduction of approximately 13,000 full-time-equivalent employees from Teva's total workforce since December 31, 2017. We recorded restructuring charges of approximately $199 million in 2019 due to the implementation of the restructuring plan.

We may face wrongful termination, discrimination or other legal claims from employees affected by ongoing changes in our workforce. We may incur substantial costs defending against such claims, regardless of their merits, and such claims may significantly increase our severance costs. Additionally, we may see variances in the estimated severance costs depending on the category of employees and locations in which severance is incurred.

Upon the proposed divestiture of any facility in connection with our ongoing plant optimization, we may not be able to divest such facility at a favorable price or in a timely manner. Any divestiture that we are unable to complete may cause additional costs associated with retaining the facility or closing and disposing of the impacted businesses.

The workforce reduction and site consolidation in connection with the restructuring plan, specifically the site consolidation in the United States, including the ongoing relocation of our principal U.S. headquarters from North Wales, Pennsylvania to Parsippany, New Jersey, may result in the loss of numerous long-term employees, the loss of institutional knowledge and expertise, the reallocation of certain job responsibilities and the disruption of business continuity, all of which could negatively affect operational efficiencies and our ability to achieve growth and profitability through the development and sale of new pharmaceutical products.

We cannot guarantee that, following completion of the restructuring plan, our business will be more efficient or effective than prior to implementation of the plan, and we may need to take additional restructuring steps in the future to maintain the goals announced in December 2017.

***Our continued success depends on our ability to attract, hire and retain highly skilled key personnel.***

Given the size, complexity and global reach of our business and our multiple areas of focus, we are especially reliant upon our ability to recruit and retain highly qualified management and other key employees. Our ability to attract and retain such employees may be diminished by the relatively frequent senior management transitions in recent years (including the departure of our Chief Financial Officer, Head of Global Operations and Head of Global Brand and Communications in 2019) and the financial challenges we face. In addition, the success of our R&D activity depends on our ability to attract and retain sufficient numbers of skilled scientific personnel, which may be limited by the streamlining and reduction of our R&D programs. Any difficulty in recruiting, hiring, retaining and motivating talented and skilled members of our organization may delay or prevent the achievement of major business objectives.

Any significant leadership change or executive management transition involves risks. If there is a failure to effectively transfer knowledge or information as part of the leadership transition process, it may hinder our strategic planning, execution and anticipated performance.

***Our success depends on our ability to develop and commercialize additional pharmaceutical products.***

Our financial results depend upon our ability to develop and commercialize additional generic, specialty and biopharmaceutical products in a timely manner, particularly in light of the increasing generic competition to COPAXONE, generic and other competition to our respiratory products, such as ProAir, and patent challenges and impending patent expirations facing certain of our other specialty medicines, such as BENDEKA and TREANDA. Commercialization requires that we successfully develop, test and manufacture pharmaceutical products. All of our products must receive regulatory approval and meet (and continue to comply with) regulatory and safety standards; if health or safety concerns arise with respect to a product, we may be forced to withdraw it from the market. Developing and commercializing additional pharmaceutical products is also subject to difficulties relating to the availability, on commercially reasonable terms, of raw materials, including API and other key ingredients; preclusion from commercialization by the proprietary rights of others; the costs of manufacture and commercialization; costly legal actions brought by our competitors that may delay or prevent development or commercialization of a new product; and delays and costs associated with the approval process of the FDA and other U.S. and international regulatory agencies.

The development and commercialization process, particularly with respect to specialty and biosimilar medicines, as well as the complex generic medicines that we increasingly focus on, is both time-consuming and costly, and involves a high degree of business risk. Our products currently under development, including fasinumab for osteoarthritic pain, AUSTEDO for Tourette syndrome and fremanezumab for post-traumatic headache and fibromyalgia, if and when fully developed and tested, may not perform as we expect. Necessary regulatory approvals may not be obtained in a timely manner, if at all, and we may not be able to produce and market such products successfully and profitably. Delays in any part of the process or our inability to obtain regulatory approval of our products could adversely affect our operating results by restricting or delaying our introduction of new products.

***We may be subject to further adverse consequences following our resolution with the United States government of our FCPA investigations and related matters.***

We are required to comply with the U.S. Foreign Corrupt Practices Act (the "FCPA") and similar anti-corruption laws in other jurisdictions around the world where we do business. Compliance with these laws has been the subject of increasing focus and activity by regulatory authorities, both in the United States and elsewhere, in recent years. Actions by our employees, or by third-party intermediaries acting on our behalf, in violation of such laws, whether carried out in the United States or elsewhere in connection with the conduct of our business (including the conduct described below) have exposed us, and may further expose us, to significant liability for violations of the FCPA or other anti-corruption laws and accordingly may have a material adverse effect on our reputation, business, financial condition and results of operations.

In December 2016, we reached a resolution with the SEC and U.S. Department of Justice ("DOJ") to fully resolve FCPA investigations by the DOJ and SEC. The resolution included a deferred prosecution agreement ("DPA") by Teva to retain an independent compliance monitor for a period of three years. In November 2019, Teva's independent compliance monitor certified that Teva's compliance program is reasonably designed and implemented to prevent and detect violations of anti-corruption laws.

If, however, prior to the DPA being vacated and the consent decree expiring, the DOJ determines that we have committed a felony under federal law, provided deliberately false or misleading information or otherwise breached the DPA, we could be subject to prosecution and additional fines or penalties, including the deferred charges.

As a result of the settlement and the underlying conduct, our sales and operations in the affected countries may be negatively impacted, and we may be subject to additional criminal or civil penalties or adverse impacts, including lawsuits by private litigants or investigations and fines imposed by authorities other than the U.S. government. We have received inquiries from governmental authorities in certain of the countries referenced in our resolution with the SEC and DOJ and we entered into a contingent cessation of proceedings arrangement with Israeli authorities regarding an investigation into the conduct that was the subject of the FCPA investigation and resulted in the above-mentioned resolution with the SEC and DOJ, requiring us to pay approximately $22 million. In addition, there can be no assurance that the remedial measures we have taken and will take in the future will be effective or that there will not be a finding of a material weakness in our internal controls. Any one or more of the foregoing, including any violation of the DPA, could have a material adverse effect on our reputation, business, financial condition and results of operations.

***Sanctions and other trade control laws create the potential for significant liabilities, penalties and reputational harm.***

As a company with global operations, we may be subject to national laws as well as international treaties and conventions controlling imports, exports, re-export, transfer and diversion of goods (including finished goods, materials, APIs, packaging materials, other products and machines), services and technology. These include import and customs laws, export controls, trade embargoes and economic sanctions, restrictions on sales

to parties that are listed on (or are owned or controlled by one or more parties listed on) denied party watch lists and anti-boycott measures (collectively "Customs and Trade Controls"). Applicable Customs and Trade Controls are administered by Israel's Ministry of Finance, the U.S. Treasury's Office of Foreign Assets Control (OFAC), the U.S. Department of Commerce, other U.S. agencies and multiple other agencies of other jurisdictions around the world where we do business. Customs and Trade Controls relate to a number of aspects of our business, including most notably the sales of finished goods and API as well as the licensing of our intellectual property. Compliance with Customs and Trade Controls has been the subject of increasing focus and activity by regulatory authorities, both in the United States and elsewhere, in recent years, and requirements under applicable Customs and Trade Controls in general change frequently. Although we have policies and procedures designed to address compliance with Customs and Trade Controls, actions by our employees, by third-party intermediaries (such as distributors and wholesalers) or others acting on our behalf in violation of relevant laws and regulations may expose us to liability and penalties for violations of Customs and Trade Controls and accordingly may have a material adverse effect on our reputation and our business, financial condition and results of operations.

***Manufacturing or quality control problems may damage our reputation for quality production, demand costly remedial activities and negatively impact our financial results.***

As a pharmaceutical company, we are subject to substantial regulation by various governmental authorities. For instance, we must comply with requirements of the FDA, EMA and other healthcare regulators with respect to the manufacture, labeling, sale, distribution, marketing, advertising, promotion and development of pharmaceutical products. Failure to strictly and promptly comply with these regulations and requirements may damage our reputation and lead to financial penalties, compliance expenditures associated with remediation efforts, the recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the applicable regulator's review of our submissions, enforcement actions, injunctions and criminal prosecution.

We must register our facilities, whether located in the United States or elsewhere, with the FDA as well as with regulators outside the United States, and our products must be produced in a manner consistent with cGMP, or similar quality and compliance standards in each territory in which we manufacture. In addition, the FDA and other agencies periodically inspect our manufacturing facilities. Following an inspection, an agency may issue a notice listing conditions that are believed to violate cGMP or other regulations, or a warning letter for violations of "regulatory significance" that may result in enforcement action if not promptly and adequately corrected.

In recent years, regulatory agencies around the world have increased their scrutiny of pharmaceutical manufacturers. This has resulted in requests for product recalls, temporary plant shutdowns to address specific issues and other remedial actions. Our manufacturing facilities, as well as those of our vendors and manufacturing partners, have also been the subject of increased regulatory oversight, leading to increased expenditures required to ensure compliance with new or more stringent production and quality control regulations. For example:

- Following an inspection of our manufacturing plant in Davie, Florida, the FDA issued a Form FDA-483 and in October 2018 notified us that the inspection of the site was classified as "official action indicated" (OAI). On February 5, 2019, we received a warning letter from the FDA that contained four additional enumerated concerns related to production, quality control and investigations at this site. We have been working diligently to address the FDA's concerns in a manner consistent with cGMP requirements as quickly and as thoroughly as possible. An FDA follow up inspection occurred in January 2020, resulting in some follow up findings. If we are unable to remediate the findings to the FDA's satisfaction, we may face additional consequences. These would potentially include delays in FDA approval for future products from the site, financial implications due to loss of revenues, impairments, inventory write offs, customer penalties, idle capacity charges, costs of additional remediation and possible FDA enforcement action. We expect to generate approximately $230 million in revenues from this site in 2020, assuming remediation or enforcement does not cause

any unscheduled slowdown or stoppage at the facility or prevent approvals of new products from the site.

- We announced the voluntary recall of valsartan and certain combination valsartan medicines in various countries due to the detection of trace amounts of an unexpected nitrosamine impurity in the API provided by our third party supplier in July 2018. Since July 2018, we have been actively engaged with regulatory agencies around the world in reviewing our sartan and other products to determine whether a previously unknown nitrosamine impurity called NDMA and/or other nitrosamine related impurities are present in specific products. Where necessary, we initiated additional voluntary recalls. The aggregate direct impact of this recall on our 2018 and 2019 financial statements was $54 million, primarily related to inventory write-downs and returns. As a result of this loss, we initiated negotiations with Zhejiang Huahai Pharmaceutical Co., Ltd. ("Huahai"), and in December 2019 we reached a settlement with Huahai resolving our claims related to certain sartan API supplied by Huahai to us. Under the settlement agreement, Huahai agreed to compensate Teva for some of the direct losses suffered by Teva and provide Teva prospective cost reductions for API. The settlement does not release Huahai from liability for our future purchases of API, or for any losses we may incur as a result of third party personal injury or product liability claims relating to the sartan API at issue. Although we are permitted to seek indemnification from Huahai for the claims described above, as litigation is inherently uncertain it is possible that we may face challenges when enforcing a judgment against Huahai in China. In addition, multiple lawsuits have been filed in connection with this matter. These may lead to additional customer penalties, impairments, and litigation costs. We expect additional expenses and loss of revenues and profits in connection with this matter going forward.

These regulatory actions also adversely affected our ability to supply various products around the world and to obtain approvals for new products manufactured at the affected facilities. If any regulatory body were to require one or more of our significant manufacturing facilities to cease or limit production, our business and reputation could be adversely affected. In addition, because regulatory approval to manufacture a drug is site-specific, the delay and cost of remedial actions or obtaining approval to manufacture at a different facility could also have a material adverse effect on our business, financial condition and results of operations.

***The manufacture of our products is highly complex, and an interruption in our supply chain or problems with internal or third party information technology systems could adversely affect our results of operations.***

Our products are either manufactured at our own facilities or obtained through supply agreements with third parties. Many of our products are the result of complex manufacturing processes, and some require highly specialized raw materials. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors. For some of our key raw materials, we have only a single, external source of supply, and alternate sources of supply may not be readily available. If our supply of certain raw materials or finished products is interrupted from time to time, or proves insufficient to meet demand, our cash flows and results of operations could be adversely impacted. Moreover, the streamlining of our manufacturing network may result in our product supply becoming more dependent on a smaller number of specific manufacturing plants. Our inability to timely manufacture any of our key products may result in claims and penalties from customers and could have a material adverse effect on our business, financial condition and results of operations.

In recent years, medicine shortages have become an increasingly widespread problem around the world and particularly in Europe. We are working diligently across our supply chain to ensure continuous and stable supply. Many European countries are implementing legal and regulatory measures, such as mandatory stockpiling and high penalties in order to prevent supply disruptions. Such measures may lead to substantial monetary losses in case we experience long-term supply disruptions in the relevant territories.

We also rely on complex shipping arrangements to and from the various facilities of our supply chain. Customs clearance and shipping by land, air or sea routes rely on and may be affected by factors that are not in our full control or are hard to predict.

The workforce reduction and site consolidation in connection with the restructuring plan resulted in the loss of numerous long-term employees, the loss of institutional knowledge and expertise, and the reallocation of certain job responsibilities, all of which could negatively affect operational efficiencies going forward.

In addition, we rely on complex information technology systems, including Internet-based systems, to support our supply-chain processes as well as internal and external communications. The size and complexity of our systems make them potentially vulnerable to breakdown or interruption, whether due to computer viruses, lack of system upgrades or other causes that may result in the loss of key information or the impairment of production and other supply chain processes. Such disruptions and breaches of security could have a material adverse effect on our business, financial condition and results of operation.

***Significant disruptions of our information technology systems could adversely affect our business.***

We rely extensively on information technology systems in order to conduct business, including some systems that are managed by third-party service providers. These systems include, but are not limited to, programs and processes relating to internal and external communications, ordering and managing materials from suppliers, converting materials to finished products, shipping products to customers, processing transactions, summarizing and reporting results of operations, and complying with regulatory, legal or tax requirements. These information technology systems could be damaged or cease to function properly due to the poor performance or failure of third-party service providers, catastrophic events, power outages, network outages, failed upgrades or other similar events. If our business continuity plans do not effectively resolve such issues on a timely basis, we may suffer significant interruptions in conducting our business, which may adversely impact our business, financial condition and results of operations.

Furthermore, our systems and networks have been, and are expected to continue to be, the target of advanced cyber-attacks which may pose a risk to the security of our systems and the confidentiality, availability and integrity of our data, as well as disrupt our operations or damage our facilities or those of third parties. As cybersecurity threats rapidly evolve in sophistication and become more prevalent, we are continually increasing our attention to these threats. We assess potential threats and vulnerabilities and make investments seeking to address them, including ongoing monitoring and updating of networks and systems, increasing specialized information security skills, deploying employee security training and updating our security policies. However, because the techniques, tools and tactics used in cyber-attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack. As a result, a significant cyber-attack on our information technology systems may lead to substantial interruptions in our business, legal claims and liability, regulatory investigations and penalties, and reputational damage, which could have a material adverse effect on our business, financial condition and results of operations.

***A significant data security breach could adversely affect our business and reputation.***

In the ordinary course of our business, we collect and store sensitive data in our data centers and on our networks, including intellectual property, proprietary business information (both ours and that of our customers, suppliers and business partners) and personally identifiable information of our employees. We are subject to laws and regulations governing the collection, use and transmission of personal information, including health information. As the legislative and regulatory landscape for data privacy and protection continues to evolve around the world, there has been an increasing focus on privacy and data protection issues that may affect our business, including the U.S.'s federal Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"), the EU's General Data Protection Regulation ("GDPR"), California Consumer Privacy Act ("CCPA") and other laws and regulations governing the collection, use, disclosure and transmission of data.

HIPAA mandates the adoption of specific standards for electronic transactions and code sets that are used to transmit certain types of health information. HIPAA's objective is to encourage efficiency and reduce the cost of

operations within the healthcare industry. To protect the information transmitted using the mandated standards and the patient information used in the daily operations of a covered entity, HIPAA also sets forth federal rules protecting the privacy and security of protected health information ("PHI"). The privacy and security regulations address the use and disclosure of individually identifiable health information and the rights of patients to understand and control how their information is used and disclosed. The law provides both criminal and civil fines and penalties for covered entities that fail to comply with HIPAA. Under HIPAA, covered entities must establish administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of electronic PHI maintained or transmitted by them or by others on their behalf. Covered entities we engage are in material compliance with the privacy, security and National Provider Identifier requirements of HIPAA.

The Health Information Technology for Economic and Clinical Health ("HITECH") Act imposed certain of the HIPAA privacy and security requirements directly upon business associates of covered entities and significantly increased the monetary penalties for violations of HIPAA. Regulations also require business associates to notify covered entities, who in turn must notify affected individuals and government authorities, of data security breaches involving unsecured PHI. Since the passage of the HITECH Act, enforcement of HIPAA violations has increased. If we knowingly breach the HIPAA privacy and security requirements made applicable to business associates by the HITECH Act, it could expose us to criminal liability (as well as contractual liability to the associated covered entity); a breach of safeguards and processes that is not due to reasonable cause or involves willful neglect could expose us to significant civil penalties and the possibility of civil litigation under HIPAA and applicable state law.

We have procedures in place to detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventative measures. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. We outsource administration of certain functions to vendors that could be targets of cyber attacks. Any theft, loss and/or fraudulent use of customer, employee or proprietary data as a result of a cyber attack targeting us or one of our third-party service providers could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others. If our efforts to protect the security of information about our customers, suppliers and employees are unsuccessful, a significant data security breach may result in costly government enforcement actions, private litigation and negative publicity resulting in reputation or brand damage with customers, and our business, financial condition, results of operations or prospects could suffer. While we maintain insurance coverage that is designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in the event we experience a cybersecurity incident, data security breach or disruption, unauthorized access or failure of systems.

***Because our facilities are located throughout the world, we are subject to varying intellectual property laws that may adversely affect our ability to manufacture our products.***

We are subject to intellectual property laws in all countries where we have manufacturing facilities. Modifications of such laws or court decisions regarding such laws may adversely affect us and may impact our ability to produce and export products manufactured in any such country in a timely fashion. Additionally, the existence of third-party patents in such countries, with the attendant risk of litigation, may cause us to move production to a different country (potentially leading to significant production delays) or otherwise adversely affect our ability to export certain products from such countries.

***We have significant operations globally, including in countries that may be adversely affected by political or economic instability, major hostilities or acts of terrorism, which exposes us to risks and challenges associated with conducting business internationally.***

We are a global pharmaceutical company with worldwide operations. Although approximately 51% of our sales are in the United States and Western Europe, an increasing portion of our sales and operational network are located in other regions, such as Latin America, Central and Eastern Europe and Asia, which may be more susceptible to political and economic instability. Other countries and regions, such as the United States and Western Europe, also face potential instability due to political and other developments. In the United States, although the reforms in the U.S. tax code did not include a "border adjustment tax" or other restrictions on trade, if such tax or restriction were to be implemented in the future, this could interfere with international trade in pharmaceuticals. In addition, in the United States, the executive administration has discussed, and in some cases implemented, changes with respect to certain trade policies, tariffs and other government regulations affecting trade between the United States and other countries. As a company that manufactures most of its products outside the United States, a "border adjustment tax" or other restriction on trade, if enacted, may have a material adverse effect on our business, financial condition and results of operations. In addition, given that a significant portion of our business is conducted in the European Union, including the U.K., the formal change in the relationship between the U.K. and the European Union caused by the U.K. referendum to leave the European Union, referred to as "Brexit," may pose certain implications to our research, commercial and general business operations in the U.K. and the European Union, including the approval and supply of our products. Finalization of the long-term relationship between the United Kingdom and the European Union following the end of the transitional period as early as December 31, 2020 and the impact on the remaining European Union countries will dictate how and whether the broader European Union will be impacted and what the resulting impact on our business may be.

Significant portions of our operations are conducted outside the markets in which our products are sold, and accordingly we often import a substantial number of products into such markets. We may, therefore, be denied access to our customers or suppliers or denied the ability to ship products from any of our sites as a result of a closing of the borders of the countries in which we sell our products, or in which our operations are located, due to economic, legislative, political and military conditions, including hostilities and acts of terror, in such countries. In addition, certain countries have put regulations in place requiring local manufacturing of goods, while foreign-made products are subject to pricing penalties or even bans from participation in public procurement auctions.

We face additional risks inherent in conducting business internationally, including compliance with laws and regulations of many jurisdictions that apply to our international operations. These laws and regulations include data privacy requirements, labor relations laws, tax laws, competition regulations, import and trade restrictions, economic sanctions, export requirements, the Foreign Corrupt Practices Act, the UK Bribery Act 2010 and other local laws that prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws, there is a risk that some provisions may be breached by us, for example through fraudulent or negligent behavior of individual employees (or third parties acting on our behalf), our failure to comply with certain formal documentation requirements, or otherwise. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs and prohibitions on the conduct of our business. Any such violation could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our ability to attract and retain employees, our business, our financial condition and our results of operations.

Our corporate headquarters and a sizable portion of our manufacturing activities are located in Israel. Our Israeli operations are dependent upon materials imported from outside Israel. Accordingly, our operations could be materially and adversely affected by acts of terrorism or if major hostilities were to occur in the Middle East or trade between Israel and its present trading partners were materially impaired, including as a result of acts of terrorism in the United States or elsewhere.

***A significant portion of our revenues is derived from sales to a limited number of customers.***

A significant portion of our revenues are derived from sales to a limited number of customers. If we were to experience a significant reduction in or loss of business with one or more such customers, or if one or more such customers were to experience difficulty in paying us on a timely basis, our business, financial condition and results of operations could be materially adversely affected. During the years ended December 31, 2019, 2018 and 2017, McKesson Corporation represented 13%, 12% and 16% of our revenues, respectively, and AmerisourceBergen Corporation represented 12%, 14% and 15% of our revenues, respectively.

***We may not be able to find or successfully bid for suitable acquisition targets or licensing opportunities, or consummate and integrate future acquisitions.***

We may evaluate or pursue potential acquisitions, collaborations and licenses, among other transactions. Relying on acquisitions and other transactions as sources of new specialty, biosimilar and other products, or a means of growth, involves risks that could adversely affect our future revenues and operating results. For example:

- Appropriate opportunities to enable us to execute our business strategy may not exist, or we may fail to identify them.
- Competition in the pharmaceutical industry for target companies and development programs has intensified and has resulted in decreased availability of, or increased prices for, suitable transactions. We may not be able to pursue relevant transactions due to financial capacity constraints.
- We may not be able to obtain necessary regulatory approvals, including those of competition authorities, and as a result, or for other reasons, we may fail to consummate an announced acquisition.
- The negotiation of transactions may divert management's attention from our existing business operations, resulting in the loss of key customers and/or personnel and exposing us to unanticipated liabilities.
- We may fail to integrate acquisitions successfully in accordance with our business strategy or achieve expected synergies and other results. Integrating the operations of multiple new businesses with that of our own is a complex, costly and time-consuming process, which requires significant management attention and resources. The integration process may disrupt the businesses and, if implemented ineffectively, would preclude realization of the full benefits expected by us.
- We may not be able to retain experienced management and skilled employees from the businesses we acquire and, if we cannot retain such personnel, we may not be able to attract new skilled employees and experienced management to replace them.
- We may purchase a company that has excessive known or unknown contingent liabilities, including, among others, patent infringement or product liability claims, or that otherwise has significant regulatory or other issues not revealed as part of our due diligence.

***We may decide to sell assets, which could adversely affect our prospects and opportunities for growth.***

We may from time to time consider selling certain assets if we determine that such assets are not critical to our strategy or we believe the opportunity to monetize the asset is attractive or for various other reasons, including for the reduction of indebtedness. We closed or divested a significant number of manufacturing plants and R&D facilities in connection with our restructuring plan and may close or divest additional plants and facilities as part of our ongoing efficiency measures and plant rationalization process. We have explored and may continue to explore the sale of certain non-core assets. We may fail to identify appropriate opportunities to divest assets on terms acceptable to us. If divestiture opportunities are found, consummation of any such divestiture may be subject to closing conditions, including obtaining necessary regulatory approvals, including those of competition authorities, and as a result, or for other reasons, we may fail to consummate an announced

divestiture. Although our expectation is to engage in asset sales only if they advance or otherwise support our overall strategy, any such sale could reduce the size or scope of our business, our market share in particular markets or our opportunities with respect to certain markets.

***We may experience difficulties operating our new global enterprise resource planning ("ERP") system.***

We rely heavily on various information and other business systems to manage our complex global operations. In the third quarter of 2019, we implemented a new ERP system for a substantial portion of our U.S. business to upgrade certain operational and financial processes. We intend to implement the same ERP system on a global basis, including for a substantial portion of our Israeli operations in the first quarter of 2020.

Implementing and operating new systems carries substantial risk, including failure to operate as designed, failure to properly integrate with other systems, potential loss of data or information, cost overruns, implementation delays and disruption of operations. Any disruptions or malfunctions affecting our ERP system could cause critical information upon which we rely to be delayed, defective, corrupted, inadequate or inaccessible.

We do not expect that the recently implemented ERP system will have an adverse effect on our business. However, if the design or implementation of our new ERP system is deficient, it could adversely affect our operations, such as manufacturing or distribution, and/or the effectiveness of our internal controls.

**Compliance, regulatory and litigation risks**

***We are subject to extensive governmental regulation, which can be costly and subject our business to disruption, delays and potential penalties.***

We are subject to extensive regulation by the FDA and various other U.S. federal and state authorities and the EMA and other foreign regulatory authorities. The process of obtaining regulatory approvals to market a drug or medical device can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain approvals for, future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues and substantial additional costs. For example, in the last three years, we experienced delays in obtaining anticipated approvals for various generic and specialty products, and we may continue to experience similar delays.

In addition, no assurance can be given that we will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling, and advertising and post marketing reporting, including adverse event reports and field alerts due to manufacturing quality concerns. Our facilities are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities, and we must incur expense and expend effort to ensure compliance with these complex regulations. In addition, we are subject to regulations in various jurisdictions, including the Federal Drug Supply Chain Security Act in the U.S., the Falsified Medicines Directive in the EU and many other such regulations in other countries that require us to develop electronic systems to serialize, track, trace and authenticate units of our products through the supply chain and distribution system. Compliance with these regulations may result in increased expenses for us or impose greater administrative burdens on our organization, and failure to meet these requirements could result in fines or other penalties.

Failure to comply with all applicable regulatory requirements may subject us to operating restrictions and criminal prosecution, monetary penalties and other disciplinary actions, including, sanctions, warning letters, product seizures, recalls, fines, injunctions, suspension, shutdown of production, revocation of approvals or the inability to obtain future approvals, or exclusion from future participation in government healthcare programs. Any of these events could disrupt our business and have a material adverse effect on our revenues, profitability and financial condition.

***Healthcare reforms, and related reductions in pharmaceutical pricing, reimbursement and coverage, by governmental authorities and third-party payers may adversely affect our business.***

The continuing increase in expenditures for healthcare has been the subject of considerable government attention almost everywhere we conduct business. Both private health insurance funds and government health authorities continue to seek ways to reduce or contain healthcare costs, including by reducing or eliminating coverage for certain products and lowering reimbursement levels. The focus on reducing or containing healthcare costs has been increased by controversies, political debate and publicity about prices for pharmaceutical products that some consider excessive, including Congressional and other inquiries into drug pricing, including with respect to our specialty medicines, which could have a material adverse effect on our reputation. In most of the countries and regions where we operate, including the United States, Western Europe, Israel, Russia, Japan, certain countries in Central and Eastern Europe and several countries in Latin America, pharmaceutical prices are subject to new government policies designed to reduce healthcare costs, and may be subject to additional regulatory efforts, funding restrictions, legislative proposals, policy interpretations, investigations and legal proceedings regarding pricing practices. These changes frequently adversely affect pricing and profitability and may cause delays in market entry. Certain U.S. states have implemented, and other states are considering, pharmaceutical price controls or patient access constraints under the Medicaid program, and some jurisdictions are considering price-control regimes that would apply to broader segments of their populations that are not Medicaid-eligible. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates and a reduction in demand for our products. We cannot predict which additional measures may be adopted or the impact of current and additional measures on the marketing, pricing and demand for our products, which could have a material adverse effect on our business, financial condition and results of operations.

Significant developments that may adversely affect pricing in the United States include (i) the enactment of federal healthcare reform laws and regulations, including the Medicare Prescription Drug Improvement and Modernization Act of 2003 and the ACA and (ii) trends in the practices of managed care groups and institutional and governmental purchasers, including the impact of consolidation of our customers. Changes to the healthcare system enacted as part of healthcare reform in the United States, as well as the increased purchasing power of entities that negotiate on behalf of Medicare, Medicaid, and private sector beneficiaries, may result in increased pricing pressure by influencing, for instance, the reimbursement policies of third-party payers. Healthcare reform legislation has increased the number of patients who have insurance coverage for our products, but provisions such as the assessment of a branded pharmaceutical manufacturer fee and an increase in the amount of rebates that manufacturers pay for coverage of their drugs by Medicaid programs may have an adverse effect on us. It is uncertain how current and future reforms in these areas will influence the future of our business operations and financial condition. In 2017, a new executive administration, which had promised to repeal and replace the ACA, took office in the United States. In December 2018, a U.S. federal district court ruled that the ACA is unconstitutional, but such decision has been stayed and will not take effect while such decision is on appeal. We cannot predict the outcome of litigation regarding the constitutionality of the ACA or the form any replacement of the ACA may take, if any, although it may have the impact of reducing the number of insured individuals as well as coverage for pharmaceutical products.

In the United States, there have been, and we expect that there will continue to be, a number of federal and state proposals to implement governmental controls on pharmaceutical pricing. Both the executive and legislative branches of the U.S. government have recently unveiled a number of proposals to implement such controls, including a proposal to move from the current U.S. pricing and reimbursement regime to one that would establish pharmaceutical pricing by reference to a target price derived from the international price index (such a change may be expected to result in significant savings for the government for purchases of certain pharmaceuticals). Certain states have also proposed measures that are designed to control the costs of pharmaceuticals for which they provide reimbursement. A change in pharmaceutical pricing in the United States (through the federal or state governments) based on the international price index (or similar model) could have a substantial adverse effect on the revenues generated from the sale of our specialty products in the United States.

In addition, "tender systems" for generic pharmaceuticals have been implemented (by both public and private entities) in a number of significant markets in which we operate, including Germany and Russia, in an effort to lower prices. Under such tender systems, manufacturers submit bids that establish prices for generic pharmaceutical products. These measures impact marketing practices and reimbursement of drugs and may further increase pressure on reimbursement margins. Certain other countries may consider the implementation of a tender system. Failing to win tenders or our withdrawal from participating in tenders, or the implementation of similar systems in other markets leading to further price declines, could have a material adverse effect on our business, financial position and results of operations.

***Public concern over the abuse of opioid medications in the United States, including increased legal and regulatory action, could negatively affect our business.***

Certain governmental and regulatory agencies are focused on the abuse of opioid medications in the United States. Federal, state and local governmental and regulatory agencies are conducting investigations of us, other pharmaceutical manufacturers and other supply chain participants with regard to the manufacture, sale, marketing and distribution of opioid medications. A number of state attorneys general, including a coordinated multistate effort, are investigating our sales and marketing of opioids and we have received subpoena requests from the DOJ seeking documents relating to the manufacture, marketing and sale of opioid medications. In addition, we are currently litigating civil claims brought by various states and political subdivisions as well as private claimants, against various manufacturers, distributors and retail pharmacies throughout the United States in connection with our manufacture, sale and distribution of opioids. On October 21, 2019, Teva and certain other defendants reached an agreement in principle with a group of Attorneys General from North Carolina, Pennsylvania, Tennessee and Texas for a nationwide settlement framework. The framework is designed to provide a mechanism by which Teva attempts to seek resolution of remaining potential and pending opioid claims by both the U.S. states and political subdivisions (i.e., counties, tribes and other plaintiffs) thereof. Under this agreement, Teva would provide buprenorphine naloxone (sublingual tablets), in quantities with an estimated value of up to approximately $23 billion at wholesale acquisition cost over a ten year period. In addition, Teva would also provide cash payments of up to $250 million over a ten year period. This global settlement framework is predicated on settlement with all U.S. states and related subdivisions. Teva cannot predict if the nationwide settlement framework will be finalized. Responding to governmental investigations and managing legal proceedings is costly and involves a significant diversion of management attention. Such proceedings are unpredictable and may develop over lengthy periods of time. An adverse resolution of any of these lawsuits or investigations, including failure to consummate the broad resolution contemplated by the framework agreement, may involve substantial monetary penalties and could have a material adverse effect on our reputation, business, results of operations and cash flows. See "Government Investigations and Litigation Relating to Pricing and Marketing" in note 12 to the consolidated financial statements.

In addition, legislative, regulatory or industry measures to address the misuse of prescription opioid medications may also affect our business in ways that we are not able to predict. For example, a number of states, including New York, have enacted legislation that requires entities to pay assessments or taxes on the sale or distribution of opioid medications in those states. If other state or local jurisdictions successfully enact similar legislation and we are not able to mitigate the impact on our business through operational changes or commercial arrangements, such legislation in the aggregate may have a material adverse effect on our business, financial condition and results of operations.

***Governmental investigations into sales and marketing practices may result in substantial penalties.***

We operate around the world in complex legal and regulatory environments, and any failure to comply with applicable laws, rules and regulations may result in civil and/or criminal legal proceedings. As those rules and regulations change or as interpretations of those rules and regulations evolve, our prior conduct or that of companies we have acquired may be called into question. In the United States, we are currently responding to federal investigations into our marketing practices with regard to several of our specialty pharmaceutical

products, which could result in civil litigation brought on behalf of the federal government. In addition, Teva is party to numerous claims brought by state officials and private plaintiffs, alleging that Teva, together with other pharmaceutical manufacturers, engaged in conspiracies to fix prices and/or allocate market share of generic products in the United States. Responding to such investigations is costly and involves a significant diversion of management attention. Such proceedings are unpredictable and may develop over lengthy periods of time. Future settlements may involve large monetary penalties. In addition, government authorities have significant leverage to persuade pharmaceutical companies to enter into corporate integrity agreements, which can be expensive and disruptive to operations. See "Government Investigations and Litigation Relating to Pricing and Marketing" in note 12 to our consolidated financial statements. Following calls in recent years from policy makers and other stakeholders in many countries for governmental intervention against the high prices of certain pharmaceutical products, we are currently and may be subject to governmental investigations, claims or other legal action or regulatory action regarding our pricing, including U.S. Congressional investigations regarding both our branded and generic medications. It is not possible to predict the ultimate outcome of any such investigations or claims or what other investigations or lawsuits or regulatory responses may result from such assertions, and could have a material adverse effect on our reputation, business, financial condition and results of operations.

***Third parties may claim that we infringe their proprietary rights and may prevent us from manufacturing and selling some of our products, and we have sold and may in the future elect to sell products prior to the final resolution of outstanding patent litigation, and, as a result, we could be subject to liability for damages in the United States, Europe and other markets where we do business.***

Our ability to introduce new products depends in large part upon the success of our challenges to patent rights held by third parties or our ability to develop non-infringing products. Based upon a variety of legal and commercial factors, we may elect to sell a product even though patent litigation is still pending, either before any court decision is rendered or while an appeal of a lower court decision is pending. The outcome of such patent litigation could, in certain cases, materially adversely affect our business. For example, we launched a generic version of Protonix® (pantoprazole) despite pending litigation with the company that sells the brand versions, which we eventually settled in 2013 for $1.6 billion.

If we sell products prior to a final court decision, whether in the United States, Europe or elsewhere, and such decision is adverse to us, we could be required to cease selling the infringing products, causing us to lose future sales revenue from such products and to face substantial liabilities for patent infringement, in the form of either payment for the innovator's lost profits or a royalty on our sales of the infringing products. These damages may be significant, and could materially adversely affect our business. In the United States, in the event of a finding of willful infringement, the damages assessed may be up to three times the profits lost by the patent owner. Because of the discount pricing typically involved with generic pharmaceutical products, patented brand products generally realize a significantly higher profit margin than generic pharmaceutical products. As a result, the damages assessed may be significantly higher than our profits. In addition, even if we do not suffer damages, we may incur significant legal and related expenses in the course of successfully defending against infringement claims.

***We may be susceptible to significant product liability claims that are not covered by insurance.***

Our business inherently exposes us to claims for injuries allegedly resulting from the use of our products. As our portfolio of available products expands, particularly with new specialty products, we may experience increases in product liability claims asserted against us.

Teva maintains an insurance program, which may include commercial insurance, self-insurance (including direct risk retention), or a combination of both approaches, in amounts and on terms that it believes are reasonable and prudent in light of its business and related risks. Teva sells, and will continue to sell, pharmaceutical products 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 the markets in which it operates.

***Our patent settlement agreements, which are important to our business, face increased government scrutiny in both the United States and Europe, and may expose us to significant damages.***

We have been involved in numerous litigations involving challenges to the validity or enforceability of listed patents (including our own), and therefore settling patent litigations has been and will likely continue to be an important part of our business. Parties to such settlement agreements in the United States, including us, are required by law to file them with the Federal Trade Commission ("FTC") and the Antitrust Division of the DOJ for review. In June 2013, the United States Supreme Court held, in Federal Trade Commission v. Actavis, Inc. (the "AndroGel case"), that a rule of reason test – analyzing settlements in their entirety – should be applied to determine whether such settlements violate the federal antitrust laws. This test has resulted in increased scrutiny of Teva's patent settlements, including by the FTC and state and local authorities, and an increased risk of liability in Teva's currently pending antitrust litigations.

Accordingly, we may receive formal or informal requests from the FTC for information about a particular settlement agreement, and there is a risk that the FTC, customers, other downstream purchasers or others, may commence an action against us alleging violations of antitrust laws. We have been, and are currently, defendants in private antitrust actions brought by the FTC involving numerous settlement agreements. In addition, in 2015, Cephalon entered into a ten-year consent decree with the FTC pursuant to which we agreed to certain injunctive relief with respect to the types of settlement agreements Teva may enter into to resolve patent litigation in the United States. In February 2019, a number of revisions were made in the consent decree and its ten-year period was restarted.

The United States Congress and certain state legislatures in the United States have also passed, or proposed passing, legislation that could adversely impact our ability to settle patent litigations. California, for example, has enacted legislation that prohibits, with certain exceptions and safe harbors, various types of patent litigation settlements, and imposes substantial monetary penalties on companies and individuals who do not comply. Such legislation, by creating a risk of significant potential exposure for settling patent litigations and, in turn, making it more difficult to settle in the first place, could have a material adverse effect on our business.

The European Commission is also placing intense scrutiny on the European pharmaceutical sector in general, including on patent settlement agreements, and has found that several patent settlement agreements had the goal of infringing competition. Such findings were confirmed by the European General Court. The increased scrutiny of the European pharmaceutical sector by the European Commission or other national authorities may also have an adverse impact on our results of operations in Europe. See "Competition Matters" in note 12 to our consolidated financial statements.

***Any failure to comply with the complex reporting and payment obligations under the Medicare and Medicaid programs may result in further litigation or sanctions, in addition to those that we have announced in previous years.***

The U.S. laws and regulations regarding Medicare and/or Medicaid reimbursement and rebates and other governmental programs are complex. Some of the applicable laws may impose liability even in the absence of specific intent to defraud. The subjective decisions and complex methodologies used in making calculations under these programs are subject to review and challenge, and it is possible that such reviews could result in material changes. A number of state attorney generals and others have filed lawsuits alleging that we and other pharmaceutical companies reported inflated average wholesale prices, leading to excessive payments by Medicare and/or Medicaid for prescription drugs. Such allegations could, if proven or settled, result in additional monetary penalties (beyond the lawsuits we have already settled) and possible exclusion from Medicare, Medicaid and other programs. In addition, we are notified from time to time of governmental investigations

regarding drug reimbursement or pricing issues. See "Government Investigations and Litigation Relating to Pricing and Marketing" in note 12 to our consolidated financial statements. Certain parts of Medicare benefits are under scrutiny, as the U.S. Congress looks for ways to reduce government spending on prescription medicines.

***Our failure to comply with applicable environmental laws and regulations worldwide could adversely impact our business and results of operations.***

We are subject to laws and regulations concerning the environment, safety matters, regulation of chemicals and product safety in the countries where we manufacture and sell our products or otherwise operate our business. These requirements include regulation of the handling, manufacture, transportation, storage, use and disposal of materials, including the discharge of pollutants into the environment. If we fail to comply with these laws and regulations, we may be subject to enforcement proceedings including fines and penalties. In the normal course of our business, we are also exposed to risks relating to possible releases of hazardous substances into the environment, which could cause environmental or property damage or personal injuries, and which could require remediation of contaminated soil and groundwater. Under certain laws, we may be required to remediate contamination at certain of our properties, regardless of whether the contamination was caused by us or by previous occupants or users of the property.

**Additional financial risks**

***Because we have substantial international operations, our sales and profits may be adversely affected by currency fluctuations and restrictions as well as credit risks.***

In 2019, approximately 48% of revenues were denominated in currencies other than the U.S. dollar. As a result, we are subject to significant foreign currency risks, including repatriation restrictions in certain countries, and may face heightened risks as we enter new markets. An increasing proportion of our sales, particularly in Latin America, Central and Eastern European countries and Asia, are recorded in local currencies, which exposes us to the direct risk of devaluations, hyperinflation or exchange rate fluctuations. Exchange rate movements during 2019 in comparison with 2018 negatively impacted overall revenues by $402 million and negatively impacted our operating income by $135 million. The imposition of price controls or restrictions on the conversion of foreign currencies could also have a material adverse effect on our financial results.

In particular, although the majority of our net sales and operating costs is recorded in, or linked to, the U.S. dollar, our reporting currency, in 2019 we incurred a substantial amount of operating costs in currencies other than the U.S. dollar.

As a result, fluctuations in exchange rates between the currencies in which such costs are incurred and the U.S. dollar may have a material adverse effect on our results of operations, the value of balance sheet items denominated in foreign currencies and our financial condition.

We use derivative financial instruments and "hedging" techniques to manage some of our net exposure to currency exchange rate fluctuations in the major foreign currencies in which we operate. However, not all of our potential exposure is covered, and some elements of our consolidated financial statements, such as our equity position or operating profit, are not fully protected against foreign currency exposures. Therefore, our exposure to exchange rate fluctuations could have a material adverse effect on our financial results.

***Our intangible assets may continue to lead to significant impairments in the future.***

We regularly review our long-lived assets, including identifiable intangible assets, goodwill and property, plant and equipment, for impairment. Goodwill and acquired indefinite life intangible assets are subject to impairment review on an annual basis and whenever potential impairment indicators are present. Other long-lived assets are reviewed when there is an indication that impairment may have occurred. The amount of

goodwill, identifiable intangible assets and property, plant and equipment on our consolidated balance sheet has increased significantly in the past five years mainly as a result of our acquisitions. In 2017, we recorded goodwill impairments of $17.1 billion and impairments of intangible assets of $3.2 billion. In 2018, we recorded goodwill impairments of $3.0 billion and impairments of intangible assets of $2.0 billion. In 2019, we recorded impairments of intangible assets of $1,639 million. Changes in market conditions or other changes in the future outlook of value may lead to further impairments in the future. In addition, the potential divestment of assets, including the closure or divestment of manufacturing plants and R&D facilities, headquarters and other office locations, may lead to additional impairments. Future events or decisions may lead to asset impairments and/or related charges. For assets that are not impaired, we may adjust the remaining useful lives. Certain non-cash impairments may result from a change in our strategic goals, business direction or other factors relating to the overall business environment. Any significant impairment could have a material adverse effect on our results of operations.

***Our tax liabilities could be larger than anticipated.***

We are subject to tax in many jurisdictions, and significant judgment is required in determining our provision for income taxes. Likewise, we are subject to audit by tax authorities in many jurisdictions. In such audits, our interpretation of tax legislation may be challenged and tax authorities in various jurisdictions may disagree with, and subsequently challenge, the amount of profits taxed in such jurisdictions under our inter-company agreements.

Although we believe our estimates are reasonable, the ultimate outcome of such audits and related litigation could be different from our provision for taxes and may have a material adverse effect on our consolidated financial statements and cash flows.

The base erosion and profit shifting (“BEPS”) project undertaken by the Organization for Economic Cooperation and Development (“OECD”) may have adverse consequences to our tax liabilities. The BEPS project contemplates changes to numerous international tax principles, as well as national tax incentives, and these changes, when adopted by individual countries, could adversely affect our provision for income taxes. Countries have only recently begun to translate the BEPS recommendations into specific national tax laws, and it remains difficult to predict the magnitude of the effect of such new rules on our financial results.

***The termination or expiration of governmental programs or tax benefits, or a change in our business, could adversely affect our overall effective tax rate.***

Our tax expenses and the resulting effective tax rate reflected in our consolidated financial statements may increase over time as a result of changes in corporate income tax rates, other changes in the tax laws of the various countries in which we operate or changes in our product mix or the mix of countries where we generate profit. We have benefited, and currently benefit, from a variety of Israeli and other government programs and tax benefits that generally carry conditions that we must meet in order to be eligible to obtain such benefits. If we fail to meet the conditions upon which certain favorable tax treatment is based, we would not be able to claim future tax benefits and could be required to refund tax benefits already received. Additionally, some of these programs and the related tax benefits are available to us for a limited number of years, and these benefits expire from time to time.

Any of the following could have a material effect on our overall effective tax rate:

- some government programs may be discontinued, or the applicable tax rates may increase;
- we may be unable to meet the requirements for continuing to qualify for some programs and the restructuring plan may lead to the loss of certain tax benefits we currently receive;
- these programs and tax benefits may be unavailable at their current levels;

- upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit; or
- we may be required to refund previously recognized tax benefits if we are found to be in violation of the stipulated conditions.

**Equity ownership risks**

***Shareholder rights and responsibilities as a shareholder are governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.***

The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders of U.S. corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising his or her rights and performing his or her obligations towards the company and other shareholders, and to refrain from abusing his or her power in the company, including, among other things, in voting at a general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations.

***Provisions of Israeli law and our articles of association may delay, prevent or make difficult an acquisition of us, prevent a change of control and negatively impact our share price.***

Israeli corporate law regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving directors, officers or significant shareholders, and regulates other matters that may be relevant to these types of transactions. Furthermore, Israeli tax considerations may make potential acquisition transactions unappealing to us or to some of our shareholders. For example, Israeli tax law may subject a shareholder who exchanges his or her ordinary shares for shares in a foreign corporation to taxation before disposition of the investment in the foreign corporation. These provisions of Israeli law may delay, prevent or make difficult an acquisition of our company, which could prevent a change of control and, therefore, depress the price of our shares.

In addition, our articles of association contain certain provisions that may make it more difficult to acquire us, such as provisions that provide for a classified Board of Directors and that our Board of Directors may issue preferred shares. These provisions may have the effect of delaying or deterring a change in control of us, thereby limiting the opportunity for shareholders to receive a premium for their shares and possibly affecting the price that some investors are willing to pay for our securities.

***We do not expect to pay dividends in the near future.***

Although we have paid dividends in the past, we do not expect to pay dividends in the near future. Any decision to declare and pay dividends in the future will be made by our Board of Directors, and will depend on, among other things, our results of operations, financial condition, future prospects, contractual restrictions, restrictions imposed by applicable law and other factors our Board of Directors may deem relevant. Accordingly, investors cannot rely on dividend income from our ordinary shares, and any returns in the near future on an investment in our ordinary shares will likely depend entirely upon any future appreciation in the price of our ordinary shares.

***Our ADSs and ordinary shares are traded on different markets and this may result in price variations.***

Our ADSs have been traded in the United States since 1982, and since 2012 on the New York Stock Exchange (the "NYSE"), and our ordinary shares have been listed on the TASE since 1951. Trading in our securities on these markets takes place in different currencies (our ADSs are traded in U.S. dollars and our ordinary shares are traded in New Israeli Shekels), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). As a result, the trading prices of our securities on these two markets may differ due to these factors. In addition, any decrease in the price of our securities on one of these markets could cause a decrease in the trading price of our securities on the other market.

***It may be difficult to enforce a non-Israeli judgment against us, our officers and our directors.***

We are incorporated in Israel. Certain of our executive officers and directors and our outside auditors are not residents of the United States, and a substantial portion of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce against us or any of those persons in an Israeli court a U.S. court judgment based on the civil liability provisions of the U.S. federal securities laws. It may also be difficult to effect service of process on these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to enforce civil liabilities under U.S. federal securities laws in original actions filed in Israel.

***Substantial future sales or the perception of sales of our ADSs or ordinary shares, or securities convertible into our ADSs or ordinary shares, could cause the price of our ADSs or ordinary shares to decline.***

Sales of substantial amounts of our ADSs or ordinary shares, or securities convertible into our ADSs or ordinary shares, in the public market, or the perception that these sales could occur, could adversely affect the price of our ADSs and ordinary shares, and could impair our ability to raise capital through the sale of such securities.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

We own or lease 90 manufacturing and R&D facilities, occupying approximately 25.3 million square feet. As of December 31, 2019, our manufacturing and R&D facilities are used by our business segments as follows:

| Business Segment | Number of Facilities | Square Feet (in thousands) |
|---|---|---|
| North America | 19 | 4,442 |
| Europe | 34 | 12,605 |
| International Markets | 37 | 8,226 |
| Worldwide Total Manufacturing and R&D Facilities | 90 | 25,273 |

In addition to the manufacturing facilities discussed above, we maintain numerous office, distribution and warehouse facilities around the world.

We generally seek to own our manufacturing and R&D facilities, although some, principally in non-U.S. locations, are leased. Office, distribution and warehouse facilities are often leased.

We are committed to maintaining all of our properties in good operating condition and repair, and the facilities are well utilized.

In Israel, our principal executive offices and corporate headquarters in Petach-Tikva are leased until December 2021. We expect to move our corporate headquarters to a consolidated site in Tel-Aviv in 2020.

In the United States, our principal leased properties are our North American headquarters, warehousing and distribution centers and offices in Parsippany, New Jersey and Westchester, Pennsylvania. We are currently completing the process of relocating our principal U.S. headquarters from North Wales and Frazer, Pennsylvenia to Parsippany, New Jersey.

Following our comprehensive restructuring plan announced in December 2017, we continue with the optimization of our manufacturing and supply network, including the closure or divestment of manufacturing plants around the world.

## ITEM 3. LEGAL PROCEEDINGS

Information pertaining to legal proceedings can be found in "Item 8. Financial Statements—Note 12b—Contingencies" and is incorporated by reference herein.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

# PART II

## ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### American Depositary Shares ("ADSs")

Our ADSs, which have been traded in the United States since 1982, were admitted to trade on the Nasdaq National Market in October 1987 and were subsequently traded on the Nasdaq Global Select Market. On May 30, 2012, we transferred the listing of our ADSs to the New York Stock Exchange (the "NYSE"). The ADSs are quoted under the symbol "TEVA." Citibank, N.A. serves as depositary for the ADSs. Each ADS represents one ordinary share.

Various other stock exchanges quote derivatives and options on our ADSs under the symbol "TEVA."

### Ordinary Shares

Our ordinary shares have been listed on the Tel Aviv Stock Exchange ("TASE") since 1951.

### Holders

The number of record holders of ADSs at December 31, 2019 was 2,767.

The number of record holders of ordinary shares at December 31, 2019 was 189.

The number of record holders is based upon the actual number of holders registered on our books at such date and does not include holders of shares in "street names" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depository trust companies.

**Dividends**

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

Our dividend policy is regularly reviewed by our Board of Directors based upon conditions then existing, including our earnings, financial condition, capital requirements and other factors. Our ability to pay cash dividends in the future may be restricted by instruments governing our debt obligations. When paid, dividends are declared in U.S. dollars and are paid by the depositary of our ADSs for the benefit of owners of ADSs.

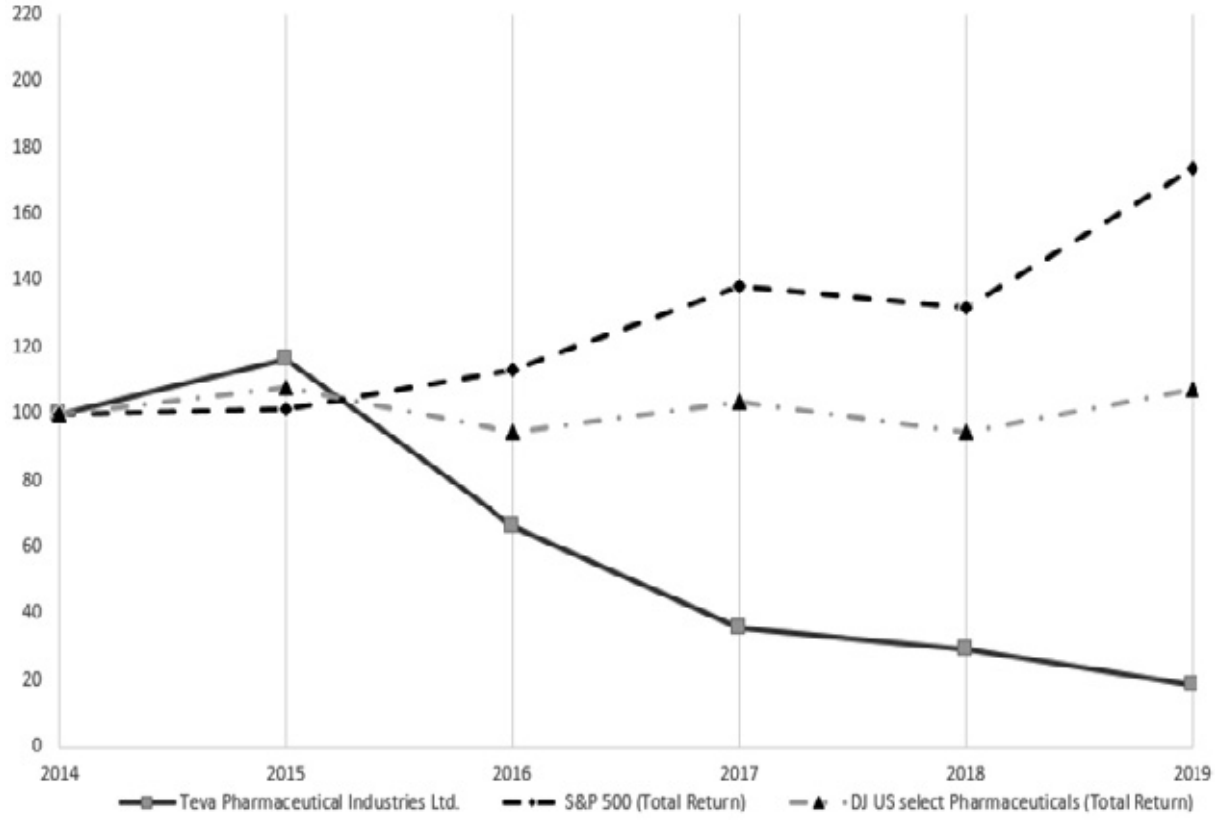
Dividends paid by an Israeli company to non-Israeli residents are generally subject to withholding of Israeli income tax at a rate of up to 25%. Such tax rates apply unless a lower rate is provided in a treaty between Israel and the shareholder's country of residence. In our case, the applicable withholding tax rate will depend on the particular Israeli production facilities that have generated the earnings that are the source of the specific dividend and, accordingly, the applicable rate may change from time to time. A 20% tax is generally withheld on dividends declared and distributed.

**Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Performance Graph**

Set forth below is a performance graph comparing the cumulative total return (assuming reinvestment of dividends), in U.S. dollars, for the calendar years ended December 31, 2015, 2016, 2017, 2018 and 2019, of $100 invested on December 31, 2014 in the Company's ADSs, the Standard & Poor's 500 Index and the Dow Jones U.S. Pharmaceuticals Index.




* $100 invested on December 31, 2014 in stock or index—including reinvestment of dividends. Indexes calculated on month-end basis

## ITEM 6. SELECTED FINANCIAL DATA

### Operating Data

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (U.S. dollars in millions, except share and per share amounts) | | | | |
| **Income Statement Data:** [a] | | | | | |
| Net revenues [b] | 16,887 | 18,271 | 21,853 | 21,464 | 19,303 |
| Cost of sales [b] | 9,351 | 9,975 | 11,237 | 9,811 | 8,183 |
| Gross profit | 7,537 | 8,296 | 10,615 | 11,653 | 11,120 |
| Research and development expenses | 1,010 | 1,213 | 1,778 | 2,077 | 1,525 |
| Selling and marketing expenses | 2,614 | 2,916 | 3,395 | 3,583 | 3,242 |
| General and administrative expenses | 1,192 | 1,298 | 1,451 | 1,390 | 1,360 |
| Intangible assets impairment | 1,639 | 1,991 | 3,238 | 589 | 265 |
| Goodwill impairment | — | 3,027 | 17,100 | 900 | — |
| Other asset impairments, restructuring and other items | 423 | 987 | 1,836 | 830 | 911 |
| Legal settlements and loss contingencies | 1,178 | (1,208) | 500 | 899 | 631 |
| Other Income | (76) | (291) | (1,199) | (769) | (166) |
| Operating income (loss) | (443) | (1,637) | (17,484) | 2,154 | 3,352 |
| Financial expenses—net | 822 | 959 | 895 | 1,330 | 1,000 |
| Income (loss) before income taxes | (1,265) | (2,596) | (18,379) | 824 | 2,352 |
| Income taxes (benefit) | (278) | (195) | (1,933) | 521 | 634 |
| Share in (profits) losses of associated companies—net | 13 | 71 | 3 | (8) | 121 |
| Net income (loss) | (1,000) | (2,472) | (16,449) | 311 | 1,597 |
| Net income (loss) attributable to non-controlling interests | (2) | (322) | (184) | (18) | 9 |
| Net income (loss) attributable to Teva | (999) | (2,150) | (16,265) | 329 | 1,588 |
| Accrued dividends on preferred shares | — | 249 | 260 | 261 | 15 |
| Net income (loss) attributable to ordinary shareholders | (999) | (2,399) | (16,525) | 68 | 1,573 |
| Earnings (loss) per share attributable to ordinary shareholders: | | | | | |
| Basic ($) | (0.91) | (2.35) | (16.26) | 0.07 | 1.84 |
| Diluted ($) | (0.91) | (2.35) | (16.26) | 0.07 | 1.82 |
| Weighted average number of shares (in millions): | | | | | |
| Basic | 1,091 | 1,021 | 1,016 | 955 | 855 |
| Diluted | 1,091 | 1,021 | 1,016 | 961 | 864 |
| Dividends per ordinary share | — | — | $ 0.51 | $ 1.36 | $ 1.36 |

(a) For a discussion of items that affected the comparability of results for the years 2019, 2018 and 2017, refer to "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

(b) The data presented for prior periods (including the years 2015 and 2016) have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.

**Balance Sheet Data**

| | As at December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (U.S. dollars in millions) | | | | |
| Financial assets (cash, cash equivalents and investment in securities) | 2,033 | 1,846 | 1,060 | 1,949 | 8,404 |
| Identifiable intangible assets, net | 11,232 | 14,005 | 17,640 | 21,487 | 7,675 |
| Goodwill | 24,846 | 24,917 | 28,414 | 44,409 | 19,025 |
| Working capital (operating assets minus liabilities) | 74 | (186) | (384) | 303 | 32 |
| Total assets | 57,470 | 60,683 | 70,615 | 93,057 | 54,233 |
| Short-term debt, including current maturities | 2,345 | 2,216 | 3,646 | 3,276 | 1,585 |
| Long-term debt, net of current maturities | 24,562 | 26,700 | 28,829 | 32,524 | 8,358 |
| Total debt | 26,908 | 28,916 | 32,475 | 35,800 | 9,943 |
| Total equity | 15,063 | 15,794 | 18,745 | 34,993 | 29,927 |

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Business Overview

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

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

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

### Our Business Segments

We operate our business through three segments: North America, Europe and International Markets. Each business segment manages our entire product portfolio in its region, including generics, specialty and OTC products. 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.

In December 2017, we announced a comprehensive two-year restructuring plan intended to reduce our cost base by $3 billion, unify and simplify our organization and improve business performance, profitability, cash flow generation and productivity. This plan achieved its goals, including a total cost base reduction of $3 billion by the end of 2019. We are continuing to evaluate opportunities to further optimize our manufacturing and supply network to achieve additional operational efficiencies.

### Highlights

Significant highlights of 2019 included:

- Our revenues in 2019 were $16,887 million, a decrease of 8% in U.S. dollar, or 5% in local currency terms, compared to 2018, mainly due to generic competition to COPAXONE, a decline in revenues from our U.S. generics business, BENDEKA/TREANDA and Japan, partially offset by higher revenues from AUSTEDO, AJOVY and QVAR in the United States. The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.
- Our North America segment generated revenues of $8,542 million and profit of $2,252 million in 2019. Revenues decreased by 8%, mainly due to a decline in revenues from COPAXONE, our U.S. generics business and certain other specialty products, partially offset by higher revenues from AUSTEDO, our Anda business and AJOVY. Profit decreased by 21%, mainly due to lower revenues from COPAXONE and non-recurrence of other income, partially offset by cost reductions and efficiency measures as part of the restructuring plan.
- Our Europe segment generated revenues of $4,795 million and profit of $1,318 million in 2019. Revenues decreased by 8%, or 2% in local currency terms, mainly due to a decline in COPAXONE

revenues due to competing glatiramer acetate products, lower sales of respiratory products in the United Kingdom and lower revenues from our oncology products due to competing biopharmaceutical products, partially offset by new generic product launches. Profit increased by 4%, mainly due to cost reductions and efficiency measures as part of the restructuring plan.

- Our International Markets segment generated revenues of $2,246 million and profit of $464 million in 2019. Revenues decreased by 7%, or 3% in local currency terms, mainly due to lower sales in Japan and certain discontinued activities in Israel. Profit decreased by 7%, mainly due to lower revenues in Japan, partially offset by higher sales in other markets and lower S&M and G&A expenses. The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.
- Impairment of identifiable intangible assets were $1,639 million and $1,991 million in the years ended December 31, 2019 and 2018, respectively. See note 6 to our consolidated financial statements.
- No goodwill impairment charges were recorded in 2019, compared to a goodwill impairment charge of $3,027 million in 2018.
- We recorded expenses of $423 million for other asset impairments, restructuring and other items in 2019, compared to expenses of $987 million in 2018. See note 15 to our consolidated financial statements.
- In 2019, we recorded an expense of $1,178 million in legal settlements and loss contingencies, compared to an income of $1,208 million in 2018. The expense in 2019 was mainly related to an estimated settlement provision recorded in connection with the remaining opioid cases. See note 12 to our consolidated financial statements.
- Operating loss was $443 million in 2019, compared to an operating loss of $1,637 million in 2018, mainly due to higher impairment charges recorded in 2018.
- Financial expenses were $822 million in 2019, compared to $959 million in 2018. Financial expenses in 2019 and 2018 were mainly comprised of interest expenses of $881 million and $920 million, respectively.
- In 2019, we recognized a tax benefit of $278 million, or 22%, on a pre-tax loss of $1,265 million. In 2018, we recognized a tax benefit of $195 million, or 8%, on a pre-tax loss of $2,596 million. Our tax rate for 2018 was lower than in 2019, due to one-time legal settlements and divestments that had a low corresponding tax effect.
- Exchange rate movements during 2019, in comparison with 2018, negatively impacted revenues by $402 million and operating income by $135 million.
- As of December 31, 2019, our debt was $26,908 million, compared to $28,916 million as of December 31, 2018. This decrease was mainly due to senior notes repaid at maturity or prepaid with cash generated during the year.
- Cash flow generated from operating activities was $748 million in 2019, a decrease of $1,698 million, or 69%, compared to 2018. This decrease was mainly due to the working capital adjustment with Allergan and the Rimsa settlement in 2018 and lower profit in our North America segment.
- During 2019, we generated free cash flow of $2,053 million, which we define as comprising $748 million in cash flow generated from operating activities, $1,487 million in beneficial interest collected in exchange for securitized trade receivables and $343 million in proceeds from sale of property, plant and equipment and intangible assets, partially offset by $525 million in cash used for capital investments.

## Results of Operations

The following table sets forth, for the periods indicated, certain financial data derived from our financial statements, presented according to generally accepted accounting principles in the United States ("U.S. GAAP"), presented as percentages of net revenues, and the percentage change for each item as compared to the previous year.

| | Percentage of Net Revenues Year Ended December 31, | | | Percentage Change Comparison | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2019-2018 | 2018-2017 |
| | % | % | % | % | % |
| Net revenues | 100.0 | 100.0 | 100.0 | (8) | (16) |
| Gross profit | 44.6 | 45.4 | 48.6 | (9) | (22) |
| Research and development expenses | 6.0 | 6.6 | 8.1 | (17) | (32) |
| Selling and marketing expenses | 15.5 | 16.0 | 15.5 | (10) | (14) |
| General and administrative expenses | 7.1 | 7.1 | 6.6 | (8) | (11) |
| Intangible assets impairments | 9.7 | 10.9 | 14.8 | (18) | (39) |
| Goodwill impairment | * | 16.6 | 78.3 | (100) | (82) |
| Other asset impairments, restructuring and other items | 2.5 | 5.4 | 8.4 | (57) | (46) |
| Legal settlements and loss contingencies | 7.0 | (6.6) | 2.3 | n/a | n/a |
| Other Income | (0.5) | (1.6) | (5.5) | (74) | (76) |
| Operating (loss) income | (2.6) | (9.0) | (80.0) | (73) | (91) |
| Financial expenses—net | 4.9 | 5.2 | 4.1 | (14) | 7 |
| Income (loss) before income taxes | (7.5) | (14.2) | (84.2) | (51) | (86) |
| Income taxes (benefit) | (1.6) | (1.1) | (8.8) | 42 | (90) |
| Share in (profits) losses of associated companies—net | 0.1 | 0.4 | * | (81) | 2,267 |
| Net income (loss) attributable to non-controlling interests | * | (1.8) | * | (99) | 922 |
| Net income (loss) attributable to Teva | (5.9) | (11.8) | (74.4) | (54) | (87) |

* Represents an amount less than 0.5%.

## Segment Information

### North America Segment

The following table presents revenues, expenses and profit for our North America segment for the past three years:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2017 | |
| | (U.S. $ in millions / % of Segment Revenues) | | | | | |
| Revenues | $8,542 | 100% | $9,297 | 100.0% | $12,141 | 100% |
| Gross profit | 4,350 | 50.9% | 4,979 | 53.6% | 7,322 | 60.3% |
| R&D expenses | 652 | 7.6% | 713 | 7.7% | 969 | 8.0% |
| S&M expenses | 1,021 | 12.0% | 1,154 | 12.4% | 1,288 | 10.6% |
| G&A expenses | 439 | 5.1% | 484 | 5.2% | 533 | 4.4% |
| Other (income) expense | (14) | § | (209) | (2.2%) | (92) | (0.8%) |
| Segment profit* | $2,252 | 26.4% | $2,837 | 30.5% | $ 4,624 | 38.1% |

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

§ Represents an amount less than 0.5%.

***North America Revenues***

Our North America segment includes the United States and Canada. Revenues from our North America segment in 2019 were $8,542 million, a decrease of $755 million, or 8%, compared to 2018, mainly due to a decline in revenues from COPAXONE, our U.S. generics business and certain other specialty products, partially offset by higher revenues from AUSTEDO, our Anda business and AJOVY.

*Comparison of 2018 to 2017.* Revenues from our North America segment in 2018 were $9,297 million, compared to $12,141 million in 2017. This decrease was mainly due to a decline in revenues from COPAXONE, our U.S. generics business, certain other specialty products, as well as the loss of revenues from the sale of our women's health business, partially offset by higher revenues from AUSTEDO and our Anda business.

***Revenues by Major Products and Activities***

The following table presents revenues for our North America segment by major products and activities for the past three years:

| | Year ended December 31, | | | Percentage Change |
|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2018-2019 |
| | (U.S. $ in millions) | | | |
| Generic products | $3,963 | $4,056 | $ 5,203 | (2%) |
| COPAXONE | 1,017 | 1,759 | 3,116 | (42%) |
| BENDEKA/TREANDA | 496 | 642 | 656 | (23%) |
| ProAir* | 274 | 397 | 501 | (31%) |
| QVAR | 250 | 182 | 313 | 38% |
| AJOVY | 93 | 3 | — | N/A |
| AUSTEDO | 412 | 204 | 24 | 102% |
| Anda | 1,492 | 1,347 | 1,153 | 11% |
| Other | 546 | 708 | 1,175 | (23%) |
| Total | $8,542 | $9,297 | $12,141 | |

* Does not include revenues from the ProAir authorized generic, which are included under generic products.

**Generic products** revenues in our North America segment (including biosimilars) in 2019 decreased by 2% to $3,963 million, compared to 2018, mainly due to a decline in significant products resulting from competition and certain other factors, as well as price erosion across the portfolio. The most significant declines were in cinacalcet (the generic equivalent of Sensispar®), daptomycin (the generic equivalent of Cubicin®), methyphenidate (the generic equivalent of Ritalin®) and tadalafil (the generic equivalent of Cialis®). These declines were partially offset by new generic launches in 2019 and growth in certain products compared to 2018, primarily TRUXIMA (the biosimilar to Rituxan®), epinephrine injectable solution (the generic equivalent of EpiPen® and EpiPen Jr.®), amphetamine salt tablets (the generic equivalent of Adderall IR) and our authorized generic version of ProAir.

Among the most significant generic products we sold in North America in 2019 were epinephrine injectable solution (the generic equivalent of EpiPen® and EpiPen Jr.®), albuterol sulfate inhalation aerosol (ProAir HFA authorized generic of Teva's specialty product), lidocaine transdermal patch (the generic equivalent of Lidoderm Patch®), amphetamine salt tablets (the generic equivalent of Adderall IR) and TRUXIMA (the biosimilar to Rituxan®).

We launched TRUXIMA in the United States in November 2019. HERZUMA (the biosomilar to Herceptin®) is expected to be available in the United States in the first quarter of 2020. TRUXIMA and HERZUMA are expected to be available in Canada in the first quarter of 2020.

In 2019, we led the U.S. generics market in total prescriptions and new prescriptions, with approximately 388 million total prescriptions (based on trailing twelve months), representing 10.5% of total U.S. generic prescriptions according to IQVIA data.

*Comparison of 2018 to 2017.* Revenues from generic products in our North America segment in 2018 were $4,056 million, compared to $5,203 million in 2017. This decrease was mainly due to additional competition to methylphenidate extended-release tablets (Concerta® authorized generic), portfolio optimization primarily as part of the restructuring plan, as well as market dynamics and price erosion in our U.S. generics business, partially offset by new generic product launches.

**COPAXONE** revenues in our North America segment in 2019 decreased by 42% to $1,017 million, compared to 2018, mainly due to generic competition in the United States.

Revenues of COPAXONE in our North America segment were 67% of global COPAXONE revenues in 2019, compared to 74% in 2018.

COPAXONE global sales accounted for approximately 9% of our global revenues in 2019 and a significantly higher percentage of our profits and cash flow from operations during this period.

For more information on COPAXONE, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines—COPAXONE."

*Comparison of 2018 to 2017.* COPAXONE revenues in our North America segment in 2018 were $1,759 million, compared to $3,116 million in 2017. This decrease was mainly due to generic competition in the United States.

**BENDEKA** and **TREANDA** combined revenues in our North America segment in 2019 decreased by 23% to $496 million, compared to 2018, mainly due to the June 2018 launch of Belrapzo® (a ready-to-dilute bendamustine hydrochloride) by Eagle Pharmaceuticals, Inc.

*Comparison of 2018 to 2017.* BENDEKA and TREANDA combined revenues in our North America segment in 2018 were $642 million, compared to $656 million in 2017.

**ProAir** revenues in our North America segment in 2019 decreased by 31% to $274 million, compared to 2018, mainly due to shifting volume to our ProAir HFA authorized generic (included under "generic products" above). In 2019, ProAir was the second-largest short-acting beta-agonist in the market, with an exit market share of 24.9% (46.7% including our ProAir HFA authorized generic) in terms of total number of prescriptions for albuterol inhalers, compared to 46.1% in 2018.

*Comparison of 2018 to 2017.* ProAir revenues in our North America segment in 2018 were $397 million, compared to $501 million in 2017. This decrease was mainly due to higher sales reserves recorded in the fourth quarter of 2018 in anticipation of generic competition to the short-acting beta-agonist class of drugs, including an approved generic version of Ventolin HFA.

**QVAR** revenues in our North America segment in 2019 increased by 38% to $250 million, compared to 2018. This increase was mainly due to a higher net price and an increase in volume. In 2019, QVAR maintained its second-place position in the inhaled corticosteroids category in the United States, with an exit market share of 20.5% in terms of total number of prescriptions, compared to 21.5% in 2018.

*Comparison of 2018 to 2017.* QVAR revenues in our North America segment in 2018 were $182 million, compared to $313 million in 2017. This decrease was mainly due lower volumes in connection with the launch of QVAR® RediHaler™ and lower net pricing.

**AJOVY** revenues in our North America segment in 2019 were $93 million. In 2019, AJOVY's exit market share in the United Stated in terms of total number of prescriptions was 17%.

On January 27, 2020, the FDA approved an auto-injector device for AJOVY in the U.S.

For more information on AJOVY, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines—AJOVY."

**AUSTEDO** revenues in our North America segment in 2019 increased by 102% to $412 million, compared to 2018. This increase was mainly due to growth in volume in 2019.

For more information on AUSTEDO, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines—AUSTEDO."

*Comparison of 2018 to 2017.* AUSTEDO revenues in our North America segment in 2018 were $204 million, compared to $24 million in 2017.

**Anda** revenues from third parties in our North America segment in 2019 increased by 11% to $1,492 million, compared to 2018, mainly due to higher volumes.

*Comparison of 2018 to 2017.* Anda revenues from third parties in our North America segment in 2018 were $1,347 million, compared to $1,153 million in 2017. This increase was mainly due to higher volumes.

***Product Launches and Pipeline***

In 2019, we launched the generic version of the following branded products in North America:

| Product Name | Brand Name | Launch Date | Total Annual U.S. Branded Sales at Time of Launch (U.S. $ in millions (IQVIA))[1] |
|---|---|---|---|
| Vardenafil hydrochloride tablets, 2.5 mg, 5 mg, 10 mg & 20 mg | Levitra® | January | $ 88 |
| Albuterol sulfate HFA inhalation aerosol with dose counter, 90 mcg [2] | ProAir® | January | $1,497 |
| Vigabatrin tablets, USP, 500 mg | Sabril® | February | $ 183 |
| ALYQ™ (tadalafil tablets), USP, 20 mg | Adcirca® | February | $ 475 |
| Ketoconazole cream, 2% [3] | Nizoral® | February | $ 92 |
| Clindamycin phosphate and benzoyl peroxide gel, 1.2%/2.5% | Acanya® | February | $ 21 |
| Minocycline hydrochloride extended-release tablets, USP, 80 mg & 105 mg | Solodyn® ER | February | $ 173 |
| Diclofenac epolamine topical patch, 1.3% | Flector® | March | $ 123 |
| Cyclobenzaprine hydrochloride extended-release capsules, 15 mg & 30 mg [2] | Amrix® | March | $ 50 |
| Deferasirox tablets, 125 mg, 250 mg & 500 mg | Exjade® | March | $ 134 |
| Methylergonovine maleate tablets, USP, .2 mg | Methergine® | March | $ 62 |
| Docosanol cream, 10% | Abreva® | March | $ 88 |
| Fluoxetine tablets, USP 20 mg | — | April | $ 56 |
| Testosterone gel, metered 1.62% CIII | AndroGel® 1.62% [CIII] | April | $ 755 |
| Solifenacin succinate tablets, 5 mg & 10 mg | Vesicare® | April | $ 946 |
| Ambrisentan tablets, 5 mg & 10 mg | Letairis® | May | $ 254 |

| Product Name | Brand Name | Launch Date | Total Annual U.S. Branded Sales at Time of Launch (U.S. $ in millions (IQVIA))[1] |
|---|---|---|---|
| Erlotinib tablets, 100 mg & 150 mg | Tarceva® | May | $ 188 |
| Mesalamine delayed-release capsules, 400 mg | Delzicol® | May | $ 130 |
| Ranolazine extended-release tablets, 500 mg & 1000 mg | Ranexa® | May | $ 950 |
| Aspirin and extended-release dipyridamole capsules, 25 mg/200 mg [3] | Aggrenox® | June | $ 168 |
| Desmopressin acetate injection, USP, 4 mcg/mL [3] | DDAVP® | June | $ 58 |
| Albendazole tablets, USP, 200 mg | Albenza® | June | $ 85 |
| Bosentan tablets, 62.5 mg & 125 mg | Tracleer® | June | $ 84 |
| Doxylamine succinate and pyridoxine hydrochloride delayed-release tablets, 10 mg/10 mg | Diclegis® | June | $ 151 |
| Penicillamine capsules, USP, 250 mg | Cuprimine® | June | $ 130 |
| 1% Sodium hyaluronate injection | [4] | June | — |
| Oseltamivir phosphate for oral suspension, 6 mg/mL | Tamiflu® | July | $ 281 |
| Icatibant injection, 30 mg/3 mL | Firazyr® | July | $ 304 |
| Pregabalin capsules, 25 mg, 50 mg, 75 mg, 100 mg, 150 mg, 200 mg, 225 mg & 300 mg | Lyrica® | July | $5,456 |
| Ramelteon tablets, 8 mg | Rozerem® | July | $ 91 |
| Bisoprolol fumarate and hydrochlorothiazide tablets, 2.5 mg/6.25 mg, 5 mg/6.25 mg & 10 mg/6.25 mg [2] | Ziac® | August | $ 42 |
| Doxycycline hyclate delayed-release tablets, USP, 50 mg & 200 mg | Doryx® | August | $ 20 |
| Mycophenolic acid delayed-release tablets, USP, 180 mg & 360 mg | Myfortic® DR | August | $ 180 |
| Epinephrine injection, USP (auto-injector), 0.15 mg/0.3 mL | EpiPen Jr® | August | $ 201 |
| Minocycline hydrochloride extended-release tablets, USP, 55 mg | Solodyn® ER | August | $ 44 |
| Fulvestrant Injection, 250 mg/5 mL (50 mg/mL) | [5] | August | — |
| Triamcinolone acetonide injectable suspension, USP, 40 mg/mL (40 mg), 40 mg/mL (200 mg) & 40 mg/mL (400 mg) | Kenalog®-40 | August | $ 135 |
| Acyclovir cream, 5% [6] | Zovirax® | August | $ 97 |
| Fosaprepitant for injection, 150 mg/Vial | [5] | September | — |
| Treprostinil injection, 1 mg/mL (20 mg), 2.5 mg/mL (50 mg), 5 mg/mL (100 mg) & 10 mg/mL (200 mg) | Remodulin® | September | $ 3 |
| Ivermectin cream, 1% | Soolantra® | October | $ 206 |
| TRUXIMA, 100 mg/10 mL & 500 mg/50 mL | Rituxan® [7] | November | $4,378 |
| Deferasirox tablets, 90 mg & 360 mg | Jadenu® | November | $ 390 |

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

(2) Authorized generic of a Teva specialty product.

(3) Products were re-launched.

(4) Approved via 515(d)(1)(B)(ii) regulatory pathway for medical devices; not equivalent to a brand product.

(5) Approved via 505(b)(2) regulatory pathway; not equivalent to a brand product.
(6) Authorized generic.
(7) Biosimilar.

Our generic products pipeline in the United States includes, as of December 31, 2019, 251 product applications awaiting FDA approval, including 79 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 September 30, 2019 exceeding $117 billion, according to IQVIA. Approximately 70% of pending applications include a paragraph IV patent challenge and we believe we are first to file with respect to 95 of these products, or 116 products including final approvals where launch is pending a settlement agreement or court decision. Collectively, these first to file opportunities represent over $75 billion in U.S. brand sales for the twelve months ended September 30, 2019, 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 2019, 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 U.S. Annual Branded Market (U.S. $ in millions (IQVIA))* |
|---|---|---|
| Dapagliflozin tablets, 5 mg | Farxiga® | $1,688 |
| Deferasirox Oral Tablets 180 mg | Jadenu® | $ 55 |
| Efinaconazole Topical Solution | Jublia® | $ 231 |
| Enzalutamide capsules, 40 mg | Xtandi® | $ 999 |
| Everolimus tablets, 2.5 mg, 5 mg, 7.5 mg & 10 mg | Afinitor® | $ 770 |
| Icatibant injection, 30 mg/3 mL | Firazyr® | $ 318 |
| Ivermectin lotion, 0.5% | Sklice® | $ 81 |
| Sildenafil, 10 mg/mL | Revatio® | $ 189 |
| Sorafenib tablets, 200 mg | Nexavar® | $ 55 |

* For the twelve months ended in the calendar quarter immediately prior to the receipt of tentative approval.

For a description of our specialty product pipeline, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines" above.

***North America Gross Profit***

Gross profit from our North America segment in 2019 was $4,350 million, a decrease of 13% compared to $4,979 million in 2018. This decrease was mainly due to lower revenues from COPAXONE.

Gross profit margin for our North America segment in 2019 decreased to 50.9%, compared to 53.6% in 2018. This decrease was mainly due to lower COPAXONE revenues and a higher proportion of Anda revenues, partially offset by higher revenues from AUSTEDO.

*Comparison of 2018 to 2017*. Gross profit from our North America segment in 2018 was $4,979 million, compared to $7,322 million in 2017. This decrease was mainly due to lower revenues from COPAXONE and a decline in sales of generic and other specialty products.

***North America R&D Expenses***

R&D expenses relating to our North America segment in 2019 were $652 million, a decrease of 9% compared to $713 million in 2018.

For a description of our R&D expenses in 2019, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

*Comparison of 2018 to 2017*. R&D expenses relating to our North America segment in 2018 were $713 million, compared to $969 million in 2017.

***North America S&M Expenses***

S&M expenses relating to our North America segment in 2019 were $1,021 million, a decrease of 11% compared to $1,154 million in 2018. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

*Comparison of 2018 to 2017*. S&M expenses relating to our North America segment in 2018 were $1,154 million, compared to $1,288 million in 2017. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

***North America G&A Expenses***

G&A expenses relating to our North America segment in 2019 were $439 million, a decrease of 9% compared to $484 million in 2018. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

*Comparison of 2018 to 2017*. G&A expenses relating to our North America segment in 2018 were $484 million, compared to $533 million in 2017. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

***North America Other Income***

Other income from our North America segment in 2019 was $14 million, compared to $209 million in 2018. The higher other income in 2018 was mainly due to higher Section 8 recoveries from multiple cases in Canada and recovery of lost profits in cases in which U.S. patent infringement litigation had previously prevented the sale of certain products.

*Comparison of 2018 to 2017*. Other income from our North America segment in 2018 was $209 million, compared to $92 million in 2017. This increase was mainly due to higher Section 8 recoveries in Canada.

***North America Profit***

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

Profit from our North America segment in 2019 was $2,252 million, a decrease of 21% compared to $2,837 million in 2018. This decrease was mainly due to lower revenues from COPAXONE and non-recurrence of other income, partially offset by cost reductions and efficiency measures as part of the restructuring plan.

*Comparison of 2018 to 2017*. Profit from our North America segment in 2018 was $2,837 million, compared to $4,624 million in 2017. This decrease was mainly due to lower revenues from COPAXONE and a decline in sales of generic and other specialty products, partially offset by cost reductions and efficiency measures as part of the restructuring plan.

**Europe Segment**

The following table presents revenues, expenses and profit for our Europe segment for the past three years:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2017 | |
| | (U.S. $ in millions / % of Segment Revenues) | | | | | |
| Revenues | $4,795 | 100% | $5,186 | 100% | $5,466 | 100% |
| Gross profit | 2,704 | 56.4% | 2,884 | 55.6% | 2,887 | 52.8% |
| R&D expenses | 262 | 5.5% | 283 | 5.5% | 390 | 7.1% |
| S&M expenses | 890 | 18.6% | 1,003 | 19.3% | 1,130 | 20.7% |
| G&A expenses | 239 | 5.0% | 325 | 6.3% | 354 | 6.5% |
| Other (income) expense | (5) | § | — | § | (16) | § |
| Segment profit* | $1,318 | 27.5% | $1,273 | 24.5% | $1,029 | 18.8% |

* 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 and certain other European countries. Revenues from our Europe segment in 2019 were $4,795 million, a decrease of $391 million, or 8%, compared to 2018. In local currency terms, revenues decreased by 2%, mainly due to a decline in COPAXONE revenues due to competing glatiramer acetate products, lower sales of respiratory products in the United Kingdom and lower revenues from our oncology products due to competing biopharmaceutical products, partially offset by new generic product launches.

*Comparison of 2018 to 2017*. Revenues from our Europe segment in 2018 were $5,186 million, compared to $5,466 million in 2017. This decrease was mainly due to the loss of revenues from the closure of our distribution business in Hungary, the sale of our women's health business and a decline in COPAXONE revenues due to competing glatiramer acetate products, partially offset by new generic product launches.

***Revenues by Major Products and Activities***

The following table presents revenues for our Europe segment by major products and activities for the past three years:

| | Year ended December 31, | | | Percentage Change |
|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2018-2019 |
| | (U.S. $ in millions) | | | |
| Generic products | $3,470 | $3,593 | $3,471 | (3%) |
| COPAXONE | 432 | 535 | 595 | (19%) |
| Respiratory products | 354 | 402 | 368 | (12%) |
| Other | 539 | 656 | 1,033 | (18%) |
| Total | $4,795 | $5,186 | $5,466 | (8%) |

**Generic products** revenues in our Europe segment in 2019, including OTC products, decreased by 3% to $3,470 million, compared to 2018. In local currency terms, revenues increased by 2%, mainly due to new generic product launches.

*Comparison of 2018 to 2017*. Generic products revenues in our Europe segment in 2018 were $3,593 million, compared to $3,471 million in 2017. This increase was mainly due to currency fluctuations and new generic product launches, partially offset by the loss of revenues from the termination of the PGT joint venture and the impact of the valsartan voluntary recall.

**COPAXONE** revenues in our Europe segment in 2019 decreased by 19% to $432 million, compared to 2018. In local currency terms, revenues decreased by 15%, mainly due to price reductions resulting from competing glatiramer acetate products.

Revenues of COPAXONE in our Europe segment were 29% of global COPAXONE revenues in 2019, compared to 23% in 2018.

For more information on COPAXONE, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines—COPAXONE."

*Comparison of 2018 to 2017*. COPAXONE revenues in our Europe segment in 2018 were $535 million, compared to $595 million in 2017. This decrease was mainly due to price reductions resulting from the entry of competing glatiramer acetate products.

**Respiratory products** revenues in our Europe segment in 2019 decreased by 12% to $354 million, compared to 2018. In local currency terms, revenues decreased by 7%, mainly due to lower sales in the United Kingdom.

*Comparison of 2018 to 2017*. Respiratory products revenues from our Europe segment in 2018 were $402 million, compared to $368 million in 2017. This increase was mainly due to the launch of BRALTUS® in 2017.

**AJOVY** was granted a Marketing Authorization by the European Medicines Agency ("EMA") in the European Union in a centralized process in April 2019. We commenced launching AJOVY in certain European markets in May 2019 and are moving forward with plans to launch the product in other European countries. We received approval from the EMA for AJOVY's auto-injector submission in the European Union.

For information about AJOVY patent protection, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines—AJOVY."

***Product Launches and Pipeline***

As of December 31, 2019, our generic products pipeline in Europe included 660 generic approvals relating to 84 compounds in 178 formulations, and approximately 1,083 marketing authorization applications pending approval in 37 European countries, relating to 123 compounds in 243 formulations.

For a description of our specialty product pipeline, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines" above.

***Europe Gross Profit***

Gross profit from our Europe segment in 2019 was $2,704 million, a decrease of 6% compared to $2,884 million in 2018. This decrease was mainly due to lower revenues from COPAXONE and other specialty products as well as higher cost of goods sold, partially offset by new generic product launches.

Gross profit margin for our Europe segment in 2019 increased to 56.4%, compared to 55.6% in 2018. This increase was mainly due to the termination of the PGT joint venture in 2018.

*Comparison of 2018 to 2017*. Gross profit from our Europe segment in 2018 was $2,884 million, flat compared to 2017. Gross profit was affected by the loss of revenues from the sale of our women's health business and a decline in COPAXONE revenues, offset by new generic product launches and lower cost of goods sold.

***Europe R&D Expenses***

R&D expenses relating to our Europe segment in 2019 were $262 million, a decrease of 7% compared to $283 million in 2018.

For a description of our R&D expenses in 2019, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

*Comparison of 2018 to 2017*. R&D expenses relating to our Europe segment in 2018 were $283 million, compared to $390 million in 2017.

***Europe S&M Expenses***

S&M expenses relating to our Europe segment in 2019 were $890 million, a decrease of 11% compared to $1,003 million in 2018. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

*Comparison of 2018 to 2017*. S&M expenses relating to our Europe segment in 2018 were $1,003 million, compared to $1,130 million in 2017. This decrease was mainly due to cost reductions as part of the restructuring plan.

***Europe G&A Expenses***

G&A expenses relating to our Europe segment in 2019 were $239 million, a decrease of 26% compared to $325 million in 2018. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

*Comparison of 2018 to 2017*. G&A expenses relating to our Europe segment in 2018 were $325 million, compared to $354 million in 2017. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

***Europe Profit***

Profit of 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 2019 was $1,318 million, an increase of 4% compared to $1,273 million in 2018. This increase was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

*Comparison of 2018 to 2017*. Profit from our Europe segment in 2018 was $1,273 million, compared to $1,029 million in 2017. This increase was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

**International Markets Segment**

The following table presents revenues, expenses and profit for our International Markets segment for the past three years:

| | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| | (U.S. $ in millions / % of Segment Revenues) | | | | | |
| Revenues | $2,246 | 100% | $2,422 | 100% | $2,863 | 100% |
| Gross profit | 1,167 | 51.9% | 1,254 | 51.8% | 1,433 | 50.1% |
| R&D expenses | 88 | 3.9% | 96 | 4.0% | 154 | 5.4% |
| S&M expenses | 481 | 21.4% | 518 | 21.4% | 672 | 23.5% |
| G&A expenses | 138 | 6.1% | 153 | 6.3% | 189 | 6.6% |
| Other (income) expense | (3) | § | (11) | § | (8) | § |
| Segment profit* | $ 464 | 20.6% | $ 498 | 20.6% | $ 426 | 14.9% |

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

§ Represents an amount less than 0.5%.

The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.

***International Markets Revenues***

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

Revenues from our International Markets segment in 2019 were $2,246 million, a decrease of $176 million, or 7%, compared to 2018. In local currency terms, revenues decreased by 3% compared to 2018, mainly due to lower sales in Japan and certain discontinued activities in Israel.

*Comparison of 2018 to 2017*. Revenues from our International Markets segment in 2018 were $2,422 million, compared to $2,863 million in 2017. This decrease was mainly due to lower sales in Russia and Japan, the effect of the deconsolidation of our subsidiaries in Venezuela and loss of revenues from the sale of our women's health business.

The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.

***Revenues by Major Products and Activities***

The following table presents revenues for our International Markets segment by major products and activities for the past three years:

| | Year ended December 31, | | | Percentage Change |
|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2018-2019 |
| | (U.S. $ in millions) | | | |
| Generic products | $1,893 | $2,022 | $2,370 | (6%) |
| COPAXONE | 63 | 72 | 91 | (13%) |
| Distribution | 20 | 19 | 17 | 6% |
| Other | 271 | 309 | 385 | (12%) |
| Total | $2,246 | $2,422 | $2,863 | (7%) |

**Generic products** revenues in our International Markets segment in 2019, which include OTC products, decreased by 6% to $1,893 million, compared to 2018. In local currency terms, revenues decreased by 3%, mainly due to lower revenues in Japan resulting from regulatory price reductions and generic competition to off-patented products.

*Comparison of 2018 to 2017*. Generic products revenues in our International Markets segment in 2018 were $2,022 million, compared to $2,370 million in 2017. This decrease was mainly due to lower revenues in Russia, lower sales in Japan resulting from regulatory price reductions and generic competition to off-patented products, loss of revenues from the termination of the PGT joint venture and the effect of the deconsolidation of our subsidiaries in Venezuela.

**COPAXONE** revenues in our International Markets segment in 2019 decreased by 13% to $63 million, compared to 2018. In local currency terms, revenues decreased by 1%.

For more information on COPAXONE, see “Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines—COPAXONE.”

*Comparison of 2018 to 2017*. COPAXONE revenues in our International Markets segment in 2018 were $72 million, compared to $91 million in 2017.

**Distribution** revenues in our International Markets segment in 2019 increased by 6% to $20 million, compared to 2018. In local currency terms, revenues increased by 24%.

*Comparison of 2018 to 2017*. Distribution revenues in our International Markets segment in 2018 were $19 million, compared to $17 million in 2017.

The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.

***International Markets Gross Profit***

Gross profit from our International Markets segment in 2019 was $1,167 million, a decrease of 7% compared to $1,254 million in 2018.

Gross profit margin for our International Markets segment in 2019 increased to 51.9%, compared to 51.8% in 2018. This increase was mainly due portfolio optimization.

*Comparison of 2018 to 2017*. Gross profit from our International Markets segment in 2018 was $1,254 million, compared to $1,433 million in 2017.

***International Markets R&D Expenses***

R&D expenses relating to our International Markets segment in 2019 were $88 million, a decrease of 9% compared to $96 million in 2018.

For a description of our R&D expenses in 2019, see "—Teva Consolidated Results—Research and Development (R&D) Expenses" below.

*Comparison of 2018 to 2017*. R&D expenses relating to our International Markets segment in 2018 were $96 million, compared to $154 million in 2017.

***International Markets S&M Expenses***

S&M expenses relating to our International Markets segment in 2019 were $481 million, a decrease of 7% compared to $518 million in 2018. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

*Comparison of 2018 to 2017*. S&M expenses relating to our International Markets segment in 2018 were $518 million, compared to $672 million in 2017. This decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

***International Markets G&A Expenses***

G&A expenses relating to our International Markets segment in 2019 were $138 million, a decrease of 10% compared to $153 million in 2018. The decrease was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

*Comparison of 2018 to 2017*. G&A expenses relating to our International Markets segment in 2018 were $153 million, compared to $189 million in 2017. This decrease was mainly due to cost reductions as part of the restructuring plan.

***International Markets Profit***

Profit of 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 2019 was $464 million, a decrease of 7% compared to $498 million in 2018. This decrease was mainly due to a decline in revenues in Japan, partially offset by higher sales in other markets and lower S&M and G&A expenses.

*Comparison of 2018 to 2017*. Profit from our International Markets segment in 2018 was $498 million, compared to $426 million in 2017. This increase was mainly due to cost reductions and efficiency measures as part of the restructuring plan.

**Other Activities**

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

Our revenues from other activities in 2019 decreased by 5% to $1,304 million compared to 2018. In local currency terms, revenues decreased by 3%.

API sales to third parties in 2019 increased by 1% to $754 million, in both U.S. dollar and local currency terms.

*Comparison of 2018 to 2017.* Revenues from other activities in 2018 were $1,366 million, compared to $1,383 million in 2017.

**Teva Consolidated Results**

The data presented with respect to revenues, gross profit, R&D expenses, S&M expenses, G&A expenses and operating income (loss) for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.

**Revenues**

Revenues in 2019 were $16,887 million, a decrease of 8%, or 5% in local currency terms, compared to 2018, mainly due to generic competition to COPAXONE, a decline in revenues from our U.S. generics business, BENDEKA/TREANDA and Japan, partially offset by higher revenues from AUSTEDO, AJOVY and QVAR in the United States. See "—North America Revenues," "—Europe Revenues," "—International Markets Revenues" and "—Other Activities" above.

Exchange rate movements during 2019 negatively impacted revenues by $402 million, compared to 2018.

*Comparison of 2018 to 2017.* Revenues in 2018 were $18,271 million, a decrease of 16% compared to 2017, mainly due to generic competition to COPAXONE, a decline in revenues in our U.S. generics business and loss of revenues following the divestment of certain products and discontinuation of certain activities.

**Gross Profit**

Gross profit in 2019 was $7,537 million, a decrease of 9% compared to 2018. This decrease was mainly a result of the factors discussed above under "—North America Gross Profit," "—Europe Gross Profit" and "—International Markets Gross Profit."

Gross profit as a percentage of revenues was 44.6% in 2019, compared to 45.4% in 2018.

This decrease in gross profit as a percentage of revenues was mainly due to lower profitability in North America, resulting from a decline in COPAXONE revenues due to generic competition and a higher proportion of Anda revenues, partially offset by higher revenues from AUSTEDO and AJOVY, higher gross margin in our U.S. generics business and higher API sales.

*Comparison of 2018 to 2017.* Gross profit in 2018 was $8,296 million, a decrease of 22% compared to 2017. Gross profit as a percentage of revenues was 45.4% in 2018, compared to 48.6% in 2017. The decrease in gross profit as a percentage of revenues was mainly due to lower profitability in North America resulting from a decline in COPAXONE revenues due to generic competition and a decline in revenues in our U.S. generics business, higher accelerated depreciation and higher divestment expenses, partially offset by lower amortization expenses and higher profitability in Europe.

**Research and Development (R&D) Expenses**

Net R&D expenses for 2019 were $1,010 million, a decrease of 17% compared to 2018.

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

Our R&D activities for specialty products in each of our segments include costs of discovery research, preclinical development, early- and late-clinical development and drug formulation, clinical trials 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) life cycle management and post-approval studies for marketed products; and (v) indirect expenses that support our overall specialty R&D efforts but are not allocated by product or to specific R&D projects, such as the costs of internal administration, infrastructure and personnel.

In 2019, our R&D expenses were primarily related to specialty product candidates in the pain, migraine, headache and respiratory therapeutic areas, with additional activities in selected other areas and generic products in our North America segment.

Our lower R&D expenses in 2019, as compared to 2018, resulted primarily from pipeline optimization and efficiencies realized as part of our restructuring plan.

R&D expenses as a percentage of revenues were 6.0% in 2019, compared to 6.6% in 2018.

*Comparison of 2018 to 2017.* In 2018, R&D expenses were $1,213 million, a decrease of 32% compared to 2017. R&D expenses as a percentage of revenues were 6.6% in 2018, compared to 8.1% in 2017.

**Selling and Marketing (S&M) Expenses**

S&M expenses in 2019 were $2,614 million, a decrease of 10% compared to 2018. Our S&M expenses were primarily the result of the factors discussed above under "—North America 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 15.5% in 2019, compared to 16.0% in 2018.

*Comparison of 2018 to 2017.* S&M expenses in 2018 were $2,916 million, a decrease of 14% compared to 2017. S&M expenses as a percentage of revenues were 16.0% in 2018, compared to 15.5% in 2017.

**General and Administrative (G&A) Expenses**

G&A expenses in 2019 were $1,192 million, a decrease of 8% compared to 2018. Our G&A expenses were primarily the result of the factors discussed above under "—North America Segment—G&A Expenses," "—Europe Segment—G&A Expenses" and "—International Markets Segment—G&A Expenses," as well as cost reductions in certain corporate functions as part of the restructuring plan.

G&A expenses as a percentage of revenues were 7.1% in 2019, flat compared to 2018.

*Comparison of 2018 to 2017.* G&A expenses in 2018 were $1,298 million, a decrease of 11% compared to 2017. G&A expenses as a percentage of revenues were 7.1% in 2018, compared to 6.6% in 2017.

**Identifiable Intangible Asset Impairments**

We recorded expenses of $1,639 million for identifiable intangible asset impairments in 2019, compared to expenses of $1,991 million in 2018. See note 6 to our consolidated financial statements.

*Comparison of 2018 to 2017.* Identifiable intangible asset impairments in 2018 were $1,991 million, compared to $3,238 million in 2017.

**Goodwill Impairment**

No goodwill impairments were recorded in 2019, compared to a goodwill impairment of $3,027 million in 2018. The goodwill impairment in 2018 was mainly attributable to goodwill associated with our International Markets reporting unit and Medis reporting unit. See note 7 to our consolidated financial statements.

*Comparison of 2018 to 2017.* Goodwill impairments in 2018 were $3,027 million, compared to $17,100 million in 2017. The goodwill impairment in 2017 was mainly in connection with our U.S. generics reporting unit.

**Other Asset Impairments, Restructuring and Other Items**

We recorded expenses of $423 million for other asset impairments, restructuring and other items in 2019, compared to expenses of $987 million in 2018. See note 15 to our consolidated financial statements.

*Comparison of 2018 to 2017*. We recorded expenses of $987 million for other asset impairments, restructuring and other items in 2018, compared to $1,836 million in 2017.

***Significant regulatory events***

In July 2018, the FDA completed an inspection of our manufacturing plant in Davie, Florida in the United States, and issued a Form FDA-483 to the site. In October 2018, the FDA notified us that the inspection of the site is classified as "official action indicated" (OAI). On February 5, 2019, we received a warning letter from the FDA that contained four additional enumerated concerns related to production, quality control and investigations at this site. We have been working diligently to address the FDA's concerns in a manner consistent with current good manufacturing practice (cGMP) requirements as quickly and as thoroughly as possible. An FDA follow up inspection occurred in January 2020, resulting in some follow up findings. If we are unable to remediate the findings to the FDA's satisfaction, we may face additional consequences. These would potentially include delays in FDA approval for future products from the site, financial implications due to loss of revenues, impairments, inventory write offs, customer penalties, idle capacity charges, costs of additional remediation and possible FDA enforcement action. We expect to generate approximately $230 million in revenues from this site in 2020, assuming remediation or enforcement does not cause any unscheduled slowdown or stoppage at the facility or prevent approvals of new products from the site.

In July 2018, we announced the voluntary recall of valsartan and certain combination valsartan medicines in various countries due to the detection of trace amounts of a previously unknown nitrosamine impurity called NDMA found in valsartan API supplied to us by Zhejiang Huahai Pharmaceutical ("Huahai"). Since July 2018, we have been actively engaged with regulatory agencies around the world in reviewing our sartan and other products to determine whether NDMA and/or other related nitrosamine impurities are present in specific products. Where necessary, we have initiated additional voluntary recalls. The aggregate direct impact of this recall on our 2018 and 2019 financial statements was $54 million, primarily related to inventory write-downs and returns. As a result of this loss, we initiated negotiations with Huahai and in December 2019, we reached a settlement with Huahai resolving our claims related to certain sartan API supplied by Huahai to Teva. Under the settlement agreement, Huahai agreed to compensate Teva for some of the direct losses suffered by Teva and provide Teva prospective cost reductions for API. The settlement does not release Huahai from liability for any losses we may incur as a result of third party personal injury or product liability claims relating to the sartan API at issue. In addition, multiple lawsuits have been filed in connection with this matter, which may lead to additional customer penalties, impairments and litigation costs. We expect additional expenses and loss of revenues and profits in connection with this matter going forward.

***Restructuring***

In 2019, we recorded $199 million of restructuring expenses, compared to $488 million in 2018. The expenses in 2019 were primarily related to headcount reductions across all functions, as part of our restructuring plan announced in 2017.

The two-year restructuring plan announced in 2017 reduced our total cost base by $3 billion by the end of 2019.

Since the announcement, we reduced our global headcount by approximately 13,000 full-time-equivalent employees.

*Comparison of 2018 to 2017.* Restructuring expenses in 2018 were $488 million, compared to $535 million in 2017.

**Legal Settlements and Loss Contingencies**

In 2019, we recorded an expense of $1,178 million in legal settlements and loss contingencies, compared to an income of $1,208 million in 2018. The expense in 2019 was mainly related to an estimated settlement provision recorded in connection with the remaining opioid cases. The income in 2018 primarily consisted of the working capital adjustment with Allergan, the Rimsa settlement and reversal of the reserve recorded in the second quarter of 2017 with respect to the carvedilol patent litigation.

*Comparison of 2018 to 2017.* Legal settlements and loss contingencies in 2018 amounted to an income of $1,208 million, compared to an expense of $500 million in 2017. See note 11 to our consolidated financial statements.

**Other Income**

Other income in 2019 was $76 million, compared to $291 million in 2018. Other income in 2019 was mainly related to the sale of activities in our International Markets segment. See note 16 to our consolidated financial statements.

*Comparison of 2018 to 2017.* Other income in 2018 was $291 million, compared to $1,199 million in 2017. Other income in 2017 was mainly related to the sale of our women's health business.

**Operating Income (Loss)**

Operating loss was $443 million in 2019, compared to an operating loss of $1,637 million in 2018.

Operating loss as a percentage of revenues was 2.6% in 2019, compared to 9.0% in 2018. The decrease in operating loss was mainly due to higher impairment charges recorded in 2018, partially offset by higher provisions in connection with legal settlements and loss contingencies in 2019, as well as lower profit in our North America segment.

*Comparison of 2018 to 2017.* Operating loss in 2018 was $1,637 million, compared to operating loss of $17,484 million in 2017. Operating loss as a percentage of revenues was 9.0% in 2018, compared to 80.0% in 2017.

**Financial Expenses, Net**

Financial expenses were $822 million in 2019, compared to $959 million in 2018.

Financial expenses in 2019 were mainly comprised of interest expenses of $881 million. Financial expenses in 2018 were mainly comprised of interest expenses of $920 million.

*Comparison of 2018 to 2017.* In 2018, financial expenses were $959 million, compared to $895 million in 2017.

The following table presents a reconciliation of our segment profits to Teva's consolidated operating income (loss) and to consolidated income (loss) before income taxes for the past three years:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| North America profit | $ 2,252 | $ 2,837 | $ 4,624 |
| Europe profit | 1,318 | 1,273 | 1,029 |
| International Markets profit | 464 | 498 | 426 |
| Total reportable segments profit | 4,034 | 4,608 | 6,079 |
| Profit (loss) of other activities | 108 | 115 | (6) |
| Total segments profit | 4,142 | 4,723 | 6,073 |
| Amounts not allocated to segments: | | | |
| Amortization | 1,113 | 1,166 | 1,444 |
| Other asset impairments, restructuring and other items | 423 | 987 | 1,836 |
| Goodwill impairment | — | 3,027 | 17,100 |
| Intangible asset impairments | 1,639 | 1,991 | 3,238 |
| Gain on divestitures, net of divestitures related costs | (50) | (66) | (1,083) |
| Inventory Step-up | — | — | 67 |
| Other R&D expenses | (15) | 83 | 221 |
| Costs related to regulatory actions taken in facilities | 45 | 14 | 47 |
| Legal settlements and loss contingencies | 1,178 | (1,208) | 500 |
| Other unallocated amounts | 252 | 366 | 187 |
| Consolidated operating income (loss) | (443) | (1,637) | (17,484) |
| Financial expenses, net | 822 | 959 | 895 |
| Consolidated income (loss) before income taxes | $(1,265) | $(2,596) | $(18,379) |

**Tax Rate**

In 2019, we recognized a tax benefit of $278 million, or 22%, on a pre-tax loss of $1,265 million.

In 2018, we recognized a tax benefit of $195 million, or 8%, on a pre-tax loss of $2,596 million. Our tax rate for 2018 was lower than in 2019 due to one-time legal settlements and divestments that had a low corresponding tax effect.

In 2017, we recognized a tax benefit of $1,933 million, or 11%, on pre-tax loss of $18,379 million. Our tax rate for 2017 was low due to a one-time effect resulting from the remeasurement of our deferred taxes and imposition of a deemed repatriation tax following the enactment of the Tax Cuts and Jobs Act in December 2017 in the United States, as well as a one-time tax benefit associated with the utilization of Actavis Generics' historical capital losses. In addition, in 2017 we recorded goodwill impairments that did not have a corresponding tax effect.

The statutory Israeli corporate tax rate was 23% in 2019. Our 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 in Israel and other countries, as well as infrequent or nonrecurring items.

**Share In (Profits) Losses of Associated Companies—Net**

Share in losses of associated companies, net in 2019 was $13 million, compared to $71 million in 2018.

*Comparison of 2018 to 2017*. Share in losses of associated companies, net in 2018 was $71 million, compared to a profit of $3 million in 2017.

**Net Income (Loss)**

Net loss attributable to Teva was $999 million in 2019, compared to a net loss of $2,150 million in 2018.

Net loss attributable to ordinary shareholders was $999 million in 2019, compared to a net loss of $2,399 million in 2018.

*Comparison of 2018 to 2017*. Net loss attributable to Teva was $2,150 million in 2018, compared to a net loss of $16,265 million in 2017.

Net loss attributable to ordinary shareholders was $2,399 million in 2018, compared to a net loss of $16,525 million in 2017.

**Diluted Shares Outstanding and Earnings (Loss) Per Share**

The weighted average diluted shares outstanding used for the fully diluted share calculation for 2019, 2018 and 2017 were 1,091 million, 1,021 million and 1,016 million shares, respectively.

In computing loss per share for the twelve months ended December 31, 2019 and 2018, no account was taken of the potential dilution by the assumed exercise of employee stock options and non-vested RSUs granted under employee stock compensation plans and convertible senior debentures, since they had an anti-dilutive effect on loss per share.

Additionally, no account was taken of the potential dilution by the mandatory convertible preferred shares, amounting to 74 million shares (including shares that were issued due to unpaid dividends until that date) for the period between January 1, 2018 and December 17, 2018, since they had an anti-dilutive effect on loss per share.

On December 17, 2018, the mandatory convertible preferred shares automatically converted into ordinary shares at a ratio of 1 mandatory convertible preferred share to 16 ADSs, and all of the accumulated and unpaid dividends on the mandatory convertible preferred shares were paid in ADSs, at a ratio of 3.0262 ADSs per mandatory convertible preferred share, all in accordance with the conversion mechanism set forth in the terms of the mandatory convertible preferred shares. As a result of this conversion, we issued 70.6 million ADSs.

Diluted loss per share was $0.91 for the year ended December 31, 2019, compared to loss per share of $2.35 for the year ended December 31, 2018.

**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 performance share units ("PSUs") and the conversion of our convertible senior debentures, in each case, at period end.

As of December 31, 2019 and 2018, the fully diluted share count for purposes of calculating our market capitalization was approximately 1,108 million and 1,100 million, respectively.

**Impact of Currency Fluctuations on Results of Operations**

In 2019, approximately 48% of our revenues were denominated in currencies other than the U.S. dollar. Because our results are reported in U.S. dollars, we are subject to significant foreign currency risks. 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, Japanese yen, Israeli shekel, Canadian dollar, Polish zloty, Argentinean peso, Turkish lira and Russian ruble) impact our results.

During 2019, the following main currencies relevant to our operations decreased in value against the U.S. dollar (each on an annual average compared to annual average basis): the Argentinian peso by 44%, the Turkish lira by 17%, the euro by 5% and the British pound by 4%. The following main currencies relevant to our operations increased in value against the U.S. dollar: the Japanese yen by 1% and the Israeli shekel by 1%.

As a result, exchange rate movements during 2019, in comparison with 2018, negatively impacted overall revenues by $402 million and negatively impacted our operating income by $135 million.

Commencing in the third quarter of 2018, the cumulative inflation in Argentina exceeded 100% or more over a 3-year period. Although this triggered highly inflationary accounting treatment, it did not have a material impact on our results of operations.

**Liquidity and Capital Resources**

Total balance sheet assets were $57,470 million as of December 31, 2019, compared to $60,683 million as of December 31, 2018.

Our working capital balance, which includes trade receivables net of SR&A, inventories, prepaid expenses and other current assets, trade payables, employee-related obligations, accrued expenses and other current liabilities, was $74 million as of December 31, 2019, compared to negative $186 million as of December 31, 2018.

Investment in property, plant and equipment in 2019 was $525 million, compared to $651 million in 2018. Depreciation was $609 million in 2019, compared to $676 million in 2018.

Cash and cash equivalents and short-term and long-term investments, as of December 31, 2019, were $2,033 million, compared to $1,846 million as of December 31, 2018. This increase was mainly due to cash flow generated during the year and proceeds from issuance of senior notes in November 2019, partially offset by debt repayments and prepayments as discussed below.

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.

Our principal sources of short-term liquidity are our cash on hand, existing cash investments, liquid securities and available credit facilities, primarily our $2.3 billion revolving credit facility (“RCF”).

In April 2019, we entered into a $2.3 billion unsecured syndicated RCF, which replaced the previous $3 billion revolving credit facility. The RCF contains certain covenants, including certain limitations on incurring liens and indebtedness and maintenance of certain financial ratios, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. The net debt to EBITDA ratio limit was 6.25x through December 31, 2019, gradually declines to 5.75x in the third and fourth quarters of 2020, and continues to gradually decline over the remaining term of the RCF.

The RCF can be used for general corporate purposes, including repaying existing debt. As of December 31, 2019, no amounts were outstanding under the RCF. Based on current and forecasted results, we expect that we 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, we will not be able to borrow under the RCF. Additionally, violations of the covenants, under the above mentioned circumstances, would result in an event of default in all borrowings under the RCF and, when greater than a specified threshold amount as set forth in each series of senior notes is outstanding, could lead to an event of default under our senior notes due to cross acceleration provisions.

We expect that we will continue to have sufficient cash resources to support our debt service payments and all other financial obligations within one year from the date that the financial statements are issued.

**2019 Debt Balance and Movements**

As of December 31, 2019, our debt was $26,908 million, compared to $28,916 million as of December 31, 2018. This decrease was mainly due to senior notes repaid at maturity or prepaid with cash generated during the year.

During the first quarter of 2019, we repurchased and canceled approximately $126 million principal amount of our $1,700 million 1.7% senior notes due July 2019.

During the second quarter of 2019, we repurchased and canceled approximately $18 million principal amount of our $1,574 million 1.7% senior notes due July 2019.

In July 2019, we repaid at maturity our $1,556 million 1.7% senior notes.

During the third quarter of 2019, we borrowed $500 million under the RCF, which was fully repaid by the fourth quarter of 2019. As of the date of this Annual Report on Form 10-K, no amounts were outstanding under the RCF.

In November 2019, we completed debt issuances for an aggregate principal amount of $2,102 million, comprised of $1,000 million principal amount of 7.125% senior notes due 2025, and €1,000 million principal amount of 6.0% senior notes due 2025. See note 9 to our consolidated financial statements.

In November 2019, we completed a debt tender offer, which resulted in a debt decrease of $1,525 million from our 2.2% $3,000 million senior notes due in July 2021.

In December 2019, we partially redeemed €650 million of our 0.375% €1,660 million senior notes due in July 2020.

Our debt as of December 31, 2019 was effectively denominated in the following currencies: 65% in U.S. dollars, 32% in euros and 3% in Swiss francs.

The portion of total debt classified as short-term as of December 31, 2019 was 9%, compared to 8% as of December 31, 2018, due to a decrease in our total debt.

Our financial leverage was 64% as of December 31, 2019, compared to 65% as of December 31, 2018.

Our average debt maturity was approximately 6.4 years as of December 31, 2019, compared to 6.8 years as of December 31, 2018.

**2018 Debt Balance and Movements**

In January 2018, we prepaid in full $15 million of our U.S. dollar debentures.

During the first quarter of 2018, we prepaid in full $2.3 billion of our 3-year and 5-year U.S. dollar term loans, as well as JPY 156.8 billion of our term loans.

In March 2018, we completed debt issuances for an aggregate principal amount of $4.4 billion, consisting of senior notes with aggregate principal amounts of $2.5 billion and €1.6 billion with maturities ranging from four to ten years. The effective average interest rate of the notes issued is 5.3% per annum.

In March 2018, we redeemed in full our $1.5 billion 1.4% senior notes due in July 2018 and our €1.0 billion 2.875% senior notes due in April 2019.

In July 2018, we repaid at maturity our CHF 300 million 0.13% senior notes.

In September 2018, we completed a debt tender offer, which resulted in a debt decrease of $405 million, comprised of:

- $300 million of our $2.0 billion 1.7% senior notes due in July 2019
- €90 million of our €1.75 billion 0.38% senior notes due in July 2020

In October 2018, we repaid at maturity our CHF 450 million 1.5% senior notes.

**Total Equity**

Total equity was $15,063 million as of December 31, 2019, compared to $15,794 million as of December 31, 2018. This decrease was mainly due to a net loss of $1,000 million, partially offset by $119 million stock-based compensation expenses, $84 million in unrealized profit associated with hedging activities and a positive impact of foreign exchange fluctuation of $97 million.

Exchange rate fluctuations affected our balance sheet, as approximately 35% of our net assets (including both non-monetary and monetary assets) were in currencies other than the U.S. dollar. When compared to December 31, 2018, changes in currency rates had a positive impact of $97 million on our equity as of December 31, 2019, mainly due to the change in value against the U.S. dollar of: the euro by 2%, the Russian ruble by 4%, the Polish zloty by 5%, the Canadian dollar by 1%, the Japanese yen by 1%, the Chilean peso by 4%, the Mexican peso by 4% and the British pound by 6%. All comparisons are on a year-end to year-end basis.

**Cash Flow**

Cash flow generated from operating activities in 2019 was $748 million, a decrease of $1,698 million, or 69%, compared to 2018. This decrease was mainly due to the working capital adjustment with Allergan and the Rimsa settlement in 2018, and lower profit in our North America segment during 2019.

During 2019, we generated free cash flow of $2,053 million, which we define as comprising $748 million in cash flow generated from operating activities, $1,487 million in beneficial interest collected in exchange for securitized trade receivables and $343 million in proceeds from sale of property, plant and equipment and intangible assets, partially offset by $525 million in cash used for capital investments. During 2018, we generated free cash flow of $3,679 million, comprised of $2,446 million in cash flow generated from operating activities, $1,735 million in beneficial interest collected in exchange for securitized trade receivables and $149 million in proceeds from sale of property, plant and equipment and intangible assets, partially offset by $651 million in cash used for capital investments. The decrease in 2019 resulted mainly from the lower 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 and participation in joint ventures associated with R&D activities.

In September 2016, we entered into an agreement to develop and commercialize Regeneron's pain medication product, fasinumab. We paid Regeneron $250 million upfront and will share equally with Regeneron in the global commercial benefits of this product, as well as ongoing associated R&D costs of approximately $1.0 billion. Milestone payments of $25 million, $35 million and $60 million were paid in the second quarter of 2017, the first quarter of 2018 and the fourth quarter of 2018, respectively.

In October 2016, we entered into an exclusive partnership with Celltrion to commercialize two of Celltrion's biosimilar products in development for the U.S. and Canadian markets. We paid Celltrion $160 million, of which up to $60 million is refundable or creditable under certain circumstances. We will share the profit from the commercialization of these products with Celltrion. These two products, TRUXIMA and HERZUMA, were approved by the FDA in November and December 2018, respectively. We launched TRUXIMA in the United States in November 2019. HERZUMA is expected to be available in the United States in the first quarter of 2020.

In September 2017, we entered into a partnership agreement with Nuvelution for development of AUSTEDO for the treatment of Tourette syndrome in pediatric patients in the United States. Nuvelution is funding and managing clinical development, driving all operational aspects of the phase 3 program, and we are leading the regulatory process and are responsible for commercialization. If FDA approval is obtained for AUSTEDO for Tourette syndrome, we will pay Nuvelution a pre-agreed return. In February 2020, we received results for these clinical trials, which found that the clinical trials failed to meet their primary endpoints. No new safety signals were identified in these studies. See note 23 to our consolidated financial statements.

We are committed to pay 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.

**Supplemental Non-GAAP Income Data**

We utilize certain non-GAAP financial measures to evaluate performance, in conjunction with other performance metrics. The following are examples of how we utilize the non-GAAP measures:

- our management and Board of Directors use the non-GAAP measures to evaluate our operational performance, to compare against work plans and budgets, and ultimately to evaluate the performance of management;
- our annual budgets are prepared on a non-GAAP basis; and

- senior management's annual compensation is derived, in part, using these non-GAAP measures. While qualitative factors and judgment also affect annual bonuses, the principal quantitative element in the determination of such bonuses is performance targets tied to the work plan, which is based on the non-GAAP presentation set forth below.

Non-GAAP financial measures have no standardized meaning and accordingly have limitations in their usefulness to investors. We provide such non-GAAP data because management believes that such data provide useful information to investors. However, 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 financial measures in addition to, and not as replacements for, or superior to, measures of financial performance prepared in accordance with GAAP.**

In arriving at our non-GAAP presentation, we exclude items that either have a non-recurring impact on the income statement or which, in the judgment of our management, are items that, either as a result of their nature or size, could, were they not singled out, potentially cause investors to extrapolate future performance from an improper base. In addition, we also exclude equity compensation expenses to facilitate a better understanding of our financial results, since we believe that such exclusion is important for understanding the trends in our financial results and that these expenses do not affect our business operations. While not all inclusive, examples of these items include:

- amortization of purchased intangible assets;
- legal settlements 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, inventory step-up and in-process R&D acquired in development arrangements;
- expenses related to our equity compensation;
- significant one-time financing costs and devaluation losses;
- deconsolidation charges;
- material tax and other awards or settlement amounts, both paid and received;
- other exceptional items that we believe are sufficiently large that their exclusion is important to facilitate an understanding of trends in our financial results, such as impacts due to changes in accounting, significant costs for remediation of plants, such as inventory write-offs or related consulting costs, or other unusual events; and
- corresponding tax effects of the foregoing items.

The following tables present supplemental non-GAAP data, in U.S. dollar, which we believe facilitates an understanding of the factors affecting our business. In these tables, we exclude the following amounts:

| | Year Ended December 31, 2019 (U.S. $ and shares in millions, except per share amounts) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | GAAP | Excluded for non GAAP measurement | | | | | | | | | | | Non GAAP |
| | | Amortization of purchased intangible assets | Legal settlements and loss contingencies | Impairment of long-lived assets | Other R&D expenses | Restructuring costs | Costs related to regulatory actions taken in facilities | Equity compensation | Contingent consideration | Gain on sale of business | Other non GAAP items | Other items | |
| COGS | 9,351 | 973 | | | | | 45 | 26 | | | 121 | | 8,185 |
| R&D | 1,010 | | | | (15) | | | 20 | | | 1 | | 1,004 |
| S&M | 2,614 | 139 | | | | | | 35 | | | 1 | | 2,438 |
| G&A | 1,192 | | | | | | | 42 | | | 5 | | 1,145 |
| Other income | (76) | | | | | | | | | (50) | | | (27) |
| Legal settlements and loss contingencies | 1,178 | | 1,178 | | | | | | | | | | — |
| Other asset impairments, restructuring and other items | 423 | | | 139 | | 199 | | | 59 | | 26 | | — |
| Intangible assets impairment | 1,639 | | | 1,639 | | | | | | | | | — |
| Financial expenses | 822 | | | | | | | | | | | (3) | 824 |
| Corresponding tax effect | (278) | | | | | | | | | | | (875) | 597 |
| Share in losses of associated companies – net | 13 | | | | | | | | | | | — | 13 |
| Net income attributable to non-controlling interests | (2) | | | | | | | | | | | (82) | 80 |
| Total reconciled items | | 1,113 | 1,178 | 1,778 | (15) | 199 | 45 | 123 | 59 | (50) | 155 | (959) | |
| EPS—Basic | (0.91) | | | | | | | | | | | 3.32 | 2.41 |
| EPS—Diluted | (0.91) | | | | | | | | | | | 3.32 | 2.40 |

The non-GAAP diluted weighted average number of shares was 1,094 million for the year ended December 31, 2019.

**Year ended December 31, 2018**

**(U.S. $ and shares in millions, except per share amounts)**

| | GAAP | Excluded for non GAAP measurement | | | | | | | | | | | | | Non GAAP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amortization of purchased intangible assets | Goodwill impairment | Legal settlements and loss contingencies | Impairment of long-lived assets | Other R&D expenses | Acquisition integration and related expenses | Restructuring costs | Costs related to regulatory actions taken in facilities | Equity compensation | Contingent consideration | Gain on sale of business | Other non GAAP items | Other items | |
| COGS* | 9,975 | 1,004 | | | | | | | 14 | 28 | | | 204 | | 8,725 |
| R&D | 1,213 | | | | | 83 | | | | 26 | | | 2 | | 1,102 |
| S&M | 2,916 | 162 | | | | | | | | 43 | | | (7) | | 2,718 |
| G&A | 1,298 | | | | | | | | | 55 | | | 15 | | 1,228 |
| Other income | (291) | | | | | | | | | | | (66) | | | (225) |
| Legal settlements and loss contingencies | (1,208) | | | (1,208) | | | | | | | | | | | — |
| Other asset impairments, restructuring and other items | 987 | | | | 500 | | 13 | 488 | | | 57 | | (71) | | — |
| Intangible assets impairment | 1,991 | | | | 1,991 | | | | | | | | | | — |
| Goodwill impairment | 3,027 | | 3,027 | | | | | | | | | | | | — |
| Financial expenses | 959 | | | | | | | | | | | | | 66 | 893 |
| Corresponding tax effect | (195) | | | | | | | | | | | | | (714) | 519 |
| Share in losses of associated companies – net | 71 | | | | | | | | | | | | | 103 | (32) |
| Net income attributable to non-controlling interests | (322) | | | | | | | | | | | | | (431) | 109 |
| Total reconciled items | | 1,166 | 3,027 | (1,208) | 2,491 | 83 | 13 | 488 | 14 | 152 | 57 | (66) | 143 | (976) | |
| EPS—Basic | (2.35) | | | | | | | | | | | | | 5.27 | 2.92 |
| EPS—Diluted | (2.35) | | | | | | | | | | | | | 5.27 | 2.92 |

The non-GAAP diluted weighted average number of shares was 1,024 million for the year ended December 31, 2018.

* The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.

**Year ended December 31, 2017**

**U.S. $ and shares in millions (except per share amounts)**

| | GAAP | Excluded for non GAAP measurement | | | | | | | | | | | | | Non GAAP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amortization of purchased intangible assets | Goodwill impairment | Legal settlements and loss contingencies | Impairment of long-lived assets | Other R&D expenses | Inventory step-up | Acquisition, integration and related expenses | Restructuring costs | Costs related to regulatory actions taken in facilities | Equity compensation | Contingent consideration | Other non GAAP items | Other items | |
| COGS* | 11,237 | 1,235 | | | | | 67 | | | 47 | 23 | | 47 | | 9,818 |
| R&D | 1,778 | | | | | 221 | | | | | 22 | | 20 | | 1,515 |
| S&M | 3,395 | 209 | | | | | | | | | 38 | | (1) | | 3,149 |
| G&A | 1,451 | | | | | | | | | | 46 | | (8) | | 1,413 |
| Other income | (1,199) | | | | | | | | | | | | (1,083) | | (116) |
| Legal settlements and loss contingencies | 500 | | | 500 | | | | | | | | | | | — |
| Other asset impairments, restructuring and other items | 1,836 | | | | 544 | | | 105 | 535 | | | 154 | 498 | | — |
| Intangible assets impairment | 3,238 | | | | 3,238 | | | | | | | | | | — |
| Goodwill impairment | 17,100 | | 17,100 | | | | | | | | | | | | — |
| Financial expenses | 895 | | | | | | | | | | | | | (13) | 908 |
| Corresponding tax effect | (1,933) | | | | | | | | | | | | | (2,721) | 788 |
| Share in losses of associated companies – net | 3 | | | | | | | | | | | | | 47 | (44) |
| Net income attributable to non-controlling interests | (184) | | | | | | | | | | | | | (270) | 86 |
| Total reconciled items | | 1,444 | 17,100 | 500 | 3,782 | 221 | 67 | 105 | 535 | 47 | 129 | 154 | (527) | (2,957) | |
| EPS—Basic | (16.26) | | | | | | | | | | | | | 20.27 | 4.01 |
| EPS—Diluted | (16.26) | | | | | | | | | | | | | 20.27 | 4.01 |

The non-GAAP diluted weighted average number of shares was 1,018 million for the year ended December 31, 2017.

* The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b to our consolidated financial statements for additional information.

**Non-GAAP Effective Tax Rate**

Non-GAAP income taxes for 2019 were $597 million on non-GAAP pre-tax income of $3,317 million. Non-GAAP income taxes in 2018 were $519 million on non-GAAP pre-tax income of $3,830 million. Non-GAAP income taxes in 2017 were $788 million on non-GAAP pre-tax income of $5,165 million. The non-GAAP tax rate for 2019 was 18%, compared to 14% in 2018 and 15% in 2017. Our annual non-GAAP effective tax rate for 2019 was higher than our non-GAAP effective tax rate for 2017 and 2018 primarily due to a lower tax shield on finance expenses.

In the future, our non-GAAP effective tax rate is expected to remain similar to the 2019 rate.

**Trend Information**

The following factors are expected to have a significant effect on our 2020 results:

- Success of our specialty products AJOVY, AUSTEDO and our biosimiliar products;
- execution of our global operations optimization plan, which may affect our business and operations, and the risk of incurring additional restructuring expenses;
- ability to successfully execute key generic launches in a timely manner;
- our high debt levels and non-investment grade credit rating will have a negative effect on our ability to borrow additional funds and may increase the cost of any such borrowing;
- a decrease in sales of COPAXONE following the launches of generic versions to the product, and the possibility of additional generic competition in the future;
- a decrease in sales of other specialty products due to potential loss of exclusivity or generic competition;
- we expect continued competition for our generic products where multiple similar generic products have been launched, resulting in pricing pressure in the generics markets. We do, however, also see certain generic segments in which opportunities exist to grow our business, our portfolio of new drug applications and our portfolio of approved complex products; and
- continued impact of currency fluctuations on revenues and net income, as well as on various balance sheet line items.

For additional information, please see "Item 1—Business" and elsewhere in this Item 7.

**Aggregated Contractual Obligations**

The following table summarizes our material contractual obligations and commitments as of December 31, 2019:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| | (U.S. $ in millions) | | | | |
| Long-term debt obligations, including expected interest* | $34,043 | $2,737 | $6,310 | $8,723 | $16,274 |
| Purchase obligations (including purchase orders) | 1,876 | 1,624 | 248 | 4 | — |
| Total | $35,919 | $4,361 | $6,558 | $8,727 | $16,274 |

* Long-term debt obligations mainly include senior notes and convertible senior debentures as disclosed in note 9 to our consolidated financial statements.

The total gross amount of unrecognized tax benefits for uncertain tax positions was $1,223 million at December 31, 2019. Payment of these obligations would result from settlements with tax authorities. Due to the difficulty in determining the timing and magnitude of settlements, these obligations are not included in the table above. Correspondingly, it is difficult to ascertain whether we will pay any significant amount related to these obligations within the next year.

We have committed to make potential future milestone payments to third parties under various agreements. These payments are contingent upon the occurrence of certain future events and, given the nature of these events, it is unclear when, if ever, we may be required to pay such amounts. As of December 31, 2019, if all milestones and targets, for compounds in phase 2 and more advanced stages of development, are achieved, the total contingent payments could reach an aggregate amount of up to $426 million.

We have committed to pay royalties to owners of know-how, partners in alliances and other certain arrangements and to parties that financed research and development, at a wide range of rates as a percentage of sales or of the gross margin of certain products, as defined in the underlying agreements.

Due to the uncertainty of the timing of these payments, these amounts, and the amounts described in the previous paragraph, are not included in the table above.

**Off-Balance Sheet Arrangements**

Except for securitization transactions, which are disclosed in note 10 f to our consolidated financial statements, we do not have any material off-balance sheet arrangements.

**Critical Accounting Policies**

For a description of our significant accounting policies, see note 1 to our consolidated financial statements.

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in certain circumstances that affect the amounts reported in the accompanying consolidated financial statements and related footnotes. Actual results may differ from these estimates. We base our judgments on our experience and on various assumptions that we believe to be reasonable under the circumstances.

Of our policies, the following are considered critical to an understanding of our consolidated financial statements as they require the application of the most subjective and complex judgment, involving critical accounting estimates and assumptions impacting our consolidated financial statements. We have applied our policies and critical accounting estimates consistently across our businesses.

The significant accounting estimates relate to the following:

- Revenue Recognition and SR&A
- Income Taxes
- Contingencies
- Inventories
- Goodwill
- Identifiable Intangible Assets
- Restructuring Costs

**Revenue Recognition and SR&A**

Our gross product revenues are subject to a variety of deductions which are generally estimated and recorded in the same period that the revenues are recognized, and primarily represent chargebacks, rebates and sales allowances to wholesalers, retailers and government agencies with respect to our pharmaceutical products. Those deductions represent estimates of rebates and discounts related to gross sales for the reporting period and, as such, knowledge and judgment of market conditions and practice are required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Historically, our changes of estimates reflecting actual results or updated expectations, have not been material to our overall business. Product-specific rebates, however, may have a significant impact on year-over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location. However, estimates associated with governmental allowances, U.S. Medicaid and other performance-based contract rebates are most at risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters.

**Income Taxes**

The provision for income tax is calculated based on our assumptions as to our entitlement to various benefits under the applicable tax laws in the jurisdictions in which we operate. The entitlement to such benefits depends upon our compliance with the terms and conditions set out in these laws.

Accounting for uncertainty in income taxes requires that it be more likely than not that the tax benefits recognized in the financial statements be sustained based on technical merits. The amount of benefits recorded for these positions is measured as the largest benefit more likely than not to be sustained. Significant judgment is required in making these determinations.

Deferred taxes are determined utilizing the asset and liability method based on the estimated future tax effects of differences between the financial accounting and tax bases of assets and liabilities under the applicable tax laws. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the determination of the appropriate valuation allowances, we have considered the most recent projections of future business results and prudent tax planning alternatives that may allow us to realize the deferred tax assets. Taxes which would apply in the event of disposal of investments in subsidiaries have not been taken into account in computing deferred taxes, as it is our intention to hold these investments rather than realize them.

Deferred taxes have not been provided for tax-exempt income, as the Company intends to permanently reinvest these profits and does not currently foresee a need to distribute dividends out of these earnings. Furthermore, we do not expect our non-Israeli subsidiaries to distribute taxable dividends in the foreseeable future, as their earnings and excess cash are used to pay down the group's external liabilities, while we expect to have sufficient resources in the Israeli companies to fund our cash needs in Israel. In addition, the Company announced a suspension of dividend distribution on ordinary shares and ADSs in 2017. An assessment of the tax that would have been payable had the Company's foreign subsidiaries distributed their income to the Company is not practicable because of the multiple levels of corporate ownership and multiple tax jurisdictions involved in each hypothetical dividend distribution.

For a discussion of the valuation allowance, deferred tax and valuation allowance estimates see notes 1 and 13 of our consolidated financial statements.

*U.S. Tax Cuts and Jobs Act*

We accounted for the tax effects of the Tax Cuts and Jobs Act, enacted on December 22, 2017, on a provisional basis in our 2017 consolidated financial statements. We completed our accounting analysis in the fourth quarter of 2018, within the one year measurement period from the enactment date. See Note 13 in the notes to the consolidated financial statements for additional information.

**Contingencies**

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, in large part as a result of the nature of its business, Teva is frequently subject to litigation, governmental investigations and other legal proceedings. Except for income tax contingencies or contingent consideration acquired in a business combination, Teva records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is estimable. When accruing these costs, Teva will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, Teva accrues for the minimum amount within the range. Teva records anticipated recoveries under existing insurance contracts that are probable of occurring at the gross amount that is expected to be collected.

Teva reviews the adequacy of the accruals on a periodic basis and may determine to alter its provisions at any time in the future if it believes it would be appropriate to do so. As such accruals are based on management's judgment as to the probability of losses and, where applicable, actuarially determined estimates, accruals may materially differ from actual verdicts, settlements or other agreements made with regards to such contingencies. Litigation outcomes and contingencies are unpredictable and excessive verdicts can occur. Accordingly, management's assessments involve complex judgments concerning future events and often rely heavily on estimates and assumptions.

**Inventories**

Inventories are valued at the lower of cost or net realizable value. Cost of raw and packaging materials is determined mainly on a moving average basis. Cost of purchased products is determined mainly on a standard cost basis, approximating average costs. Cost of manufactured finished products and products in process is calculated assuming normal manufacturing capacity as follows: raw and packaging materials component is determined mainly on a moving average basis, while the capitalized production costs are determined either on an average basis over the production period, or on a standard cost basis, approximating average costs.

Our inventories generally have a limited shelf life and are subject to impairment as they approach their expiration dates. We regularly evaluate the carrying value of our inventories and when, in our opinion, factors indicate that impairment has occurred, we establish a reduction in the cost basis against the inventories' carrying value. Our determination that a valuation reserve might be required, in addition to the quantification of such reserve, requires us to utilize significant judgment. Although we make every effort to ensure the accuracy of forecasts of future product demand, any significant unanticipated decreases in demand could have a material impact on the carrying value of our inventories and reported operating results.

Our policy is to capitalize saleable product for unapproved inventory items when economic benefits are probable. We evaluate expiry, legal risk and likelihood of regulatory approval on a regular basis. If at any time approval is deemed not to be probable, the inventory is written down to its net realizable value. To date, inventory allowance adjustments in the normal course of business have not been material. However, from time to time, due to a regulatory action or lack of approval or delay in approval of a product, we may experience a more significant impact.

**Goodwill**

Goodwill reflects the excess of the consideration transferred, including the fair value of any contingent consideration and any non-controlling interest in the acquiree, over the assigned fair values of the identifiable net assets acquired. Goodwill is not amortized, and is assigned to reporting units and tested for impairment at least annually, in the fourth quarter of the fiscal year.

We perform an impairment test annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The provisions of the accounting standard for goodwill allow us to first assess qualitative factors to determine whether it is necessary to perform the next goodwill impairment quantitative test.

Examples of events or circumstances that may be indicative of impairment include, but are not limited to: macroeconomic and industry conditions, overall financial performance and adverse changes in legal, regulatory, market share and other relevant entity specific events.

The Company estimates the fair values of all reporting units using a discounted cash flow model which utilizes Level 3 unobservable inputs. Key estimates include the revenue growth rates and operating margins taking into consideration industry and market conditions, terminal growth rate and the discount rate. The discount rate used is based on the WACC, adjusted for the relevant risk associated with country-specific and business-specific characteristics.

The carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill, to those reporting units.

When necessary, we record charges for impairments of goodwill for the amount by which the carrying amount exceeds the fair value of these assets.

See note 7 and note 19 to our consolidated financial statements for further details on the goodwill impairments recognized in 2018 and 2017, and Teva's operating and reporting segments.

**Identifiable Intangible Assets**

Identifiable intangible assets are comprised of definite life intangible assets and indefinite life intangible assets.

Definite life intangible assets consist mainly of acquired product rights and other rights relating to products for which marketing approval was received from the FDA or the equivalent agencies in other countries. These assets are amortized using mainly the straight-line method over their estimated period of useful life, or based on economic benefit models, if more appropriate, which is determined by identifying the period and manner in which substantially all of the cash flows are expected to be generated. Amortization of acquired developed products is recorded under cost of sales. Amortization of marketing and distribution rights is recorded under selling and marketing expenses when separable

Impairment of identifiable intangible assets amounted to $1,639 million, $1,991 million and $3,238 million in the years ended December 31, 2019, 2018 and 2017, respectively. See note 6 to our consolidated financial statements.

The fair value of acquired identifiable intangible assets is generally determined using an income approach. This method starts with a forecast of all expected future net cash flows associated with the asset and then adjusts the forecast to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams.

Whenever impairment indicators are identified for definite life intangible assets, Teva reconsiders the asset's estimated life, calculates the undiscounted value of the asset's or asset group's cash flows and then calculates, if required, the discounted value of cash flow by applying an appropriate discount rate to the undiscounted cash flow streams. Teva then compares such value against the asset's or asset group's carrying amount. If the carrying amount is greater, Teva records an impairment loss for the excess of carrying value over fair value based on the discounted cash flows.

Examples of events or circumstances that may be indicative of impairment include:

- A projection or forecast that indicates losses or reduced profits associated with an asset. This could result, for example, from a change in the competitive landscape modifying our assumptions about market share or pricing prospectively, a government reimbursement program that results in an inability to sustain projected product revenues and profitability, or lack of acceptance of a product by patients, physicians or payers limiting our projected growth.
- A significant adverse change in legal factors or in the business climate that could affect the value of the asset. For example, a successful challenge of our patent rights by a competitor would likely result in generic competition earlier than expected. And conversely, a lost challenge of patent rights in connection with our generic file would likely result in delayed entry.
- A significant adverse change in the extent or manner in which an asset is used. For example, restrictions imposed by the FDA or other regulatory authorities could affect our ability to manufacture or sell a product.
- For IPR&D projects, this could result from, among other things, a change in outlook affecting assumptions around competition or timing of entry such as approval success or the related timing of approval, clinical trial data results, other delays in the projected launch dates or additional expenditures required to commercialize the product.

The more significant estimates and assumptions inherent in the estimate of the fair value of identifiable intangible assets include (i) assumptions associated with forecasting product profitability, including sales and cost to sell projections, (ii) tax rates which seek to incorporate the geographic diversity of the projected cash flows, (iii) expected impact of competitive, legal and/or regulatory forces on the projections and the impact of technological risk, R&D expenditure for ongoing support of product rights or continued development of IPR&D, and (iv) estimated useful lives and IPR&D expected launch dates. Additionally, for IPR&D assets the risk of failure has been factored into the fair value measure.

While all intangible assets other than goodwill can face events and circumstances that can lead to impairment, in general, intangible assets other than goodwill that are most at risk of impairment include IPR&D assets and newly acquired or recently impaired indefinite-lived brand assets. IPR&D assets are high-risk assets, as R&D is an inherently risky activity. Consequently, IPR&D assets could be determined to be no longer commercially viable. Newly acquired and recently impaired indefinite-lived assets are more vulnerable to impairment as the assets are recorded at fair value and are then subsequently measured at the lower of fair value or carrying value at the end of each reporting period. As such, immediately after acquisition or impairment, even small declines in the outlook for these assets can negatively impact our ability to recover the carrying value and can result in an impairment charge.

***Restructuring Costs***

Restructuring costs have been recorded in connection with Teva's restructuring plan between the years 2017 and 2019. Following these actions and in anticipation of ongoing efficiency measures in our business, Teva's management has made estimates and judgments regarding future plans, mainly related to employee termination benefit costs, potential closures or divestments of manufacturing plants, headquarters and other office locations. In connection with these actions, management also assesses the recoverability of long-lived assets employed in

the business. In certain instances, asset lives have been shortened based on changes in the expected useful lives of the affected assets. Asset-related impairments and severance and other related costs are reflected within asset impairments, restructuring and others.

**Recently Issued Accounting Pronouncements**

See note 1 to our consolidated financial statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### General

The objective of our financial risk management measures is to minimize the impact of risks arising from foreign exchange and interest rate fluctuations. To reduce these risks, we take various operational measures in order to achieve a natural hedge and may enter, from time to time, into financial derivative instruments. Our derivative transactions are executed through global banks. We believe that due to our diversified derivatives portfolio, the credit risk associated with any of these banks is minimal. No derivative instruments are entered into for trading purposes.

### Exchange Rate Risk Management

We operate our business worldwide and, as such, we are subject to foreign exchange risks on our results of operations, our monetary assets and liabilities and our foreign subsidiaries' net assets. For further information on currencies in which we operate, see "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Currency Fluctuations on Results of Operations."

We generally prefer to borrow in U.S. dollars; however, from time to time we borrow funds in other currencies, such as the euro, Swiss franc, Japanese yen and new Israeli shekel, in order to benefit from same currency revenues in relation to same currency costs and same currency assets in relation to same currency liabilities.

#### *Cash Flow Exposure*

Total revenues were $16,887 million in 2019. Of these revenues, approximately 48% of our revenues were denominated in currencies other than the U.S. dollar, 20% in euros, 5% in Japanese yen and the rest in other currencies, none of which accounted for more than 4% of total revenues in 2019. In most currencies, we record corresponding expenses.

In certain currencies, primarily the euro, our revenues generally exceed our expenses. Conversely, in other currencies, primarily the new Israeli shekel and the Indian rupee, our expenses generally exceed our revenues.

For those currencies which do not have a sufficient natural hedge, we may choose to hedge in order to reduce the impact of foreign exchange fluctuations on our operating results.

As of December 31, 2019, we hedged part of our expected operating profit for 2020 in currencies other than the U.S. dollar.

In certain cases, we may hedge exposure arising from a specific transaction, executed in a currency other than the functional currency, by entering into forward contracts and/or by using plain-vanilla and exotic option strategies. We generally limit the term of hedging transactions to a maximum of fifteen months.

#### *Balance Sheet Exposure*

With respect to our monetary assets and liabilities, the exposure arises when the monetary assets and/or liabilities are denominated in currencies other than the functional currency of our subsidiaries. We strive to limit our exposure through natural hedging. Most of the remaining exposure is hedged by entering into financial derivative instruments. To the extent possible, the hedging activity is carried out on a consolidated level.

The table below presents exposures exceeding $50 million in absolute values:

| Liability/Asset | Net exposure as of December 31, 2019 (U.S. $ in millions) |
|---|---|
| GBP/EUR | 610 |
| USD/EUR | 375 |
| USD/CHF | 360 |
| USD/JPY | 313 |
| BGN/EUR | 251 |
| PLN/EUR | 243 |
| CAD/EUR | 97 |
| EUR/HRK | 96 |
| USD/MXN | 75 |
| INR/USD | 72 |
| EUR/RUB | 85 |
| USD/ILS | 70 |
| GBP/USD | 63 |

***Outstanding Foreign Exchange Hedging Transactions***

As of December 31, 2019, we had long and short forwards and currency option contracts with a corresponding notional amount of approximately $2.7 billion and $1.1 billion, respectively. As of December 31, 2018, we had long and short forwards and currency option contracts with corresponding notional amounts of approximately $3.4 billion and $210 million, respectively.

The table below presents financial derivatives entered into as of December 31, 2019 in order to reduce currency exposure arising from our cash flow and balance sheet exposures. The table below presents only currency paired with hedged net notional values exceeding $50 million.

| Currency (sold) | Cross Currency (bought) | Net Notional Value | | Fair Value | | 2019 Weighted Average Cross Currency Prices or Strike Prices |
|---|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 | |
| | | (U.S. $ in millions) | | | | |
| **Forward:** | | | | | | |
| EUR | USD | 503 | 147 | (6) | 2 | 1.12 |
| EUR | GBP | 445 | 416 | 12 | (3) | 0.88 |
| CHF | USD | 384 | 274 | (5) | (1) | 0.98 |
| JPY | USD | 302 | 283 | 2 | (5) | 107.71 |
| EUR | PLN | 216 | 115 | 4 | 1 | 4.33 |
| USD | RUB | 205 | * | (5) | * | 64.78 |
| USD | INR | 192 | 70 | — | 2 | 72.69 |
| NIS | USD | 131 | 66 | (1) | — | 3.48 |
| PLN | USD | 105 | * | (2) | * | 3.85 |
| CAD | USD | 101 | * | — | * | 1.31 |
| EUR | CAD | 96 | 140 | — | (4) | 1.47 |
| RUB | EUR | 92 | * | (2) | — | 71.51 |
| MXN | USD | 68 | * | (2) | — | 19.49 |
| USD | GBP | * | 60 | * | — | * |
| CHF | EUR | * | 53 | * | (1) | * |
| **Options:** | | | | | | |
| EUR | USD | 381 | * | (2) | * | 1.10 |
| JPY | USD | 139 | 77 | — | — | 109.72 |
| EUR | GBP | 131 | * | — | * | 0.84 |
| CHF | USD | 85 | 99 | (1) | — | 0.99 |
| GBP | USD | 63 | * | (1) | * | 1.26 |

* Represents Net Notional Value of less than $50 million.

***Foreign Subsidiaries Net Assets***

Under certain market conditions, we may hedge against possible fluctuations in foreign subsidiaries' net assets ("net investment hedge"). In these cases, we may use cross currency swaps and forward contracts. During 2017, we entered into a cross currency swap agreement, to hedge $1 billion of our subsidiaries' euro denominated net assets. As of December 31, 2019, the fair value of this cross currency swap liability was $22 million.

**Interest Rate Risk Management**

We are subject to interest rate risk on our investments and on our borrowings. We manage interest rate risk in the aggregate, while focusing on our immediate and intermediate liquidity needs.

We raise capital through various debt instruments including senior notes that bear a fixed or variable interest rate, syndicated bank loans that bear a fixed or floating interest rate, securitizations and convertible debentures that bear a fixed and floating interest rate. In some cases, as described below, we have swapped from a fixed to a floating interest rate ("fair value hedge"), from a floating to a fixed interest rate and from a fixed to a fixed interest rate with an exchange from a currency other than the functional currency ("cash flow hedge"), reducing overall interest expenses or hedging risks associated with interest rate fluctuations.

In certain cases, we may hedge, in whole or in part, against exposure arising from a specific transaction, such as debt issuances related to an acquisition or debt refinancing, by entering into forward and interest rate swap contracts and/or by using options.

The table below presents the aggregate outstanding notional amounts of the hedged items as of December 31, 2019 and 2018:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Cross currency swap—cash flow hedge | $ — | $ 588 |
| Interest rate swap—fair value hedge | $— | $500 |

| Currency | Total Amount | Interest Rate Ranges | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 & thereafter |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (U.S. dollars in millions) | | | | | |
| **Fixed Rate:** | | | | | | | | | |
| USD | 16,404 | 1.70% | 7.13% | 700 | 2,092 | 856 | 2,995 | 1,250 | 8,512 |
| Euro | 9,368 | 0.38% | 6.00% | 1,131 | 587 | 784 | 1,451 | 1,673 | 3,743 |
| CHF | 723 | 0.50% | 1.00% | — | — | 361 | — | — | 362 |
| USD convertible debentures* | 514 | 0.25% | 0.25% | 514 | — | — | — | — | — |
| **Floating Rate:** | | | | | | | | | |
| Others | 1 | 1.00% | 2.00% | — | — | — | — | | 1 |
| Total: | 27,010 | | | $2,345 | $2,679 | $2,001 | $4,446 | $2,923 | $12,618 |
| Less debt issuance costs | (103) | | | | | | | | |
| Total: | $26,908 | | | | | | | | |

* Classified under short-term debt.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**TEVA PHARMACEUTICAL INDUSTRIES LIMITED**
**CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Teva Pharmaceutical Industries Limited

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Teva Pharmaceutical Industries Limited and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income (loss), of comprehensive income (loss), of changes in equity and of cash flows, for each of the three years in the period ended December 31, 2019, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2019 appearing under Item 15(a) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note 1(c) to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Teva Management on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our

audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Goodwill impairment assessment—International Markets and North America reporting units*

As described in Notes 1 and 7 to the consolidated financial statements, the Company's consolidated goodwill balance and goodwill balance for the International Markets and North America reporting units was $24,846 million, $2,532 million and $11,091 million, respectively, as of December 31, 2019. As disclosed by management, goodwill is assigned to reporting units and tested for impairment at least annually, in the fourth quarter of the fiscal year, and whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Management determines the fair value of its reporting units using the income approach. Within the income approach, the method that was used is the discounted cash flow method. Management started with a forecast of all the expected net cash flows associated with the reporting units, which includes the application of a terminal value, and then applied a discount rate to arrive at a net present value amount. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment for the International Markets and North America reporting units is a critical audit matter are there was significant judgment by management when determining the fair value measurement of the reporting units. This in turn led to a high degree of auditor judgment, effort and subjectivity in performing procedures and evaluating management's fair value estimate, which included significant assumptions related to revenue growth rates, discount rate and terminal growth rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the International Markets and North America reporting units. These procedures also included, among others, testing management's process for determining the fair value estimate; evaluating the appropriateness of the discounted cash flow model; testing the completeness, accuracy and relevance of underlying data used in the model; and evaluating the reasonableness of significant assumptions used by management, including revenue growth rates, discount rate and terminal growth rate. Evaluating management's assumptions related to revenue growth rates and terminal growth rate involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting units, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's discounted cash flow model, and certain significant assumptions, including the discount rate.

*Sales Reserves and Allowances ("SR&A")—Rebates, Chargebacks and Medicaid in the United States*

As described in Notes 1 and 3 to the consolidated financial statements, revenues from product sales are recorded net of provisions for estimated chargebacks, rebates and other deductions which can be reasonably estimated. As of December 31, 2019, consolidated SR&A for rebates, chargebacks and Medicaid were $5,346 million. These provisions are recognized concurrently with the sales of products. Provisions for chargebacks involve estimates of usage by retailers and other indirect buyers with varying contract prices for multiple wholesalers. The provision for chargebacks varies in relation to changes in product mix, pricing and the level of inventory at the wholesalers. Provisions are calculated using historical chargeback experience, and/or expected chargeback levels for new products and anticipated pricing changes. Provisions for rebates are recognized based on contractual obligations in place at the time of sales with consideration given to relevant factors that may affect the payment as well as historical experience for estimated market activity. Provisions for Medicaid are based on historical trends of rebates paid, as well as on changes in wholesaler inventory levels and increases or decreases in sales.

The principal considerations for our determination that performing procedures relating to SR&A for rebates, chargebacks and Medicaid in the United States is a critical audit matter are there was significant judgment by management to estimate the reserves due to the significant measurement uncertainty involved in developing the reserves. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions, including wholesaler inventory levels and expected chargeback levels.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to SR&A for rebates, chargebacks and Medicaid in the United States, including controls over the assumptions used by management to estimate the reserves. These procedures also included, among others, (i) developing independent estimates of the reserves using third party information, the contractual or mandated terms of the specific rebate or chargeback programs, and the historical trends of payments and comparing the independent estimates to management's estimates; (ii) evaluating the reasonableness of significant assumptions used by management, including wholesaler inventory levels and expected chargeback levels; and (iii) testing the completeness, accuracy, and relevance of underlying data used to estimate the reserves, including testing actual claims processed by the Company.

*Opioid and Price Fixing and Market Allocation Litigation in the United States*

As described in Notes 1, 11 and 12 to the consolidated financial statements, management evaluates litigation contingencies and records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is estimable. Such contingencies include those related to opioid and price fixing and market allocation litigation in the United States. For the year ended December 31, 2019,

management recorded an expense of $1,178 million in legal settlements and loss contingencies which was mainly related to an estimated settlement provision recorded in connection with the remaining opioid cases.

The principal considerations for our determination that performing procedures relating to opioid and price fixing and market allocation litigation in the United States is a critical audit matter are there was significant judgment by management when assessing the likelihood of a loss being incurred and management's determination of whether a reasonable estimate of the loss or range of loss for each claim can be made. This in turn led to high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's assessment of the loss contingencies associated with these legal matters. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's evaluation of the loss contingencies relating to opioid and price fixing and market allocation litigation in the United States, including controls over determining whether a loss is probable and whether the amount of loss can be reasonably estimated, as well as financial statement disclosures. These procedures also included, among others, obtaining and evaluating the letters of audit inquiry with internal and external legal counsel; discussing the status of significant known actual and potential litigation with the Company's in-house legal counsel; evaluating the reasonableness of management's assessment regarding whether a loss is probable and whether the amount of loss can be reasonably estimated; testing the completeness, accuracy, and relevance of underlying data used to estimate loss amounts; and evaluating the sufficiency of the Company's litigation contingency disclosures. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the factual investigation performed by management and their advisors with respect to price fixing and market allocation allegations.

/s/ Kesselman & Kesselman

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member of PricewaterhouseCoopers
International Limited

Tel-Aviv, Israel
February 21, 2020

We have served as the Company's auditor since at least 1976. We have not been able to determine the specific year we began serving as the auditor of the company.

**TEVA PHARMACEUTICAL INDUSTRIES LIMITED**
**CONSOLIDATED BALANCE SHEETS**
**(U.S. dollars in millions)**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 1,975 | $ 1,782 |
| Accounts receivables | 5,676 | 5,822 |
| Inventories | 4,422 | 4,731 |
| Prepaid expenses | 870 | 899 |
| Other current assets | 434 | 468 |
| Assets held for sale | 87 | 92 |
| **Total current assets** | 13,464 | 13,794 |
| **Deferred income taxes** | 386 | 368 |
| **Other non-current assets** | 591 | 731 |
| **Property, plant and equipment, net** | 6,436 | 6,868 |
| **Operating lease right-of-use assets** | 514 | — |
| **Identifiable intangible assets, net** | 11,232 | 14,005 |
| **Goodwill** | 24,846 | 24,917 |
| **Total assets** | $57,470 | $60,683 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities:** | | |
| Short-term debt | $ 2,345 | $ 2,216 |
| Sales reserves and allowances | 6,159 | 6,711 |
| Accounts payables | 1,718 | 1,853 |
| Employee-related obligations | 693 | 870 |
| Accrued expenses | 1,869 | 1,868 |
| Other current liabilities | 889 | 804 |
| **Total current liabilities** | 13,674 | 14,322 |
| **Long-term liabilities:** | | |
| Deferred income taxes | 1,096 | 2,140 |
| Other taxes and long-term liabilities | 2,640 | 1,727 |
| Senior notes and loans | 24,562 | 26,700 |
| Operating lease liabilities | 435 | — |
| **Total long-term liabilities** | 28,733 | 30,567 |
| **Commitments and contingencies**, see note 12 | | |
| **Total liabilities** | 42,407 | 44,889 |
| **Equity:** | | |
| **Teva shareholders' equity:** | | |
| Ordinary shares of NIS 0.10 par value per share; December 31, 2019 and December 31, 2018: authorized 2,495 million shares; issued 1,198 million shares and 1,196 million shares, respectively | 56 | 56 |
| Additional paid-in capital | 27,312 | 27,210 |
| Accumulated deficit | (6,956) | (5,958) |
| Accumulated other comprehensive loss | (2,312) | (2,459) |
| Treasury shares as of December 31, 2019 and December 31, 2018: 106 million ordinary shares | (4,128) | (4,142) |
| | 13,972 | 14,707 |
| **Non-controlling interests** | 1,091 | 1,087 |
| **Total equity** | 15,063 | 15,794 |
| **Total liabilities and equity** | $57,470 | $60,683 |

**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)**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Net revenues | $16,887 | $18,271 | $ 21,853 |
| Cost of sales | 9,351 | 9,975 | 11,237 |
| Gross profit | 7,537 | 8,296 | 10,615 |
| Research and development expenses | 1,010 | 1,213 | 1,778 |
| Selling and marketing expenses | 2,614 | 2,916 | 3,395 |
| General and administrative expenses | 1,192 | 1,298 | 1,451 |
| Intangible assets impairments | 1,639 | 1,991 | 3,238 |
| Goodwill impairment | — | 3,027 | 17,100 |
| Other asset impairments, restructuring and other items | 423 | 987 | 1,836 |
| Legal settlements and loss contingencies | 1,178 | (1,208) | 500 |
| Other income | (76) | (291) | (1,199) |
| Operating (loss) income | (443) | (1,637) | (17,484) |
| Financial expenses—net | 822 | 959 | 895 |
| Income (loss) before income taxes | (1,265) | (2,596) | (18,379) |
| Income taxes (benefit) | (278) | (195) | (1,933) |
| Share in (profits) losses of associated companies—net | 13 | 71 | 3 |
| Net income (loss) | (1,000) | (2,472) | (16,449) |
| Net loss attributable to non-controlling interests | (2) | (322) | (184) |
| Net income (loss) attributable to Teva | (999) | (2,150) | (16,265) |
| Accrued dividends on preferred shares | — | 249 | 260 |
| Net income (loss) attributable to ordinary shareholders | $ (999) | $ (2,399) | $(16,525) |
| Earnings (loss) per share attributable to ordinary shareholders: | | | |
| Basic | $ (0.91) | $ (2.35) | $ (16.26) |
| Diluted | $ (0.91) | $ (2.35) | $ (16.26) |
| Weighted average number of shares (in millions): | | | |
| Basic | 1,091 | 1,021 | 1,016 |
| Diluted | 1,091 | 1,021 | 1,016 |

**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)**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Net income (loss) | $(1,000) | $(2,472) | $(16,449) |
| Other comprehensive income (loss), net of tax: | | | |
| Currency translation adjustment* | 97 | (713) | 1,516 |
| Unrealized gain (loss) on derivative financial instruments, net | 84 | 115 | (140) |
| Unrealized gain (loss) on available-for-sale securities, net | (1) | — | 3 |
| Unrealized gain (loss) on defined benefit plans, net | (20) | 13 | (10) |
| Total other comprehensive income (loss) | 160 | (585) | 1,369 |
| Total comprehensive loss | (840) | (3,057) | (15,080) |
| Comprehensive income (loss) attributable to non-controlling interests | 12 | (296) | (121) |
| Comprehensive loss attributable to Teva | $ (852) | $(2,761) | $(14,959) |

* In 2017 includes amount that was released from accumulated other comprehensive loss as part of the deconsolidation of the Venezuelan subsidiaries and is included in Venezuela deconsolidation charge under other asset impairment, restructuring and other items.

**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 | MCPS** | Additional paid-in capital | Retained earnings (accumulated deficit) | Accumulated other comprehensive income (loss) | Treasury shares | Total Teva share-holders' equity | Non-controlling interests | Total equity |
| | | | | | (U.S. dollars in millions) | | | | | |
| **Balance at January 1, 2017** | 1,123 | 54 | 3,620 | 23,409 | 13,607 | (3,159) | (4,194) | 33,337 | 1,656 | 34,993 |
| **Changes during 2017:** | | | | | | | | | | |
| Comprehensive income (loss) | | | | | (16,265) | 1,306 | | (14,959) | (121) | (15,080) |
| Exercise of options by employees and vested RSUs | 1 | * | | (45) | | | 45 | * | | * |
| Stock-based compensation expense | | | | 133 | | | | 133 | | 133 |
| Dividends to ordinary shareholders | | | | | (901) | | | (901) | | (901) |
| Dividends to preferred shareholders | | | 11 | (11) | (249) | | | (249) | | (249) |
| Transactions with non-controlling interests | | | | | | | | — | (111) | (111) |
| Other | | | | (7) | 5 | | | (2) | (38) | (40) |
| **Balance at December 31, 2017** | 1,124 | 54 | 3,631 | 23,479 | (3,803) | (1,853) | (4,149) | 17,359 | 1,386 | 18,745 |
| **Changes during 2018:** | | | | | | | | | | |
| Cumulative effect of new accounting standard**** | | | | | (5) | 5 | | | | — |
| Comprehensive income (loss) | | | | | (2,150) | (611) | | (2,761) | (296) | (3,057) |
| Issuance of Treasury Shares | | * | | (3) | | | 7 | 4 | | 4 |
| Stock-based compensation expense | | | | 155 | | | | 155 | | 155 |
| Issuance of shares*** | 72 | 2 | (3,880) | 3,826 | | | | (52) | | (52) |
| Dividends to preferred shareholders | | | 249 | (249) | | | | — | | — |
| Transactions with non-controlling interests | | | | 2 | | | | 2 | (3) | (1) |
| **Balance at December 31, 2018** | 1,196 | 56 | — | 27,210 | (5,958) | (2,459) | (4,142) | 14,707 | 1,087 | 15,794 |
| **Changes during 2019:** | | | | | | | | | | |
| Comprehensive income (loss) | | | | | (999) | 147 | | (852) | 12 | (840) |
| Issuance of Shares | 2 | * | | | | | | | | * |
| Issuance of Treasury Shares | | * | | (8) | | | 14 | 6 | | 6 |
| Stock-based compensation expense | | | | 119 | | | | 119 | | 119 |
| Transactions with non-controlling interests | | | | | | | | | (8) | (8) |
| Other | | | | (8) | | | | (8) | | (8) |
| **Balance at December 31, 2019** | 1,198 | $56 | — | $27,312 | $ (6,956) | $(2,312) | $(4,128) | $ 13,972 | $1,091 | $ 15,063 |

* Represents an amount less than 0.5 million.

** Mandatory convertible preferred shares.

*** Mainly MCPS conversion.

**** Following the adoption of ASU 2016-01, the Company recorded a $ 5 million opening balance reclassification from accumulated other comprehensive income to retained earnings.

**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)**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Operating activities:** | | | |
| Net loss | $(1,000) | $(2,472) | $(16,449) |
| Adjustments to reconcile net loss to net cash provided by operations: | | | |
| Impairment of long-lived assets | 1,778 | 5,621 | 20,882 |
| Depreciation and amortization | 1,722 | 1,842 | 2,112 |
| Net change in operating assets and liabilities | (896) | (1,823) | (1,645) |
| Deferred income taxes—net and uncertain tax positions | (985) | (837) | (2,331) |
| Stock-based compensation | 119 | 155 | 133 |
| Other items | 28 | (135) | 13 |
| Research and development in process | — | 114 | 175 |
| Net loss from sale of long-lived assets and investments | (18) | (19) | (1,090) |
| Venezuela deconsolidation loss | — | — | 383 |
| Venezuela impairment of net monetary assets | — | — | 42 |
| **Net cash provided by operating activities** | 748 | 2,446 | 2,225 |
| **Investing activities:** | | | |
| Beneficial interest collected in exchange for securitized trade receivables | 1,487 | 1,735 | 1,282 |
| Proceeds from sales of long-lived assets and investments | 343 | 890 | 3,477 |
| Purchases of property, plant and equipment | (525) | (651) | (874) |
| Purchases of investments and other assets | (8) | (119) | (200) |
| Other investing activities | 58 | 11 | (282) |
| Acquisitions of subsidiaries, net of cash acquired | — | — | 43 |
| **Net cash provided by investing activities** | 1,355 | 1,866 | 3,446 |
| **Financing activities:** | | | |
| Repayment of senior notes and loans and other long-term liabilities | (3,944) | (7,446) | (3,300) |
| Proceeds from senior notes and loans, net of issuance costs | 2,083 | 4,434 | 506 |
| Net change in short-term debt | (2) | (260) | (1,683) |
| Other financing activities | (11) | (57) | (74) |
| Dividends paid on ordinary shares* | — | (12) | (901) |
| Dividends paid on preferred shares* | (52) | (10) | (260) |
| Dividends paid to non-controlling interests | — | — | (38) |
| **Net cash used in financing activities** | (1,926) | (3,351) | (5,750) |
| **Translation adjustment on cash and cash equivalents** | 16 | (142) | 54 |
| **Net change in cash and cash equivalents** | 193 | 819 | (25) |
| **Balance of cash and cash equivalents at beginning of year** | 1,782 | 963 | 988 |
| **Balance of cash and cash equivalents at end of year** | $ 1,975 | $ 1,782 | $ 963 |

* In 2019 and 2018, the amounts consist of tax withholding payments made on shares and dividends.

**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 (Continued)**
**(U.S. dollars in millions)**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Supplemental cash flow information:** | | | |
| Non-cash financing and investing activities: | | | |
| Beneficial interest obtained in exchange for securitized trade receivables | $1,511 | $1,716 | $1,295 |
| Conversion of mandatory convertible preferred shares into ordinary shares | — | $3,880 | — |
| Cash paid during the year for: | | | |
| Interest | $ 840 | $ 815 | $ 795 |
| Income taxes, net of refunds | $ 552 | $ 420 | $ 106 |

**Net change in operating assets and liabilities:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Other current assets | $(1,416) | $(1,437) | $ 658 |
| Trade payables, accrued expenses, employee-related obligations and other current liabilities | 643 | (500) | (3,083) |
| Trade receivables net of sales reserves and allowances | (394) | 88 | 514 |
| Inventories | 271 | 26 | 199 |
| Inventory step-up | — | — | 67 |
| | $ (896) | $(1,823) | $(1,645) |

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

## NOTE 1—Significant accounting policies:

### a. General:

*Operations*

Teva Pharmaceutical Industries Limited (the "Parent Company"), headquartered in Israel, together with its subsidiaries and associated companies (the "Company," "Teva" or the "Group"), is engaged in the development, manufacturing, marketing and distribution of generics, specialty medicines and biopharmaceuticals. The majority of the Group's revenues are in the United States and Europe.

*Basis of presentation and use of estimates*

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

In preparing the Company's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities 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.

As applicable to these consolidated financial statements, the most significant estimates and assumptions relate to determining the valuation and recoverability of intangible assets and goodwill; assessing sales reserves and allowances, and contingent consideration; assessing compliance with debt covenants; uncertain tax positions, valuation allowances, contingencies, inventory valuation and restructuring.

*Accounting for Venezuelan Operations*

Until November 30, 2017, the financial position and results of operations of Teva's Venezuelan business, conducted through a number of wholly-owned subsidiaries, were included in Teva's consolidated financial statements and reported under highly-inflationary accounting principles, with the functional currency of the U.S. dollar.

Effective November 30, 2017, Teva deconsolidated its Venezuelan subsidiaries and began accounting for its investments in its Venezuelan operations using the cost method of accounting under the measurement alternative. The estimated fair value of the investments was immaterial based on expected future cash flow, considering ongoing hyper-inflation and economic and political uncertainty in Venezuela. The assigned values are considered Level 3 measurements within the fair value hierarchy.

Teva's financial results include sales of finished goods to the Venezuelan subsidiaries, to the extent cash payments are received from these subsidiaries, while cost of sales is recorded when goods are imported to Venezuela. The Venezuelan subsidiaries' results were immaterial in terms of assets, liabilities, operating results and cash flows for the eleven months ended November 30, 2017.

Upon assessing the facts as of December 31, 2019, Teva continues to believe its previous conclusion regarding its lack of control or significant influence over its Venezuelan operations is appropriate. Teva will continue to monitor the conditions in Venezuela and their impact on its prospective accounting treatment and related disclosures.

*Functional currency*

A major part of the Group's operations is carried out by the Company in the United States, Israel and certain other countries. The functional currency of these entities is the U.S. dollar ("dollar" or "$").

The functional currency of certain subsidiaries and associated companies is their local currency. The financial statements of those companies are included in the consolidated financial statements, translated into U.S. dollars. Assets and liabilities are translated at year-end exchange rates, while revenues and expenses are translated at monthly average exchange rates during the year. Differences resulting from translation are presented as other comprehensive income (loss) in the consolidated statements of comprehensive income (loss).

In the event of a divestiture of a foreign subsidiary, the related foreign currency translation results are reversed from equity to income. Foreign currency exchange gains and losses are included in net income (loss).

*Principles of consolidation*

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and VIEs for which the Company is considered the primary beneficiary. For those consolidated subsidiaries where Teva owns less than 100%, the outside shareholders' interests are shown as non-controlling interests in equity. Investments in affiliates over which the Company has significant influence but not a controlling interest, are carried on the equity basis.

For VIEs, the Company performs an analysis to determine whether the variable interests give a controlling financial interest in a VIE. The Company periodically reassesses whether it controls its VIEs.

Intercompany transactions and balances are eliminated on consolidation; profits from intercompany sales, not yet realized outside the Group, are also eliminated.

**b. Revision of Previously Reported Consolidated Financial Statements**

In connection with the preparation of Teva's consolidated financial statements for the fiscal year ended December 31, 2019, Teva determined that in the full years and interim periods of fiscal years 2017 and 2018, and the first three quarters of fiscal year 2019, it had an immaterial error in the presentation of distribution revenues from its Israeli distribution business. This business is part of the International Markets reporting segment and facilitates distribution of Teva and third party products to pharmacies, hospitals and other organizations in Israel.

Specifically, the Company concluded that it presented revenue from its Israeli distribution business on a gross basis, although it should have reported such revenue on a net basis. Because Teva has no discretion in establishing prices for any specifies goods or services, limited inventory risk and is not primarily responsible for contract fulfillment, Teva does not meet the criteria for reporting revenues from such business as a principal (on a gross basis), as opposed to as an agent (on a net basis).

The Company evaluated the cumulative impact of this item on its previously issued annual financial statements for 2017 and 2018, and the interim financial statements for 2017, 2018 and the first three quarters of 2019, and concluded that, for the reasons mentioned below, the revisions were not material, individually or in the aggregate, to any of its previously-issued interim or annual financial statements. Teva has revised its presentation of net revenue and cost of sales in the historical consolidated financial statements to reflect the change in this item, as described in more detail below.

The impact of this revision is a decrease in net revenues with an offsetting decrease in cost of sales. There is no impact on gross profit, operating income or earnings per share. In addition, there is no impact on Teva's balance sheet or statement of cash flows for the related periods.

The following table summarizes the impact of the revision on net revenues and cost of sales in the consolidated statements of income in the relevant periods:

| | Net revenues | | | Cost of sales | | |
|---|---|---|---|---|---|---|
| | As reported | Adjustment | As revised | As reported | Adjustment | As revised |
| | (U.S. $ in millions) | | | | | |
| 2017 | 22,385 | (533) | 21,853 | 11,770 | (533) | 11,237 |
| 2018 | 18,854 | (583) | 18,271 | 10,558 | (583) | 9,975 |

**c. New accounting pronouncements**

*Recently adopted accounting pronouncements*

In June 2018, the FASB issued ASU 2018-07 "Improvement to Nonemployee Share-Based Payments Accounting." This guidance simplifies the accounting for non-employee share-based payment transactions. The amendments specify that ASC 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. Teva adopted the provisions of this update as of January 1, 2019 with no material impact on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12 "Derivatives and Hedging—Targeted Improvements to Accounting for Hedging Activities." This guidance expands and refines hedge accounting for both non-financial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. Teva adopted the provisions of this update as of January 1, 2019 with no material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 "Leases" (the "new lease standard"). The guidance establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The guidance became effective on January 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application.

Teva adopted the new lease standard and all the related amendments on January 1, 2019 and used the effective date as Teva's date of initial application. Consequently, financial information was not updated and the disclosures required under the new standard are not provided for dates and periods before January 1, 2019.

The new lease standard provides a number of optional practical expedients in transition. Teva did not elect the 'package of practical expedients,' which permits the Company not to reassess its prior conclusions regarding lease identification, lease classification and initial direct costs under the new standard. However, the Company did elect the practical expedient pertaining to the use of hindsight.

The new lease standard also provides practical expedients for an entity's ongoing accounting. Teva elected the short-term lease recognition exemption for all leases with a term shorter than 12 months. This means, for those leases, Teva does not recognize ROU assets or lease liabilities, including not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. Teva also elected the practical expedient to not separate lease and non-lease components for all of Teva's leases, other than leases of real estate.

Additionally, following the adoption of the new lease standard and in subsequent measurements, Teva applies the portfolio approach to account for the operating lease ROU assets and liabilities for certain car leases and incremental borrowing rates.

The adoption of this standard has a material effect on Teva's financial statements. The most significant impact is reflected in: (i) effective as of January 1, 2019, the recognition of approximately $553 million ROU assets and $561 million lease liabilities on Teva's balance sheet for its operating leases of real estate, vehicles and equipment (the difference between the additional lease assets and lease liabilities did not have material impact on the retained earnings), and (ii) the requirement to provide significant new disclosures regarding Teva's leasing activities and to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. However, the adoption of this standard does not have a significant impact on Teva's consolidated statements of income and consolidated statements of cash flows. Also, the Company's accounting for finance leases remained substantially unchanged. See note 8 and note 1dd for further discussion.

*Recently issued accounting pronouncements, not yet adopted*

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes" ("the Update"). The amendments in this Update simplify the accounting for income taxes by removing the following exceptions in ASC 740: (1) exception to the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or a gain from other items; (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

In addition, this Update also simplifies the accounting for income taxes in certain topics as follows: (1) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax; (2) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction; (3) specifying that an entity can elect (rather than be required to) allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and (4) requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04 "Codification Improvements to Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825)." This ASU provides clarifications of three topics related to financial instruments accounting. The guidance will be effective for fiscal years beginning after December 15, 2019. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18 "Collaborative Arrangements (Topic 808)—Clarifying the interaction between Topic 808 and Topic 606." The amendments provide guidance on whether certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606. It also specifically (i) addresses when the participant should be considered a customer in the context of a unit of account, (ii) adds unit-of-account guidance in ASC 808 to align with guidance in ASC 606 and (iii) precludes presenting revenue from a collaborative arrangement together with revenue recognized under ASC 606 if the collaborative arrangement participant is not a customer. The guidance will be effective for fiscal years beginning

after December 15, 2019. Early adoption is permitted and should be applied retrospectively. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15 "Intangibles—Goodwill and other—Internal-use software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance will be effective for fiscal years beginning after December 15, 2019. Teva will apply the guidance prospectively to all implementation costs incurred after the date of adoption. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." This guidance removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. Certain disclosures required by this guidance must be applied on a retrospective basis and others on a prospective basis. The guidance will be effective for fiscal years beginning after December 15, 2019. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments—Credit Losses—Measurement of Credit Losses on Financial Instruments." This guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance will be effective for the fiscal year beginning on January 1, 2020, including interim periods within that year. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

**d. Acquisitions:**

Teva's consolidated financial statements include the operations of acquired businesses from the date of the acquisition's consummation. Acquired businesses are accounted for using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date and that the fair value of acquired in process research and development ("IPR&D") be recorded on the balance sheet. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill. When Teva acquires net assets that do not constitute a business, as defined under U.S. GAAP, no goodwill is recognized and acquired IPR&D is expensed.

Contingent consideration incurred in a business combination is included as part of the acquisition price and recorded at a probability weighted assessment of its fair value as of the acquisition date. The fair value of the contingent consideration is re-measured at each reporting period, with any adjustments in fair value recognized in earnings under other assets impairments, restructuring and other items.

**e. Collaborative arrangements:**

Collaborative agreements are contractual arrangements in which the parties are active participants to the arrangement and are exposed to the significant risks and rewards that are dependent on the ultimate commercial success of the endeavor.

The Company recognizes revenue generated and costs incurred on sales to third parties as it relates to collaborative agreements as gross or net. If the Company is the principal participant in a transaction, revenues and costs are recorded on a gross basis; otherwise, revenues are recorded on a net basis.

**f. Equity investments:**

The Company measures equity investments at fair value with changes in fair value recognized in net income. The Company accounts for equity investments that do not have a readily determinable fair value as cost method investments under the measurement alternative prescribed within ASU 2016-01 "Financial Instruments—Recognition and Measurement of Financial Assets and Financial Liabilities" to the extent such investments are not subject to consolidation or the equity method. Under the measurement alternative, these financial instruments are carried at cost, less any impairment (assessed quarterly), adjusted for changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. In addition, income is recognized when dividends are received only to the extent they are distributed from net accumulated earnings of the investee. Otherwise, such distributions are considered returns of investment and are recorded as a reduction of the cost of the investment.

**g. Fair value measurement:**

The Company measures fair value and discloses fair value measurements for financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in its assessment of fair value.

**h. Investment in debt securities:**

Investment in securities consists of debt securities classified as available-for-sale and recorded at fair value. The fair value of quoted securities is based on current market value. When debt securities do not have an active market, fair value is determined using a valuation model. This model is based on reference to other instruments with similar characteristics, or a discounted cash flow analysis, or other pricing models making use of market inputs and relying as little as possible on entity-specific inputs.

Unrealized gains of available for sale debt securities, net of taxes, are reflected in other comprehensive income. Unrealized losses considered to be temporary are reflected in other comprehensive income; unrealized losses that are considered to be other-than-temporary are charged to income as an impairment charge. Realized gains and losses for debt securities are included in financial expense, net.

The Company considers available evidence in evaluating potential impairments of its investments, including the duration and extent to which fair value is less than cost. For debt securities, an other-than-temporary impairment has occurred if the Company does not expect to recover the entire amortized cost basis of the debt security. If the Company does not intend to sell the impaired debt security, and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis, the amount of the other-than-temporary impairment recognized in earnings, recorded in financial expense, net, is limited to the portion attributed to credit loss. The remaining portion of the other-than-temporary impairment related to other factors is recognized in other comprehensive income.

**i. Cash and cash equivalents:**

All highly liquid investments, which include short-term bank deposits and money market instruments, that are not restricted as to withdrawal or use, and investment in short-term debentures, the period to maturity of which did not exceed three months at the time of investment, are considered to be cash equivalents.

**j. Accounts receivables:**

Accounts receivables are stated at their net realizable value. The allowance against gross accounts receivables reflects the best estimate of losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. An allowance for doubtful debts is reflected in net accounts receivables. Accounts receivables are written off after all reasonable means to collect the full amount have been exhausted.

**k. Concentration of credit risks:**

Most of Teva's cash and cash equivalents (which, along with investment in securities, totaled $2,030 million at December 31, 2019) were deposited with European, U.S. and Israeli banks and financial institutions and were comprised mainly of cash deposits.

The pharmaceutical industry, particularly in the United States, has been significantly affected by consolidation among managed care providers, large pharmacy chains, wholesaling organizations and other buyer groups. The U.S. market constituted approximately 47% of Teva's consolidated revenues in 2019. The exposure of credit risks relating to other trade receivables outside the U.S. is limited, due to the relatively large number of group customers and their wide geographic distribution. Teva performs ongoing credit evaluations of its customers for the purpose of determining the appropriate allowance for doubtful accounts and generally does not require collateral.

**l. Inventories:**

Inventories are valued at the lower of cost or net realizable value. Cost of raw and packaging materials, purchased products, manufactured finished products, products in process and capitalized production costs are determined predominantly on a standard cost basis, approximating actual costs. Other methods which are utilized for determining the value of inventories are moving average, cost basis and the first in first out method. Teva regularly reviews its inventories for obsolescence and other impairment risks and reserves are established when necessary.

Inventories acquired in a business combination are stepped-up to their estimated fair value and amortized to cost of sales as that inventory is sold.

**m. Long-lived assets:**

Teva's long-lived, non-current assets are comprised mainly of goodwill, identifiable intangible assets, property, plant and equipment, and operating lease ROU assets. All long-lived assets are monitored for

impairment indicators throughout the year. Impairment testing for goodwill and all indefinite-lived intangible assets is performed at least annually. When necessary, charges for impairments of long-lived assets are recorded for the amount by which the fair value is less than the carrying value of these assets.

*Goodwill*

Goodwill reflects the excess of the consideration transferred, including the fair value of any contingent consideration and any non-controlling interest in the acquiree, over the assigned fair values of the identifiable net assets acquired. Goodwill is not amortized, and is assigned to reporting units and tested for impairment at least on an annual basis, in the fourth quarter of the fiscal year.

The goodwill impairment test is performed according to the following principles:

1. An initial qualitative assessment may be performed to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount.
2. If the Company concludes it is more likely than not that the fair value of the reporting unit is less than its carrying mount, a quantitative fair value test is performed. An impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value is recognized.

An interim goodwill impairment test may be required in advance of the annual impairment test if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For example, a substantial decline in the Company's market capitalization, unexpected adverse business conditions, economic factors and unanticipated competitive activities may indicate that an interim impairment test is required. In the event that the Company's market capitalization declines below its book value, the Company considers the length and severity of the decline and the reason for the decline when assessing whether potential goodwill impairment exists.

*Identifiable intangible assets*

Identifiable intangible assets are comprised of definite life intangible assets and indefinite life intangible assets.

Definite life intangible assets consist mainly of acquired product rights and other rights relating to products for which marketing approval was received from the U.S. Food and Drug Administration ("FDA") or the equivalent agencies in other countries. These assets are amortized mainly using the straight-line method over their estimated period of useful life, or based on economic benefit models, if more appropriate, which is determined by identifying the period and manner in which substantially all of the cash flows are expected to be generated. Amortization of acquired developed products is recorded under cost of sales. Amortization of marketing and distribution rights is recorded under selling and marketing ("S&M") expenses when separable.

Indefinite life intangible assets are mainly comprised of IPR&D assets. Teva monitors these assets for items such as research and development milestones and progress to identify any triggering events. Teva determines the fair value of the asset annually or when triggering events are present, based on discounted cash flows and records an impairment loss if book value exceeds fair value.

IPR&D acquired in a business combination is capitalized as an indefinite life intangible asset until the related research and development efforts are either completed or abandoned. In the reporting periods where they are treated as indefinite life intangible assets, they are not amortized but rather are monitored triggering events and tested for impairment. Upon completion of the related research and development efforts, management determines the useful life of the intangible assets and amortizes them accordingly. In case of abandonment or a reduction in the expected realizable value of the asset, the related research and development assets are impaired.

Whenever impairment indicators are identified for definite life intangible assets, Teva reconsiders the asset's estimated life, calculates the undiscounted value of the asset's or asset group's cash flows and compares such value against the asset's or asset group's carrying amount. If the carrying amount is greater, Teva records an impairment loss for the excess of book value over fair value based on the discounted cash flows.

In determining the estimated fair value of identifiable intangible assets, Teva utilized a discounted cash flow model. The key assumptions within the model related to forecasting future revenue and operating income, an appropriate discount rate and an appropriate terminal value based on the nature of the long-lived asset. The Company's updated forecasts of net cash flows for the impaired assets reflect, among others, the following: (i) for IPR&D assets, the impact of changes to the development programs, the projected development and regulatory timeframes and the risks associated with these assets; and (ii) for product rights, pricing and volume projections, as well as patent life and any significant changes to the competitive environment.

*Property, plant and equipment*

Property, plant and equipment are stated at cost, after deduction of the related investment grants, and depreciated using the straight-line method over the estimated useful life of the assets: buildings, mainly 40 years; machinery and equipment, mainly between 15 to 20 years; and other assets, between 5 to 10 years.

For property, plant and equipment and lease right-of-use assets, whenever impairment indicators are identified, Teva reconsiders the asset's estimated life, calculates the undiscounted value of the asset's cash flows and compares such value against the asset's carrying amount. If the carrying amount is greater, Teva records an impairment loss for the excess of book value over fair value.

*Lease right-of-use (ROU) assets*

See notes 1c, 1dd and 8 for further discussion.

**n. Contingencies:**

The Company is involved in various patent, product liability, commercial, government investigations, environmental claims and other legal proceedings that arise from time to time in the ordinary course of business. Except for income tax contingencies, contingent consideration, other contingent liabilities incurred or acquired in a business combination, Teva records accruals for these types of contingencies to the extent that Teva concludes their occurrence is probable and that the related liabilities are estimable. When accruing these costs, the Company will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, the Company accrues for the minimum amount within the range. Teva records anticipated recoveries under existing insurance contracts that are probable of occurring at the gross amount that is expected to be collected. Legal costs are expensed as incurred.

The Company recognizes gain contingencies when they are realized or when all related contingencies have been resolved.

**o. Treasury shares:**

Treasury shares are presented as a reduction of Teva shareholders' equity and carried at their cost to Teva, under treasury shares.

**p. Stock-based compensation:**

Teva recognizes stock based compensation for the estimated fair value of share-based awards, restricted share units ("RSUs") and performance share units ("PSUs"). The compensation expense for PSUs is recognized only if it is probable that the performance condition will be achieved.

Teva measures compensation expense for share-based awards based on estimated fair values on the date of grant using the Black-Scholes option-pricing model. This option pricing model requires estimates as to the option's expected term and the price volatility of the underlying stock. Teva amortizes the value of share-based awards to expense over the vesting period on a straight-line basis.

Teva measures compensation expense for the RSUs and PSUs based on the market value of the underlying stock at the date of grant, less an estimate of dividends that will not accrue to the RSU and PSU holders prior to vesting.

**q. Deferred income taxes:**

Deferred income taxes are determined utilizing the "asset and liability" method based on the estimated future tax effects of temporary differences between the financial accounting and tax basis of assets and liabilities under the applicable tax laws, and on tax rates anticipated to be in effect when the deferred income taxes are expected to be paid or realized. A valuation allowance is provided if, based upon the weight of available evidence, it is more likely than not that a portion of the deferred income tax assets will not be realized. In determining whether a valuation allowance is needed, Teva considers all available evidence, including historical information, long range forecast of future taxable income and evaluation of tax planning strategies. Amounts recorded for valuation allowance can result from a complex series of judgments about future events and can rely on estimates and assumptions. Deferred income tax liabilities and assets are classified as non-current.

Deferred tax has not been provided on the following items:

1. Taxes that would apply in the event of disposal of investments in subsidiaries, as it is generally the Company's intention to hold these investments, not to realize them. The determination of the amount of related unrecognized deferred tax liability is not practicable.
2. Amounts of tax-exempt income generated from the Company's current Approved Enterprises and unremitted earnings from foreign subsidiaries retained for reinvestment in the Group. See note 13f.

**r. Uncertain tax positions:**

Teva recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. Teva regularly re-evaluates its tax positions based on developments in its tax audits, statute of limitations expirations, changes in tax laws and new information that can affect the technical merits and change the assessment of Teva's ability to sustain the tax benefit. In addition, the Company classifies interest and penalties recognized in the financial statements relating to uncertain tax position under the income taxes line item.

Provisions for uncertain tax positions, whereas Teva has net operating losses to offset additional income taxes that would result from the settlement of the tax position, are presented as a reduction of the deferred tax assets for such net operating loss.

**s. Derivatives and hedging:**

The Group carries out transactions involving derivative financial instruments (mainly forward exchange contracts, currency options, cross-currency swap contracts, interest rate swap contracts and treasury locks). The transactions are designed to hedge the Company's currency and interest rate exposures. The Company does not enter into derivative transactions for trading purposes.

Derivative instruments are recognized on the balance sheet at their fair value.

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk is recognized in financial expenses—net in the statements of income in the period that the changes in fair value occur.

For derivative instruments that are designated and qualify as a cash-flow hedge, the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the anticipated transaction in the same period or periods during which the hedged transaction affects earnings.

For derivative instruments that are designated as net-investment hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income. The effective portion is determined by looking into changes in spot exchange rate. The change in fair value attributable to changes other than those due to fluctuations in the spot exchange rate are excluded from the assessment of hedge effectiveness and are recognized in the statement of income under financial expenses-net.

For derivative instruments that qualify for hedge accounting, the cash flows associated with these derivatives are reported in the consolidated statements of cash flows consistently with the classification of the cash flows from the underlying hedged items that these derivatives are hedging.

Derivative instruments that do not qualify for hedge accounting are recognized on the Balance Sheet at their fair value, with changes in the fair value recognized as a component of financial expenses—net in the statements of income. The cash flows associated with these derivatives are reflected as cash flows from operating activities in the consolidated statements of cash flows.

**t. Revenue recognition:**

*The Company's revenue recognition accounting policy until December 31, 2017, prior to the adoption of the new revenue standard*

The Company recognizes revenues from product sales, including sales to distributors when persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. This generally occurs when products are shipped and title and risk and rewards for the products are transferred to the customer.

Revenues from product sales are recorded net of provisions for estimated chargebacks, rebates, returns, prompt pay discounts and other deductions, such as shelf stock adjustments, which can be reasonably estimated. When sales provisions are not considered reasonably estimable by Teva, the revenue is deferred to a future period when more information is available to evaluate the impact.

Provisions for chargebacks, rebates including Medicaid and other governmental program discounts and other promotional items, such as shelf stock adjustments, are included in sales reserves and allowances

("SR&A"). These provisions are recognized concurrently with the sales of products. Prompt payment discounts are netted against trade receivables.

Calculations for these deductions from sales are based on historical experience and the specific terms in the individual agreements. Chargebacks and rebates are the largest components of sales reserves and allowances. Provisions for chargebacks are determined using historical chargeback experience and expected chargeback levels and wholesaler sales information for products, which are compared to externally obtained distribution channel reports for reasonableness. Rebates are recognized based on contractual obligations in place at the time of sales with consideration given to relevant factors that may affect the payment as well as historical experience for estimated market activity. Shelf-stock adjustments are granted to customers based on the existing inventory of a customer following decreases in the invoice or contract price of the related product and are estimated based on expected market performance. Teva records a reserve for estimated sales returns by applying historical experience of customer returns to the amounts invoiced and the amount of returned products to be destroyed versus products that can be placed back in inventory for resale.

Revenue resulting from the achievement of milestone events stipulated in agreements is recognized when the milestone is achieved. Milestones are based on the occurrence of a substantive element specified in the contract or as a measure of substantive progress toward completion under the contract

Revenues from licensees, sales of licensed products and technology are recorded in accordance with the contract terms, when third-party sales can be reliably measured and collection of the funds is reasonably assured.

Royalty revenue is recognized as a component of net revenues in accordance with the terms of their respective contractual agreements when collectability is reasonably assured and when revenue can be reasonably measured.

*The Company's revenue recognition accounting policy from January 1, 2018, following the adoption of the new revenue standard*

On January 1, 2018, Teva adopted the new revenue standard to all contracts using the modified retrospective method. The cumulative initial effect of applying the new revenue standard was immaterial.

A contract with a customer exists only when: the parties to the contract have approved it and are committed to perform their respective obligations, the Company can identify each party's rights regarding the distinct goods or services to be transferred ("performance obligations"), the Company can determine the transaction price for the goods or services to be transferred, the contract has commercial substance and it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenues are recorded in the amount of consideration to which the Company expects to be entitled in exchange for performance obligations upon transfer of control to the customer, excluding amounts collected on behalf of other third parties and sales taxes.

The amount of consideration to which Teva expects to be entitled varies as a result of rebates, chargebacks, returns and other sales reserves and allowances ("SR&A") that the Company offers to its customers and their customers, as well as the occurrence or nonoccurrence of future events, including milestone events. A minimum amount of variable consideration is recorded by the Company concurrently with the satisfaction of performance obligations to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently

resolved. Estimates of variable consideration are based on historical experience and the specific terms in the individual agreements (which the Company believes approximates expected value). Rebates and chargebacks are the largest components of SR&A. If a minimum cannot be reasonably estimated, such revenue may be deferred to a future period when better information is available. For further description of SR&A components and how they are estimated, see "Variable Consideration" below.

Shipping and handling costs, after control of the product has transferred to a customer, are accounted for as a fulfillment cost and are recorded under S&M expenses.

Teva does not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between the time of transfer of the promised goods or services to the customer and the time the customer pays for these goods or services to be generally one year or less, based on the practical expedient. The Company's credit terms to customers are, on average, between thirty and ninety days.

The Company generally recognizes the incremental costs of obtaining contracts as an expense since the amortization period of the assets that the Company otherwise would have recognized is one year or less. The costs are recorded under S&M expenses. Similarly, Teva does not disclose the value of unsatisfied performance obligations for contracts with original expected duration of one year or less.

**Nature of revenue streams**

Revenue from sales of goods, including sales to distributors is recognized when the customer obtains control of the product. This generally occurs when products are shipped once the Company has a present right to payment and legal title, and risk and rewards of ownership are obtained by the customer.

Licensing arrangements performance obligations generally include intellectual property ("IP") rights, certain R&D and contract manufacturing services. The Company accounts for IP rights and services separately if they are distinct—i.e. if they are separately identifiable from other items in the arrangement and if the customer can benefit from them on their own or with other resources that are readily available to the customer. The consideration is allocated between IP rights and services based on their relative stand-alone selling prices.

Revenue for distinct IP rights is accounted for based on the nature of the promise to grant the license. In determining whether the Company's promise is to provide a right to access its IP or a right to use its IP, the Company considers the nature of the IP to which the customer will have rights. IP is either functional IP which has significant standalone functionality or symbolic IP which does not have significant standalone functionality. Revenue from functional IP is recognized at the point in time when control of the distinct license is transferred to the customer. Revenue from symbolic IP is recognized over the access period to the Company's IP.

Revenue from sales based milestones and royalties promised in exchange for a license of IP is recognized only when, or as, the later of subsequent sale or the performance obligation to which some or all of the sales-based royalty has been allocated, is satisfied. Revenues from licensing arrangements included royalty income of $147 million, $165 million and $327 million for the years ended December 31, 2019, 2018 and 2017, respectively. The amounts recognized in 2017 include royalty income resulting from the Ninlaro® transaction.

Distribution revenues are derived from sales of third-party products for which the Company acts as distributor, mostly in the United States via Anda and in Israel via Salomon Levin and Elstein Ltd. (SLE). In the United States, the Company is the principal in these arrangements and therefore records revenue on a gross basis as it controls the promised goods before transferring these goods to the customer. In Israel, the Company is the

agent in these arrangements and therefore records revenue on a net basis as it has no discretion in establishing prices for any specifies goods or services, limited inventory risk and is not primarily responsible for contract fulfillment. See also section b above. Revenue is recognized when the customer obtains control of the products. This generally occurs when products are shipped once the Company has a present right to payment and legal title and risk and rewards of ownership are obtained by the customer.

Other revenues are primarily comprised of contract manufacturing services, sales of medical devices and other miscellaneous items. Revenue is recognized when the customer obtains control of the products. This generally occurs when products are shipped once the Company has a present right to payment and legal title and risk and rewards of ownership are obtained by the customer.

**Contract assets and liabilities**

Contract assets are mainly comprised of trade receivables net of allowance for doubtful debts, which includes amounts billed and currently due from customers.

Contract liabilities are mainly comprised of deferred revenues which were immaterial as of December 31, 2019 and 2018.

**Variable consideration**

Variable consideration mainly includes 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 trade receivables.

The Company recognizes these provisions at the time of sale and adjusts them if the actual amounts differ from the estimated provisions. The following describes the nature of each deduction and how provisions are estimated:

**Rebates**

Rebates are primarily related to volume incentives and are offered to key customers to promote loyalty. These rebate programs provide that, upon the attainment of pre-established volumes or the attainment of revenue milestones for a specified period, the customer receives a rebate. Since rebates are contractually agreed upon, they are estimated based on the specific terms in each agreement based on historical trends and expected sales. Externally obtained inventory levels are evaluated in relation to estimates made for rebates payable to indirect customers.

**Medicaid and Other Governmental Rebates**

Pharmaceutical manufacturers whose products are covered by the Medicaid program are required to provide a rebate to each state as a percentage of their average manufacturer's price for the products dispensed. Many states have also implemented supplemental rebate programs that obligate manufacturers to pay rebates in excess of those required under federal law. The Company estimates these rebates based on historical trends of rebates paid, as well as on changes in wholesaler inventory levels and increases or decreases in sales.

**Chargebacks**

The Company has arrangements with various third parties, such as managed care organizations and drug store chains, establishing prices for certain of Teva's products. While these arrangements are made between the

Company and the customers, the customers independently select a wholesaler from which they purchase the products. Alternatively, certain wholesalers may enter into agreements with the customers, with Teva's concurrence, which establish the pricing for certain products which the wholesalers provide. Under either arrangement, Teva will issue a credit (referred to as a "chargeback") to the wholesaler for the difference between the invoice price to the wholesaler and the customer's contract prices. Provisions for chargebacks involve estimates of contract prices of over 2,000 products and multiple contracts with multiple wholesalers. Provisions for chargebacks involve estimates of usage by retailers and other indirect buyers with varying contract prices for multiple wholesalers. The provision for chargebacks varies in relation to changes in product mix, pricing and the level of inventory at the wholesalers and, therefore, will not necessarily fluctuate in proportion to an increase or decrease in sales. Provisions for estimating chargebacks are calculated using historical chargeback experience and/or expected chargeback levels for new products and anticipated pricing changes. Teva considers current and expected price competition when evaluating the provision for chargebacks. Chargeback provisions are compared to externally obtained distribution channel reports for reasonableness. The Company regularly monitors the provision for chargebacks and makes adjustments when the Company believes that actual chargebacks may differ from estimated provisions.

**Other Promotional Arrangements**

Other promotional or incentive arrangements are periodically offered to customers, specifically related to the launch of products or other targeted promotions. Provisions are made in the period for which the Company can estimate the incentive earned by the customer, in accordance with the contractual terms. The Company regularly monitors the provision for other promotional arrangements and makes adjustments when it believes that the actual provision may differ from the estimated provisions.

**Shelf Stock Adjustments**

The custom in the pharmaceutical industry is generally to grant customers a shelf stock adjustment based on the customers' existing inventory contemporaneously with decreases in the market price of the related product. The most significant of these relate to products for which an exclusive or semi-exclusive period exists. Provisions for price reductions depend on future events, including price competition, new competitive launches and the level of customer inventories at the time of the price decline. Teva regularly monitors the competitive factors that influence the pricing of its products and customer inventory levels and adjust these estimates where appropriate.

**Returns**

Returns primarily relate to customer returns of expired products which, the customer has the right to return up to one year following the expiration date. Such returned products are destroyed and credits and/or refunds are issued to the customer for the value of the returns. Accordingly, no returned assets are recoded in connection with those products. The returns provision is estimated by applying a historical return rate to the amounts of revenue estimated to be subject to returns. Revenue subject to returns is estimated based on the lag time from time of sale to date of return. The estimated lag time is developed by analyzing historical experience. Additionally, The Company considers specific factors, such as estimated levels of inventory in the distribution channel, product dating and expiration, size and maturity of launch, entrance of new competitors, changes in formularies or packaging and any changes to customer terms, for determining the overall expected levels of returns.

**Prompt Pay Discounts**

Prompt pay discounts are offered to most customers to encourage timely payment. Discounts are estimated at the time of invoice based on historical discounts in relation to sales. Prompt pay discounts are almost always utilized by customers. As a result, the actual discounts do not vary significantly from the estimated amount.

**u. Research and development:**

Research and development expenses are charged to income as incurred. Participations and grants in respect of research and development expenses are recognized as a reduction of research and development expenses as the related costs are incurred, or as the related milestone is met. Upfront fees received in connection with cooperation agreements are deferred and recognized over the period of the applicable agreements as a reduction of research and development expenses.

Advance payments for goods or services that will be used or rendered for future research and development activities are deferred. Such amounts are recognized as an expense as the related goods are delivered or the services are performed.

Research and development in-process acquired as part of an asset purchase, which has not reached technological feasibility and has no alternative future use, is expensed as incurred.

**v. Shipping and handling costs:**

Shipping and handling costs, which are included in S&M expenses, were $138 million, $159 million and $164 million for the years ended December 31, 2019, 2018 and 2017, respectively.

**w. Advertising costs:**

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2019, 2018 and 2017 were $213 million, $256 million and $318 million, respectively.

**x. Restructuring:**

Restructuring provisions are recognized for the direct expenditures arising from restructuring initiatives, where the plans are sufficiently detailed and where appropriate communication to those affected has been made.

Costs for one-time termination benefits in which the employee is required to render service until termination in order to receive the benefits are recognized ratably over the future service period.

Contractual termination benefits are provided to employees when employment is terminated due to an event specified in the provisions of an existing plan or agreement. A liability is recorded and the expense is recognized when it is probable that employees will be entitled to the benefits and the amount is reasonably estimable.

Special termination benefits arise when the Company offers, for a short period of time, to provide certain additional benefits to employees electing voluntary termination. A liability is recorded and the expense is recognized in the period the employees irrevocably accept the offer and the amount of the termination liability is reasonably estimable.

**y. Segment reporting:**

The Company's business includes three reporting segments based on three geographical areas:

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

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

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

Each business segment manages the entire product portfolio in its region, including generics, specialty and over-the-counter ("OTC") products.

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.

**z. Earnings per share:**

Basic earnings per share are computed by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares (including fully vested RSUs and PSUs) outstanding during the year, net of treasury shares.

In computing diluted earnings per share, basic earnings per share are adjusted to take into account the potential dilution that could occur upon: (i) the exercise of options and non-vested RSUs and PSUs granted under employee stock compensation plans and one series of convertible senior debentures, using the treasury stock method; (ii) the conversion of the remaining convertible senior debentures using the "if-converted" method, by adding to net income interest expense on the debentures and amortization of issuance costs, net of tax benefits, and by adding the weighted average number of shares issuable upon assumed conversion of the debentures; and (iii) until December 17, 2018, the conversion of the mandatory convertible preferred shares ("MCPS") using the "if-converted" method by adding to net income attributable to ordinary shareholders the dividends on the preferred shares and by adding the weighted average number of shares issuable upon assumed conversion of the mandatory convertible preferred shares.

On December 17, 2018, the mandatory convertible preferred shares automatically converted into ordinary shares. As a result of this conversion, Teva issued 70.6 million ADSs. See note 14.

**aa. Securitization**

Teva accounts for transfers of certain of its trade receivable as sales when it has surrendered control over the related assets in accordance with ASC Topic 860 "Transfer and Servicing" of Financial Assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company's continuing involvement with the assets transferred. Assets obtained and liabilities incurred in connection with transfers reported as sales are initially recognized in the balance sheet at fair value. Refer to note 10f.

**bb. Divestitures:**

The Company nets the proceeds on the divestitures of products with the carrying amount of the related assets and records gain or loss on sale within other income. Any contingent payments that are potentially due to the Company as a result of these divestitures are recorded when it is probable that a significant reversal of income will not occur, or in the case of a business, when such payments are realizable. For divestures of businesses, including divestitures of products that qualify as a business, the Company reflects the relative fair value of goodwill associated with the businesses in the determination of gain or loss on sale.

**cc. Debt instruments**

Debt instruments are initially recognized at the fair value of the consideration received. Debt issuance costs are recorded on the consolidated balance sheet as a reduction of liability. They are subsequently recognized at

amortized cost using the effective interest method. Debt may be considered extinguished when it has been modified and the terms of the new debt instruments and old debt instruments are "substantially different" (as defined in the debt modification guidance in ASC 470-50 "Debt—Modifications and Extinguishments"). The Company classifies the current portion of long term debt as non-current liabilities on the Balance Sheet when it has the intent and ability to refinance the obligation on a long-term basis, in accordance with ASC 470-50 "Debt".

**dd. Leases**

*The Company's lease accounting policy until December 31, 2018, prior to the adoption of the new lease standard*

Teva leases real estate, cars and equipment for use in its operations, which are classified as operating leases. In addition to rent, the leases may require Teva to pay directly for fees, insurance, maintenance and other operating expenses. Rental expense for the year ended December 31, 2018 and the year ended December 31, 2017, were $175 million and $200 million, respectively. The Company also has capital leases for properties.

*The Company's lease accounting policy from January 1, 2019, following the adoption of the new lease standard*

Teva adopted the new accounting standard ASC 842 "Leases" and all the related amendments on January 1, 2019 and used the effective date as Teva's date of initial application.

Teva determines if an arrangement is a lease at inception. Lease classification is governed by five criteria in ASC 842-10-25-2. If any of these five criteria is met, Teva classifies the lease as a finance lease. Otherwise, Teva classifies the lease as an operating lease. When determining lease classification, Teva's approach in assessing two of the mentioned criteria is: (i) generally, 75% or more of the remaining economic life of the underlying asset is a major part of the remaining economic life of that underlying asset; and (ii) generally, 90% or more of the fair value of the underlying asset comprises substantially all of the fair value of the underlying asset.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities and operating lease liabilities in the consolidated balance sheets. Finance leases are included in property, plant and equipment, other current liabilities, and other long-term liabilities in the consolidated balance sheets.

ROU assets represent Teva's right to use an underlying asset for the lease term and lease liabilities represent Teva's obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Teva uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of the lease payments.

For finance leases, Teva recognizes interest on the lease liability separately from amortization of the ROU assets in the statement of comprehensive income. For operating leases, lease expenses are recognized on a straight-line basis over the lease term.

The new standard also provides practical expedients for an entity's ongoing accounting. Teva elected the short-term lease recognition exemption for all leases with a term shorter than 12 months. This means that for those leases, Teva does not recognize ROU assets or lease liabilities, including ROU assets or lease liabilities for existing short-term leases of assets in transition, but recognizes lease expenses over the lease term on a straight line basis. Teva also elected the practical expedient to not separate lease and non-lease components for all of Teva's leases, other than leases of real estate.

Lease terms will include options to extend or terminate the lease when it is reasonably certain that Teva will either exercise or not exercise the option to renew or terminate the lease.

Teva's lease agreements have remaining lease terms ranging from 1 year to 80 years. Some of these agreements include options to extend the leases for up to 15 years and some include options to terminate the leases immediately. Certain leases also include options to purchase the leased property.

The depreciable life of leasehold improvements is limited by the expected lease term, unless there is a transfer of title or a purchase option for the leased asset reasonably certain of exercise.

Some of Teva's vehicle lease agreements include rental payments based on the actual usage of the vehicles and other lease agreements include rental payments adjusted periodically for inflation. Teva's lease agreements do not contain any material residual value guarantees.

The new Lease Standard will have no impact on Teva's debt-covenant compliance under its RCF.

Teva rents out or subleases certain assets to third parties, which has an immaterial impact on Teva's consolidated financial statements.

**NOTE 2—Certain transactions:**

**a. Business acquisitions:**

**Actavis Generics and Anda acquisitions**

On August 2, 2016, Teva consummated its acquisition of Allergan plc's ("Allergan") worldwide generic pharmaceuticals business ("Actavis Generics"). At closing, Teva transferred to Allergan consideration of approximately $33.4 billion in cash and approximately 100.3 million Teva shares.

On October 3, 2016, Teva consummated the acquisition of Anda Inc. ("Anda"), a medicines distribution business in the United States, from Allergan, for cash consideration of $500 million. This transaction was related to the Actavis Generics acquisition and, as such, the purchase price accounting and related disclosures were treated on a combined basis.

The final cash consideration for the Actavis Generics acquisition was subject to certain net working capital adjustments. On January 31, 2018, Teva and Allergan entered into a settlement agreement and mutual releases for which Allergan made a one-time payment of $703 million to Teva to settle the working capital adjustments under the Master Purchase Agreement, dated July 26, 2015. As the measurement period has ended, this amount was recorded as a gain under legal settlements and loss contingencies in the first quarter of 2018.

**Rimsa**

On March 3, 2016, Teva completed the acquisition of Representaciones e Investigaciones Médicas, S.A. de C.V. ("Rimsa"), a pharmaceutical manufacturing and distribution company in Mexico, for $2.3 billion, in a cash free, debt free set of transactions. Teva financed the transaction using cash on hand.

Following the closing of the acquisition, Teva identified issues concerning Rimsa's pre-acquisition quality, manufacturing and other practices, at which point Teva began an assessment of the extent and cost of remediation required to return its products to the market. In September 2016, two lawsuits were filed: a pre-emptive suit by the Rimsa sellers against Teva and Teva's lawsuit alleging fraud and breach of contract against the Rimsa sellers. The Rimsa sellers subsequently dismissed their lawsuit and the dismissal was approved by court order on December 20, 2016.

On February 15, 2018, Teva and the Rimsa sellers entered into a settlement agreement and mutual releases with respect to Teva's breach of contract claim, pursuant to which the Rimsa sellers made a one-time payment to Teva. Teva's breach of contract claim was subsequently dismissed by the court. As the measurement period has ended, this payment was recorded as a gain under legal settlements and loss contingencies in the first quarter of 2018.

**b. Assets and Liabilities Held For Sale:**

The table below summarizes the major classes of assets included as held for sale as of December 31, 2019 and 2018:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| | (U.S. $ in millions) | |
| Property, plant and equipment, net | 98 | 92 |
| Goodwill | — | 51 |
| Adjustments of assets held for sale to fair value | (11) | (51) |
| Total assets of the disposal group classified as held for sale in the consolidated balance sheets | $ 87 | $ 92 |

**c. Other significant agreements:**

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.

**Eli Lilly and Alder BioPharmaceuticals**

In December 2018, Teva entered into an agreement with Eli Lilly, resolving the European Patent Office opposition they had filed against Teva's AJOVY® patents. The settlement agreement with Lilly also resolved Lilly's action to revoke the patent protecting AJOVY in the United Kingdom.

On January 8, 2018, Teva signed a global license agreement with Alder BioPharmaceuticals ("Alder"). The agreement validates Teva's IP and resolves Alder's opposition to Teva's European patent with respect to anti-calcitonin gene-related peptide (CGRP) antibodies, including the withdrawal of Alder's appeal before the European Patent Office. Under the terms of the agreement, Alder will receive a non-exclusive license to Teva's anti-CGRP antibodies patent portfolio to develop, manufacture and commercialize eptinezumab in the United States and worldwide, excluding Japan and Korea. Teva received a $25 million upfront payment that was recognized as revenue during the first quarter of 2018. The agreement stipulates additional milestone payments to Teva of up to $175 million, as well as future royalties.

**PGT Healthcare Partnership**

In July 2018, Teva terminated its joint venture with the Procter & Gamble Company ("P&G"), PGT Healthcare partnership ("PGT"), which the two companies established in 2011 to market OTC medicines. Teva will continue to maintain its OTC business on an independent basis.

As part of the separation, Teva transferred to P&G the shares it held in New Chapter Inc. and ownership rights in an OTC plant located in India. Teva provides certain services to P&G after the separation for a transition period.

During the first quarter of 2018, Teva classified the plant in India as an asset held for sale and recorded an impairment of $64 million under other assets impairments, restructuring and other items. In addition, Teva recorded a write-down of $94 million of its investment in New Chapter Inc. under share in losses of associated companies.

During September 2018, Teva and P&G completed the final net asset distribution as part of the dissolution and Teva recorded a gain of $50 million to reflect the cash payment received from P&G under the dissolution agreement.

**AUSTEDO®**

On September, 19, 2017, Teva entered into a partnership agreement with Nuvelution Pharma, Inc. ("Nuvelution") for development of AUSTEDO for the treatment of Tourette syndrome in pediatric patients in the United States. Nuvelution is funding and managing clinical development, driving all operational aspects of the phase 3 program, and Teva is leading the regulatory process and is responsible for commercialization. If FDA approval is obtained for AUSTEDO for the treatment of Tourette syndrome, Teva will pay Nuvelution a pre-agreed amount as compensation for their contribution to the partnership. In February 2020, Teva received results for these clinical trials, which found that the clinical trials failed to meet their primary endpoints. No new safety signals were identified in these studies. See note 23.

**Otsuka**

On May 12, 2017, Teva entered into a license and collaboration agreement with Otsuka Pharmaceutical Co. Ltd. ("Otsuka"), providing Otsuka with an exclusive license to conduct phase 2 and 3 clinical trials for AJOVY in Japan and, if approved, to commercialize the product in Japan. Otsuka paid Teva an upfront payment of $50 million in consideration for the transaction. Teva may receive additional milestone payments upon filing with Japanese regulatory authorities, receipt of regulatory approval and achievement of certain revenue targets. Otsuka will also pay Teva royalties on AJOVY sales in Japan.

**Attenukine™**

In December 2016, Teva entered into a license agreement for research, development, manufacture and commercializing of Attenukine technology with a subsidiary of Takeda Pharmaceutical Company Ltd. ("Takeda"). Teva received a $30 million upfront payment. A milestone payment of $20 million was received in 2017. The agreement stipulates additional milestone payments to Teva of up to $260 million, as well as future royalties.

**Ninlaro®**

In November 2016, Teva entered into an agreement to sell its royalties and other rights in Ninlaro (ixazomib) to a subsidiary of Takeda, for a $150 million upfront payment to Teva and an additional $150 million payment based on sales during 2017. Teva was entitled to these royalties pursuant to an agreement from 2014 assigning the Ninlaro patents to an affiliate of Takeda in consideration of milestone payments and sales royalties. In the first six months of 2017, Teva received payments in the amount of $150 million, which were recognized as revenue for the period.

**Celltrion**

In October 2016, Teva and Celltrion, Inc. ("Celltrion") entered into a collaborative agreement to commercialize TRUXIMA® and HERZUMA®, two biosimilar products for the U.S. and Canadian markets. Teva paid Celltrion $160 million, of which up to $60 million is refundable or creditable under certain circumstances.

Teva and Celltrion will share the profit from the commercialization of these products. Teva launched TRUXIMA in the United States in November 2019. HERZUMA is expected to be available in the United States in the first quarter of 2020.

**Regeneron**

In September 2016, Teva and Regeneron Pharmaceuticals, Inc. ("Regeneron") entered into a collaborative agreement to develop and commercialize Regeneron's pain medication product, fasinumab. Teva and Regeneron share equally in the global commercial rights to this product, as well as ongoing associated R&D costs of approximately $1 billion. Teva made an upfront payment of $250 million to Regeneron in the third quarter of 2016 as part of the agreement. Milestone payments of $25 million, $35 million and $60 million were paid in the second quarter of 2017, the first quarter of 2018 and the fourth quarter of 2018, respectively.

**NOTE 3—Revenue from contracts with customers:**

On January 1, 2018, Teva adopted the new revenue standard to all contracts using the modified retrospective method. The cumulative initial effect of applying the new revenue standard was immaterial.

**Revenue recognition prior to and following the adoption of the new revenue standard**

See note 1 for a summary of the significant accounting policies.

**Disaggregation of revenue**

The following table disaggregates Teva's revenues by major revenue streams. For additional information on disaggregation of revenues, see note 19.

| | Year ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | North America | Europe | International Markets | Other activities | Total |
| | (U.S. $ in millions) | | | | |
| Sale of goods | 6,941 | 4,770 | 2,045 | 754 | 14,510 |
| Licensing arrangements | 109 | 29 | 4 | 5 | 147 |
| Distribution | 1,492 | 2 | 20 | — | 1,514 |
| Other | § | (6) | 177 | 545 | 716 |
| | $8,542 | $4,795 | $2,246 | $1,304 | $16,887 |

| | Year ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | North America | Europe | International Markets | Other activities | Total |
| | (U.S. $ in millions) | | | | |
| Sale of goods | 7,838 | 5,153 | 2,151 | 739 | 15,881 |
| Licensing arrangements | 111 | 23 | 22 | 9 | 165 |
| Distribution | 1,347 | 7 | 19 | — | 1,373 |
| Other | 1 | 3 | 230 | 618 | 852 |
| | $9,297 | $5,186 | $2,422 | $1,366 | $18,271 |

| | Year ended December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | North America | Europe | International Markets | Other activities | Total |
| | (U.S. $ in millions) | | | | |
| Sale of goods | 10,706 | 5,244 | 2,558 | 748 | 19,256 |
| Licensing arrangements | 281 | 3 | 38 | 5 | 327 |
| Distribution | 1,153 | 214 | 17 | — | 1,384 |
| Other | 1 | 5 | 250 | 630 | 886 |
| | $12,141 | $5,466 | $2,863 | $1,383 | $21,853 |

§ Represents an amount less than $1 million.

The financial data presented in the tables above with respect to prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b.

**Variable consideration**

Variable consideration mainly includes 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 trade receivables.

The Company recognizes these provisions at the time of sale and adjusts them if the actual amounts differ from the estimated provisions. For description of the nature of each deduction and how provisions are estimated see note 1.

SR&A to U.S. customers comprised approximately 83% of the Company's total SR&A as of December 31, 2019, with the remaining balance primarily in Canada and Germany. The changes in SR&A for third-party sales for the period ended December 31, 2018 and 2019 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, 2018 | $ 196 | $ 3,077 | $ 1,908 | $ 1,849 | $ 780 | $ 267 | $ 7,881 | $ 8,077 |
| Provisions related to sales made in current year period | 514 | 6,572 | 1,284 | 10,206 | 442 | 417 | 18,899 | $ 19,413 |
| Provisions related to sales made in prior periods | 3 | (14) | 24 | — | 28 | (30) | (62) | $ (59) |
| Credits and payments | (538) | (6,596) | (1,850) | (10,519) | (606) | (463) | (19,942) | $(20,480) |
| Translation differences | — | (33) | (5) | (6) | (6) | (15) | (65) | $ (65) |
| Balance at December 31, 2018 | $ 175 | $ 3,006 | $ 1,361 | $ 1,530 | $ 638 | $ 176 | $ 6,711 | $ 6,886 |
| Provisions related to sales made in current year period | 383 | 5,552 | 976 | 9,565 | 281 | 394 | 16,767 | $ 17,150 |
| Provisions related to sales made in prior periods | — | (92) | (151) | (17) | 77 | (6) | (189) | $ (189) |
| Credits and payments | (471) | (5,570) | (1,076) | (9,736) | (360) | (392) | (17,134) | $(17,605) |
| Translation differences | — | (1) | (1) | 1 | 1 | 4 | 4 | $ 4 |
| Balance at December 31, 2019 | $ 87 | $ 2,895 | $ 1,109 | $ 1,342 | $ 637 | $ 176 | $ 6,159 | $ 6,246 |

**NOTE 4 —Inventories:**

Inventories, net of reserves, consisted of the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Finished products | $2,504 | $2,665 |
| Raw and packaging materials | 1,183 | 1,328 |
| Products in process | 583 | 590 |
| Materials in transit and payments on account | 151 | 148 |
| | $4,422 | $4,731 |

**NOTE 5—Property, plant and equipment:**

Property, plant and equipment, net, consisted of the following:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Machinery and equipment | $ 5,385 | $ 5,658 |
| Buildings | 2,839 | 3,133 |
| Computer equipment and other assets | 2,131 | 2,089 |
| Assets under construction and payments on account | 672 | 565 |
| Land | 323 | 351 |
| | 11,350 | 11,796 |
| Less—accumulated depreciation | (4,914) | (4,928) |
| | $ 6,436 | $ 6,868 |

Depreciation expenses were $609 million, $676 million and $632 million in the years ended December 31, 2019, 2018 and 2017, respectively. During the years ended December 31, 2019, 2018 and 2017, Teva had impairments of property, plant and equipment in the amount of $139 million, $500 million and $544 million, respectively. See note 15.

**NOTE 6—Identifiable intangible assets:**

Identifiable intangible assets consisted of the following:

| | Gross carrying amount net of impairment | | Accumulated amortization | | Net carrying amount | |
|---|---|---|---|---|---|---|
| | | | December 31, | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | | | (U.S. $ in millions) | | | |
| Product rights | $19,663 | $20,361 | $10,640 | $9,565 | $ 9,023 | $10,796 |
| Trade names | 600 | 606 | 126 | 91 | 474 | 515 |
| In-process research and development (IPR&D) | 1,735 | 2,694 | — | — | 1,735 | 2,694 |
| Total | $21,998 | $23,661 | $10,766 | $9,656 | $11,232 | $14,005 |

**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 from various categories with a weighted average life of approximately 12 years. Amortization of intangible assets amounted to $1,113 million, $1,166 million and $1,444 million in the years ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019, the estimated aggregate amortization of intangible assets for the years 2020 to 2024 is as follows: 2020—$1,019 million; 2021—$856 million; 2022—$794 million; 2023—$790 million and 2024—$773 million. These estimates do not include the impact of IPR&D that is expected to be successfully completed and reclassified to product rights.

**IPR&D**

Teva's IPR&D are assets that have not yet been approved in major markets. Teva's IPR&D is comprised mainly of the following acquisitions and related assets: various generic products (Actavis Generics)—$1,453 million; various generic products (Rimsa)—$48 million and AUSTEDO—$211 million. IPR&D carry intrinsic risks that the asset might not succeed in advanced phases and may be impaired in future periods.

In 2019, Teva reclassified $291 million of products from IPR&D to product rights following regulatory approval, of which $174 million were reclassified in connection with methylphenidate ER.

**Intangible assets impairment**

Impairment of identifiable intangible assets amounted to $1,639 million, $1,991 million and $3,238 million in the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are recorded in earnings under intangible assets impairment.

Impairments in 2019 mainly consisted of:

1. Identifiable product rights of $958 million, mainly related to: (i) $647 million due to updated market assumptions regarding price and volume of certain products acquired from Actavis Generics and primarily marketed in the United States, (ii) $128 million related to a decrease in future expected sales in Japan as a result of generic competition, and (iii) $123 million related to the discontinuation of certain products from Actavis Generics' portfolio in several international markets.
2. IPR&D assets of $681 million, related to: (i) $497 million related to various generic pipeline products acquired from Actavis Generics, due to development progress and changes in other key valuation indications (e.g., market size, competition assumptions, legal landscape, launch date or discount rate) in the United States, (ii) $125 million related to lenalidomide (generic equivalent of REVLIMID®), due to modified competition assumptions as a result of settlements between the innovator and other generic filers, and (iii) $59 million related to a change in assumptions concerning the future European market share of a number of pipeline products acquired from Actavis Generics.

**NOTE 7—Goodwill:**

The changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018 were as follows:

| | North America | Europe | International Market | Other | Total |
|---|---|---|---|---|---|
| | | | (U.S. $ in millions) | | |
| Balance as of January 1, 2018 (1) | 11,144 | 9,001 | 5,404 | 2,865 | 28,414 |
| Changes during the year: | | | | | |
| Goodwill impairment (2) | — | — | (2,834) | (193) | (3,027) |
| Goodwill disposal (3) | — | (65) | (14) | — | (79) |
| Goodwill reclassified as assets to held for sale | — | (3) | — | (17) | (20) |
| Translation differences and Other | (46) | (280) | (77) | 32 | (371) |
| Balance as of December 31, 2018 (1) | $11,098 | $8,653 | $ 2,479 | $2,687 | $24,917 |
| Changes during the year: | | | | | |
| Goodwill disposal | (23) | (5) | — | — | (28) |
| Translation differences and Other | 16 | (112) | 53 | — | (43) |
| Balance as of December 31, 2019 (1) | $11,091 | $8,536 | $ 2,532 | $2,687 | $24,846 |

(1) Accumulated goodwill impairment as of December 31, 2019, December 31, 2018 and January 1, 2018 was approximately $21.0 billion, $21.0 billion and $18.0 billion, respectively.
(2) Goodwill impairment mainly attributable to the International Markets segment, Mexico and Medis.
(3) Mainly due to the divestment of the women's health business, the sale of Actavis Brazil and other activities.

Teva operates its business through three segments: North America, Europe and International Markets. Teva began reporting its financial results under this structure in the first quarter of 2018. Each of these business segments is a reporting unit. Additional reporting units include the 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. The Teva API and Medis reporting units are included in Other above. See note 19.

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 starts 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.

During the first quarter of 2019, management assessed developments that occurred in the quarter and concluded that it was not more likely than not that the fair value of any of its reporting units was below their carrying amount as of March 31, 2019 and, therefore, no quantitative assessments were performed.

In the second quarter of 2019, Teva completed its long-range planning ("LRP") process, which is part of Teva's internal financial planning and budgeting process, and includes discussion and review by Teva's management and board of directors. Certain events and changes in circumstances reflected in the LRP indicated

that it was more likely than not that the carrying amount of the North America and International Markets reporting units may exceed their fair value. Consequently, management conducted a quantitative analysis for these reporting units, which resulted in no impairment charge. Teva determined that it was not more likely than not that the fair value of its remaining reporting units was less than their carrying amount. In connection with its goodwill impairment test during the second quarter of 2019, management noted that the Company's market capitalization, including a reasonable control premium, was significantly below management's assessment of the aggregate fair value of its reporting units. Management analyzed the difference and the underlying factors, mainly in connection with sales projections of AJOVY in the Europe and International Markets reporting units, sales projections of AUSTEDO in the North America reporting unit and market concerns regarding the volatility and uncertainty of certain litigation risks, namely from the opioid and price fixing litigations, and concern surrounding the Company's cash flow and overall liquidity. After considering these factors management concluded that the fair value of Teva's reporting units exceeded their carrying amount and therefore did not record an impairment charge in the second quarter of 2019 related thereto.

During the third quarter of 2019, management assessed developments that occurred in the quarter and concluded that it was not more likely than not that the fair value of any of its reporting units was below their carrying amount as of September 30, 2019 and, therefore, no quantitative assessments were performed.

Pursuant to Company policy, Teva conducted the annual goodwill impairment test for all reporting units during the fourth quarter of 2019. Management considered all information available, including information gathered from the 2020 Annual Operating Plan ("AOP"), and how it would affect the LRP prepared in the second quarter of 2019. Teva conducted its annual impairment test with the assistance of an independent valuation expert. No goodwill impairment charge was recorded during the fourth quarter of 2019.

***North America***

During 2019, management noted a decrease in the fair value of the North America reporting unit, mainly due to lower projections for sales of AJOVY and due to changes to certain discount rate parameters and the selected Terminal Growth Rate ("TGR"), partially offset by net increase of projections of other products.

The estimated fair value exceeds its carrying amount for the North America reporting unit by 26%.

The Company used a terminal growth rate of 1.61% and a discount rate of 10.22%. If Teva holds all other assumptions constant, a reduction in the terminal growth rate of 0.50% to 1.11%, or an increase in discount rate of 0.50% to 10.72%, would result in a reduction of the excess of fair value over carrying amount with respect to Teva's North America reporting unit to 21% and 18%, respectively.

***Europe***

During 2019, management noted a decrease in the fair value of the Europe reporting unit, mainly due to projected currency translation effect.

The estimated fair value exceeds the estimated carrying amount for the Europe reporting unit by 12%.

The Company used a terminal growth rate of 1.36% and a discount rate of 9.52%. If Teva holds all other assumptions constant, a reduction in the terminal growth rate of 0.50% to 0.86% or an increase in discount rate of 0.50% to 10.02%, would result in a reduction of the excess of fair value over carrying amount with respect to Teva's Europe reporting unit to 8% and 6%, respectively.

***International Markets***

During 2019, management noted an increase in the fair value of the International Markets reporting unit mainly due to higher projections of certain products and changes to certain discount rate parameters and the selected TGR, partially offset by decrease in the profitability projections in the Japanese market related to new price regulation and further generic competition.

The estimated fair value exceeds the estimated carrying amount for the International Markets reporting unit by 16%.

The Company used a terminal growth rate of 2.03% and a discount rate of 9.80%. If Teva holds all other assumptions constant, a reduction in the terminal growth rate of 0.50% to 1.53% or an increase in discount rate of 0.50% to 10.3%, would result in a reduction of the excess of fair value over carrying amount with respect to Teva's International Markets reporting unit to 11% and 9%, respectively.

***Remaining reporting units***

The percentage difference between estimated fair value and estimated carrying amount for the Medis and Teva API reporting units is 72% and 23%, respectively.

***Market Capitalization***

Teva analyzed the aggregate fair value of its reporting units compared to its market capitalization as part of its annual goodwill impairment test, in order to assess the reasonableness of the results of its cash flow projections used for its goodwill impairment analysis.

Teva noted its market capitalization was below management's assessment of the aggregate fair value of the Company's reporting units. However, as of December 31, 2019, the Company's market capitalization plus a reasonable control premium exceeded its book value.

In further consideration of the market capitalization analysis at year end, management analyzed the differences and the underlying factors addressed during the Company's second quarter market reconciliation analysis and noted the following changes:

- In the second quarter of 2019, management noted a difference with regard to sales projections of AJOVY and AUSTEDO in the International Markets reporting unit. Management continues to believe that the majority of analysts do not focus on this market in preparing their financial models and, as a result, have not attributed value to the launch potential in this reporting unit. Accordingly, management's projections exceed those it believes are being used by analysts, particularly in International Markets. However, if management were to conform to analyst expectations, the International Markets reporting unit's fair value would approximate its book value. Future impairment charges, if any, reflecting conditions at that time may be materially different.
- In the second quarter of 2019, management also noted a difference with regard to sales projections of AUSTEDO in the North America reporting unit, resulting in higher fair value as analyzed by management compared to Teva's market capitalization. Management continues to believe that it has more accurate information based on its knowledge of the market and its growth and therefore no adjustment was incorporated to the fair value.

However, even if management was to reduce its AUSTEDO projections to those it believes are being used by analysts, the estimated fair value of the North America reporting unit would still exceed its carrying amount.

- Management continues to believe market concerns regarding the volatility and uncertainty of certain litigation risks, namely from the opioid and price fixing litigations, are impacting its market capitalization. Management believes that these concerns led to an acute reaction, which resulted in a decline in Teva's share price in the second quarter of 2019, and will continue to impact the Company's stock price into 2020. However, developments in these cases are expected to clarify the outlook with regards to the opioid litigation, assuming the proposed settlement framework is finalized in 2020. Based upon Teva's current estimates of fair value, even if management was to adjust the fair value of the North America reporting unit for this uncertainty, the estimated fair value would still exceed its carrying amount.

  If management were to conform to the market's expectations in the North America reporting unit in connection with both AUSTEDO projections and the volatility and uncertainty of certain litigation risks, the Company would record a goodwill impairment charge of $1,230 million. Future impairment charges, if any, reflecting conditions at that time may be materially different.

Management will continue to monitor business conditions and potential events or circumstances that could have a negative effect on the estimated fair value of the Company.

**NOTE 8—Leases:**

Teva adopted the new accounting standard ASC 842 "Leases" and all related amendments on January 1, 2019 and used the effective date as Teva's date of initial application.

The components of operating lease cost for the year ended December 31, 2019 were as follows:

| | Year ended December 31, 2019 |
|---|---|
| | (U.S. $ in millions) |
| Operating lease cost: | |
| Fixed payments and variable payments that depend on an index or rate | $ 166 |
| Variable lease payments not included in the lease liability | 6 |
| Short-term lease cost | 6 |
| Total operating lease cost | $178 |

Supplemental cash flow information related to operating leases was as follows:

| | Year ended December 31, 2019 |
|---|---|
| | (U.S. $ in millions) |
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $169 |
| Right-of-use assets obtained in exchange for lease obligations (non-cash): | |
| Operating leases | $142 |

Supplemental balance sheet information related to operating leases was as follows:

| | December 31, 2019 |
|---|---|
| | (U.S. $ in millions) |
| Operating leases: | |
| Operating lease ROU assets | $514 |
| Other current liabilities | 118 |
| Operating lease liabilities | 435 |
| Total operating lease liabilities | $553 |

| | December 31, 2019 |
|---|---|
| Weighted average remaining lease term | |
| Operating leases | 7.5 years |
| Weighted average discount rate | |
| Operating leases | 6.0% |

Maturities of operating lease liabilities were as follows:

| | December 31, 2019 |
|---|---|
| | (U.S. $ in millions) |
| 2020 | $146 |
| 2021 | 117 |
| 2022 | 92 |
| 2023 | 66 |
| 2024 and thereafter | 298 |
| Total operating lease payments | $719 |
| Less: imputed interest | 166 |
| Present value of lease liabilities | $553 |

| | December 31, 2018 |
|---|---|
| | (U.S. $ in millions) |
| According to ASC 840: | |
| 2019 | $193 |
| 2020 | 154 |
| 2021 | 118 |
| 2022 | 91 |
| 2023 | 66 |
| 2024 and thereafter | 283 |
| Total lease payments | $ 905 |

As of December 31, 2019, Teva has additional operating leases for office space which have yet to commence, with undiscounted future payments of $92 million. These operating leases will commence during fiscal year 2020 with lease terms of 9 to 12 years.

On October 10, 2019, Teva entered into an agreement to sell and lease back the land and building of its distribution center in Israel. Net proceeds from the asset sale amounted to $128 million.

As of December 31, 2019, Teva's total finance lease assets and finance lease liabilities were $37 million and $29 million, respectively. The difference between those amounts is mainly due to prepaid payments.

**NOTE 9—Debt obligations:**

**a. Short-term debt:**

| | Weighted average interest rate as of December 31, 2019 | Maturity | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| | | | (U.S. $ in millions) | |
| Bank and financial institutions | — | — | — | 2 |
| Convertible debentures | 0.25% | 2026 | 514 | 514 |
| Current maturities of long-term liabilities | | | 1,831 | 1,700 |
| Total short term debt | | | $2,345 | $2,216 |

***Convertible senior debentures***

Teva 0.25% convertible senior debentures, due 2026, principal amount as of December 31, 2019 and 2018 were $514 million. 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. Holders of the convertible debentures will be able to cause Teva to redeem the debentures on February 1, 2021.

Long-term debt:

| | Weighted average interest rate as of December 31, 2019 | Maturity | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| | % | | (U.S. $ in millions) | |
| Senior notes EUR 1,010 million (2) | 0.38% | 2020 | $ 1,131 | $ 1,897 |
| Senior notes EUR 1,500 million | 1.13% | 2024 | 1,673 | 1,707 |
| Senior notes EUR 1,300 million | 1.25% | 2023 | 1,451 | 1,480 |
| Senior notes EUR 900 million | 4.50% | 2025 | 1,008 | 1,029 |
| Senior notes EUR 750 million | 1.63% | 2028 | 833 | 850 |
| Senior notes EUR 700 million | 3.25% | 2022 | 784 | 801 |
| Senior notes EUR 700 million | 1.88% | 2027 | 782 | 798 |
| Senior notes EUR 1,000 million (4) | 6.00% | 2025 | 1,120 | — |
| Senior notes USD 1,000 million (5) | 7.13% | 2025 | 1,000 | — |
| Senior notes USD 3,500 million | 3.15% | 2026 | 3,494 | 3,493 |
| Senior notes USD 1,475 million (3) | 2.20% | 2021 | 1,474 | 2,997 |
| Senior notes USD 3,000 million | 2.80% | 2023 | 2,995 | 2,993 |
| Senior notes USD 1,556 million (1) | 1.70% | 2019 | — | 1,700 |
| Senior notes USD 2,000 million | 4.10% | 2046 | 1,985 | 1,985 |
| Senior notes USD 1,250 million | 6.00% | 2024 | 1,250 | 1,250 |
| Senior notes USD 1,250 million | 6.75% | 2028 | 1,250 | 1,250 |
| Senior notes USD 844 million | 2.95% | 2022 | 856 | 860 |
| Senior notes USD 789 million | 6.15% | 2036 | 782 | 782 |
| Senior notes USD 700 million | 2.25% | 2020 | 700 | 700 |
| Senior notes USD 613 million | 3.65% | 2021 | 618 | 621 |
| Senior notes USD 588 million | 3.65% | 2021 | 587 | 587 |
| Senior notes CHF 350 million | 0.50% | 2022 | 361 | 356 |
| Senior notes CHF 350 million | 1.00% | 2025 | 362 | 356 |
| Fair value hedge accounting adjustments | | | — | (9) |
| Total senior notes | | | 26,496 | 28,483 |
| Other long-term debt | 1.13% | 2026 | 1 | 12 |
| Less current maturities | | | (1,831) | (1,700) |
| Derivative instruments | | | — | 9 |
| Less debt issuance costs | | | (103) | (104) |
| Total senior notes and loans | | | $24,562 | $26,700 |

(1) During the first six months of 2019, Teva repurchased and canceled approximately $144 million principal amount of its $1,700 million 1.7% senior notes due in July 2019. In July 2019, Teva repaid at maturity $1,556 million of its 1.7% senior notes.

(2) In December 2019, Teva consummated an early redemption of 650 million Euro of its 1,660 million Euro 0.375% senior notes due in July 2020.

(3) In November 2019, Teva consummated a cash tender offer for its $3,000 million 2.2% senior notes due in July 2021. As a result of the offer, Teva redeemed $1,525 million aggregate principal amount of this senior note.

(4) In November 2019, Teva Pharmaceutical Finance Netherlands II B.V, a Teva finance subsidiary, issued senior notes in an aggregate principal amount of 1,000 million Euro bearing 6.0% annual interest and due January 2025.

(5) In November 2019, Teva Pharmaceutical Finance Netherlands III B.V, a Teva finance subsidiary, issued senior notes in an aggregate principal amount of $1,000 million bearing 7.125% annual interest and due January 2025.

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 (as defined), if any.

Long term debt as of December 31, 2019 is effectively denominated (taking into consideration cross currency swap agreements) in the following currencies: U.S. dollar 66%, euro 31% and Swiss franc 3%.

Teva's principal sources of short-term liquidity are its cash on hand, existing cash investments, liquid securities and available credit facilities, primarily its $2.3 billion revolving credit facility ("RCF").

In April 2019, the Company entered into a $2.3 billion unsecured syndicated RCF, which replaced the previous $3 billion revolving credit facility. The RCF contains certain covenants, including certain limitations on incurring liens and indebtedness and maintenance of certain financial ratios, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. The net debt to EBITDA ratio limit was 6.25x through December 31, 2019, gradually declines to 5.75x in the third and fourth quarters of 2020, and continues to gradually decline over the remaining term of the RCF.

The RCF can be used for general corporate purposes, including repaying existing debt. As of December 31, 2019, and as of the date of this Annual Report on Form 10-K, 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 these financial statements are issued.

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

As of December 31, 2019, the required annual principal payments of long-term debt, excluding debt issuance cost, including convertible senior debentures, starting from the year 2021, are as follows:

| | December 31, 2019 |
|---|---|
| | (U.S. $ in millions) |
| 2021 | $ 2,679 |
| 2022 | 2,002 |
| 2023 | 4,446 |
| 2024 | 2,923 |
| 2025 and thereafter | 13,131 |
| | $25,181 |

**NOTE 10—Derivative instruments and hedging activities:**

**a. Foreign exchange risk management:**

In 2019, approximately 48% of Teva's revenues were denominated in currencies other than the U.S. dollar. As a result, Teva is subject to significant foreign currency risks.

The Company enters into forward exchange contracts, purchases and writes options in order to hedge the currency exposure on balance sheet items and operating activities. In addition, the Company takes measures to reduce exposure by using natural hedging. The Company also acts to offset risks in opposite directions among the companies in the Group. The currency hedged items are usually denominated in the following main currencies: the British pound (GBP), the euro (EUR), the Swiss franc (CHF), the Japanese yen (JPY), the Polish zloty (PLN), the new Israeli shekel (NIS), the Russian ruble (RUB), Canadian dollar (CAD), the Mexican peso (MXN), the Indian rupee (INR) and other European and Latin American currencies.

Depending on market conditions, foreign currency risk is also managed through the use of foreign currency debt.

The Company hedges against possible fluctuations in foreign subsidiaries net assets ("net investment hedge") and 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 straight notes that bear a fixed or variable interest rate, bank loans, securitizations and convertible debentures. In some cases, the Company has swapped from a fixed to a floating interest rate ("fair value hedge") and from a fixed to a fixed interest rate with an exchange from a currency other than the functional currency ("cash flow hedge"), thereby reducing overall interest expenses or hedging risks associated with interest rate fluctuations.

**c. Derivative instrument disclosure:**

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

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Cross-currency swap—cash flow hedge | $ — | $ 588 |
| Interest rate swap—fair value hedge | — | 500 |
| Cross-currency swap—net investment hedge | 1,000 | 1,000 |

**d. Derivative instrument outstanding:**

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

| | Fair value | | | |
|---|---|---|---|---|
| | Designated as hedging instruments | | Not designated as hedging instruments | |
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Reported under | (U.S. $ in millions) | | | |
| **Asset derivatives:** | | | | |
| **Other current assets:** | | | | |
| Option and forward contracts | $— | $— | $ 32 | $ 18 |
| **Other non-current assets:** | | | | |
| Cross-currency swaps—cash flow hedge | — | 58 | | — |
| **Liability derivatives:** | | | | |
| **Other current liabilities:** | | | | |
| Cross-currency swaps—net investment hedge | (22) | — | | |
| Option and forward contracts | — | — | (41) | (26) |
| **Other taxes and long-term liabilities:** | | | | |
| Cross-currency swaps—net investment hedge | — | (41) | — | — |
| **Senior notes and loans:** | | | | |
| Interest rate swaps—fair value hedge | — | (9) | — | — |

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

| | Financial expenses, net | | | Other comprehensive income | | |
|---|---|---|---|---|---|---|
| | Year ended December 31, | | | Year ended December 31, | | |
| | 2019 | 2018** | 2017** | 2019 | 2018** | 2017** |
| Reported under | (U.S. $ in millions) | | | | | |
| **Line items in which effects of hedges are recorded** | $822 | $959 | $895 | $160 | $(585) | $1,369 |
| Cross-currency swaps—cash flow hedge (1) | (2) | (2) | (3) | (33) | (35) | 71 |
| Cross-currency swaps—net investment hedge (2) | (29) | (31) | (13) | (22) | (51) | 97 |
| Interest rate swaps—fair value hedge (3) | 2 | * | (4) | — | — | — |

* Represents an amount less than $0.5 million.

** Comparative figures are based on prior hedge accounting standard.

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 | | |
|---|---|---|---|---|---|---|
| | Year ended December 31, | | | Year ended December 31, | | |
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Reported under | (U.S. $ in millions) | | | | | |
| **Line items in which effects of hedges are recorded** | $822 | $959 | $895 | $16,887 | $18,271 | $21,853 |
| Option and forward contracts (4) | (51) | (12) | 82 | — | — | — |
| Option and forward contracts Economic hedge (5) | — | — | — | 14 | (4) | — |

(1) With respect to cross-currency swap agreements, Teva recognized gains which mainly reflect the differences between the fixed interest rate and the floating interest rate. In the fourth quarter of 2019, Teva terminated cross-currency swap agreements against its outstanding 3.65% senior notes maturing in November 2021. The settlement of these transactions resulted in cash proceeds of $95 million. The cash flow hedge accounting adjustments of these instruments, which are recorded under senior notes and loans, are amortized under financial expenses-net over the life of the debt as additional interest expense.

(2) In each of the first and second quarters of 2017, Teva entered into a cross currency swap agreement with a notional amount of $500 million maturing in 2020. These cross currency swaps were designated as a net investment hedge of Teva's foreign subsidiaries euro denominated net assets, in order to reduce the risk of adverse exchange rate fluctuations. With respect to these cross currency swap agreements, Teva recognized gains which mainly reflect the differences between the float-for-float interest rates paid in euros and received in U.S. dollar. No amounts were reclassified from accumulated other comprehensive income into income related to the sale of a subsidiary.

(3) In the fourth quarter of 2016, Teva entered into an interest rate swap agreement designated as fair value hedge relating to its 2.8% senior notes due 2023 with respect to $500 million notional amount of outstanding debt. With respect to this interest rate swap agreement, Teva recognized a loss which mainly reflects the differences between the fixed interest rate and the floating interest rate. In the third quarter of 2019, Teva terminated this interest rate swap agreement. The settlement of these transactions resulted in cash proceeds of $10 million. The fair value hedge accounting adjustments of fair value hedge instruments, which are recorded under senior notes and loans, are amortized under financial expenses-net over the life of the debt as additional interest expense.

(4) 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.

(5) Teva entered into option and forward contracts designed to limit the exposure of foreign exchange fluctuations on revenues and expenses recorded in euro, the British pound, the Russian ruble and some other currencies during the quarter for which such instruments are purchased. These derivative instruments do not meet the criteria for hedge accounting, however, they are accounted for as economic hedge. These derivative instruments are recognized on the Balance Sheet at their fair value, with changes in the fair value recognized under the same line item in the Statements of Income as the underlying exposure being hedged. The cash flows associated with these derivatives are reflected as cash flows from operating activities in the consolidated Statements of Cash Flows.

**e. Matured forward starting interest rate swaps and treasury lock agreements:**

Commencing in the third quarter of 2015, Teva entered into forward starting interest rate swap and treasury lock agreements designated as cash flow hedges of the U.S. dollar debt issuance in July 2016, with respect to $3.75 billion and $1.5 billion notional amounts, respectively. These agreements hedged the variability in anticipated future interest payments due to possible changes in the benchmark interest rate between the date the agreements were entered into and the actual date of the U.S. dollar debt issuance in July 2016 (in connection with the closing of the Actavis Generics acquisition).

Certain of the forward starting interest rate swaps and treasury lock agreements matured during the first half of 2016. In July 2016, in connection with the debt issuances, Teva terminated the remaining forward starting interest rate swaps and treasury lock agreements. The termination of these transactions resulted in a loss position of $ 493 million, of which $ 242 million were settled on October 7, 2016 and the remaining amount was settled in January 2017. The change in fair value of these instruments recorded in other comprehensive income (loss)

will be amortized under financial expenses-net over the life of the debt. Such losses mainly reflect the changes in the benchmark interest rate between the date the agreements were entered into and the actual date of the U.S. debt issuance in July 2016.

With respect to the forward starting interest rate swaps and treasury lock agreements, losses of $29 million, $28 million and $27 million were recognized under financial expenses, net for the years ended December 31, 2019, 2018 and 2017, respectively.

In the third quarter of 2019, Teva terminated $500 million interest rate swap agreements designated as fair value hedge relating to its 2.8% senior notes due 2023 with respect to $3,000 million notional amount. Settlement of these transactions resulted in cash proceeds of $10 million. The fair value hedge accounting adjustments of these instruments, which are recorded under senior notes and loans, are amortized under financial expenses-net over the life of the debt.

In the fourth quarter of 2019, Teva terminated $588 million cross-currency swap agreements against its outstanding 3.65% senior notes maturing in November 2021. Settlement of these transactions resulted in cash proceeds of $95 million. The cash flow hedge accounting adjustments of these instruments, which are recorded under senior notes and loans, are amortized under financial expenses-net over the life of the debt.

With respect to the interest rate swap agreements, gains of $6 million, $6 million and $7 million were recognized under financial expenses, net for the years ended December 31, 2019, 2018 and 2017, respectively.

**f. Securitization:**

In April 2011, Teva established a trade receivables securitization program to sell trade receivables to BNP Paribas Bank ("BNP"). Under the program Teva (on a consolidated basis) receives, as purchase price for the receivables sold by it, an initial cash purchase price and the right to receive a deferred purchase price ("DPP").

On an individual seller basis, each Teva subsidiary sells receivables to BNP for an amount equal to their nominal amount. BNP then immediately on-sells such receivables to a bankruptcy-remote special-purpose entity ("SPE"), for an amount equal to the nominal amount of such trade receivables. The SPE then on-sells such receivables to a conduit sponsored by BNP ("the conduit") for an initial cash purchase price (equal to the nominal amount of such receivables less a discount) and the right to receive a DPP.

The SPE is a VIE for which Teva is considered to be the primary beneficiary. The SPE's sole business consists of the purchase of receivables from Teva subsidiaries and the subsequent transfer of such receivables to the conduit.

Although the SPE is included in Teva's consolidated financial statements, it is a separate legal entity with separate creditors. The conduit and other designated creditors of the SPE are entitled, both before and upon the SPE's liquidation, to be paid out of the SPE's assets prior to the DPP payable to Teva. The assets of the SPE are not available to pay creditors of Teva or its subsidiaries.

This program expires on August 21, 2020 but can be renewed with consent from the parties to the program up to August 31, 2021 or any other date agreed between the parties.

Once sold to BNP, the relevant Teva subsidiary as seller has no retained interests in the receivables sold and they are unavailable to the relevant seller should the relevant seller become insolvent. The conduit has all the rights in the securitized trade receivables, including the right to pledge or dispose of such receivables. Consequently, receivables sold under this agreement are de-recognized from Teva's consolidated balance sheet.

The portion of the purchase price for the receivables which is not paid in cash by the conduit is a DPP asset. The conduit pays the SPE the DPP from collections received by the conduit from the securitized trade receivables (after paying senior costs and expenses, including the conduit's debt service obligations), which the SPE then pays to Teva. The DPP asset represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction. The DPP asset is included in other current assets on Teva's consolidated balance sheet.

Teva has collection and administrative responsibilities for the sold receivables. The fair value of these servicing arrangements as well as the fees earned was immaterial.

DPP asset as of December 31, 2019 and 2018 was $250 million and $231 million, respectively.

As of December 31, 2019 and 2018, the balance of Teva's securitized assets sold were $690 million and $686 million, respectively.

The following table summarizes the sold receivables outstanding balance net of DPP asset under the outstanding securitization program:

| | As of and for the year ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Sold receivables at the beginning of the year | $ 686 | $ 799 |
| Proceeds from sale of receivables | 4,852 | 5,071 |
| Cash collections (remitted to the owner of the receivables) | (4,849) | (5,151) |
| Effect of currency exchange rate changes | 1 | (33) |
| Sold receivables at the end of the year | $ 690 | $ 686 |

**NOTE 11—Legal settlements and loss contingencies:**

Legal settlements and loss contingencies for 2019 amounted to an expense of $1,178 million, compared to an income of $1,208 million and an expense of $500 million in 2018 and 2017, respectively. The expense in 2019 was mainly related to an estimated provision recorded in connection with settlement of the remaining opioid cases. The 2018 income primarily consisted of the working capital adjustment with Allergan, the Rimsa settlement and reversal of the reserve recorded in the second quarter of 2017 with respect to the carvedilol patent litigation.

As of December 31, 2019 and 2018, accrued amounts for legal settlements and loss contingencies of $1,580 million and $562 million, respectively, were recorded in accrued expenses.

**NOTE 12—Commitments and contingencies:**

**a. Commitments:**

*Royalty commitments:*

The Company is committed to pay royalties to owners of know-how, partners in alliances and other certain arrangements and to parties that financed research and development, at a wide range of rates as a percentage of sales or of the gross margin of certain products, as defined in the underlying agreements.

Until September 30, 2018, royalty expenses were reported in cost of goods sold if related to the acquisition of a product, and if not, such expenses were included in S&M expenses. Commencing October 1, 2018, royalty expenses are retroactively reported entirely under cost of goods sold. Royalty expenses in each of the years ended December 31, 2019, 2018 and 2017 were $403 million, $536 million and $956 million, respectively.

*Milestone commitments:*

Teva has committed to make potential future milestone payments to third parties under various agreements. These payments are contingent upon the occurrence of certain future events and, given the nature of these events, it is unclear when, if ever, Teva may be required to pay such amounts. As of December 31, 2019, if all milestones and targets, for compounds in phase 2 and more advanced stages of development, are achieved, the total contingent payments could reach an aggregate amount of up to $426 million.

**b. 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. Except as described below, Teva does not currently have a reasonable basis to estimate the loss, or range of loss, that is reasonably possible with respect to matters disclosed in this note.

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

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

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

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

For income tax contingencies, see note 13.

**Intellectual Property Litigation**

From time to time, Teva seeks to develop generic versions of patent-protected pharmaceuticals 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. 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 version 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.

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") sued Teva in Delaware federal court for infringement of a patent expiring in June 2015 directed to using carvedilol in a specified manner to decrease the risk of mortality in patients with congestive heart failure. Teva and eight other generic producers began selling their carvedilol tablets (the generic version of GSK's Coreg®) in September 2007. A jury trial was held and the jury returned a verdict in GSK's favor finding Teva liable for induced infringement, including willful infringement, and assessing damages of $235.5 million, not including pre- or post-judgment interest or a multiplier for willfulness. Following post-trial motions filed by the parties, on March 28, 2018, the district court issued an opinion overturning the jury verdict and instead found no induced infringement by Teva, thereby finding that Teva did not owe any damages; the district court also denied Teva's motion seeking to overturn the jury verdict with respect to invalidity. The provision that was originally included in the financial statements following the damages verdict in this matter was reversed following the opinion overturning the verdict as the exposure was no longer considered probable. A hearing on an appeal filed by both parties was held on September 4, 2019 and Teva awaits the Court's decision. If the appeal of the district court's decision is decided against Teva, the case would be remanded to the district court for it to consider Teva's other legal and equitable defenses that have not yet been considered by the district court.

In 2014, Teva Canada succeeded in its challenge of the bortezomib (the generic equivalent of Velcade®) product and mannitol ester patents under the Patented Medicines (Notice Of Compliance) Regulations ("PM(NOC)"). At the time of Teva's launch in 2015, annual sales of Velcade were approximately 94 million Canadian dollars. Additionally, Teva commenced an action under Section 8 of PM(NOC) to recover damages for being kept off of the market during the PM(NOC) proceedings. Janssen and Millennium filed a counterclaim for

infringement of the same two patents as well as a patent covering a process to prepare bortezomib. The product patent expired in October 2015; the other patents expire in January 2022 and March 2025. In 2017, Teva entered into an agreement with Janssen and Millennium which limits the damages payable by either party depending on the outcome of the infringement/impeachment action. As a result, the most Janssen and Millennium could recover is 200 million Canadian dollars plus post-judgment interest. In June 2018, the court ruled that Janssen and Millennium pay Teva 5 million Canadian dollars in Section 8 damages. Janssen and Millennium filed an appeal, which was denied by the appellate court on November 4, 2019. On January 3, 2020, Janssen and Millennium applied for leave to appeal to the Canadian Supreme Court. If the decision is ultimately overturned, Teva could owe the capped damages set forth above. In addition to the potential damages that could be awarded, Teva could be ordered to cease sales of its bortezomib product.

On July 8, 2011, Helsinn sued Teva over its filing of an ANDA to market a generic version of palonosetron IV solution (the generic equivalent of Aloxi®) and in November 2015, the U.S. District Court for the District of New Jersey ruled against Teva. The district court's decision was reversed by the Federal Circuit Court of Appeals, after which Helsinn filed an appeal with the U.S. Supreme Court. On January 22, 2019, the Supreme Court affirmed the appellate court's decision finding the asserted patent invalid. Separately, in October 2014, Helsinn filed an additional claim against Teva concerning later-acquired patents. Teva launched its generic palonosetron IV solution after obtaining final regulatory approval on March 23, 2018. On November 29, 2019, Teva and Helsinn settled their dispute regarding palonosetron IV solution. The settlement includes a full mutual release of claims and allows Teva to continue to market its generic product.

In July 2015, Janssen sued Actavis and Teva (along with 10 other filers) over their filing of an ANDA to market their abiraterone acetate tablets, 250mg (generic versions of Zytiga®). In August 2017, Janssen sued Teva over its ANDA filing to market a 500mg generic version of Zytiga. In both cases, Janssen asserted a method of treatment patent. In January 2018, following a petition for inter partes review, the Patent Trials and Appeals Board ("PTAB") found the patent to be invalid. In October 2018, the District Court for the District of New Jersey also found the patent to be invalid. Teva launched its generic 250mg product in November 2018. On May 14, 2019, the U.S. Court of Appeals affirmed that Janssen's patent is invalid. That decision became final on June 20, 2019. Janssen did not seek U.S. Supreme Court review of this decision so this matter is considered closed.

**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 approaches, 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 all of its markets.

**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 increasingly been named as defendants in cases that allege antitrust violations arising from such settlement agreements. The plaintiffs in these cases, which are usually direct and indirect purchasers of pharmaceutical products, and often assert claims on behalf of classes of all direct and indirect purchasers, typically allege that (1) Teva received something of value from the innovator in exchange for an agreement to delay generic entry, and (2) significant savings could have been realized if there had been no settlement agreement and generic competition had commenced earlier. These class action cases 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 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 v. Actavis, Inc. (the "AndroGel case"), 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 new 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 April 2006, certain subsidiaries of Teva were named in a class action lawsuit filed in the U.S. District Court for the Eastern District of Pennsylvania. The case alleges that the settlement agreements entered into between Cephalon, Inc., now a Teva subsidiary ("Cephalon"), and various generic pharmaceutical companies in late 2005 and early 2006 to resolve patent litigation involving certain finished modafinil products (marketed as PROVIGIL®) were unlawful because they had the effect of excluding generic competition. The case also alleges that Cephalon improperly asserted its PROVIGIL patent against the generic pharmaceutical companies. The first lawsuit was filed by a purported class of direct purchasers. Similar complaints were also filed by a purported class of indirect purchasers, certain chain pharmacies and by Apotex, Inc. (collectively, these cases are referred to as the "Philadelphia Modafinil Action"). Separately, Apotex challenged Cephalon's PROVIGIL patent and, in October 2011, the court found the patent to be invalid and unenforceable based on inequitable conduct. Teva has either settled or reached agreements in principle to settle with all of the plaintiffs in the Philadelphia Modafinil Action. Additionally, Cephalon and Teva reached a settlement with 48 state attorneys general, which was approved by the court on November 7, 2016, and on July 23, 2019, reached a settlement with the State of California, which is pending final court approval, and is fully covered by the settlement fund explained below.

In May 2015, Cephalon entered into a consent decree with the FTC (the "Modafinil Consent Decree") under which the FTC dismissed its claims against Cephalon in the FTC Modafinil Action in exchange for payment of $1.2 billion (less set-offs for prior settlements) by Cephalon and Teva into a settlement fund. The settlement fund does not cover any judgments or settlements outside the United States. Under the Modafinil Consent Decree, Teva also agreed to certain injunctive relief with respect to the types of settlement agreements Teva may enter into to resolve patent litigation in the United States for a period of ten years. The remaining balance of the settlement fund after consideration of the settlement with the State of California noted above is approximately $19 million. In February 2019, in connection with the settlement of other unrelated FTC antitrust lawsuits, as described below, Teva and the FTC agreed to amend certain non-financial provisions of the Modafinil Consent Decree and to restart its ten-year term.

Additionally, following an investigation initiated by the European Commission in April 2011 regarding a modafinil patent settlement in Europe, the European Commission issued a Statement of Objections in July 2017 against both Cephalon and Teva alleging that the 2005 settlement agreement between the parties had the object and effect of hindering the entry of generic modafinil. No final decision regarding liability has yet been taken by the European Commission. The sales of modafinil in the European Economic Area during the last full year of the alleged breach amounted to €46.5 million.

In January 2009, the FTC and the State of California filed a complaint for injunctive relief in California federal court alleging that a September 2006 patent lawsuit settlement between Watson Pharmaceuticals, Inc. ("Watson"), from which Teva later acquired certain assets and liabilities, and Solvay Pharmaceuticals, Inc. ("Solvay") relating to AndroGel® 1% (testosterone gel) violated the antitrust laws. Additional lawsuits alleging similar claims were later filed by private plaintiffs (including plaintiffs purporting to represent classes of similarly situated claimants as well as retailer plaintiffs filing separately) and the various actions were consolidated in a multidistrict litigation in Georgia federal court. On February 22, 2019, the FTC stipulated to the dismissal of its claims against Watson, in exchange for Teva's agreement to amend the Modafinil Consent Decree, as described above. Teva also settled with most of the retailer plaintiffs in April 2019. On July 16, 2018, the direct purchaser plaintiffs' motion for class certification was denied, and in December 2019, Teva reached a settlement agreement with the three direct purchasers that had sought class certification. Settlement amounts were paid in full. In addition, in August 2019, certain other direct-purchaser plaintiffs (who would have been members of the direct purchaser class, had it been certified) filed their own claims in federal court in Philadelphia, challenging (in one complaint) both the September 2006 settlement between Watson and Solvay referenced above, as well as Teva's December 2011 settlement with AbbVie involving AndroGel® and TriCor®, referenced below. Annual sales of AndroGel® 1% were approximately $350 million at the time of the settlement and approximately $140 million at the time Actavis launched its generic version of AndroGel® 1% in November 2015. A provision for this case was included in the financial statements.

In December 2011, three groups of plaintiffs sued Wyeth and Teva for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving extended release venlafaxine (generic Effexor XR®) entered into in November 2005. The cases were filed by a purported class of direct purchasers, by a purported class of indirect purchasers and by certain chain pharmacies in the U.S. District Court for the District of New Jersey. The plaintiffs claim that the settlement agreement between Wyeth and Teva unlawfully delayed generic entry. In October 2014, the court granted Teva's motion to dismiss in the direct purchaser cases, after which the parties agreed that the court's reasoning applied equally to the indirect purchaser cases. Plaintiffs appealed and, in August 2017, the Third Circuit reversed the district court's decision and remanded for further proceedings. 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 sued GSK and Teva in New Jersey federal court for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving lamotrigine (generic Lamictal®) entered into in February 2005. The plaintiffs claim that the settlement agreement unlawfully delayed generic entry and seek unspecified damages. In December 2012, the court dismissed the case, but in June 2015, the U.S. Court of Appeals for the Third Circuit reversed and remanded for further proceedings. In December 2018, the court granted the direct-purchaser plaintiffs' motion for class certification. On March 18, 2019, the appeals court granted the defendants' petition for immediate appellate review and the district court has stayed the litigation pending the outcome of the appeal. 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) sued 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 purchaser class and, in August 2019, the district court certified the direct-purchaser class, although the court has yet to rule on the indirect purchasers' pending motion for class certification. In October 2016, the District Attorney for Orange County, California, filed a similar complaint, which has since been amended, in California state court, alleging violations of state law. Defendants moved to strike the District Attorney's claims for restitution and civil penalties to the extent not limited to alleged activity occurring in Orange County. The Superior Court denied that motion. The Court of Appeal subsequently reversed the decision and review of the Appellate Court decision is now pending before the California Supreme Court. 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 November 2013, a putative class action was filed in Pennsylvania federal court against Actavis, Inc. and certain of its affiliates, alleging that Watson's 2012 patent lawsuit settlement with Endo Pharmaceuticals Inc. relating to Lidoderm® (lidocaine transdermal patches) violated the antitrust laws. Additional lawsuits containing similar allegations followed on behalf of other classes of putative direct purchaser and end-payer plaintiffs, as well as retailers acting in their individual capacities, and those cases were consolidated as a multidistrict litigation in federal court in California. On February 21, 2017, the court granted both the indirect purchaser plaintiffs' and the direct purchaser plaintiffs' motions for class certification. Teva settled the multidistrict litigation with the various plaintiff groups in the first quarter of 2018, a provision was included in the financial statements and settlement amounts were subsequently paid in full. The FTC also filed suit to challenge the Lidoderm® settlement, initially bringing antitrust claims against Watson, Endo and Allergan in Pennsylvania federal court in March 2016. The FTC later voluntarily dismissed those claims and refiled them (along with a stipulated order for permanent injunction to settle its claims against Endo) in the same California federal court in which the private multidistrict litigation referenced above was pending. On February 3, 2017, the State of California filed its own complaint against Allergan and Watson, and that complaint was also assigned to the California federal court presiding over the multidistrict litigation. On February 22, 2019, the FTC dismissed its claims against Actavis and Allergan, in exchange for Teva's agreement to amend the Modafinil Consent Decree, as described above. On July 23, 2019, Teva and the State of California also reached a settlement agreement. On September 16, 2019, end-payers Blue Cross Blue Shield of Michigan and Blue Care Network of Michigan filed their own lawsuit against Watson, and other defendants, in Michigan state court. That lawsuit was subsequently removed to federal court and remains pending. On January 24, 2020, the State of Mississippi filed a lawsuit against Teva and Watson in Mississippi state court, which also remains pending.

Since November 2013, numerous lawsuits have been filed in various federal courts by purported classes of end payers for, and direct purchasers of, Aggrenox® (dipyridamole/aspirin tablets) against Boehringer Ingelheim ("BI"), the innovator, and several Teva subsidiaries. The lawsuits allege, among other things, that the settlement agreement between BI and Barr entered into in August 2008 violated the antitrust laws. A multidistrict litigation has been established in the U.S. District Court for the District of Connecticut. On April 11, 2017, the Orange County District Attorney filed a complaint for violations of California's Unfair Competition Law based on the Aggrenox® patent litigation settlement. Teva has settled with the putative classes of direct purchasers and end payers, as well as with the opt-out direct purchaser plaintiffs, and with two of the opt-out end payer plaintiffs. A provision with respect to the settlements was included in the financial statements and settlement amounts were subsequently paid in full. The district court overruled certain objections to the end payer settlement, including objections made by the Orange County District Attorney, and approved the settlement. The District Attorney subsequently appealed the court's approval to the Second Circuit, but that appeal was dismissed in December 2019 and the District Attorney also subsequently dismissed the April 2017 complaint referenced above. Opt-outs from the end payer class also appealed certain aspects of the court's approval order to the Second Circuit and that

appeal remains pending. Annual sales of Aggrenox® were approximately $340 million at the time of the settlement and approximately $455 million at the time Teva launched its authorized generic version of Aggrenox® in July 2015.

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

In September 2014, the FTC sued AbbVie Inc. and certain of its affiliates ("AbbVie") as well as Teva in federal court in Philadelphia alleging that they violated the antitrust laws when they entered into a December 2011 settlement agreement to resolve the AndroGel® patent litigation and a supply agreement under which AbbVie agreed to supply Teva with an authorized generic version of TriCor®. The FTC alleges that Teva agreed to delay the entry of its generic testosterone gel product in exchange for entering into the TriCor supply agreement. In May 2015, the court dismissed the FTC's claim concerning the settlement and supply agreements, and thus dismissed Teva from the case entirely. The FTC proceeded with a separate claim against AbbVie alone and in June 2018, following a bench trial, the court held that AbbVie had violated the antitrust laws by filing sham patent infringement lawsuits against both Teva and Perrigo in the underlying AndroGel patent litigation. The court ordered AbbVie to pay $448 million in disgorgement but declined to award injunctive relief. The FTC filed a notice of appeal as to, among other things, the district court's May 2015 dismissal of the FTC's claim against Teva, but in February 2019, the FTC stipulated to dismiss Teva from its appeal, in exchange for Teva's agreement to amend the Modafinil Consent Decree, as described above. In August 2019, two groups of direct-purchaser plaintiffs filed similar claims against AbbVie and Teva, in the same federal court in Philadelphia where the FTC's claims had been pending. The first group, comprised of the three direct purchasers that had sought class certification in the Georgia AndroGel® case, referenced above, were challenging Teva's December 2011 settlement with AbbVie, but in December 2019, Teva reached a settlement agreement with these plaintiffs. The second group, comprised of other direct purchasers, have filed claims challenging both Teva's December 2011 settlement with AbbVie and the September 2006 AndroGel® settlement between Watson and Solvay, referenced above. Those claims remain pending.

In May 2015, a purported class of end payers for Namenda IR® (memantine hydrochloride) filed a lawsuit against Forest Laboratories, LLC ("Forest"), the innovator, and several generic manufacturers, including Teva. In November 2019, two additional plaintiffs filed a similar lawsuit – purportedly as opt-outs from the end payers class – against the same defendants. These lawsuits allege, among other things, that settlement agreements between Forest and the generic manufacturers to resolve patent litigation over Namenda IR® violated the antitrust laws. Annual sales of Namenda IR® at the time of the settlement were approximately $1.1 billion and approximately $550 million at the time other manufacturers first launched generic versions of Namenda IR® in July 2015.

In January 2019, generic manufacturer Cipla Limited filed a lawsuit against Amgen in Delaware federal court, alleging, among other things, that a January 2, 2019 settlement agreement between Amgen and Teva,

resolving patent litigation over cinacalcet (generic Sensipar®), violated the antitrust laws. In March 2019, Cipla Limited amended its complaint to name Teva as an additional defendant, and putative classes of direct-purchaser and end-payer plaintiffs have also filed antitrust lawsuits (which have since been consolidated in federal court in Delaware) against Amgen and Teva related to the January 2, 2019 settlement. Both Cipla Limited and the putative class plaintiffs seek damages and injunctive relief and the defendants moved to dismiss their claims on October 15, 2019. Those motions remain pending. Annual sales of Sensipar® in the United States were approximately $1.4 billion at the time Teva launched its generic version of Sensipar® in December 2018, and at the time of the January 2, 2019 settlement.

On December 16, 2016, the U.K. Competition and Markets Authority ("CMA") issued a statement of objections (a provisional finding of breach of the Competition Act) in respect of certain allegations against Allergan, Actavis UK and certain Auden Mckenzie entities alleging competition law breaches in connection with the supply of 10mg and 20mg hydrocortisone tablets in the U.K. On December 18, 2017, the CMA issued a Statement of Draft Penalty Calculation. On March 3, 2017 and February 28, 2019, the CMA issued second and third statements of objections in respect of certain additional allegations relating to the same products and covering part of the same time periods as in the first statement of objections. On February 12, 2020, the CMA issued a supplementary statement of objections effectively combining the three previously issued statements referenced above. On January 9, 2017, Teva completed the sale of Actavis UK to Accord Healthcare Limited, in connection with which Teva will indemnify Accord Healthcare for potential fines imposed by the CMA and/or damages awarded by a court against Actavis UK in relation to the December 16, 2016 and March 3, 2017 statements of objections, 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, Teva expects to assert claims, including claims for breach of warranty, against the sellers of Auden Mckenzie. The terms of the purchase agreement may preclude a full recovery by Teva. A liability for this matter has been recorded in purchase accounting related to the acquisition of Actavis Generics.

Since November 2016, several putative indirect purchaser and direct purchaser class actions were filed in federal courts in Wisconsin, Massachusetts and Florida against Shire U.S., Inc. and Shire LLC (collectively, "Shire"), Actavis and Teva, alleging that Shire's 2013 patent litigation settlement with Actavis related to the ADHD drug Intuniv® (guanfacine) violated various state consumer protection and antitrust laws. All cases are now in Massachusetts federal court. In August 2019, the court denied the indirect purchasers' motion for class certification, and they filed a petition for immediate appellate review, which remains pending. In September 2019, the court granted the direct purchasers' motion for class certification and the parties filed various summary judgment motions, which remain pending. Annual sales of Intuniv® were approximately $335 million at the time of the settlement and approximately $327 million at the time Actavis launched its generic version of Intuniv® in 2014.

In 2015 and 2016, Actavis and Teva USA each respectively received subpoenas from the 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. In May 2018, Teva received a civil investigative demand from the DOJ Civil Division, pursuant to the federal False Claims Act, seeking documents and information produced since January 1, 2009 relevant to the Civil Division's investigation concerning allegations that generic pharmaceutical manufacturers, including Teva, engaged in market allocation and price-fixing agreements, paid illegal remuneration, and caused false claims to be submitted in violation of the False Claims Act. Teva is cooperating with these subpoena requests.

In 2015 and 2016, Actavis and Teva USA each respectively received a subpoena from the Connecticut Attorney General seeking documents and other information relating to potential state antitrust law violations.

Subsequently, on December 15, 2016, a civil action was brought by the attorneys general of twenty states against Teva USA and several other companies asserting claims under federal antitrust law alleging price fixing of generic products in the United States. That complaint was later amended to add new states as named plaintiffs, as well as new allegations and new state law claims, and on June 18, 2018, the attorneys general of 49 states plus Puerto Rico and the District of Columbia filed a consolidated amended complaint against Actavis and Teva, as well as other companies and individuals. On May 10, 2019, most (though not all) of these same attorneys general filed yet another antitrust complaint against Actavis, Teva and other companies and individuals, alleging price-fixing and market allocation with respect to additional generic products. On November 1, 2019, the state attorneys general filed an amended complaint, bringing the total number of plaintiff states and territories to 54. The amended complaint alleges that Teva was at the center of a conspiracy in the generic pharmaceutical industry, and asserts that Teva and others fixed prices, rigged bids, and allocated customers and market share with respect to certain additional products, many of which were not previously at issue in the Pennsylvania MDL. In the various complaints described above, the states seek a finding that the defendants' actions violated federal antitrust law and state antitrust and consumer protection laws, as well as injunctive relief, disgorgement, damages on behalf of various state and governmental entities and consumers, civil penalties and costs. All such complaints have been transferred to the generic drug multidistrict litigation in the Eastern District of Pennsylvania ("Pennsylvania MDL").

Beginning on March 2, 2016, numerous complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of several generic drug products, as well as several individual direct and indirect purchaser opt-out plaintiffs. These complaints, which allege that the defendants engaged in conspiracies to fix prices and/or allocate market share of generic products have been brought against various manufacturer defendants, including Teva and Actavis. The plaintiffs generally seek injunctive relief and damages under federal antitrust law, and damages under various state laws. On April 6, 2017, these cases were transferred to the Pennsylvania MDL. Additional cases were transferred to that court and the plaintiffs filed consolidated amended complaints on August 15, 2017. On October 16, 2018, the court denied certain of the defendants' motions to dismiss as to certain federal claims, and on February 15, 2019, the court granted in part and denied in part defendants' motions to dismiss as to certain state law claims. On July 18, 2019, certain individual plaintiffs commenced a civil action in the Pennsylvania Court of Common Pleas of Philadelphia County against many of the defendants in the Pennsylvania MDL, including Teva and Actavis, but no complaint has been filed and the case has been placed in deferred status. On November 13, 2019, several counties in New York commenced a civil action against many of the defendants in the Pennsylvania MDL, including Teva and Actavis, and the complaint has been transferred to the Pennsylvania MDL.

**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. Many of these investigations originate through what are known as qui tam complaints, in which the government reviews a complaint filed under seal by a whistleblower (a "relator") that alleges violations of the federal False Claims Act. The government considers whether to investigate the allegations and will, in many cases, issue subpoenas requesting documents and other information, including conducting witness interviews. The government must decide whether to intervene and pursue the claims as the plaintiff. Once a decision is made by the government, the complaint is unsealed. If the government decides not to intervene, then the relator may decide to pursue the lawsuit on his own without the active participation of the government.

A number of state attorneys general have filed various actions against Teva and/or certain of its subsidiaries relating to reimbursements or drug price reporting under Medicaid or other programs. Such price reporting is alleged to have caused states and others to pay inflated reimbursements for covered drugs. Teva and its

subsidiaries have reached settlements in most of these cases. On October 4, 2018, Teva settled longstanding litigation filed by the State of Illinois against subsidiaries of Teva and Watson for a total settlement amount of $135 million. Teva accepted the settlement while denying any liability with respect to the claims made by the state. Following the final settlement payment, on January 8, 2020, the trial court dismissed with prejudice the Illinois litigation. In August 2013, judgment was entered in a separate case brought by the State of Mississippi against Watson, pursuant to which Watson was ordered to pay compensatory damages amounting to $12.4 million. In March 2014, the Mississippi court amended the judgment to also include punitive damages in the amount of $17.9 million. The judgment was affirmed in all respects by the Mississippi Supreme Court in January 2018 and has since been satisfied in full. Certain Actavis subsidiaries were dismissed by the trial court in an action brought by the State of Utah. That dismissal was affirmed by the Utah Court of Appeals on February 28, 2019. The State's time to seek further appellate review has expired and the matter is now concluded. A provision for these cases was included in the financial statements and settlement amounts were paid in full.

Several qui tam complaints have been unsealed in recent years as a result of government decisions not to participate in the cases. The following is a summary of certain government investigations, qui tam actions and related matters.

In January 2014, Teva received a civil investigative demand from the U.S. Attorney for the Southern District of New York seeking documents and information from January 1, 2006 related to sales, marketing and promotion of COPAXONE® and AZILECT®, focusing on educational and speaker programs. The demand states that the government is investigating possible civil violations of the federal False Claims Act. In March 2015, the docket in this matter and a False Claims Act civil qui tam complaint concerning this matter were unsealed by the court after the government declined to intervene. In February 2016, the court denied Teva's motions to dismiss the False Claims Act claims and instructed the relators to amend their complaint with additional information. In March 2016, the relators filed an amended complaint. Teva's motion for summary judgment on all claims was denied on February 27, 2019. On January 6, 2020, the court dismissed the case after the parties reached a settlement. A provision for this settlement is included in Teva's financial statements.

In January 2014, a qui tam complaint was filed in Rhode Island federal court alleging that Teva and several other defendants, including manufacturers of MS drugs and pharmacy benefit managers, violated the False Claims Act. The qui tam action was unsealed on April 4, 2018 after the government declined to intervene. The relator alleges that Teva and the other defendants induced fraudulent overpayments for illegitimate "Bona Fide Service Fees" in excess of fair market value to inflate prices for the Medicare Part D program. Teva moved to dismiss the complaint. The DOJ also moved to dismiss the complaint, arguing that it lacked merit and was not in the government's interest to continue. On September 27, 2019, the Court granted the DOJ's motion to dismiss.

In May 2017, a qui tam action was filed against a number of Teva subsidiaries. The qui tam action was unsealed on June 13, 2018 after the government declined to intervene. The relator in the case alleges that Teva violated the False Claims Act by devising and engaging in promotional schemes that violate the Anti-Kickback Statute ("AKS"), resulting in false certifications of compliance with the AKS. Specifically, the relator alleges that Teva paid in-kind remuneration to physicians through reimbursement support and nursing services in order to increase the number of COPAXONE prescriptions. An amended complaint was filed on October 15, 2018. Teva and the DOJ moved to dismiss the case. On November 26, 2019, the court granted the DOJ's motion to dismiss.

On March 21, 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. Teva is cooperating in responding to the subpoena.

In December 2016, Teva resolved certain claims under the U.S. Foreign Corrupt Practices Act ("FCPA") with the SEC and the DOJ. The settlement included a fine, disgorgement and prejudgment interest, a three-year deferred prosecution agreement ("DPA") for Teva and the retention of an independent compliance monitor for a period of three years. If, during the term of the DPA, the DOJ had determined that Teva had committed a felony under federal law, provided deliberately false or misleading information or otherwise breached the DPA, Teva could have been subject to prosecution and additional fines or penalties, including the deferred charges. In November 2019, Teva's independent compliance monitor certified that Teva's compliance program is reasonably designed and implemented to prevent and detect violations of anti-corruption laws. In February 2020 the term of the monitorship provided for by the DPA and Teva's consent judgement with the SEC expired. Upon completion of this term, Teva's Chief Compliance Officer submitted a certification to the SEC confirming that Teva has complied with the monitorship requirements. Also, in February 2020, Teva's CEO and CFO submitted certifications to the DOJ confirming that Teva has complied with its disclosure obligations under the DPA. Under the terms of the DPA, upon receipt of these certifications, and satisfactory completion of all other requirements, the DOJ is expected to move to dismiss the information filed against Teva.

**Opioids Litigation**

Since May 2014, more than 2,000 complaints have been filed with respect to opioid sales and distribution against various Teva affiliates, along with several other pharmaceutical companies, by a number of cities, counties, states, other governmental agencies, tribes and private plaintiffs (including various putative class actions of individuals) in both state and federal courts. Most of the federal cases have been consolidated into a multidistrict litigation in the Northern District of Ohio ("MDL Opioid Proceeding") and many of the cases filed in state court have been removed to federal court and consolidated into the MDL Opioid Proceeding. Other cases remain pending in various states. In some jurisdictions, such as Illinois, New York, Pennsylvania, South Carolina, Texas and Utah, certain state court cases have been transferred to a single court within their respective state court systems for coordinated pretrial proceedings. Absent resolutions, trials are expected to proceed in several states in 2020. A court in New York has set a date, for a liability trial only, to start in March 2020. A court in California also set a date for a trial to start in June 2020. Complaints asserting claims under similar provisions of different state law, generally contend that the defendants allegedly engaged in improper marketing and distribution of opioids, including ACTIQ® and FENTORA®. The complaints also assert claims related to Teva's generic opioid products. In addition, approximately 350 complaints have named Anda, Inc. (and other distributors and manufacturers) alleging that Anda failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products to individuals who used them for other than legitimate medical purposes. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Certain plaintiffs assert that the measure of damages is the entirety of the costs associated with addressing the abuse of opioids and opioid addiction and certain plaintiffs specify multiple billions of dollars in the aggregate as alleged damages. In many of these cases, plaintiffs are seeking joint and several damages among all defendants. 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 May 2019, Teva settled the Oklahoma litigation brought by the Oklahoma Attorney General (State of Oklahoma, ex. rel. Mike Hunter, Attorney General of Oklahoma vs. Purdue Pharma L.P., et. al.) for $85 million. The settlement did not include any admission of violation of law for any of the claims or allegations made. As the Company demonstrated a willingness to settle part of the litigation, for accounting purposes, management considered a portion of opioid-related cases as probable and, as such, recorded an estimated provision in the second quarter of 2019. Given the relatively early stage of the cases, management viewed no amount within the range to be the most likely outcome. Therefore, management recorded a provision for the reasonably estimable

minimum amount in the assessed range for such opioid-related cases in accordance with Accounting Standards Codification 450 "Accounting for Contingencies."

On October 21, 2019, Teva reached a settlement with the two plaintiffs in the MDL Opioid Proceeding that was scheduled for trial for the Track One case, Cuyahoga and Summit Counties of Ohio. Under the terms of the settlement, Teva will provide the two counties with opioid treatment medication, buprenorphine naloxone (sublingual tablets), known by the brand name Suboxone®, with a value of $25 million at wholesale acquisition cost and distributed over three years to help in the care and treatment of people suffering from addiction, and a cash payment in the amount of $20 million, to be paid in four payments over three years.

Also on October 21, 2019, Teva and certain other defendants reached an agreement in principle with a group of Attorneys General from North Carolina, Pennsylvania, Tennessee and Texas for a nationwide settlement framework. The framework is designed to provide a mechanism by which the Company attempts to seek resolution of remaining potential and pending opioid claims by both the U.S. states and political subdivisions (i.e., counties, tribes and other plaintiffs) thereof. Under this agreement, Teva would provide buprenorphine naloxone (sublingual tablets) with an estimated value of up to approximately $23 billion at wholesale acquisition cost over a ten year period. In addition, Teva would also provide cash payments of up to $250 million over a ten year period. The Company cannot predict if the nationwide settlement framework will be finalized.

Following these developments, the Company considered a range of potential settlement outcomes. No single outcome in the range was considered to be more likely than any other outcome; accordingly, in the third quarter of 2019, Teva accrued to the new low end of the range, resulting in an increase in Teva's previously recorded estimated liability. There was no change in this estimate in the fourth quarter of 2019.

Separately, on April 27, 2018, Teva received subpoena requests from the United States Attorney's office in the Western District of Virginia and the Civil Division seeking documents relating to the manufacture, marketing and sale of branded opioids. In August 2019, Teva received a grand jury subpoena from the United States Attorney's Office for the Eastern District of New York for documents related to the Company's anti-diversion policies and procedures and distribution of its opioid medications, in what the Company understands to be part of a broader investigation into manufacturers' and distributors' monitoring programs and reporting under the Controlled Substances Act. In September 2019, Teva received subpoenas from the New York State Department of Financial Services (NYDFS) as part of an industry-wide inquiry into the effect of opioid prescriptions on New York health insurance premiums. The Company is cooperating with NYDFS's inquiry and producing documents in response to the various subpoenas and requests for information. Currently, Teva cannot predict how the nationwide settlement framework agreement (if finalized) will affect these investigations. In addition, a number of state attorneys general, including a coordinated multistate effort, have initiated investigations into sales and marketing practices of Teva and its affiliates with respect to opioids. Other states are conducting their own investigations outside of the multistate group. Teva is cooperating with these ongoing investigations and cannot predict their outcome at this time.

In addition, several jurisdictions in Canada have initiated litigation regarding opioids alleging similar claims as those in the United States. The cases in Canada are likely to be consolidated and are in their early stages.

**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. After those two lawsuits were consolidated and transferred to the U.S. District Court for the District of Connecticut, the court appointed the Ontario Teachers' Pension Plan Board as lead plaintiff (the "Ontario

Teachers Securities Litigation"). The lead plaintiff then filed a consolidated amended complaint. On April 3, 2018, the court dismissed the case without prejudice. The lead plaintiff filed a second amended complaint on June 22, 2018, purportedly on behalf of purchasers of Teva's securities between February 6, 2014 and August 3, 2017. On September 25, 2019, the court denied in substantial part and granted in part the defendants' motions to dismiss. 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. The amended complaint asserts 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 issued during the class period. The amended complaint seeks unspecified damages, legal fees, interest, and costs. Also on December 13, 2019, lead plaintiff and the defendants filed a joint motion to consolidate with the Ontario Teachers Securities Litigation related actions against Teva and its current and former officers and directors that are pending in the District of Connecticut. That motion is pending before the court.

On July 17, 2017, a lawsuit was filed in the U.S. District Court for the Southern District of Ohio derivatively on behalf of the Teva Employee Stock Purchase Plan, and alternatively as a putative class action lawsuit on behalf of individuals who purchased Teva stock through that plan. That complaint seeks unspecified damages, legal fees, interest and costs. The complaint alleges that Teva failed to maintain adequate financial controls based on the facts underpinning Teva's FCPA DPA and also based on allegations substantially similar to those in the Ontario Teachers Securities Litigation. On November 29, 2017, the court granted Teva's motion to transfer the litigation to the U.S. District Court for the District of Connecticut where the Ontario Teachers Securities Litigation is pending. On November 1, 2019, the plaintiff filed an amended class action complaint, purportedly on behalf of individuals who purchased or otherwise acquired Teva's securities through the Teva Employee Stock Purchase Plan between February 9, 2015 and November 3, 2016. The allegations in the amended complaint are substantially similar to the allegations in the Ontario Teachers Securities Litigation. On December 13, 2019, the defendants filed a motion to consolidate this action with the Ontario Teachers Securities Litigation. That motion remains pending.

On August 3, 2017, a lawsuit was filed in the U.S. District Court for the District of Connecticut by OZ ELS Master Fund, Ltd. and related entities. The complaint asserts that Teva and certain of its current and former officers violated the federal securities laws in connection with Teva's alleged failure to disclose Teva's participation in an alleged anticompetitive scheme to fix prices and allocate markets for generic drugs in the United States. On November 1, 2019, plaintiffs filed an amended complaint, purportedly on behalf of purchasers of Teva's securities between February 6, 2014 and August 3, 2017. The allegations in the amended complaint are substantially similar to the allegations in the Ontario Teachers Securities Litigation. On December 13, 2019, the defendants filed a motion to consolidate this action with the Ontario Teachers Securities Litigation. That motion remains pending.

On August 21 and 30, 2017, Elliot Grodko and Barry Baker filed putative securities class actions in the U.S. District Court for the Eastern District of Pennsylvania purportedly on behalf of purchasers of Teva's securities between November 15, 2016 and August 2, 2017 seeking unspecified damages, legal fees, interest, and costs. The complaints allege that Teva and certain of its current and former officers violated the federal securities laws and Israeli securities laws by making false and misleading statements in connection with Teva's acquisition and integration of Actavis Generics. On November 1, 2017, the court consolidated the Baker and Grodko cases. On April 10, 2018, the court granted Teva's motion to transfer the consolidated action to the District of Connecticut where the Ontario Teachers Securities Litigation is currently pending. On December 13, 2019, the defendants filed a motion to consolidate this action with the Ontario Teachers Securities Litigation. That motion remains pending.

Between August 2018 and July 2019, sixteen complaints were filed against Teva and current and former officer and director defendants seeking unspecified compensatory and rescissory damages, legal fees, costs and expenses. The allegations in these complaints are substantially similar to the allegations in the Ontario Teachers Securities Litigation, but have been brought on behalf of plaintiffs that have "opted out" of the putative class in the Ontario Teachers Securities Litigation. The plaintiffs in these "opt-out" cases filed their complaints in the Court of Common Pleas of Montgomery County, Pennsylvania, the U.S. District Court for the Eastern District of Pennsylvania and the U.S. District Court for the District of Connecticut. Teva and the current and former officer and director defendants filed motions or stipulations to transfer the cases filed in Pennsylvania to the U.S. District Court for the District of Connecticut, where the Ontario Teachers Securities Litigation is pending. To date, all such cases have been transferred to the District of Connecticut, except the case that is currently pending in the Court of Common Pleas of Montgomery County, Pennsylvania. On December 13, 2019, the defendants filed motions to consolidate all such cases in the District of Connecticut with the Ontario Teachers Securities Litigation. Those motions remain pending.

On June 21, 2019, the Employees' Retirement System of the City of St. Petersburg, Florida filed a putative securities class action in the U.S. District Court for the Eastern District of Pennsylvania purportedly on behalf of purchasers of Teva's securities between August 4, 2017 and May 10, 2019 seeking unspecified damages, legal fees, interest, and costs. On October 8, 2019, the court granted Teva's motion to transfer the litigation to the U.S. District Court for the District of Connecticut where the Ontario Teachers Securities Litigation is pending. On December 13, 2019, the defendants filed a motion to consolidate this action with the Ontario Teachers Securities Litigation. That motion remains pending.

Motions to approve derivative actions against certain past and present directors and officers have been filed in Israel alleging negligence and recklessness with respect to the acquisition of the Rimsa business and the acquisition of Actavis Generics. Motions for document disclosure prior to initiating derivative actions were filed with respect to several patent settlement agreements, opioids and the U.S. price-fixing investigations. Motions to approve securities class actions against Teva and certain of its current and former directors and officers were filed in Israel based on allegations of improper disclosure of the above-mentioned pricing investigation, as well as lack of disclosure of negative developments in the generic sector, including price erosion with respect to Teva's products. Other motions were filed in Israel to approve a derivative action, discovery and a class action related to claims regarding Teva's above-mentioned FCPA resolution with the SEC and DOJ.

**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.

**Other Matters**

On February 1, 2018, former shareholders of Ception Therapeutics, Inc., a company that was acquired by and merged into Cephalon in 2010, prior to Cephalon's acquisition by Teva, filed breach of contract and other related claims against the Company, Teva USA and Cephalon in the Delaware Court of Chancery. Among other things, the plaintiffs allege that Cephalon breached the terms of the 2010 Ception-Cephalon merger agreement by failing to exercise commercially reasonable efforts to develop and commercialize CINQAIR® (reslizumab) for the treatment of eosinophilic esophagitis ("EE"). The plaintiffs claim damages of at least $200 million, an amount they allege is equivalent to the milestones payable to the former shareholders of Ception in the event Cephalon were to obtain regulatory approval for EE in the United States ($150 million) and Europe ($50 million). Defendants moved to dismiss the complaint and on December 28, 2018, the court granted the motion in part and dismissed all of plaintiffs' claims, except for their claim against Cephalon for breach of contract.

**NOTE 13—Income taxes:**

**a. Income (loss) before income taxes:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Parent Company and its Israeli subsidiaries | $ 542 | $ 1,022 | $ 1,451 |
| Non-Israeli subsidiaries | (1,807) | (3,618) | (19,830) |
| | $(1,265) | $(2,596) | $(18,379) |

**b. Income taxes:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| In Israel | $ 107 | $ 131 | $ 96 |
| Outside Israel | (385) | (326) | (2,029) |
| | $ (278) | $(195) | $(1,933) |
| Current | $ 885 | $ 700 | $ 373 |
| Deferred | (1,163) | (895) | (2,306) |
| | $ (278) | $(195) | $(1,933) |

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| | (U.S. $ in millions) | | |
| Income (Loss) before income taxes | $(1,265) | $(2,596) | $(18,379) |
| Statutory tax rate in Israel | 23.0% | 23.0% | 24.0% |
| Theoretical provision for income taxes | $ (291) | $ (597) | $ (4,411) |
| Increase (decrease) in effective tax rate due to: | | | |
| The Parent Company and its Israeli subsidiaries - Mainly tax benefits arising from reduced tax rates under benefit programs | (44) | (134) | (253) |
| Non-Israeli subsidiaries, including impairments (*) | (115) | 381 | 3,817 |
| U.S. Tax Cuts and Jobs Act effect | | 97 | (1,061) |
| Increase (decrease) in other uncertain tax positions—net | 172 | 58 | (25) |
| Effective consolidated income taxes | $ (278) | $ (195) | $ (1,933) |

* In 2019, income before income taxes includes intangible impairments in non-Israeli subsidiaries with a corresponding tax effect. In 2017 and 2018, income before income taxes includes goodwill impairments in non-Israeli subsidiaries that did not have a corresponding tax effect.

The effective tax rate is the result of a variety of factors, including the geographic mix and type of products sold during the year, different effective tax rates applicable to non-Israeli subsidiaries that have tax rates different than Teva's average tax rates, the impact of impairment, restructuring and legal settlement charges and adjustments to valuation allowances on deferred tax assets on such subsidiaries.

**c. Deferred income taxes:**

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Long-term deferred tax assets (liabilities)—net: | | |
| Inventory related | $ 144 | $ 113 |
| Sales reserves and allowances | 198 | 199 |
| Provision for legal settlements | 260 | 42 |
| Intangible assets (*) | (1,733) | (2,282) |
| Carryforward losses and deductions and credits (**) | 1,689 | 1,340 |
| Property, plant and equipment | (170) | (167) |
| Deferred interest | 648 | 391 |
| Provisions for employee related obligations | 106 | 102 |
| Other | 122 | 123 |
| | 1,264 | (139) |
| Valuation allowance—in respect of carryforward losses and deductions that may not be utilized (**) | (1,974) | (1,633) |
| | $ (710) | $(1,772) |

* The decrease in deferred tax liability is mainly due to impairment and amortization.

** The amounts are shown after reduction for unrecognized tax benefits of $ 115 million and $35 million as of December 31, 2019 and 2018, respectively.

These amounts represent the tax effect of gross carryforward losses and deductions with the following expirations: 2020-2022—$61 million; 2023-2029—$672 million; 2030 and thereafter—$193 million. The remaining balance—$879 million—can be utilized with no expiration date.

The deferred income taxes are reflected in the balance sheets among:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Long-term assets—deferred income taxes | 386 | 368 |
| Long-term liabilities—deferred income taxes | (1,096) | (2,140) |
| | $ (710) | $(1,772) |

**d. Uncertain tax positions:**

The following table summarizes the activity of Teva's gross unrecognized tax benefits:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Balance at the beginning of the year | $1,072 | $1,034 | $ 734 |
| Increase related to prior year tax positions, net | 23 | 76 | 56 |
| Increase related to current year tax positions | 246 | 11 | 26 |
| Decrease related to settlements with tax authorities and lapse of applicable statutes of limitations | (118) | (49) | (56) |
| Liabilities assumed in acquisitions | — | — | 273 |
| Other | — | — | 1 |
| Balance at the end of the year | $1,223 | $1,072 | $1,034 |

Uncertain tax positions, mainly of a long-term nature, included accrued potential penalties and interest of $164 million, $131 million and $112 million as of December 31, 2019, 2018 and 2017, respectively. The total amount of interest and penalties reflected in the consolidated statements of income was a net increase of $33 million for the year ended December 31, 2019, a net increase of $19 million for the year ended December 31, 2018 and a net increase of $29 million for the year ended December 31, 2017. Substantially all the above uncertain tax benefits, if recognized, would reduce Teva's annual effective tax rate. Teva does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which is difficult to estimate.

**e. Tax assessments:**

Teva files income tax returns in various jurisdictions with varying statutes of limitations. Teva and its subsidiaries in Israel have received final tax assessments through tax year 2007.

In 2013, Teva settled the 2005-2007 income tax assessment with the Israeli tax authorities, paying $213 million. No further taxes are due in relation to these years. Certain guidelines which were set pursuant to the agreement reached in relation to the 2005-2007 assessment have been implemented in the audit of tax years 2008-2011, and are reflected in the provisions.

The Israeli tax authorities issued tax assessment decrees for 2008-2012 and a tax assessment for 2013-2016, challenging the Company's positions on several issues. Teva has protested the 2008-2012 decrees before the Central District Court in Israel and challenged the tax assessment for 2013-2016 as well. The Company believes it has adequately provided for these items such that any adverse results would have an immaterial impact on Teva's financial statements.

In the United States, Teva has one tax issue in dispute for the 2009-2011 audit cycle, which is currently in litigation. The 2012-2014 audit cycle is ongoing, with an assessment report expected to be received in 2020. Additionally, Teva's U.S. subsidiaries have multiple audit cycles open. The Company believes it has adequately provided for these items and that any adverse results would have an immaterial impact on Teva's financial statements.

Teva filed a claim seeking the refund of withholding taxes paid to the Indian tax authorities in 2012. Trial in this case is scheduled to begin in July 2020. A final and binding decision against Teva in this case may lead to an impairment in the amount of $146 million.

The Company's subsidiaries in Europe have received final tax assessments mainly through tax year 2014.

**f. Basis of taxation:**

The Company and its subsidiaries are subject to tax in many jurisdictions, and estimation is required in recording the assets and liabilities related to income taxes. The Company believes that its accruals for tax liabilities are adequate for all open years. The Company considers various factors in making these assessments, including past history, recent interpretations of tax law, and the specifics of each matter. Because tax regulations are subject to interpretation and tax litigation is inherently uncertain, these assessments can involve a series of complex judgments regarding future events.

***Incentives Applicable until 2013***

Under the incentives regime applicable to the Company until 2013, industrial projects of Teva and certain of its Israeli subsidiaries were eligible for "Approved Enterprise" status.

Most of the projects in Israel have been granted Approved Enterprise status under the "alternative" tax benefit track which offered tax exemption on undistributed income for a period of two to ten years, depending on the location of the enterprise. Upon distribution of such exempt income, the distributing company is subject to corporate tax at the rate ordinarily applicable to the Approved Enterprise's income.

***Amendment 69 to the Investment Law***

Pursuant to Amendment 69 to the Investment Law ("Amendment 69"), a company that elected by November 11, 2013 to pay a corporate tax rate as set forth in that amendment (rather than the tax rate applicable to Approved Enterprise income) with respect to undistributed exempt income accumulated by the company up until December 31, 2011 is entitled to distribute a dividend from such income without being required to pay additional corporate tax with respect to such dividend. A company that has so elected must make certain qualified investments in Israel over the five-year period commencing in 2013. Teva invested the entire required amount in 2013.

During 2013, Teva applied the provisions of Amendment 69 to certain exempt profits Teva accrued prior to 2012. Consequently, Teva paid $577 million in corporate tax on exempt income of $9.4 billion. Part of this income was distributed as dividends during 2013-2018, while the remainder is available to be distributed as dividends in future years with no additional corporate tax liability.

***Incentives Applicable starting 2014: The Incentives Regime – Amendment 68 to the Investment Law***

Under Amendment 68 to the Investment Law, which Teva started applying in 2014, upon an irrevocable election made by a company, a uniform corporate tax rate will apply to all qualifying industrial income of such company ("Preferred Enterprise"), as opposed to the previous law's incentives, which were limited to income from Approved Enterprises during the benefits period. Under the law, when the election is made, the uniform tax rate for 2014 until 2016 was 9% in areas in Israel designated as Development Zone A and 16% elsewhere in Israel. The uniform tax rate for Development Zone A, as of January 1, 2017, is 7.5% (as part of changes enacted in Amendment 73, as described below). The profits of these "Preferred Enterprise" will be freely distributable as dividends, subject to a 20% or lower withholding tax, under an applicable tax treaty. Certain "Special Preferred Enterprises" that meet more stringent criteria (significant investment, R&D or employment thresholds) will enjoy further reduced tax rates of 5% in Zone A and 8% elsewhere. In order to be classified as a "Special Preferred Enterprises," the approval of three governmental authorities in Israel is required.

***The New Technological Enterprise Incentives Regime – Amendment 73 to the Investment Law***

Since 2017, a portion of the Company's taxable income in Israel is entitled to a preferred 6% tax rate under Amendment 73 to the Investment Law as it pertains to Special Preferred Technological Enterprises.

The new incentives regime applies to "Preferred Technological Enterprises" or "Special Preferred Technological Enterprises". A "Preferred Technological Enterprise" is an enterprise that meet certain conditions, including, inter alia:

a. Investment of at least 7% of income, or at least NIS 75 million (approximately $22 million) in R&D activities; and

b. One of the following:

    a. At least 20% of the workforce (or at least 200 employees) are employed in R&D;

    b. A venture capital investment approximately equivalent to at least $2 million was previously made in the company; or

    c. Growth in sales or workforce by an average of 25% over the three years preceding the tax year.

A "Special Preferred Technological Enterprise" is an enterprise that meets, inter alia conditions 1 and 2 above, and in addition has total annual consolidated revenues above NIS 10 billion (approximately $2.9 billion).

Preferred Technological Enterprises are subject to a corporate tax rate of 7.5% on their income derived from intellectual property in areas in Israel designated as Zone A and 12% elsewhere, while Special Preferred Technological Enterprises are subject to 6% on such income. The withholding tax on dividends from these enterprises is 4% to foreign companies (or a lower rate under a tax treaty, if applicable).

Income not eligible for Preferred Technological Enterprise benefits is taxed at the regular corporate tax rate, which is 23%, or the preferred tax rate, as the case may be.

The Parent Company and its Israeli subsidiaries elected to compute their taxable income in accordance with Income Tax Regulations (Rules for Accounting for Foreign Investors Companies and Certain Partnerships and Setting their Taxable Income), 1986. Accordingly, the taxable income or loss is calculated in U.S. dollars. Applying these regulations reduces the effect of U.S. dollar – NIS exchange rate on the Company's Israeli taxable income.

Non-Israeli subsidiaries are taxed according to the tax laws in their respective country of residence. Certain manufacturing subsidiaries operate in several jurisdictions outside Israel, some of which benefit from tax incentives such as reduced tax rates, investment tax credits and accelerated deductions.

***U.S. Tax reform***

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act"), which among other provisions, reduced the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018, and imposed a one-time deemed repatriation tax based on the post-1986 earnings and profits of the Company's U.S. owned foreign subsidiaries.

The year ended December 31, 2017 includes a one-time benefit of $1.2 billion recorded to re-measure certain of the Company's U.S. deferred tax assets and liabilities, based on the rates at which they are expected to reverse in the future.

The one-time deemed repatriation tax is based on the post-1986 earnings and profits for which the Company has previously deferred from U.S. income taxes and is payable over 8 years. The year ended December 31, 2017 included a $112 million provisional estimate for Teva's one-time deemed repatriation taxes liability. During 2018, Teva completed its analysis of the impacts of the Act and recorded an additional expense of $97 million, pursuant to guidance issued by the U.S. Department of Treasury and revisions to the Company's estimates since the assessment date.

**NOTE 14—Equity:**

**a. Ordinary shares and ADSs**

As of December 31, 2019 and 2018, Teva had approximately 1.2 billion ordinary shares issued. Teva ordinary shares are traded on the Tel-Aviv Stock Exchange and on the New York Stock Exchange, in the form of American Depositary Shares ("ADSs"), each of which represents one ordinary share.

On December 17, 2018, the mandatory convertible preferred shares automatically converted into ordinary shares. As a result of this conversion, Teva issued 70.6 million ADSs.

**b. Mandatory convertible preferred shares**

On December 17, 2018, the mandatory convertible preferred shares automatically converted into ordinary shares at a ratio of 1 mandatory convertible preferred share to 16 ADSs, and all of the accumulated and unpaid dividends on the mandatory convertible preferred shares were paid in ADSs, at a ratio of 3.0262 ADSs per mandatory convertible preferred share, all in accordance with the conversion mechanism set forth in the terms of the mandatory convertible preferred shares.

**c. Stock-based compensation plans:**

Stock-based compensation plans are comprised of employee stock options, RSUs, PSUs, and other equity-based awards to employees, officers and directors. The purpose of the plans is to enable the Company to attract and retain qualified personnel and to motivate such persons by providing them with equity participation in the Company.

On June 29, 2010, the Teva 2010 Long-Term Equity-Based Incentive Plan was approved by Teva's shareholders, under which 70 million equivalent share units, including options exercisable into ordinary shares, RSUs and PSUs, were approved for grant. The 2010 Plan expired on June 28, 2015 (except with respect to awards outstanding on that date), and no additional awards under the 2010 Plan may be made.

On September 3, 2015, the Teva 2015 Long-Term Equity-Based Incentive Plan was approved by Teva's shareholders, under which 43.7 million equivalent share units, including options exercisable into ordinary shares, RSUs and PSUs, were approved for grant.

On April 18, 2016, Teva's shareholders approved an increase of an additional 33.3 million equivalent share units to the share reserve of Teva's 2015 Long-Term Equity-Based Incentive Plan, so that 77 million equivalent share units, including options exercisable into ordinary shares, RSUs and PSUs, are approved for grant.

On July 13, 2017, Teva's shareholders approved an increase of an additional 65 million equivalent share units to the share reserve of Teva's 2015 Long-Term Equity-Based Incentive Plan, so that 142 million equivalent share units, including options exercisable into ordinary shares, RSUs and PSUs, are approved for grant.

As of December 31, 2019, 62.7 million equivalent share units remain available for future awards.

In the past, Teva had various employee stock and incentive plans under which stock options and other share-based awards were granted. Stock options and other share-based awards granted under such prior plans continue in accordance with the terms of the respective plans.

The vesting period of the outstanding options, RSUs and PSUs is generally from 1 to 4 years from the date of grant. The rights of the ordinary shares obtained from the exercise of options, RSUs or PSUs are identical to those of the other ordinary shares of the Company. The contractual term of these options is primarily for seven years in prior plans and ten years for options granted under the 2010 and 2015 plans described above.

***Status of options***

A summary of the status of the options as of December 31, 2019, 2018 and 2017, and changes during the years ended on those dates, is presented below (the number of options represents ordinary shares exercisable in respect thereof).

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2017 | |
| | Number (in thousands) | Weighted average exercise price | Number (in thousands) | Weighted average exercise price | Number (in thousands) | Weighted average exercise price |
| Balance outstanding at beginning of year | 48,393 | $38.62 | 43,121 | $44.32 | 32,789 | $50.71 |
| Changes during the year: | | | | | | |
| Granted | — | — | 12,401 | 19.12 | 15,467 | 32.08 |
| Exercised | (11) | 16.99 | (84) | 17.01 | (7) | 17.44 |
| Forfeited | (8,318) | 42.12 | (7,040) | 39.38 | (4,953) | 47.92 |
| Expired | — | — | (5) | 50.65 | (175) | 59.81 |
| Balance outstanding at end of year | 40,064 | 37.90 | 48,393 | 38.62 | 43,121 | 44.32 |
| Balance exercisable at end of year | 26,601 | 43.41 | 24,086 | 46.89 | 19,129 | 47.94 |

The weighted average fair value of options granted during these years was generally estimated by using the Black-Scholes option-pricing model as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Weighted average fair value | — | $7.4 | $5.7 |

The fair value of these options was estimated on the date of grant, based on the following weighted average assumptions:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Dividend yield | — | 0% | 3.7% |
| Expected volatility | — | 40% | 29% |
| Risk-free interest rate | — | 2.6% | 2.1% |

The expected term was estimated based on the weighted average period for which the options granted are expected to be outstanding, taking into consideration the current vesting of options and the historical exercise patterns of existing options. The expected volatility assumption used is based on a blend of the historical and implied volatility of the Company's stock. The risk-free interest rate used is based on the yield of U.S. Treasuries with a maturity closest to the expected term of the options granted. The dividend yield assumption reflects the expected dividend yield based on historical dividends and expected dividend growth.

The following tables summarize information as of December 31, 2019 regarding the number of ordinary shares issuable upon (1) outstanding options and (2) vested options:

**(1) Number of ordinary shares issuable upon exercise of outstanding options**

| Range of exercise prices | Balance at end of period (in thousands) | Weighted average exercise price | Weighted average remaining life | Aggregate intrinsic value (in millions) |
|---|---|---|---|---|
| | Number of shares | $ | Years | $ |
| Lower than $15.01 | 592 | 11.40 | 7.85 | — |
| $15.01 - $25.00 | 10,938 | 18.94 | 8.13 | — |
| $25.01 - $35.00 | 7,914 | 34.62 | 7.16 | — |
| $35.01 - $45.00 | 5,511 | 40.59 | 2.49 | — |
| $45.01 - $55.00 | 10,328 | 50.74 | 4.53 | — |
| $55.01 - $65.00 | 4,781 | 59.20 | 5.31 | — |
| Total | 40,064 | 37.90 | 5.89 | — |

**(2) Number of ordinary shares issuable upon exercise of vested options**

| Range of exercise prices | Balance at end of period (in thousands) | Weighted average exercise price | Weighted average remaining life | Aggregate intrinsic value (in millions) |
|---|---|---|---|---|
| | Number of shares | $ | Years | $ |
| Lower than $15.01 | 197 | 11.40 | 7.85 | — |
| $15.01 - $25.00 | 3,211 | 18.57 | 8.05 | — |
| $25.01 - $35.00 | 3,983 | 34.61 | 7.16 | — |
| $35.01 - $45.00 | 5,511 | 40.59 | 2.49 | — |
| $45.01 - $55.00 | 9,165 | 50.43 | 4.32 | — |
| $55.01 - $65.00 | 4,534 | 59.37 | 5.27 | — |
| Total | 26,601 | 43.41 | 5.00 | — |

The aggregate intrinsic value in the above tables represents the total pre-tax intrinsic value, based on the Company's closing stock price of $9.8 on December 31, 2019, less the weighted average exercise price in each range. This represents the potential amount receivable by the option holders had all option holders exercised their options as of such date. As of December 31, 2019, there was an immaterial amount of options exercisable that were in-the-money.

The total intrinsic value of options exercised during the years ended December 31, 2019, 2018 and 2017 was immaterial, based on the Company's average stock price of $11.50, $20.92 and $25.62, for the years then ended, respectively.

***Status of non-vested RSUs and PSUs***

The fair value of RSUs and PSUs is estimated based on the market value of the Company's stock on the date of award grant (fair value of PSUs includes the effect of market conditions), less an estimate of dividends that will not accrue to RSU and PSU holders prior to vesting.

The following table summarizes information about the number of RSUs and PSUs issued and outstanding:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2017 | |
| | Number (in thousands) | Weighted average grant date fair value | Number (in thousands) | Weighted average grant date fair value | Number (in thousands) | Weighted average grant date fair value |
| Balance outstanding at beginning of year | 10,403 | $20.93 | 7,468 | $27.95 | 4,636 | $45.15 |
| Granted | 9,303 | 15.36 | 5,900 | 18.80 | 5,461 | 20.10 |
| Vested | (2,435) | 30.24 | (1,638) | 37.30 | (1,884) | 39.63 |
| Forfeited | (1,294) | 18.74 | (1,327) | 32.50 | (745) | 42.84 |
| Balance outstanding at end of year | 15,977 | 16.49 | 10,403 | 20.93 | 7,468 | 27.95 |

The Company expenses compensation costs are based on the grant-date fair value. For the years ended December 31, 2019, 2018 and 2017, the Company recorded stock-based compensation costs as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Employee stock options | $ 46 | $ 74 | $ 64 |
| RSUs and PSUs | 73 | 81 | 69 |
| Total stock-based compensation expense | 119 | 155 | 133 |
| Tax effect on stock-based compensation expense | 14 | 18 | 24 |
| Net effect | $105 | $137 | $109 |

As of December 31, 2019, the total unrecognized compensation cost before tax on employee stock options and RSU/PSUs amounted to $53 million and $159 million, respectively. This cost is expected to be recognized over a weighted average period of approximately 1.9 years and 2.7 years, respectively.

**d. Dividends:**

Commencing in April 2015, dividends on Teva's ordinary shares were declared in U.S. dollars. Dividends paid per share in the years ended December 31, 2019, 2018 and 2017 were $0, $0 and $0.85, respectively.

In addition, total dividends paid on Teva's mandatory convertible preferred shares in the years ended December 31, 2019, 2018 and 2017 were $0, $0 and $70 million, respectively.

Teva has not paid dividends on Teva ordinary shares or ADSs since December 2017.

**e. Accumulated other comprehensive loss:**

The components of accumulated other comprehensive loss attributable to Teva are presented in the table below:

| | Net Unrealized Gains/(Losses) | | | Benefit Plans | |
|---|---|---|---|---|---|
| | Foreign currency translation adjustments | Available-for-sale securities | Derivative financial instruments | Actuarial gains/(losses) and prior service (costs)/credits | Total |
| Balance, January 1, 2017 | (2,592) | (7) | (479) | (81) | (3,159) |
| Other comprehensive income/(loss) before reclassifications | 1,075 | 64 | (167) | (3) | 969 |
| Amounts reclassified to the statements of income | 378 | (66) | 27 | (5) | 334 |
| Net other comprehensive income/(loss) before tax | 1,453 | (2) | (140) | (8) | 1,303 |
| Corresponding income tax | | 5 | — | (2) | 3 |
| Net other comprehensive income/(loss) after tax* | 1,453 | 3 | (140) | (10) | 1,306 |
| Balance, December 31, 2017 | (1,139) | (4) | (619) | (91) | (1,853) |
| Cumulative effect of new accounting standard** | — | 5 | — | — | 5 |
| Other comprehensive income/(loss) before reclassifications | (739) | (1) | 87 | 4 | (649) |
| Amounts reclassified to the statements of income | | 1 | 28 | 13 | 42 |
| Net other comprehensive income/(loss) before tax | (739) | — | 115 | 17 | (607) |
| Corresponding income tax | — | | — | (4) | (4) |
| Net other comprehensive income/(loss) after tax* | (739) | — | 115 | 13 | (611) |
| Balance, December 31, 2018 | (1,878) | 1 | (504) | (78) | (2,459) |
| Other comprehensive income/(loss) before reclassifications | 84 | (1) | 54 | (11) | 126 |
| Amounts reclassified to the statements of income | | | 30 | (10) | 20 |
| Net other comprehensive income/(loss) before tax | 84 | (1) | 84 | (21) | 146 |
| Corresponding income tax | — | — | — | 1 | 1 |
| Net other comprehensive income/(loss) after tax* | 84 | (1) | 84 | (20) | 147 |
| Balance, December 31, 2019 | (1,794) | — | (420) | (98) | (2,312) |

* Amounts do not include foreign currency translation adjustments attributable to non-controlling interests of $14 million gain in 2019, $26 million gain in 2018 and $63 million loss in 2017.

** Following the adoption of ASU 2016-01, the Company recorded a $5 million opening balance reclassification from accumulated other comprehensive income to retained earnings.

**NOTE 15—Other assets impairments, restructuring and other items:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Impairment of long-lived tangible assets (1) | $139 | $500 | $ 544 |
| Contingent consideration (see note 20) | 59 | 57 | 154 |
| Acquisition, integration and related costs | — | 13 | 105 |
| Restructuring | 199 | 488 | 535 |
| Venezuela deconsolidation charge (see note 1) | — | — | 396 |
| Other | 26 | (71) | 102 |
| Total | $423 | $987 | $1,836 |

(1) Including impairments related to exit and disposal activities

Following Teva's two-year restructuring plan announced in December 2017 and its ongoing plant rationalization efforts, the Company may change its current plans with respect to any given asset and/or the assumptions underlying such plans. Consequently, additional impairments may be recorded in the future.

*Impairments*

Impairments of tangible assets for the years ended on December 31, 2019, 2018 and 2017 were $139 million $500 million, and $544 million, respectively.

*Contingent consideration*

In 2019, Teva recorded $59 million of contingent consideration expenses, compared to $57 million and $154 million in 2018 and 2017, respectively. The expenses in 2019 were mainly related to a change in the estimated future royalty payments from Eagle in connection with bendamustine sales and an increase in the expected future royalty payments to Eagle due to the orphan drug status granted to BENDEKA®, offset by the change in future royalty payments in connection with lenalidomide (generic equivalent of Revlimid®), which was part of the Actavis Generics acquisition.

*Restructuring*

In 2019, Teva recorded $199 million of restructuring expenses, compared to $488 million in 2018 and $535 million in 2017. The expenses in 2019 were primarily related to headcount reductions across all functions, as part of the restructuring plan announced in 2017.

In December 2017, Teva announced a comprehensive two-year restructuring plan intended to reduce its cost base by $3 billion, unify and simplify its organization and improve business performance, profitability, cash flow generation and productivity. This plan achieved its goals by the end of 2019. Teva is continuing to evaluate opportunities to further optimize its manufacturing and supply network to achieve additional operational efficiencies.

Since the announcement of its restructuring plan, Teva reduced its global headcount by approximately 13,000 full-time-equivalent employees.

The following tables provide the components of costs associated with Teva's restructuring plan, including other costs associated with Teva's restructuring plan and recorded under different items:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Restructuring | | | |
| Employee termination | $159 | $410 | $443 |
| Other | 40 | 78 | 92 |
| Total | $199 | $488 | $535 |

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, 2018 | $(294) | $(17) | $(311) |
| Provision | (410) | (78) | (488) |
| Utilization and other* | 500 | 66 | 566 |
| Balance as of December 31, 2018 | $(204) | $(29) | $(233) |
| Provision | (159) | (40) | (199) |
| Utilization and other* | 155 | 62 | 217 |
| Balance as of December 31, 2019 | $(208) | $ (7) | $(215) |

* Includes adjustments for foreign currency translation.

*Significant regulatory events*

In July 2018, the FDA completed an inspection of Teva's manufacturing plant in Davie, Florida in the United States, and issued a Form FDA-483 to the site. In October 2018, the FDA notified Teva that the inspection of the site is classified as "official action indicated" (OAI). On February 5, 2019, Teva received a warning letter from the FDA that contained four additional enumerated concerns related to production, quality control and investigations at this site. Teva has been working diligently to address the FDA's concerns in a manner consistent with current good manufacturing practice (cGMP) requirements as quickly and as thoroughly as possible. An FDA follow up inspection occurred in January 2020, resulting in some follow up findings. If Teva is unable to remediate the findings to the FDA's satisfaction, it may face additional consequences. These would potentially include delays in FDA approval for future products from the site, financial implications due to loss of revenues, impairments, inventory write offs, customer penalties, idle capacity charges, costs of additional remediation and possible FDA enforcement action. Teva expects to generate approximately $230 million in revenues from this site in 2020, assuming remediation or enforcement does not cause any unscheduled slowdown or stoppage at the facility or prevent approvals of new products from the site.

In July 2018, Teva announced the voluntary recall of valsartan and certain combination valsartan medicines in various countries due to the detection of trace amounts of a previously unknown nitrosamine impurity called NDMA found in valsartan API supplied to it by Zhejiang Huahai Pharmaceutical Co., Ltd. ("Huahai"). Since July 2018, Teva has been actively engaged with regulatory agencies around the world 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. The aggregate direct impact of this

recall on Teva's 2018 and 2019 financial statements was $54 million, primarily related to inventory write-downs and returns. As a result of this loss, Teva initiated negotiations with Huahai and in December 2019, Teva reached a settlement with Huahai resolving its claims related to certain sartan API Huahai supplied to Teva. Under the settlement agreement, Huahai agreed to compensate Teva for some of the direct losses suffered by Teva and provide Teva prospective cost reductions for API. The settlement does not release Huahai from liability for any losses Teva may incur as a result of third party personal injury or product liability claims relating to the sartan API at issue. In addition, multiple lawsuits have been filed in connection with this matter, which may lead to additional customer penalties, impairments and litigation costs. Teva expects additional expenses and loss of revenues and profits in connection with this matter going forward.

**NOTE 16—Other income:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Gain on divestitures, net of divestitures related costs (1) | $50 | 67 | 1,083 |
| Section 8 and similar payments (2) | 5 | 195 | 83 |
| Gain (loss) on sale of assets | (1) | 9 | 11 |
| Other, net | 22 | 20 | 22 |
| Total other income | $76 | $291 | $1,199 |

(1) Mainly related to the divestment of several activities in the International Markets segment.
(2) Section 8 of the Patented Medicines (Notice of Compliance) Regulation relates to recoveries of lost revenue related to patent infringement proceedings in Canada.

**NOTE 17—Financial expenses—net:**

| | Year ended December, 31 | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Venezuela devaluation (1) | $— | $— | $ 42 |
| Interest expenses and other bank charges | 881 | 920 | 875 |
| Income from investments | (41) | (39) | (84) |
| Foreign exchange (gains) losses—net | (15) | 13 | 65 |
| Other, net (2) | (4) | 65 | (3) |
| Total finance expense—net | $822 | $959 | $895 |

(1) For further information regarding the Venezuela devaluation, refer to note 1a.
(2) In 2018, Other, net comprised mainly of a make-whole payment of $46 million following early redemption of senior notes during 2018.

**NOTE 18—Earnings (loss) per share:**

The net income attributable to Teva and the weighted average number of ordinary shares used in the computation of basic and diluted loss per share for the years ended December 31, 2019, 2018 and 2017 are as follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| | (U.S. $ in millions, except share data) | | |
| Net income (loss) used for the computation of diluted loss per share | $ (999) | $(2,399) | $(16,525) |
| Weighted average number of shares used in the computation of basic loss per share | 1,091 | 1,021 | 1,016 |
| Add: | | | |
| Weighted average number of shares used in the computation of diluted loss per share | 1,091 | 1,021 | 1,016 |

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

In computing dilutive loss per share for the years ended December 31, 2019, 2018 and 2017, no account was taken of the potential dilution of the assumed exercise of employee stock options, RSUs and PSUs, amounting to 113 million, 51 million and 38 million weighted average shares, respectively, and convertible senior debentures, since they had an anti-dilutive effect on loss per share.

Additionally, in computing dilutive loss per share for the period between January 1, 2018 and December 17, 2018 and for the year ended December 31, 2017, no account was taken of the potential dilution of the mandatory convertible preferred shares amounting to 74 million and 59 million weighted average shares, respectively, since they had an anti-dilutive effect on loss per share.

**NOTE 19—Segments:**

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

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

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

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

The Company began reporting its financial results under this structure in the first quarter of 2018. This change was reflected through retroactive recasting of prior period segment information.

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

Teva's Chief Executive Officer ("CEO"), who is the chief operating decision maker ("CODM"), reviews financial information prepared on a consolidated basis, accompanied by disaggregated information about

revenues and contributed profit by the three identified reportable segments, namely North America, Europe and International Markets, to make decisions about resources to be allocated to the segments and assess their performance.

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

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

Teva's CEO may review its strategy and organizational structure. Any changes in strategy may lead to a reevaluation of the Company's segments and goodwill allocation to reporting units, as well as fair value attributable to its reporting units. See note 7.

**a. Segment information:**

| | Year ended December 31, 2019 | | |
|---|---|---|---|
| | North America | Europe | International Markets* |
| | (U.S. $ in millions) | | |
| Revenues | $ 8,542 | $ 4,795 | $2,246 |
| Gross profit | 4,350 | 2,704 | 1,167 |
| R&D expenses | 652 | 262 | 88 |
| S&M expenses | 1,021 | 890 | 481 |
| G&A expenses | 439 | 239 | 138 |
| Other income | (14) | (5) | (3) |
| Segment profit | $2,252 | $1,318 | $ 464 |

| | Year ended December 31, 2018 | | |
|---|---|---|---|
| | North America | Europe | International Markets* |
| | (U.S. $ in millions) | | |
| Revenues | $9,297 | $5,186 | $2,422 |
| Gross profit | 4,979 | 2,884 | 1,254 |
| R&D expenses | 713 | 283 | 96 |
| S&M expenses | 1,154 | 1,003 | 518 |
| G&A expenses | 484 | 325 | 153 |
| Other income | (209) | — | (11) |
| Segment profit | $2,837 | $1,273 | $ 498 |

| | Year ended December 31, 2017 | | |
|---|---|---|---|
| | North America | Europe | International Markets* |
| | (U.S. $ in millions) | | |
| Revenues | $12,141 | $5,466 | $2,863 |
| Gross profit | 7,322 | 2,887 | 1,433 |
| R&D expenses | 969 | 390 | 154 |
| S&M expenses | 1,288 | 1,130 | 672 |
| G&A expenses | 533 | 354 | 189 |
| Other income | (92) | (16) | (8) |
| Segment profit | $ 4,624 | $1,029 | $ 426 |

* The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| North America profit | $ 2,252 | $ 2,837 | $ 4,624 |
| Europe profit | 1,318 | 1,273 | 1,029 |
| International Markets profit | 464 | 498 | 426 |
| Total reportable segments profit | 4,034 | 4,608 | 6,079 |
| Profit (loss) of other activities | 108 | 115 | (6) |
| Total segments profit | 4,142 | 4,723 | 6,073 |
| Amounts not allocated to segments: | | | |
| Amortization | 1,113 | 1,166 | 1,444 |
| Other asset impairments, restructuring and other items | 423 | 987 | 1,836 |
| Goodwill impairment | — | 3,027 | 17,100 |
| Intangible asset impairments | 1,639 | 1,991 | 3,238 |
| Gain on divestitures, net of divestitures related costs | (50) | (66) | (1,083) |
| Inventory Step—up | — | — | 67 |
| Other R&D expenses | (15) | 83 | 221 |
| Costs related to regulatory actions taken in facilities | 45 | 14 | 47 |
| Legal settlements and loss contingencies | 1,178 | (1,208) | 500 |
| Other unallocated amounts | 252 | 366 | 187 |
| Consolidated operating income (loss) | (443) | (1,637) | (17,484) |
| Financial expenses, net | 822 | 959 | 895 |
| Consolidated income (loss) before income taxes | $(1,265) | $(2,596) | $(18,379) |

**b. Segment revenues by major products and activities:**

The following tables present revenues by major products and activities for each segment for the year ended December 31, 2019, 2018 and 2017:

**North America segment:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Generic products | $3,963 | $4,056 | $ 5,203 |
| COPAXONE | 1,017 | 1,759 | 3,116 |
| BENDEKA/TREANDA | 496 | 642 | 656 |
| ProAir* | 274 | 397 | 501 |
| QVAR | 250 | 182 | 313 |
| AJOVY | 93 | 3 | — |
| AUSTEDO | 412 | 204 | 24 |
| Anda | 1,492 | 1,347 | 1,153 |
| Other | 546 | 708 | 1,175 |
| Total | $8,542 | $9,297 | $12,141 |

* Does not include revenues from the ProAir authorized generic, which are included under generic products.

**Europe segment:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Generic products | $3,470 | $3,593 | $3,471 |
| COPAXONE | 432 | 535 | 595 |
| Respiratory products | 354 | 402 | 368 |
| Other | 539 | 656 | 1,033 |
| Total | $4,795 | $5,186 | $5,466 |

**International Markets segment:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (U.S. $ in millions) | | |
| Generic products | $1,893 | $2,022 | $2,370 |
| COPAXONE | 63 | 72 | 91 |
| Distribution | 20 | 19 | 17 |
| Other | 271 | 309 | 385 |
| Total | $2,246 | $2,422 | $2,863 |

* The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See note 1b.

Teva revenues from external customers attributed to Israel were less than 5% of the consolidated revenues in the years ended December 31, 2019, 2018 and 2017, respectively.

**c. Supplemental data—major customers:**

The following table represents the percentage of consolidated third party net sales to Teva's major customers during the years ended December 31, 2019, 2018 and 2017.

| | Percentage of Third Party Net Sales | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| McKesson Corporation | 13% | 12% | 16% |
| AmerisourceBergen Corporation | 12% | 14% | 15% |

Most of Teva's revenues from these customers were generated in the North America segment.

**d. Property, plant and equipment—by geographical location were as follows:**

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Israel | $1,670 | $1,987 |
| United States | 864 | 950 |
| Croatia | 517 | 538 |
| Germany | 665 | 518 |
| Czech republic | 343 | 352 |
| Hungary | 330 | 343 |
| Japan | 177 | 188 |
| Other | 1,870 | 1,992 |
| Total property, plant and equipment | $6,436 | $6,868 |

**NOTE 20—Fair value measurement:**

Financial items carried at fair value as of December 31, 2019 and 2018 are classified in the tables below in one of the three categories described in note 1g:

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (U.S. $ in millions) | | | |
| Cash and cash equivalents: | | | | |
| Money markets | $ 577 | $— | $ — | $ 577 |
| Cash, deposits and other | 1,398 | — | — | 1,398 |
| Investment in securities: | | | | |
| Equity securities | 42 | — | — | 42 |
| Other, mainly debt securities | 2 | — | 12 | 14 |
| Derivatives: | | | | |
| Asset derivatives—options and forward contracts | — | 32 | — | 32 |
| Liabilities derivatives—options and forward contracts | — | (41) | — | (41) |
| Liabilities derivatives—interest rate and cross-currency swaps | — | (22) | — | (22) |
| Contingent consideration* | — | — | (460) | (460) |
| Total | $2,019 | $ (31) | $(448) | $1,540 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (U.S. $ in millions) | | | |
| Cash and cash equivalents: | | | | |
| Money markets | $ 203 | $— | $ — | $ 203 |
| Cash, deposits and other | 1,579 | — | — | 1,579 |
| Investment in securities: | | | | |
| Equity securities | 51 | — | — | 51 |
| Other, mainly debt securities | 2 | — | 10 | 12 |
| Derivatives: | | | | |
| Asset derivatives—options and forward contracts | — | 18 | — | 18 |
| Asset derivatives—cross-currency swaps | — | 58 | — | 58 |
| Liability derivatives—options and forward contracts | — | (26) | — | (26) |
| Liabilities derivatives—interest rate and cross-currency swaps | — | (50) | — | (50) |
| Contingent consideration* | — | — | (507) | (507) |
| Total | $1,835 | $— | $(497) | $1,338 |

* Contingent consideration represents liabilities recorded at fair value in connection with acquisitions.

Teva determined the fair value of the liability for the 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 the

contingent consideration is based on several factors, such as: the cash flows projected from the success of unapproved product candidates; the probability of success of product candidates, including risks associated with uncertainty regarding achievement and payment of milestone events; the time and resources needed to complete the development and approval of product candidates; the life of the potential commercialized products and associated risks of obtaining regulatory approvals in the United States and Europe; and the risk adjusted discount rate for fair value measurement.

The contingent consideration is evaluated quarterly or more frequently if circumstances dictate. Changes in the fair value of contingent consideration are recorded in earnings.

Significant changes in unobservable inputs, mainly the probability of success and cash flows projected, could result in material changes to the contingent consideration liability.

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| | (U.S. $ in millions) | |
| Fair value at the beginning of the period | $(497) | $(717) |
| Investment in debt securities | 2 | (8) |
| Adjustments to provisions for contingent consideration: | | |
| Actavis Generics transaction | 92 | — |
| Labrys acquisition | — | (17) |
| Eagle transaction | (151) | (40) |
| Settlement of contingent consideration: | | |
| Labrys acquisition | — | 151 |
| Eagle transaction | 106 | 134 |
| Fair value at the end of the period | $(448) | $(497) |

Teva's financial instruments consist mainly of cash and cash equivalents, investments in securities, current and non-current receivables, short-term credit, accounts payable and accruals, loans and senior notes, convertible senior debentures and derivatives.

The fair value of the financial instruments included in working capital and non-current receivables approximates their carrying value. The fair value of long-term bank loans mostly approximates their carrying value, since they bear interest at rates close to the prevailing market rates.

**Financial instruments not measured at fair value**

Financial instruments measured on a basis other than fair value consist of senior notes and convertible senior debentures (see note 9), and are presented in the below table in terms of fair value:

| | Estimated fair value* | |
|---|---|---|
| | December 31, | |
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Senior notes included under long-term liabilities | $22,686 | $23,560 |
| Senior notes and convertible senior debentures included under short-term liabilities | 2,318 | 2,140 |
| Fair value at the end of the period | $25,004 | $25,700 |

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

**NOTE 21—Long-term employee-related obligations:**

**a. Long-term employee-related obligations consisted of the following:**

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (U.S. $ in millions) | |
| Accrued severance obligations | $ 76 | $ 75 |
| Defined benefit plans | 165 | 146 |
| Total | $241 | $221 |

As of December 31, 2019 and 2018, Teva had $82 million and $137 million, respectively, deposited in funds managed by financial institutions and earmarked by management to cover severance pay liability mainly in respect of Israeli employees. Such deposits are not considered to be "plan assets" and are therefore included in long-term investments and receivables.

Most of the change resulted from actuarial updates, as well as from exiting from several defined benefit plans in several countries.

The Company expects to expense an approximate contribution of $116 million in 2020 to pension funds and insurance companies in connection with its severance and pension pay obligations.

The main terms of the different arrangements with employees are described in below.

**b. Terms of arrangements:**

*Israel*

Israeli law generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. The Parent Company and its Israeli subsidiaries make ongoing deposits into employee pension plans to fund their severance liabilities. Generally, employees that joined the Company after 2005, have signed an arrangement, pursuant to which such deposits are made in lieu of the Company's severance liability. Therefore, no obligation is provided for in the financial statements. Severance pay liabilities with respect to employees who were employed by the Parent Company and its Israeli subsidiaries prior to that date, as well as employees who have special contractual arrangements, are provided for in the financial statements based upon the number of years of service and the latest monthly salary of such employees.

*Europe*

Many of the employees in the Company's European subsidiaries are entitled to a retirement grant when they leave the Company. In the consolidated financial statements, the liability of the European subsidiaries is accrued, based on the length of service and remuneration of each employee at the balance sheet date. Other employees in Europe are entitled to a pension according to a defined benefit scheme providing benefits based on final or average pensionable pay or according to a hybrid pension scheme that provides retirement benefits on a defined benefit and a defined contribution basis. Independent certified actuaries value these schemes and determine the rates of contribution payable. Pension costs for the defined benefit section of the scheme are accounted for on the basis of charging the expected cost of providing pensions over the period during which the subsidiaries benefit from the employees' services. The Company uses December 31 as the measurement date for defined benefit plans.

*North America*

The Company's North American subsidiaries mainly provide various defined contribution plans for the benefit of their employees. Under these plans, contributions are based on specified percentages of pay. Additionally, a multi-employer plan is maintained in accordance with various union agreements.

*Latin America*

The majority of the employees in Latin America are entitled to severance under local law. The severance payments are calculated based on service term and employee remuneration, and accruals are maintained to reflect these amounts. In some Latin American countries it is Teva's practice to offer retirement health benefits to qualifying employees. Based on the specific plan requirements, benefits accruals are maintained to reflect the estimated amounts or adjusted if future plans are modified.

The Company expects to pay the following future minimum benefits to its employees: $7 million in 2020; $7 million in 2021; $7 million in 2022; $7 million in 2023; $7 million in 2024 and $41 million in the aggregate between 2025 to 2029. These amounts do not include amounts that may be paid to employees who cease working with the Company before their normal retirement age.

**NOTE 22 – Selected quarterly financial data (unaudited):**

The following table presents selected unaudited quarterly financial data for 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | 4th quarter | 3rd quarter | 2nd quarter | 1st quarter |
| | (U.S $ in millions except per share amounts) | | | |
| Net revenues * | 4,468 | 4,093 | 4,177 | 4,149 |
| Gross profit | 1,958 | 1,830 | 1,893 | 1,856 |
| Net income (loss) | 75 | (307) | (671) | (97) |
| Net income (loss) attributable to Teva | 110 | (314) | (689) | (105) |
| Net income (loss) attributable to ordinary shareholders | 110 | (314) | (689) | (105) |
| Earnings per share attributable to ordinary shareholders: | | | | |
| Basic | 0.10 | (0.29) | (0.63) | (0.10) |
| Diluted | 0.10 | (0.29) | (0.63) | (0.10) |

| | 2018 | | | |
|---|---|---|---|---|
| | 4th quarter | 3rd quarter | 2nd quarter | 1st quarter |
| | (U.S $ in millions except per share amounts) | | | |
| Net revenues * | 4,419 | 4,385 | 4,552 | 4,916 |
| Gross profit | 1,971 | 1,977 | 2,033 | 2,315 |
| Net income (loss) | (3,243) | (197) | (166) | 1,134 |
| Net income (loss) attributable to Teva | (2,886) | (208) | (176) | 1,120 |
| Net income (loss) attributable to ordinary shareholders | (2,940) | (273) | (241) | 1,055 |
| Earnings per share attributable to ordinary shareholders: | | | | |
| Basic | (2.85) | (0.27) | (0.24) | 1.04 |
| Diluted | (2.85) | (0.27) | (0.24) | 1.03 |

* The data presented for prior periods have been revised to reflect a revision in the presentation of net revenues and cost of sales in the consolidated financial statements. See table below and note 1b.

The following table summarizes the impact of the revision on net revenues and cost of sales in the consolidated statement of income for the relevant periods:

| | | Net revenues | | | Cost of sales | | |
|---|---|---|---|---|---|---|---|
| | | As reported | Adjustment | As revised | As reported | Adjustment | As revised |
| | | (U.S. $ in millions) | | | | | |
| 2018 | Q1 | 5,065 | (149) | 4,916 | 2,750 | (149) | 2,601 |
| | Q2 | 4,701 | (150) | 4,552 | 2,668 | (150) | 2,518 |
| | Q3 | 4,529 | (143) | 4,385 | 2,552 | (143) | 2,409 |
| | Q4 | 4,559 | (141) | 4,419 | 2,588 | (141) | 2,447 |
| 2019 | Q1 | 4,295 | (146) | 4,149 | 2,440 | (146) | 2,293 |
| | Q2 | 4,337 | (159) | 4,177 | 2,443 | (159) | 2,284 |
| | Q3 | 4,264 | (171) | 4,093 | 2,435 | (171) | 2,264 |

**NOTE 23 – Subsequent event:**

In September 2017, we entered into a partnership agreement with Nuvelution for the development of AUSTEDO for the treatment of Tourette syndrome in pediatric patients in the United States. See note 2. On February 19, 2020, we received results for these clinical trials, which found that the clinical trials failed to meet their primary endpoints. As a result, we will incur an intangible asset impairment of $211 million in the first quarter of 2020.

**TEVA PHARMACEUTICAL INDUSTRIES LIMITED**
**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**
**Three Years Ended December 31, 2019**
**(U.S. $ in millions)**

| Column A | Column B | Column C | | Column D | Column E |
|---|---|---|---|---|---|
| | Balance at beginning of period | Charged to costs and expenses | Charged to other accounts | Deductions | Balance at end of period |
| Allowance for doubtful accounts: | | | | | |
| Year ended December 31, 2019 | $ 232 | $ (16) | $— | $ (7) | $ 209 |
| Year ended December 31, 2018 | $ 232 | $ 13 | $ (9) | $ (4) | $ 232 |
| Year ended December 31, 2017 | $ 191 | $ 12 | $ 51 | $ (22) | $ 232 |
| Allowance in respect of carryforward tax losses and deductions that may not be utilized: | | | | | |
| Year ended December 31, 2019 | $1,633 | $555 | $— | $(214) | $1,974 |
| Year ended December 31, 2018 | $1,504 | $407 | $ 5 | $(283) | $1,633 |
| Year ended December 31, 2017 | $1,690 | $173 | $390 | $(749) | $1,504 |

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

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

After evaluating the effectiveness of our disclosure controls and procedures as of December 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, Teva's disclosure controls and procedures were effective at the reasonable assurance level.

### Report of Teva Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as amended. Our internal control over financial reporting is a process designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of Teva's internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such assessment, management has concluded that, as of December 31, 2019, Teva's internal control over financial reporting was effective.

### Attestation Report of the Registered Public Accounting Firm

Our internal control over financial reporting as of December 31, 2019 has been audited by Kesselman & Kesselman, an independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited ("PwC"), as stated in their report which is included under "Item 8—Financial Statements."

### Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2019, 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.

## ITEM 9B. OTHER INFORMATION

None.

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Reference is made to Teva's 2020 Proxy Statement, which will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2019, with respect to Teva's directors, executive officers and corporate governance, which is incorporated herein by reference and made a part hereof in response to the information required by Item 10.

## ITEM 11. EXECUTIVE COMPENSATION

Reference is made to Teva's 2020 Proxy Statement, which will be filed no later than 120 days after the close of Teva's fiscal year ended December 31, 2019, with respect to Teva's executive compensation, which is incorporated herein by reference and made a part hereof in response to the information required by Item 11.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Reference is made to Teva's 2020 Proxy Statement, which will be filed no later than 120 days after the close of Teva's fiscal year ended December 31, 2019, with respect to the security ownership of certain beneficial owners and management and related stockholder matters of Teva, which is incorporated herein by reference and made a part hereof in response to the information required by Item 12.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Reference is made to Teva's 2020 Proxy Statement, which will be filed no later than 120 days after the close of Teva's fiscal year ended December 31, 2019, with respect to certain relationships and related transactions, and director independence of Teva, which is incorporated herein by reference and made a part hereof in response to the information required by Item 13.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Reference is made to Teva's 2020 Proxy Statement, which will be filed no later than 120 days after the close of Teva's fiscal year ended December 31, 2019, with respect to principal accountant fees and services provided to Teva, which is incorporated herein by reference and made a part hereof in response to the information required by Item 14.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following financial statements are filed as part of this Annual Report on Form 10-K:



### Exhibits

The information called for by this Item is incorporated herein by reference to the Exhibit Index in this Form 10-K.

| | |
|---|---|
| 3.1 | Memorandum of Association (1)(2) |
| 3.2 | Amendment to Memorandum of Association (1)(3) |
| 3.3 | Articles of Association (1)(4) |
| 4.1 | Second Amended and Restated Deposit Agreement, dated as of December 4, 2018, among Teva Pharmaceutical Industries Limited, Citibank, N.A., as depositary, and the holders from time to time of shares (5) |
| 4.2 | Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as trustee (6) |
| 4.3 | First Supplemental Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as trustee, including the form of 0.25% Convertible Senior Debentures due 2026 (7) |
| 4.4 | Second Supplemental Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as trustee, including the form of 6.150% Senior Notes due 2036 (8) |
| 4.5 | Third Supplemental Senior Indenture, dated as of March 16, 2010, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as trustee, relating to Teva's 0.25% Convertible Senior Debentures due 2026 (9) |
| 4.6 | Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV, LLC, Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee (10) |
| 4.7 | Second Supplemental Senior Indenture, dated as of December 18, 2012, by and among Teva Pharmaceutical Finance IV, LLC, Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 2.950% Senior Notes due 2022 (11) |
| 4.8 | Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance Company B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee (12) |

| | |
|---|---|
| 4.9 | First Supplemental Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance Company B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 3.650% Senior Notes due 2021 (13) |
| 4.10 | Second Supplemental Senior Indenture, dated as of December 18, 2012, by and among Teva Pharmaceutical Finance Company B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 2.250% Senior Notes due 2020 (14) |
| 4.11 | Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee (15) |
| 4.12 | First Supplemental Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 3.650% Senior Notes due 2021(16) |
| 4.13 | Permanent Global Certificate, dated as of April 25, 2012, and the Terms of the CHF 450,000,000 1.5 per cent Notes due 2018 (17) |
| 4.14 | Guarantee, dated as of April 25, 2012, by Teva Pharmaceutical Industries Limited (18) |
| 4.15 | Senior Indenture, dated as of March 31, 2015, by and among Teva Pharmaceutical Industries Limited, Teva Pharmaceutical Finance Netherlands II B.V. and The Bank of New York Mellon, as trustee (19) |
| 4.16 | Supplemental Senior Indenture, dated as of March 31, 2015, by and among Teva Pharmaceutical Industries Limited, Teva Pharmaceutical Finance Netherlands II B.V., The Bank of New York Mellon, as trustee, and The Bank of New York Mellon, London branch, as principal paying agent, including the form of 1.250% Senior Notes due 2023 and the form of 1.875% Senior Notes due 2027 (20) |
| 4.17 | Second Supplemental Senior Indenture, dated as of July 25, 2016, by and among Teva Pharmaceutical Industries Limited, Teva Pharmaceutical Finance Netherlands II B.V., The Bank of New York Mellon, as trustee, and The Bank of New York Mellon, London branch, as principal paying agent, including the form of 0.375% Senior Notes due 2020, the form of 1.125% Senior Notes due 2024 and the form of 1.625% Senior Notes due 2028 (21) |
| 4.18 | Senior Indenture, dated as of July 21, 2016, by and among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee (22) |
| 4.19 | First Supplemental Senior Indenture, dated as of July 21, 2016, by and among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 2.200% Senior Notes due 2021, the form of 2.800% Senior Notes due 2023, the form of 3.150% Senior Notes due 2026 and the form of 4.100% Senior Notes due 2046 (23) |
| 4.20 | Permanent Global Certificate, dated as of July 28, 2016, and the Terms of the CHF 300,000,000 0.125 per cent Notes due 2018 (24) |
| 4.21 | Permanent Global Certificate, dated as of July 28, 2016, and the Terms of the CHF 350,000,000 0.500 per cent Notes due 2022 (25) |
| 4.22 | Permanent Global Certificate, dated as of July 28, 2016, and the Terms of the CHF 350,000,000 1.000 per cent Notes due 2025 (26) |
| 4.23 | Guarantee, dated as of July 28, 2016, by Teva Pharmaceutical Industries Limited (relating to the 2022 Notes) (27) |
| 4.24 | Guarantee, dated as of July 28, 2016, by Teva Pharmaceutical Industries Limited (relating to the 2025 Notes) (28) |

| | |
|---|---|
| 4.25 | Senior Indenture, dated as of March 14, 2018, by and among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and the Bank of New York Mellon, as trustee (29) |
| 4.26 | First Supplemental Senior Indenture, dated as of March 14, 2018, by and among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and the Bank of New York Mellon, as trustee, including the form of 6.000% Senior Notes due 2024 and the form of 6.750% Senior Notes due 2028 (30) |
| 4.27 | Senior Indenture, dated as of March 14, 2018, by and among Teva Pharmaceutical Finance Netherlands II B.V., Teva Pharmaceutical Industries Limited and the Bank of New York Mellon, as trustee (31) |
| 4.28 | First Supplemental Senior Indenture, dated as of March 14, 2018, by and among Teva Pharmaceutical Finance Netherlands II B.V., Teva Pharmaceutical Industries Limited and the Bank of New York Mellon, as trustee, including the form of 3.250% Senior Notes due 2022 and the form of 4.500% Senior Notes due 2025 (32) |
| 4.29 | Second Supplemental Senior Indenture, dated as of November 25, 2019, among Teva Pharmaceutical Finance Netherlands II B.V., Teva Pharmaceutical Industries Limited, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon, London Branch, as paying agent, including the form of the 6.000% Senior Notes due 2025 (33) |
| 4.30 | Registration Rights Agreement, dated as of November 25, 2019, among Teva Pharmaceutical Finance Netherlands II B.V., Teva Pharmaceutical Industries Limited and the initial purchasers party thereto (34) |
| 4.31 | Second Supplemental Senior Indenture, dated as of November 25, 2019, among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of the 7.125% Senior Notes due 2025 (35) |
| 4.32 | Registration Rights Agreement, dated as of November 25, 2019, among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and the initial purchasers party thereto (36) |
| 4.33 | Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 * |
| 4.34 | Other long-term debt instruments: The registrant hereby undertakes to provide the Securities and Exchange Commission with copies upon request. |
| 10.1 | Senior Unsecured Revolving Credit Agreement, dated as of April 8, 2019, by and among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Finance Netherlands II B.V., Bank of America, N.A. and the lenders party thereto (37) |
| 10.2 | Employment Agreement, dated September 7, 2017, between Teva Pharmaceutical Industries Limited and Kåre Schultz (38) |
| 10.3 | Employment Agreement, dated as of February 8, 2018, between Teva Pharmaceuticals USA, Inc. and Michael McClellan (39) |
| 10.4 | Letter Agreement, dated as of September 19, 2017, between Teva Pharmaceuticals USA, Inc. and Michael McClellan (40) |
| 10.5 | Letter Agreement, dated as of April 26, 2017, between Teva Pharmaceuticals USA, Inc. and Michael McClellan (41) |

| | |
|---|---|
| 10.6 | Amended and Restated Employment Agreement, dated as of February 7, 2018, between Teva Pharmaceuticals USA, Inc. and Carlo de Notaristefani (42) |
| 10.7 | Separation Agreement, dated as of November 4, 2019, between Teva Pharmaceuticals USA, Inc. and Carlo de Notaristefani * |
| 10.8 | Employment Agreement, dated as of June 18, 2017, between Teva Pharmaceuticals USA, Inc. and Hafrun Fridriksdottir (43) |
| 10.9 | Amendment to Employment Agreement between Teva Pharmaceuticals USA, Inc. and Hafrun Fridriksdottir, dated as of January 4, 2019 (44) |
| 10.10 | Employment Agreement, dated as of December 22, 2013, between Teva Pharmaceuticals USA Inc. and Brendan O'Grady * |
| 10.11 | Employment Agreement, dated as of April 1, 2019, between Teva Pharmaceutical Industries Limited and Gianfranco Nazzi * |
| 10.12 | Long-Term Assignment Letter, dated as of August 9, 2018, between Teva Pharmaceutical Industries Limited and Michael McClellan (45) |
| 10.13 | Employment Agreement, dated as of November 6, 2019, between Teva Pharmaceutical Industries Limited and Eli Kalif * |
| 10.14 | Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan (46) |
| 10.15 | Teva Pharmaceuticals USA, Inc. Supplemental Deferred Compensation Plan (47) |
| 10.16 | Teva Pharmaceuticals USA, Inc. Defined Contribution Supplemental Executive Retirement Plan (48) |
| 10.17 | Form of Indemnification and Release Agreement (49) |
| 10.18 | Form Director Award Agreement (50) |
| 10.19 | Hafrun Fridriksdottir Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants (51) |
| 10.20 | Kåre Schultz Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to November 3, 2017 grant (52) |
| 10.21 | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants made to Michael McClellan and Hafrun Fridriksdottir and selected 2017 grants made to Michael McClellan (53) |
| 10.22 | Hafrun Fridriksdottir Substitute Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to August 2, 2016 stock option grant (54) |
| 10.23 | Hafrun Fridriksdottir Substitute Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to August 2, 2016 restricted stock unit grant (55) |
| 10.24 | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2017 grants made to Carlo de Notaristefani, Hafrun Fridriksdottir and Kåre Schultz (56) |
| 10.25 | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants made to Carlo de Notaristefani (57) |
| 10.26 | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2018 grants made to Kåre Schultz, Michael McClellan, Carlo de Notaristefani, Hafrun Fridriksdottir, Gianfranco Nazzi and Brendan O'Grady (58) |

| | |
|---|---|
| 10.27 | Form Bonus Letter Agreement (59) |
| 10.28 | Michael McClellan Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to September 18, 2017 grant (60) |
| 10.29 | Form Special Award Letter applicable to selected 2017 grants made to Gianfranco Nazzi and Brendan O'Grady * |
| 10.30 | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants and 2017 grants made to Gianfranco Nazzi and Brendan O'Grady * |
| 10.31 | Form Award Agreement (RSUs and PSUs) under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan * |
| 10.32 | Amendment to Employment Agreement between Teva Pharmaceutical Industries Limited and Eli Kalif, dated as of February 6, 2020 * |
| 21 | Subsidiaries of the Registrant * |
| 23 | Consent of Kesselman & Kesselman, independent registered public accountants * |
| 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 Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL 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

1. English translation or summary from Hebrew original, which is the official version.
2. Incorporated by reference to Exhibit 3.1 to Registration Statement on Form F-1(Reg. No. 33-15736).
3. Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on December 14, 2018.
4. Incorporated by reference to Exhibit 3.3 to Current Report on Form 8-K filed on December 14, 2018.
5. Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on December 4, 2018.
6. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on January 31, 2006.
7. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on January 31, 2006.
8. Incorporated by reference to Exhibit 4.3 to Form 6-K filed on January 31, 2006.
9. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on May 4, 2010.
10. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on November 10, 2011.
11. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on December 18, 2012.
12. Incorporated by reference to Exhibit 4.3 to Form 6-K filed on November 10, 2011.
13. Incorporated by reference to Exhibit 4.4 to Form 6-K filed on November 10, 2011.

14. Incorporated by reference to Exhibit 4.4 to Form 6-K filed on December 18, 2012.
15. Incorporated by reference to Exhibit 4.5 to Form 6-K filed on November 10, 2011.
16. Incorporated by reference to Exhibit 4.6 to Form 6-K filed on November 10, 2011.
17. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on April 25, 2012.
18. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on April 25, 2012.
19. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on March 31, 2015.
20. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on March 31, 2015.
21. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 25, 2016.
22. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on July 21, 2016.
23. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 21, 2016.
24. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on July 28, 2016.
25. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 28, 2016.
26. Incorporated by reference to Exhibit 4.3 to Form 6-K filed on July 28, 2016.
27. Incorporated by reference to Exhibit 4.5 to Form 6-K filed on July 28, 2016.
28. Incorporated by reference to Exhibit 4.6 to Form 6-K filed on July 28, 2016.
29. Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on March 14, 2018.
30. Incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed on March 14, 2018.
31. Incorporated by reference to Exhibit 4.5 to Current Report on Form 8-K filed on March 14, 2018.
32. Incorporated by reference to Exhibit 4.6 to Current Report on Form 8-K filed on March 14, 2018.
33. Incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed on November 25, 2019.
34. Incorporated by reference to Exhibit 4.4 to Current Report on Form 8-K filed on November 25, 2019.
35. Incorporated by reference to Exhibit 4.6 to Current Report on Form 8-K filed on November 25, 2019.
36. Incorporated by reference to Exhibit 4.8 to Current Report on Form 8-K filed on November 25, 2019.
37. Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on April 10, 2019.
38. Incorporated by reference to Exhibit 10.20 to Annual Report on Form 10-K filed on February 12, 2018.
39. Incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K filed on February 12, 2018.
40. Incorporated by reference to Exhibit 10.29 to Annual Report on Form 10-K filed on February 12, 2018.
41. Incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K filed on February 12, 2018.
42. Incorporated by reference to Exhibit 10.31 to Annual Report on Form 10-K filed on February 12, 2018.
43. Incorporated by reference to Exhibit 10.32 to Annual Report on Form 10-K filed on February 12, 2018.
44. Incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K filed on February 19, 2019.
45. Incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q filed on November 1, 2018.
46. Incorporated by reference to Exhibit A to Proxy Statement filed on June 8, 2017.
47. Incorporated by reference to Exhibit 10.49 to Annual Report on Form 10-K filed on February 12, 2018.
48. Incorporated by reference to Exhibit 10.50 to Annual Report on Form 10-K filed on February 12, 2018.
49. Incorporated by reference to Exhibit 10.51 to Annual Report on Form 10-K filed on February 12, 2018.
50. Incorporated by reference to Exhibit 10.52 to Annual Report on Form 10-K filed on February 12, 2018.
51. Incorporated by reference to Exhibit 10.53 to Annual Report on Form 10-K filed on February 12, 2018.
52. Incorporated by reference to Exhibit 10.54 to Annual Report on Form 10-K filed on February 12, 2018.
53. Incorporated by reference to Exhibit 10.56 to Annual Report on Form 10-K filed on February 12, 2018.
54. Incorporated by reference to Exhibit 10.57 to Annual Report on Form 10-K filed on February 12, 2018.
55. Incorporated by reference to Exhibit 10.58 to Annual Report on Form 10-K filed on February 12, 2018.
56. Incorporated by reference to Exhibit 10.60 to Annual Report on Form 10-K filed on February 12, 2018.
57. Incorporated by reference to Exhibit 10.61 to Annual Report on Form 10-K filed on February 12, 2018.
58. Incorporated by reference to Exhibit 10.63 to Annual Report on Form 10-K filed on February 12, 2018.
59. Incorporated by reference to Exhibit 10.64 to Annual Report on Form 10-K filed on February 12, 2018.
60. Incorporated by reference to Exhibit 10.65 to Annual Report on Form 10-K filed on February 12, 2018.

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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**

By: /s/ Kåre Schultz
Name: Kåre Schultz
Title: President and Chief Executive Officer
Dated: February 21, 2020

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT, that each of the undersigned directors and/or officers of Teva Pharmaceutical Industries Limited, a corporation organized under the laws of Israel, hereby constitutes and appoints Kåre Schultz, Eli Kalif, David M. Stark and Deborah A. Griffin, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign, execute and deliver with the U.S. Securities and Exchange Commission any and all amendments to this annual report on Form 10-K, with all exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| | Name | Title | Date |
|---|---|---|---|
| By: | /s/ Dr. Sol J. Barer<br>Dr. Sol J. Barer | Chairman of the Board of Directors | February 21, 2020 |
| By: | /s/ Kåre Schultz<br>Kåre Schultz | President and Chief Executive Officer and Director | February 21, 2020 |
| By: | /s/ Eli Kalif<br>Eli Kalif | Executive Vice President, Chief Financial Officer (Principal Financial Officer) | February 21, 2020 |
| By: | /s/ Deborah A. Griffin<br>Deborah A. Griffin | Senior Vice President, Chief Accounting Officer (Principal Accounting Officer) | February 21, 2020 |
| By: | /s/ Rosemary A. Crane<br>Rosemary A. Crane | Director | February 21, 2020 |
| By: | /s/ Amir Elstein<br>Amir Elstein | Director | February 21, 2020 |

| | Name | Title | Date |
|---|---|---|---|
| By: | /s/ Murray A. Goldberg<br>Murray A. Goldberg | Director | February 21, 2020 |
| By: | /s/ Jean-Michel Halfon<br>Jean-Michel Halfon | Director | February 21, 2020 |
| By: | /s/ Gerald M. Lieberman<br>Gerald M. Lieberman | Director | February 21, 2020 |
| By: | /s/ Roberto A. Mignone<br>Roberto A. Mignone | Director | February 21, 2020 |
| By: | /s/ Dr. Perry D. Nisen<br>Dr. Perry D. Nisen | Director | February 21, 2020 |
| By: | /s/ Nechemia (Chemi) J. Peres<br>Nechemia (Chemi) J. Peres | Director | February 21, 2020 |
| By: | /s/ Prof. Ronit Satchi-Fainaro<br>Prof. Ronit Satchi-Fainaro | Director | February 21, 2020 |

**Exhibit 4.33**

**DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

This section summarizes certain information regarding the American Depositary Shares ("ADSs") of Teva Pharmaceutical Industries Limited (the "Company"), each of which represents one ordinary share of the Company, par value NIS 0.10 per share. The ADSs constitute the only class of the Company's securities that is registered under Section 12 of the Securities Exchange Act of 1934, as amended. The following description is only a summary and does not purport to be complete and is qualified by reference to our Memorandum of Association, as amended, our Articles of Association, as amended ("Articles"), and our Second Amended and Restated Deposit Agreement, by and among the Company, Citibank, N.A., as depositary, and the holders and beneficial owners of ADSs issued thereunder, dated as of December 4, 2018 (the "Deposit Agreement"), each of which is incorporated by reference as exhibits to our annual report on Form 10-K.

**American Depositary Shares and Receipts**

**General**

ADSs represent ownership interests in securities that are on deposit with the depositary bank. ADSs may be represented by certificates that are commonly known as "American Depositary Receipts" or "ADRs." The depositary bank typically appoints a custodian to safekeep the securities on deposit. Citibank N.A., having its principal office at 388 Greenwich Street, New York, New York 10013, U.S.A., is acting as depositary bank for our ADSs and the custodians are Citibank Tel Aviv and Citibank, N.A.

The Company has appointed Citibank as depositary bank pursuant to the Deposit Agreement. A copy of the Deposit Agreement is on file with the SEC as an exhibit to the Company's Current Report on Form 8-K filed on December 4, 2018. ADS holders may obtain a copy of the Deposit Agreement from the SEC's website (www.sec.gov).

Each ADS represents the right to receive one ordinary share on deposit with the custodian. An ADS also represents the right to receive any other property received by the depositary bank or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. The custodian, the depositary bank and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depositary bank, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the Deposit Agreement be vested in the beneficial owners of the ADSs. The depositary bank, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. Owners of ADSs will be able to exercise beneficial ownership interests in the deposited property only through the registered holders of the ADSs, by the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depositary bank, and by the depositary bank (on behalf of the owners of the corresponding ADSs) directly, or indirectly through the custodian or their respective nominees, in each case upon the terms of the Deposit Agreement.

Owners of ADSs become a party to the Deposit Agreement and will be bound to its terms and to the terms of any ADR that represents ADSs. The Deposit Agreement and the ADR specify the rights and obligations of the Company, the depositary bank and the ADS owners. The Deposit Agreement and the ADRs are governed by New York law. However, the Company's obligations to the holders of ordinary shares will continue to be governed by the laws of the State of Israel, which may be different from the laws of the United States.

Owners of ADSs may hold ADSs either by means of an ADR registered in their name, through a brokerage or safekeeping account, or through an account established by the depositary bank in their name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank (commonly referred to as the "direct registration system" or "DRS"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and The Depository Trust Company, or DTC, the central book-entry clearing and settlement system for equity securities in the United States.

**Dividends and Distributions**

Holders of ADSs generally have the right to receive distributions made by the Company on the securities deposited with the custodian. Receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the Deposit Agreement in proportion to the number of ADSs held as of a specified record date, after deduction of the applicable fees, taxes and expenses.

**Distributions of Cash**

Whenever the Company makes a cash distribution for the securities on deposit with the custodian, the Company will deposit the funds with the depositary bank or the custodian on behalf of the depositary bank. Upon receipt of confirmation of the deposit of the requisite funds, the depositary bank will arrange for the funds to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of the State of Israel.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depositary bank will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. The depositary bank will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary bank holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

**Distributions of Shares**

Whenever the Company makes a free distribution of shares for the securities on deposit with the custodian, the Company will deposit the applicable number of shares with the custodian. Upon receipt of confirmation of such deposit, the depositary bank will either distribute to holders new ADSs representing the ordinary shares deposited or modify the ADS-to-shares ratio, in which case each ADS held by holders will represent rights and interests in the additional ordinary shares or preference shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-ordinary shares ratio upon a distribution of ordinary shares or preference shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. In order to pay such taxes or governmental charges, the depositary bank may sell all or a portion of the new ordinary shares so distributed. No such distribution of new ADSs will be made if it would violate a law (i.e., the U.S. securities laws) or if it is not operationally practicable. If the depositary bank does not distribute new ADSs as described above, it may sell the shares received upon the terms described in the Deposit Agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

**Elective Distributions of Cash or Shares**

Whenever the Company intends to distribute a dividend payable at the election of shareholders either in cash or in additional shares, it will give prior notice thereof to the depositary bank and will indicate whether it wishes the elective distribution to be made available to holders. In such case, the Company will assist the depositary bank in determining whether such distribution is lawful and reasonably practicable.

The depositary bank will make the election available to holders only if it is reasonably practicable and if the Company has provided all of the documentation contemplated in the Deposit Agreement. In such case, the depositary bank will establish procedures, in consultation with the Company, to enable holders to elect to receive either cash or additional ADSs, in each case as described in the Deposit Agreement.

If the election is not made available to holders, holders will receive either cash or additional ADSs, depending on what a shareholder under Israeli law would receive upon failing to make an election, as more fully described in the Deposit Agreement.

**Distribution of Rights**

Whenever the Company intends to distribute rights to purchase additional ordinary shares, it will give prior notice to the depositary bank and will assist the depositary bank in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional ADSs to holders.

The depositary bank will establish procedures, in consultation with the Company, to distribute rights to purchase additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if the Company provides all of the documentation contemplated in the Deposit Agreement (such as opinions to address the lawfulness of the transaction). Holders may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of their rights. The depositary bank is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new ordinary shares other than in the form of ADSs.

The depositary bank will *not* distribute the rights to holders if:

- the Company does not timely request that the rights be distributed to holders or the Company requests that the rights not be distributed to holders; or
- the Company fails to deliver satisfactory documents to the depositary bank; or
- it is not reasonably practicable to distribute the rights.

The depositary bank will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary bank is unable to sell the rights, it will allow the rights to lapse.

**Other Distributions**

Whenever the Company intends to distribute property other than cash, ordinary shares or rights to purchase additional ordinary shares, it will notify the depositary bank in advance and will indicate whether it wishes that such distribution be made to holders of ADSs. If so, the Company will assist the depositary bank in determining whether such distribution to holders is lawful and reasonably practicable. If it is reasonably practicable to distribute such property to holders and if the Company provides all of the documentation contemplated in the Deposit Agreement, the depositary bank will distribute the property to the holders in a manner it, in consultation with the Company, deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement. In order to pay such taxes and governmental charges, the depositary bank may, in consultation with the Company, sell all or a portion of the property received.

The depositary bank will *not* distribute the property to holders and will sell the property if:

- the Company does not request that the property be distributed to holders or if the Company asks that the property not be distributed to holders; or
- the Company does not deliver satisfactory documents to the depositary bank; or
- the depositary bank determines, in consultation with the Company, that all or a portion of the distribution to holders is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

**Redemption**

Whenever the Company intends to redeem any of the securities on deposit with the custodian, it will notify the depositary bank in advance. If it is practicable and if the Company provides all of the documentation contemplated in the Deposit Agreement, the depositary bank will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary bank will convert the redemption funds received into U.S. dollars upon the terms of the Deposit Agreement and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary bank. Holders may have to pay fees, expenses, taxes and other governmental charges upon the redemption of their ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a *pro rata* basis, as the depositary bank may determine in consultation with the Company.

**Changes Affecting Ordinary Shares and Preference Shares**

The ordinary shares held on deposit for ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such ordinary shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, the ADSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the new ordinary shares held on deposit. The depositary bank may in such circumstances deliver new ADSs to holders, amend the Deposit Agreement, the applicable ADRs and the applicable Registration Statement(s) on Form F-6, call for the exchange of existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the ordinary shares. If the depositary bank may not lawfully distribute such property to holders, the depositary bank may sell such property and distribute the net proceeds to holders as in the case of a cash distribution.

**Issuance of ADSs upon Deposit of Ordinary Shares**

Upon receipt of notice from the custodian confirming (i) that a deposit of ordinary shares has been made pursuant to the requirements of the Deposit Agreement, (ii) that all required documentation has been received, and (iii) the person(s) to whom ADSs are deliverable and the number of ADSs to be delivered, the depositary bank will issue, subject to the terms of the Deposit Agreement, applicable law and payment of all applicable charges, taxes and other governmental fees, ADSs to the persons named in the custodian's notice. The depositary bank will only issue ADSs in whole numbers.

When a holder makes a deposit of ordinary shares, such holder will be responsible for transferring good and valid title to the depositary bank. As such, holders will be deemed to represent and warrant that:

- the ordinary shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained;
- all preemptive (and similar) rights, if any, with respect to such ordinary shares have been validly waived or exercised;
- the person making the deposit is duly authorized to deposit the ordinary shares;
- the ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and the ADSs issuable upon such deposit will not be "restricted securities" (as defined in the Deposit Agreement); and
- the ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, the Company and the depositary bank may, at holders' cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

**Transfer, Combination and Split of ADRs**

Holders are entitled to transfer, combine or split up their ADRs and the ADSs evidenced thereby. For transfers of ADRs, holders will have to surrender the ADRs to be transferred to the depositary bank and also:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary bank deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the Deposit Agreement, upon the transfer of ADRs.

To have ADRs either combined or split up, holders must surrender the ADRs in question to the depositary bank with a request to have them combined or split up, and holders must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the Deposit Agreement, upon a combination or split up of ADRs.

**Withdrawal of Ordinary Shares upon Cancellation of ADSs**

Holders of ADSs are entitled to present their ADSs to the depositary bank for cancellation and then receive the corresponding number of underlying ordinary shares at the custodian's offices. Holders' ability to withdraw the ordinary shares may be limited by U.S. and Israeli legal considerations applicable at the time of withdrawal. In order to withdraw the ordinary shares represented by ADSs, holders will be required to pay to the depositary bank the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the ordinary shares being withdrawn. Holders assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the Deposit Agreement.

If holders hold ADSs registered in their name, the depositary bank may ask such holders to provide proof of identity and genuineness of any signature and such other documents as the depositary bank may deem appropriate before it will cancel the ADSs. The withdrawal of the ordinary shares represented by the ADSs may be delayed until the depositary bank receives satisfactory evidence of compliance with all applicable laws and regulations. The depositary bank will only accept ADSs for cancellation that represent a whole number of securities on deposit.

Holders have the right to withdraw the securities represented by ADSs at any time except for:

- temporary delays that may arise because (i) the transfer books for the ordinary shares or ADSs are closed, or (ii) ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends;
- outstanding obligations to pay fees, taxes and similar charges; or
- restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The Deposit Agreement may not be modified to impair holders' right to withdraw the securities represented by their ADSs, except to comply with mandatory provisions of law.

**Reports and Communications**

The Company will furnish to the depositary bank all notices of shareholders' meetings, proxy soliciting material and other reports and communications that are made generally available to the holders of ordinary shares and English translations of the same (including a summary, in English, of any applicable provisions or proposed provisions of the Articles that may be relevant to such notices, reports and communications). The depositary bank will make such notices, reports and communications available for inspection by holders of ADSs at its principal office when furnished by the Company pursuant to the Deposit Agreement and, upon request by the Company, will mail such notices, reports and communications to holders at the Company's expense.

**Voting Rights**

Holders of ADSs generally have the right under the Deposit Agreement to instruct the depositary bank to exercise the voting rights for the ordinary shares represented by their ADSs.

At the Company's request, the depositary bank will distribute to holders any notice of shareholders' meeting received from the Company together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs.

If the depositary bank timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs in accordance with such voting instructions.

The ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. The Company cannot assure that holders will receive voting materials in time to enable them to return voting instructions to the depositary bank in a timely manner. Securities for which no voting instructions have been received will not be voted.

**Fees and Charges**

Holders of ADSs will be required to pay the following service fees to the depositary bank:

| Service | Fees |
|---|---|
| (1) Issuance of ADSs (e.g., an issuance upon a deposit of shares, upon a change in the ADS(s)-to-share(s) ratio, or for any other reason), excluding issuances as a result of distributions described in paragraph (4) below. | Up to U.S. $5.00 per 100 ADSs (or fraction thereof) issued. |
| (2) Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited shares, upon a change in the ADS(s)-to-share(s) ratio, or for any other reason). | Up to U.S. $5.00 per 100 ADSs (or fraction thereof) cancelled. |
| (3) Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements). | Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held. |
| (4) Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs. | Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held. |
| (5) Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., spin-off shares). | Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held. |
| (6) ADS Services. | Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the depositary bank. |

Holders of ADSs will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges such as:

(1) taxes and other governmental charges;

(2) fees related to the transfer and registration of ordinary shares charged by the registrar and transfer agent (i.e., upon deposit and withdrawal of ordinary shares);

(3) expenses for cable, telex and fax transmissions and for delivery of securities;

(4) expenses incurred for converting foreign currency into U.S. dollars;

(5) expenses incurred in connection with compliance with exchange control regulations and other regulatory requirements; and

(6) fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The Depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (*i.e.*, stock dividend, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the Deposit Agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the holder.

The fees and charges holders may be required to pay may vary over time and may be changed by the Company and by the depositary bank. Holders will receive prior notice of such changes.

The depositary bank may reimburse the Company for certain expenses incurred by the Company in respect of the ADR program established pursuant to the Deposit Agreement, by making available a portion of the depositary fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the depositary bank may agree from time to time.

**Amendment and Termination**

The Company may agree with the depositary bank to modify the Deposit Agreement at any time without holders' consent. The Company undertakes to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the Deposit Agreement. Modifications to the Deposit Agreement shall be deemed not to materially prejudice holders' substantial existing rights if such modifications are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges holders are required to pay. In addition, the Company may not be able to provide holders with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

Holders will be bound by the modifications to the Deposit Agreement if they continue to hold ADSs after the modifications to the Deposit Agreement become effective. The Deposit Agreement cannot be amended to prevent holders from withdrawing the ordinary shares represented by their ADSs (except in order to comply with applicable by law).

The Company has the right to direct the depositary bank to terminate the Deposit Agreement. Similarly, the depositary bank may in certain circumstances on its own initiative terminate the Deposit Agreement. In either case, the depositary bank must give notice to holders at least 30 days before termination. Until termination, holders' rights under the Deposit Agreement will be unaffected.

After termination, the depositary bank will continue to collect distributions received (but will not distribute any such property until holders request the cancellation of their ADSs) and may sell the securities held on deposit. After the sale, the depositary bank will hold the proceeds from such sale and any other funds then held for holders in a non-interest bearing account. At that point, the depositary bank will have no further obligations to holders other than to account for the funds then held for holders still outstanding (after deduction of applicable fees, taxes and expenses).

**Book of Depositary**

The depositary bank will maintain ADS holder records at its depositary office. Holders may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the Deposit Agreement.

The depositary bank will maintain in New York City (Borough of Manhattan) facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

**Limitations on Obligations and Liabilities**

The Deposit Agreement limits the obligations of the Company and the depositary bank to the holders of ADSs as follows:

- the Company and the depositary bank are obligated only to take the actions specifically stated in the Deposit Agreement without negligence or bad faith;
- both the Company and the depositary bank disclaim any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided they act in good faith and in accordance with the terms of the Deposit Agreement;
- both the Company and the depositary bank disclaim any liability for any failure to accurately determine the lawfulness or practicality of any action, for the investment risks associated with investing in ordinary shares, for the validity or worth of the ordinary shares, for the value of ordinary shares or any distribution or interest thereon, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the Deposit Agreement; for any action of or failure to act by, or any information provided or not provided by, DTC or any DTC participant;
- the depositary bank disclaims any liability for the content of any information submitted to it by the Company for distribution to holders or for any inaccuracy of any translation thereof or for the failure or timeliness of any notice from the Company;
- the Company and the depositary bank will not be obligated to perform any act that is inconsistent with the terms of the Deposit Agreement;
- the Company and the depositary bank disclaim any liability if the Company or the custodian or the depositary bank are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the Deposit Agreement, by reason of any provision, present or future of any applicable law or regulation, or by reason of present or future provision of any provision of our Articles, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond the Company's control;
- the Company and the depositary bank disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles or in any provisions of or governing the securities on deposit;
- the Company and the depositary bank further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting ordinary shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by the Company or the depositary bank in good faith to be competent to give such advice or information;
- the Company and the depositary bank also disclaim liability for the inability of certain holders to benefit from any distribution, offering, right or other benefit that is made available to holders of ordinary shares but is not, under the terms of the Deposit Agreement, made available to such holders;

- the Company and the depositary bank also disclaim liability for any action or inaction of any clearing or settlement system (and any participant thereof) for the deposited property or the ADSs;
- the Company and the depositary bank may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties; and
- the Company and the depositary bank also disclaim liability for any consequential or punitive damages for any breach of the terms of the Deposit Agreement.

**Taxes**

Holders will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. The Company, the depositary bank and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. Holders will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary bank may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary bank and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on behalf of holders. However, holders may be required to provide to the depositary bank and to the custodian proof of taxpayer status and residence and such other information as the Company, the depositary bank and the custodian may require to fulfill legal obligations. Holders are required to indemnify the Company, the depositary bank and the custodian for any claims with respect to taxes based on any tax benefit obtained for holders.

**Foreign Currency Conversion**

The depositary bank will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the Deposit Agreement. Holders may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary bank may take the following actions in its discretion:

- convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to holders for whom the conversion and distribution is lawful and practical; or
- distribute the foreign currency to holders for whom the distribution is lawful and practical; or
- hold the foreign currency (without liability for interest) for the applicable holders.

**Exhibit 10.7**

**EXECUTION VERSION**

**SEPARATION AND GENERAL RELEASE AGREEMENT**

This **SEPARATION AND GENERAL RELEASE AGREEMENT** (this "Agreement") is made as of October 1, 2019 (the "Effective Date"), between Teva Pharmaceuticals USA, Inc., a Delaware corporation (the "Company"), and Carlo de Notaristefani (the "Executive"). The Company and the Executive are collectively referred to herein as the "Parties." Capitalized terms not otherwise defined herein shall have the meaning set forth in that Amended and Restated Employment Agreement dated as of February 7, 2018, between the Company and the Executive (the "Employment Agreement").

**1. Notice and Separation.** The Parties hereto agree and acknowledge that the Executive employment with the Company shall terminate on June 30, 2020 (the "**Termination Date**"). For the avoidance of doubt, the period between the date of the Agreement and the Termination Date shall include the Notice Period pursuant to the Employment Agreement.

**2.** The Executive hereby agrees to resign all of the Executive's positions (whether as an officer, director or any other position) that he holds with the Company Group, effective as of October 1, 2019, and the Executive will execute such additional documents as reasonably requested by the Company to evidence the foregoing. The Parties further agree that through the Termination Date, the Executive shall provide assistance and support to the new Executive Vice President, Global Operations of the Teva Group to ensure a smooth transition and to perform any other duties assigned to him by the Chief Executive Officer of the Company Group.

**3. 2019 Annual Cash Bonus**. Subject to the discretion of the Compensation Committee, the TPI Board, the Compensation Policy and the terms of the 2019 Annual Cash Bonus Plan, the Executive shall be eligible to be considered for payment of the annual Cash Bonus for 2019. For the avoidance of doubt, Executive not be eligible to participate in the Company Group's 2020 Annual Cash Bonus Plan.

**4. Severance.** Subject to the terms and conditions of this Agreement, the Company agrees to pay to the Executive:

(a) all accrued but unpaid Base Salary through the Termination Date (which shall be paid on the first ordinary payroll date following the Termination Date), (ii) any unpaid or unreimbursed reasonable out-of-pocket expenses incurred by the Executive in connection with the business of the Company in accordance with Company policy to the extent incurred prior to the Termination Date (which shall be paid following Executive submission of such receipts evidencing such expenses in accordance with the Company's expense reimbursement policies), (iii) any other amounts required to be paid pursuant to applicable law, if any, and (iv) accrued and/or vested benefits under any plan or agreement covering the Executive which shall be paid in accordance with, and governed by, the terms of such plan or agreement;

(b) a lump sum cash payment in an amount equal to $836,400, which is equal to twelve (12) months of the Executive's Base Salary as of the Termination Date, which shall be paid on the next regular payroll date immediately following the sixtieth ($60^{th}$) day after the Termination Date;

(c) an amount equal to $836,400, which is equal to twelve (12) months of the Executive's Base Salary as of the Termination Date in consideration for the Executive's compliance with the Restrictive Covenants set forth in Section 9 of the Employment Agreement, which will be paid in substantially equal installments in accordance with the payroll practices of the Company during the twelve (12) month period commencing on the Termination Date;

(d) a lump sum cash payment of $42,313, which shall be paid on the next regular payroll date immediately following the sixtieth ($60^{th}$) day after the Termination Date, in consideration of the Company obligations pursuant to Section 7(d)(v) of the Employment Agreement (the amounts described in Sections 3(b), 3(c) and 3(d), collectively, the "Severance Payments"); and

(e) all outstanding equity-based compensation awards granted to the Executive under the Long-Term Equity-Based Incentive Plan (the "Equity Plan") of TPI (as defined in the Employment Agreement) shall continue to vest and remain exercisable (to the extent applicable) following the Termination Date as if Executive had remained employed by the Company, in accordance with the terms and conditions of the applicable Equity Plan and the individual award agreements evidencing such grants (including, for the avoidance of doubt, any performance vesting conditions and any original stated expiration date of options) (the "Equity Benefits").

The Company's obligation to pay the Executive the Severance Payments and provide the Equity Benefits shall be subject to the Executive's execution and non-revocation of the Release of Claims attached as Exhibit A to the Employment Agreement within sixty (60) days following the Termination Date (the date on which the Release of Claims becomes non-revocable, the "Release Effective Date") and the Executive's continued compliance with the Restrictive Covenants (as defined below).

Further, to the extent that any portion of the Severance Payments constitutes "nonqualified deferred compensation" within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code") and all applicable regulations and guidance thereunder ("Section 409A"), any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth (60th) day following the date of the Executive's termination of employment hereunder, but for the condition that the Executive execute the Release of Claims as set forth herein, shall not be made until the first regularly scheduled payroll date following such sixtieth (60th) day (subject to any additional delay as may be required under Section 7(a) of this Agreement), after which any remaining Severance Payments shall thereafter be provided to the Executive according to the applicable schedule set forth herein.

**5. Restrictive Covenants.**

(a) The Executive hereby acknowledges and agrees that Section 9 of the Employment Agreement contain certain restrictive covenants and related provisions (the "Restrictive Covenants"), all of which will remain in full force and effect following the Termination Date in accordance with their terms.

(b) The executive hereby acknowledge and agrees that until the Termination Date and at all times thereafter, he shall cooperate with the Company and its attorneys in connection with any matter related to the period he was employed by Teva USA and/or his services to other members of the Teva Group, including but not limited to any threatened, pending, and/or subsequent litigation, government investigation, or other formal inquiry against ant member of the Teva Group, and shall make himself available upon notice to prepare for and appear at deposition, hearing, arbitration, mediation, or trial in connection with any such matters. Such cooperation will include willingness to be interviewed by representatives of the Company and to participate in legal proceedings by deposition or testimony.

(c) Notwithstanding any provision herein to the contrary, and without derogating from any other remedy available to the Company pursuant to applicable law, in the event that the Executive breaches any of the Restrictive Covenants, (i) payment or provision of the Severance Payments shall immediately cease (without prejudice to any other remedies available to the Company hereunder and/or pursuant to applicable law), (ii) the Company will have no further obligations to the Executive with respect to payment or provision of the Severance Payments and (iii) the Executive must promptly repay to the Company any Severance Payments and benefits set forth in Sections 3(b), 3(c) and 3(d) hereof paid or provided to the Executive prior to the date of such breach.

(d) The Executive understands that nothing in this Agreement or the Restrictive Covenants limits the Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local government agency or commission (collectively, the "Government Agencies"). The Executive further understands that neither this Agreement nor the Restrictive Covenants limits the Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Neither this Agreement nor the Restrictive Covenants limits the Executive's right to receive an award for information provided to any Government Agencies.

**6. Additional Section 409A Provisions**. All payments and benefits under this Agreement shall be made and provided in a manner that is intended to comply with Section 409A, to the extent applicable. Notwithstanding any provision in this Agreement to the contrary:

(a) The payment (or commencement of a series of payments) hereunder of any "nonqualified deferred compensation" (within the meaning of Section 409A) upon a termination of employment shall be delayed until such time as the Executive has also undergone a "separation from service" as defined in U.S. Treasury Regulation Section 1.409A-1(h), at which time such "nonqualified deferred compensation" (calculated as of the Termination Date) shall be paid (or commence to be paid) to the Executive on the schedule set forth in this Agreement as if the Executive had undergone such termination of employment (under the same circumstances) on the date of his ultimate "separation from service." Any payment otherwise required to be made hereunder to the Executive at any date as a result of the termination of the Executive's employment shall be delayed for such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code (the "Delay Period") in the event that the Executive is deemed at the time of his "separation from service" to be a "specified employee" (in each case, within the meaning of Section 409A) and if such delay is otherwise required to avoid additional tax under Section 409A(a)(2) of the Code. In such event, on the first business day following the expiration of the Delay Period, the Executive shall be paid, in a single lump sum cash payment, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule set forth herein.

(b) Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes "nonqualified deferred compensation" (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by the Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; provided that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105 (b) of the Code solely because such expenses are subject to a limit related to the period during which the arrangement is in effect.

(d) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any penalty taxes under Section 409A, in no event whatsoever shall the Company or any of its affiliates be liable for (i) any additional tax, interest or penalties that may be imposed on the Executive as a result of Section 409A or (ii) any damages for failing to comply with Section 409A (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A).

**7. Entire Agreement.**

(a) Except as otherwise expressly provided herein, this Agreement and the Employment Agreement (including but not limited to Section 24 of the Employment Agreement) constitute the entire agreement between the Executive and the Company with respect to the subject matter hereof and supersedes any and all prior agreements or understandings between the Executive and the Company, any member of the Teva Group and any of the Company's principal shareholders, affiliates or subsidiaries.

(b) Notwithstanding the foregoing, each of the following will remain in full force and effect in accordance with their existing terms and will be unaffected by this Agreement: (i) any confidentiality, invention assignment, or similar agreement or arrangement to which the Executive is a party with any member of the Teva Group, which obligations shall remain in force and effect, (ii) the Indemnification and Release, dated as August 1, 2012.

(c) In addition, this Agreement shall not derogate from the TPI Board of Director's General Discretion and Clawback powers pursuant to TPI Compensation Policy and all restrictions set forth in the Compensation Policy (as defined in the Employment Agreement) shall remain in full force and effect through the Termination Date, and following the Termination Date shall remain in effect only to the extent applicable to terminated employees.

(d) This Agreement will bind the heirs, personal representatives, successors and assigns of the Executive and the Company, and inure to the benefit of the Executive and the Company, and each of the Executive's respective heirs, successors and assigns, provided that the Executive may not assign his rights or obligations hereunder. This Agreement may be amended or modified only by a written instrument executed by the Executive and the Company. This Agreement and the obligations of the Parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the State of Delaware (without reference to conflict of laws principles).

*[Remainder of page intentionally left blank. Signature page follows.]*

**IN WITNESS WHEREOF**, the Parties have executed this Agreement on the latest date set forth below.

**TEVA PHARMACEUTICALS USA, INC.**

By: /s/ Deborah A. Griffin
Name: Deborah A. Griffin
Title: SVP & Chief Accounting Officer
Date: November 4, 2019

By: /s/ Brian E. Shanahan
Name: Brian E. Shanahan
Title: Secretary
Date: November 4, 2019

**EXECUTIVE**

**/s/ Carlo De Notaristefani**
Carlo De Notaristefani
Date: October 31, 2019

**Exhibit 10.10**

Execution Version

**EMPLOYMENT AGREEMENT**

This Employment Agreement (this "Agreement"), dated as of May 6, 2018 (the "Execution Date"), is entered into by and between **TEVA PHARMACEUTICALS USA, INC.**, a Delaware corporation ("Teva USA"), and **BRENDAN O'GRADY** (the "Executive").

**R E C I T A L S:**

WHEREAS, Teva USA desires to continue to employ the Executive and the Executive has indicated his willingness to continue to provide his services to Teva USA on the terms and conditions set forth herein; and

WHEREAS, Teva USA and the Executive deem it to be in their mutual best interests to memorialize the terms of such employment in a formal agreement.

NOW, THEREFORE, on the basis of the foregoing premises and in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Effective Date. This Agreement shall be effective as of November 27, 2017 (the "Effective Date").

2. Term of Employment. Teva USA hereby agrees to employ the Executive and the Executive hereby accepts such employment with Teva USA, on the terms and conditions hereinafter set forth. The term of employment (the "Term of Employment") hereunder shall commence on the Effective Date and shall continue until the Termination Date, as defined in Section 7 below.

3. Position; Duties and Responsibilities; Place of Performance.

(a) The Executive was appointed as Executive Vice President, North America Commercial, effective November 27, 2017, pursuant to that certain Promotion Letter, dated December 14, 2017, by and between Executive and Teva. In such capacity, the Executive reports directly to the President and Chief Executive Officer of Teva Pharmaceutical Industries Ltd. ("TPI", and collectively with Teva USA, the "Company"). In addition, the Executive has such additional executive duties and responsibilities as may be assigned to him by the President and Chief Executive Officer of TPI. If the Executive is elected as a director or officer of any subsidiary or affiliate of the Company, the Executive shall serve in such capacity or capacities without additional compensation.

(b) From the Effective Date through December 31, 2017, Executive will continue his international assignment at Teva Pharmaceuticals Europe BV in Amsterdam, Netherlands, and effective as of January 1, 2018, the Executive's principal place of employment will be in the United States. The Executive understands and agrees that it is expected that the Executive will be required to travel extensively (including internationally) in connection with the performance of his duties hereunder.

(c) Authority. Notwithstanding anything in this Agreement to the contrary, the Executive, while in the United States, (a) shall not have authority to bind TPI or any of its non-U.S. subsidiaries and (b) shall be subject to such further restrictions as to his activities on behalf of TPI or its non-U.S. subsidiaries as may be determined by TPI from time to time.

4. Exclusivity. Subject to the terms and conditions set forth in this Agreement, the Executive shall devote his full business time, attention, and efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term of Employment, including, without limitation, any activity that (a) conflicts with the interests of the Company or its affiliates, (b) interferes with the proper and efficient performance of his duties for the Company or (c) interferes with the exercise of his judgment in the Company's or its affiliates' best interests. Notwithstanding the foregoing, nothing herein shall preclude the Executive from: (i) serving, with the prior written consent of the President and Chief Executive Officer of TPI (which shall not be unreasonably withheld or delayed), as a member of the board of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations; (ii) engaging in charitable activities and community affairs; (iii) speaking at meetings of business, charitable and civic organizations; or (iv) subject to the terms and conditions set forth in Section 9 hereof, managing his personal investments and affairs; *provided*, *however*, that the activities set out in clauses (i), (ii), (iii) and (iv) shall be limited by the Executive so as not to be in contradiction to any Company policy and/or materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder or create a potential business or fiduciary conflict.

5. Compensation and Benefits.

(a) Base Salary. For services rendered under this Agreement, Teva USA shall pay the Executive a salary at the rate of U.S. $600,000 per annum (such salary, or any increased salary granted to the Executive pursuant to this Section 5(a), the "Base Salary"). The Executive's Base Salary shall be payable in accordance with the payroll practices of Teva USA as the same shall exist from time to time. The Human Resources and Compensation Committee (the "Compensation Committee") of the Board of Directors of TPI (the "TPI Board"), with input from the President and Chief Executive Officer of TPI, shall periodically consider and resolve whether to approve adjustments to the Executive's Base Salary, according to the considerations specified in the shareholder-approved compensation policy of TPI in effect from time to time (the "Compensation Policy") and subject to approval of the Compensation Committee and the TPI Board.

(b) Annual Bonus. For each fiscal year that ends during the Term of Employment, the Executive shall be eligible to be considered for an annual bonus under the Company's annual cash bonus plan in accordance with the Compensation Policy (the "Annual Bonus") and subject to the sole discretion of the Compensation Committee and the TPI Board, with a target amount equal to 100% of Executive's Base Salary. If payable, the Annual Bonus shall be paid to the Executive at the same time as annual bonuses are generally payable to other similarly situated senior executives of the Company, subject to the Executive's continuous employment through the payment date, except as otherwise set forth in this Agreement.

(c) Equity Awards. During the Term of Employment, the Executive shall be considered for equity-based compensation awards under TPI's 2015 Long-Term Equity-Based Incentive Plan or any successor equity compensation plan(s) (the "Equity Plan"), at the sole discretion of the President and Chief Executive Officer of TPI, the Compensation Committee and the TPI Board. Any such awards shall be granted on such terms and conditions as may be determined by the Compensation Committee and the TPI Board.

(d) Benefits. During the Term of Employment, the Executive shall be eligible to participate in such benefit plans and programs as shall be provided to similarly situated executives of Teva USA, including medical insurance, long-term and short-term disability insurance, dental insurance, life insurance, 401(k) plan, Supplemental Deferred Compensation Plan and other benefit programs that may be adopted by Teva USA from time to time (but, excluding, for the avoidance of doubt, Teva USA's Supplemental Executive Retirement Plan and Defined Contribution Supplemental Executive Retirement Plan). Nothing contained herein shall be construed to limit the Company's ability to amend, suspend, or terminate any employee benefit plan or policy at any time without providing the Executive notice, and the right to do so is expressly reserved.

(e) Car Allowance. During the Term of Employment, the Executive will be provided with a car cash allowance of U.S. $2,000 per month.

(f) Vacation. During the Term of Employment, the Executive shall be entitled to the same number of vacation days, holidays, sick days and other paid time off benefits as are generally allowed to other similarly situated executives of Teva USA in accordance with Teva USA's policy as in effect from time to time. Teva USA's expectation is that the Executive will take a reasonable amount of vacation (not to exceed five (5) weeks per year). Because there are no set vacation allocations, the Executive acknowledges that, in accordance with Teva USA's policy, the Company will not make any payment for unused vacation time in connection with a termination of the Executive's employment for any reason.

6. Ordinary Business Expenses. During the Term of Employment, Teva USA shall reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in connection with the business of the Company and in the performance of his duties under this Agreement, including expenses for travel, lodging and similar items, all in accordance with Teva USA's expense reimbursement policy, as the same may be modified from time to time. Teva USA shall reimburse all such proper expenses upon the Executive's presentation to Teva USA of an itemized accounting of such expenses with reasonable supporting data.

7. Termination of Employment.

(a) General. The Term of Employment shall terminate upon the earliest to occur of (i) the Executive's death, (ii) a termination by reason of a Disability (as defined below), (iii) a termination by Teva USA with or without Cause (as defined below) and (iv) a termination by the Executive with or without Good Reason (as defined below). The date on which employee-employer relations cease to exist between the parties (including as a result of acceleration of such cessation due to a waiver by the Company of Executive's services during the relevant Notice Period (as defined below) and payment to the Executive of the entire amount the Executive is

entitled to in respect of such Notice Period) shall be referred to in this Agreement as the "Termination Date". For the avoidance of doubt, in the event Executive shall be employed by any other member of the Teva Group following a termination of employment by Teva USA, such termination by Teva USA shall not be deemed termination of employment of Executive. Upon the termination of the Executive's employment with the Teva Group for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by the Executive, the Executive shall resign from any and all directorships, committee memberships or any other positions the Executive holds with any member of the Teva Group.

(b) Death or Disability. The Executive's employment shall terminate automatically upon his death. Teva USA may terminate the Executive's employment immediately after the occurrence of a Disability, such termination to be effective upon the Executive's receipt of written notice of such termination. In the event the Executive's employment is terminated due to his death or Disability, the Executive or his estate or his beneficiaries, as the case may be, shall be entitled to (i) all accrued but unpaid Base Salary through the Termination Date; (ii) any unpaid or unreimbursed expenses incurred in accordance with Teva USA policy, including amounts due under Section 6 hereof to the extent incurred prior to the Termination Date; (iii) any other amounts required to be paid pursuant to applicable law, if any; and (iv) accrued and/or vested benefits under any plan or agreement covering the Executive which shall be governed by the terms of such plan or agreement (items (i) through (iv) collectively, the "Accrued Obligations").

For purposes of this Agreement, "Disability" shall mean any physical or mental disability or infirmity that renders the Executive incapable of performing his usual and customary duties as set forth herein for a period of one hundred twenty (120) days during any twelve (12) month period. Any question as to the existence or extent of the Executive's Disability upon which the Executive and Teva USA cannot agree shall be determined by a qualified, independent physician selected by Teva USA and approved by the Executive or the Executive's representatives (which approval shall not be unreasonably withheld or delayed). The determination of any such physician shall be final and conclusive for all purposes of this Agreement.

Except as set forth in this Section 7(b), following the Executive's termination by reason of his death or Disability, the Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination by Teva USA for Cause. In the event of Cause, Teva USA may terminate the Executive's employment for Cause as described in this Section 7(c): In the event Teva USA terminates the Executive's employment for Cause, he shall be entitled only to (A) all accrued but unpaid Base Salary through the Termination Date; and (B) any unpaid or unreimbursed expenses incurred in accordance with Teva USA policy, including amounts due under Section 6 hereof to the extent incurred prior to the Termination Date. Following a termination of the Executive's employment for Cause, except as set forth in this Section 7(c), the Executive shall have no further rights to any compensation or any other benefits.

For purposes of this Agreement, "Cause" shall mean: (A) the Executive's indictment for, conviction of or pleading of guilty or nolo contendere to, (i) a felony or (ii) any crime involving moral turpitude; (B) the Executive's embezzlement, dishonesty, misappropriation of Company property, breach of fiduciary duty or fraud with regard to the Company or any of its assets or

businesses; (C) the Executive's willful misconduct or gross negligence in the performance of the Executive's duties or continual failure to perform the material duties of his position; (D) the Executive's material violation of a Company rule or regulation; or (E) the Executive's breach of a material provision of this Agreement.

(d) Termination by Teva USA without Cause. Teva USA may terminate the Executive's employment at any time without Cause, effective three (3) months following the Executive's receipt of written notice of such termination (in this Section 7(d), the "Notice Period"). Teva USA may, in its sole and absolute discretion, by written notice, waive the services of the Executive during the Notice Period or in respect of any part of such period, and at Teva USA's sole discretion accelerate the effective date of such termination of employee-employer relationship (such accelerated date shall constitute the Termination Date), all on the condition that Teva USA pay the Executive the monthly Base Salary and all additional compensation and benefits to which the Executive is entitled in respect of the Notice Period without regard to any such Teva USA waiver.

In the event the Executive's employment is terminated by Teva USA without Cause (other than by reason of his death or Disability), the Executive shall be entitled to:

(i) the Accrued Obligations;

(ii) a lump sum cash payment in an amount equal to six (6) months of the Executive's then-current Base Salary, payable on the sixtieth (60th) day following the Termination Date;

(iii) an amount equal to twelve (12) months of the Executive's then-current Base Salary in consideration for the Executive's undertaking set forth in Section 9(e) below and subject to the Executive's compliance therewith, such amount to be paid in substantially equal installments in accordance with the payroll practices of Teva USA during the twelve (12) month period commencing on the Termination Date; and

(iv) a lump sum cash payment payable on the sixtieth (60th) day following the Termination Date in an amount equal to (A) the monthly COBRA premium cost for the Executive and the Executive's covered dependents under Teva USA's group health plan as of the date of such termination, multiplied by (B) eighteen (18).

Notwithstanding the foregoing, and without derogating from any other remedy available to the Company, (A) the payments and benefits described in subsections (ii) through (iv) above shall immediately cease, (B) the Company shall have no further obligations to the Executive with respect thereto and (C) the Executive shall promptly repay to Teva USA any payments or benefits paid or provided to the Executive pursuant to subsections (ii) through (iv) above, in the event that the Executive breaches any provision of Section 9 hereof.

Following a termination of the Executive's employment by Teva USA without Cause, except as set forth in this Section 7(d), the Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(e) Termination by the Executive for Good Reason. The Executive may terminate his employment for Good Reason and receive severance compensation upon such termination as described in this Section 7(e).

(i) The Executive may terminate his employment for Good Reason by providing Teva USA three (3) months' written notice setting forth with reasonable specificity the event that constitutes Good Reason, which written notice, to be effective, must be provided to Teva USA within ninety (90) days following the occurrence of such event. During such three (3) month notice period, Teva USA shall have a cure right (if curable), and if not cured within such period, the Executive's termination will be effective upon the date immediately following the expiration of the three (3) month notice period.

(ii) In the event of the Executive's termination for Good Reason, the Executive shall be entitled to the same payments and other benefits as provided in Section 7(d)(i) through (iv) above for a termination without Cause, it being agreed that the Executive's right to any such payments shall be subject to the same terms and conditions as described in Section 7(d) above, including, without limitation, the forfeiture of the Executive's right to the payments and benefits described in subsections (d)(ii) through (iv) thereof, and the Executive's obligation to promptly repay such amounts, in the event that the Executive breaches any provision of Section 9 hereof. Following a termination of the Executive's employment by the Executive for Good Reason, except as set forth in this Section 7(e), the Executive shall have no further rights to any compensation or any other benefits under this Agreement.

For purposes of this Agreement, "Good Reason" shall mean, without the Executive's express written consent, the occurrence of any of the following events: (A) the Company's breach of a material provision of this Agreement, (B) a material diminution in the Executive's duties or responsibilities that is inconsistent with the Executive's position as described herein, or (C) a material reduction by Teva USA in the Executive's rate of annual Base Salary.

(f) Termination by the Executive without Good Reason. The Executive may terminate his employment without Good Reason by providing Teva USA three (3) months' written notice of such termination (in this Section 7(f), the "Notice Period"). In the event that the Executive's employment is terminated by the Executive without Good Reason, the Executive shall be entitled to the Accrued Obligations.

In the event of the termination of the Executive's employment under this Section 7(f), Teva USA may, in its sole and absolute discretion, by written notice, waive the services of the Executive during the Notice Period or in respect of any part of such period, and at Teva USA's sole discretion accelerate the effective date of such termination of employee-employer relationship (such accelerated date shall constitute the Termination Date) and still have it treated as a termination without Good Reason.

Following a termination of the Executive's employment by the Executive without Good Reason, except as set forth in this Section 7(f), the Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(g) Change of Control. In the event that the Executive's employment is terminated pursuant to subsection (d) of this Section 7, during the one year period following a merger of TPI with another entity, pursuant to which merger TPI is not the surviving entity, and such termination is a result of such merger, then, in addition to any payments or other benefits to which the Executive is entitled pursuant to Section 7(d), the Executive shall also be entitled to receive a lump sum cash payment in an amount equal to $1,500,000, payable on the next regular payroll date immediately following the sixtieth (60th) day after the Termination Date.

(h) Release. Notwithstanding any provision herein to the contrary, the payment of any amount or provision of any benefit pursuant to subsection (b), (d), (e) or (g) of this Section 7 (other than the Accrued Obligations) (collectively, the "Severance Benefits") shall be conditioned upon the Executive's execution, delivery to Teva USA, and non-revocation of a release of claims in the form attached as Exhibit A hereto, as the same may be revised from time to time by Teva USA upon the advice of counsel (the "Release of Claims") (and the expiration of any revocation period contained in the Release of Claims) within sixty (60) days following the Termination Date. If the Executive fails to execute the Release of Claims in such a timely manner so as to permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes his acceptance of such release following its execution, the Executive shall not be entitled to any of the Severance Benefits. Further, to the extent that any portion of the Severance Benefits constitutes "nonqualified deferred compensation" within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code") and all applicable regulations and guidance thereunder ("Section 409A"), any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth (60th) day following the date of the Executive's termination of employment hereunder, but for the condition that the Executive execute the Release of Claims as set forth herein, shall not be made until the first regularly scheduled payroll date following such sixtieth (60th) day (subject to any additional delay as may be required under Section 11(a) of this Agreement), after which any remaining Severance Benefits shall thereafter be provided to the Executive according to the applicable schedule set forth herein. For the avoidance of doubt, in the event of a termination by reason of the Executive's death or Disability, the Executive's obligations herein to execute and not revoke the Release of Claims may be satisfied on his behalf by his estate or a person having legal power of attorney over his affairs.

(i) Compliance with Covenants. Notwithstanding any provision herein to the contrary, and without derogating from any other remedy available to the Company, in the event that the Executive breaches any provision of Section 9 hereof, (A) payment or provision of the Severance Benefits shall immediately cease (without prejudice to any other remedies available to the Company hereunder and/or pursuant to applicable law), (B) the Company shall have no further obligations to the Executive with respect to payment or provision of the Severance Benefits and (C) the Executive shall promptly repay to the Company any Severance Benefits paid or provided to the Executive pursuant to this Section 7 prior to the date of such breach.

(j) Return of Property. Upon termination of the Executive's employment, or earlier than that if required by the Company, the Executive shall promptly return to Teva USA any cell phone, laptop or other hand-held device provided to the Executive, and any confidential or proprietary information of the Company or any of their subsidiaries or affiliates that remains in the Executive's possession; *provided*, *however*, that nothing in this Agreement or elsewhere shall prevent the Executive from retaining and utilizing documents relating to his personal benefits,

entitlements and obligations; documents relating to his personal tax obligations; his desk calendar, personal contact list, and the like; and such other records and documents as may reasonably be approved by the TPI CEO (such approval not to be unreasonably withheld or delayed).

8. Representations. The Executive hereby represents to the Company that (a) he is legally entitled to enter into this Agreement and to perform the services contemplated herein and is not bound under any employment, consulting or other agreement to render services to any third party, (b) he has the full right, power and authority, subject to no rights of third parties, to grant to the Company the rights contemplated by Section 9(b) hereof, and (c) he does not now have, nor within the last three (3) years has he had, any ownership interest in any business enterprise (other than interests in publicly traded corporations where his ownership does not exceed one percent (1%) or more of the equity capital) which is a customer of the Teva Group (as defined below), or from which the Teva Group purchases any goods or services or to whom such corporations owe any financial obligations or are required or directed to make any payments.

9. Executive's Covenants.

(a) Disclosure of Information. The Executive recognizes and acknowledges that the trade secrets, know-how and proprietary information and processes of TPI, Teva USA and their subsidiaries and affiliates (the "Teva Group"), as they may exist from time to time, are valuable, special and unique assets of the business of the Teva Group, access to and knowledge of which are essential to the performance of the Executive's duties hereunder. The Executive will not, during or at any time following the Term of Employment, in whole or in part, disclose such secrets, know-how or processes to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, nor shall the Executive make use of any such secrets, know-how or processes for his own purposes or for the benefit of any person, firm, corporation or other entity (except for a member of the Teva Group) under any circumstances during or after the Term of Employment; *provided*, that, after the termination of his employment, these restrictions shall not apply to such secrets, know-how and processes which are then in the public domain (provided that the Executive was not responsible, directly or indirectly, for such secrets, know-how or processes entering the public domain without the Company's consent). In addition, nothing contained in this Agreement shall be construed to prohibit the Executive from reporting possible violations of federal or state law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any whistleblower provisions of federal or state law or regulation, or from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body.

(b) DTSA Disclosure. Pursuant to 18 U.S.C. § 1833(b), an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose a trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (A) files any document containing the trade secret under seal and (B) does not disclose the trade secret except pursuant to court order.

(c) Inventions. Without additional compensation, the Executive hereby sells, transfers and assigns to the Company, or to any person or entity designated by the Company, all of the entire right, title and interest of the Executive in, and to, all inventions, ideas, disclosures and improvements, whether patented or unpatented, and copyrightable material, made or conceived by the Executive, solely or jointly, during the Term of Employment, which relate to methods, apparatus, designs, products, processes or devices, sold, leased, used or under consideration or development by the Company or any of its subsidiaries or affiliates, or which otherwise relate to or pertain to the business, functions or operations of the Company or any of its subsidiaries or affiliates or which arise from the efforts of the Executive during the course of his employment for the Company or any of its subsidiaries or affiliates. The Executive shall communicate promptly and disclose to the Company, in such form as the Company requests, all information, details and data pertaining to the aforementioned inventions, ideas, disclosures and improvements. The Executive shall execute and deliver to the Company such formal transfers and assignments and such other papers and documents as may be necessary or required of the Executive to permit the Company or any person or entity designated by the Company to file and prosecute the patent applications and, as to copyrightable material, to obtain copyright thereof. Any invention relating to the business of the Company and its subsidiaries or affiliates made by the Executive within one year following the termination of the Term of Employment shall be deemed to fall within the provisions of this paragraph unless proved to have been first conceived and made following such termination.

(d) Covenant Not to Interfere. During the Term of Employment and for a period of twelve (12) months following the Termination Date, the Executive shall not, directly or indirectly, (i) solicit or induce, or in any manner attempt to solicit or induce, any person employed by, or as agent of, the Company, its subsidiaries or affiliates to terminate such person's contract of employment or agency, as the case may be, with the Company, its subsidiaries or affiliates or (ii) divert, or attempt to divert, any person, concern or entity from doing business with the Company, its subsidiaries or affiliates, or attempt to induce any such person, concern or entity to cease being a customer or supplier of the Company, its subsidiaries or affiliates.

(e) Covenant Not to Compete. By signing this Agreement, the Executive hereby acknowledges and agrees that, in his capacity as Executive Vice President, North America Commercial, the Executive will have a great deal of exposure and access to a broad variety of commercially valuable proprietary information of the Teva Group, including, by way of illustration, confidential information regarding the Teva Group's current and future products and strategies, costs and other financial information, R&D and marketing plans and strategies, etc. As a result of the Executive's knowledge of the above information and in consideration for the benefits offered by the Company under this Agreement, the Executive affirms and recognizes his continuing obligations with respect to the use and disclosure of confidential and proprietary information of the Teva Group pursuant to the Teva Group's policies and the terms and conditions of this Agreement, and hereby agrees that, during the Term of Employment and for a period of twelve (12) months following the Termination Date (to the extent such restriction does not violate any statute or public policy), the Executive shall not, directly or indirectly (whether as an officer, director, owner, employee, partner, consultant or other direct or indirect service provider) perform

any services for any division, subsidiary or product group of a company, which division, subsidiary or product group is involved in the development, manufacture of, sale of or trading in (i) generic products or (ii) specialty pharmaceutical products that are competitive with a fundamental product developed, manufactured, sold or otherwise traded in by the Company as of the date of such termination of employment, where the determination of whether a certain product constitutes a fundamental product manufactured, sold or otherwise traded in by the Teva Group shall be reasonably determined on an ad-hoc basis at the relevant time by the TPI CEO. If a company described in the preceding sentence is not organized into divisions, subsidiaries or product groups, the term "division, subsidiary or product group" in the preceding sentence shall refer to the entire company.

(f) Non-Disparagement. During the Term of Employment and at all times thereafter, the Executive agrees not to (i) make any disparaging or defamatory comments regarding any member of the Teva Group or any of its current or former directors, officers, employees or products or (ii) make any negative or disparaging comments concerning any aspect of the Executive's relationship with any member of the Teva Group or any conduct or events relating to any termination of the Executive's employment with the Company.

(g) Cooperation. During the Term of Employment and at all times thereafter, the Executive agrees to cooperate with the Company and its attorneys in connection with any matter related to the period he was employed by Teva USA and/or his services to other members of the Teva Group, including but not limited to any threatened, pending, and/or subsequent litigation, government investigation, or other formal inquiry against ant member of the Teva Group, and shall make himself available upon notice to prepare for and appear at deposition, hearing, arbitration, mediation, or trial in connection with any such matters. Such cooperation will include willingness to be interviewed by representatives of the Company and to participate in legal proceedings by deposition or testimony.

(h) Blue Pencil. It is the desire and intent of the parties that the provisions of this Section 9 be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision or clause of this Section 9 shall be adjudicated to be invalid or unenforceable or overly broad in scope, time or geographic region, then such provision or clause shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable or to reduce or narrow down the portion thus adjudicated to be too broad in scope, time or geographic region, such deletion, reduction or narrowing down to apply only with respect to the operation of this Section 9 in the particular jurisdiction in which such adjudication is made.

(i) Injunctive Relief. Executive acknowledges and agrees that Teva USA entered into this Agreement in reliance on the provisions of this Section 9 and the enforcement of this Section 9 is necessary to ensure the preservation, protection and continuity of the goodwill of the Teva Group's business and confidential information. Executive agrees that, due to the nature of the business of the Teva Group, the restrictions set forth in this Section 9 are reasonable as to time, geography and scope. Executive agrees that the Teva Group would suffer irreparable harm and continuing damage for which money damages would be insufficient if Executive were to breach, or threaten to breach, this Section 9. Executive furthermore agrees that the Teva Group would by reason of such breach, or threatened breach, be entitled to injunctive, a decree for

specific performance, other equitable relief in aid of arbitration in a court of appropriate jurisdiction, and all other relief as may be proper (including money damages if appropriate), to the extent permitted by law, without the need to post any bond. Executive further consents and stipulates to the entry of such injunctive relief in such a court prohibiting Executive from breaching the terms of this Section 9. This section shall not, however, diminish the right of the Teva Group to claim and recover damages and other appropriate relief in addition to injunctive relief. Notwithstanding anything to the contrary contained herein, in the event of a breach of any covenant by Executive, the duration of any restriction breached shall be extended for a period equal to any time period that Executive was in violation of such covenant.

(j) Further Representations and Covenants. In signing this Agreement, Executive gives the Teva Group assurance that Executive has carefully read and considered all of the terms and conditions of this Section 9. Executive agrees that these restraints are necessary for the reasonable and proper protection of the Teva Group and its confidential information and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area, and that these restraints, individually or in the aggregate, will not prevent Executive from obtaining other suitable employment during the period in which Executive is bound by the restraints. Executive agrees that, before providing services to any entity during the period of time that Executive is subject to the constraints in this Section 9, Executive will provide a copy of this Section 9 to such entity, and Executive shall ensure that such entity acknowledge to the Company in writing that it has read this Section 9. Executive acknowledges that each of these covenants has a unique, very substantial and immeasurable value to the Teva Group, and that Executive has sufficient assets and skills to provide a livelihood while such covenants remain in force. Executive further covenants that Executive will not challenge the reasonableness or enforceability of any of the covenants set forth in this Section 9, and that Executive will reimburse the Teva Group for all costs (including, without limitation, reasonable attorneys' fees) incurred in connection with any action to enforce any of the provisions of this Section 9 if either the Teva Group prevails on any material issue involved in such dispute or if Executive challenges the reasonableness or enforceability of any of the provisions of this Section 9. It is also agreed that each member of the Teva Group will have the right to enforce all of Executive's obligations under this Agreement.

10. Insurance. The Company may, at its election and for its benefit, insure the Executive against death, and the Executive shall submit to such physical examination and supply such information as may be reasonably required in connection therewith.

11. Additional Section 409A Provisions. All payments and benefits under this Agreement shall be made and provided in a manner that is intended to comply with Section 409A, to the extent applicable. Notwithstanding any provision in this Agreement to the contrary:

(a) The payment (or commencement of a series of payments) hereunder of any "nonqualified deferred compensation" (within the meaning of Section 409A) upon a termination of employment shall be delayed until such time as the Executive has also undergone a "separation from service" as defined in U.S. Treasury Regulation Section 1.409A-1(h), at which time such "nonqualified deferred compensation" (calculated as of the Termination Date) shall be paid (or commence to be paid) to the Executive on the schedule set forth in this Agreement as if

the Executive had undergone such termination of employment (under the same circumstances) on the date of his ultimate "separation from service." Any payment otherwise required to be made hereunder to the Executive at any date as a result of the termination of the Executive's employment shall be delayed for such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code (the "Delay Period") in the event that the Executive is deemed at the time of his "separation from service" to be a "specified employee" (in each case, within the meaning of Section 409A) and if such delay is otherwise required to avoid additional tax under Section 409A(a)(2) of the Code. In such event, on the first business day following the expiration of the Delay Period, the Executive shall be paid, in a single lump sum cash payment, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule set forth herein.

(b) Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes "nonqualified deferred compensation" (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by Teva USA no later than the last day of the taxable year following the taxable year in which such expense was incurred by the Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided* that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period during which the arrangement is in effect.

(d) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any penalty taxes under Section 409A, in no event whatsoever shall the Company or any of its affiliates be liable for (i) any additional tax, interest or penalties that may be imposed on the Executive as a result of Section 409A or (ii) any damages for failing to comply with Section 409A (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A).

12. Clawback. All payments made pursuant to this Agreement are subject to the "clawback" provisions in the Compensation Policy.

13. Required Stock Ownership. The Executive acknowledges and agrees to adhere to the Company's stock ownership guidelines applicable to senior executives of the Company, as may be amended from time to time in the Company's sole discretion.

14. No-Hedging Policy. The Executive acknowledges and agrees to adhere to the Company's No-Hedging Policy applicable to senior executives of the Company, as may be amended from time to time in the Company's sole discretion.

15. No-Pledging Policy. The Executive acknowledges and agrees to adhere to the Company's No-Pledging Policy applicable to senior executives of the Company, as may be amended from time to time in the Company's sole discretion.

16. Notices. Any notice required or permitted to be given under this Agreement shall be deemed sufficient if in writing and if sent by registered mail to the Executive at his home address as reflected on the records of the Company, in the case of the Executive, or, in the case of the Company, to TPI at TPI's headquarters, Attention: Group Executive VP, Human Resources, or to such other officer or address as the Company shall notify the Executive.

17. Waiver of Breach. A waiver by the Company or the Executive of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by the other party.

18. Governing Law; Severability. This Agreement shall be governed by and construed and enforced in accordance with the laws of the state of New Jersey without giving effect to the choice of law or conflict of laws provisions thereof. Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but the invalidity or unenforceability of any provision or portion of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision or portion of any provision, in any other jurisdiction. In addition, should a court determine that any provision or portion of any provision of this Agreement, is not reasonable or valid, either in period of time, geographical area, or otherwise, the parties agree that such provision should be interpreted and enforced to the maximum extent which such court deems reasonable or valid.

19. Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by applicable law.

20. Assignment. This Agreement may be assigned, without the consent of the Executive, by Teva USA to any member of the Teva Group or to any person, partnership, corporation or other entity that has purchased all or substantially all the assets of Teva USA and/or TPI; *provided*, that such assignee assumes any and all of the obligations of the Company hereunder. The Company shall cause any person, firm or corporation acquiring all or substantially all of the assets of Teva USA to execute a written instrument agreeing to assume any and all of the obligations of the Company hereunder as a condition to acquiring such assets.

21. Compensation Policy. This Agreement shall be subject to the Compensation Policy and nothing herein shall derogate in any way from the Company's rights thereunder.

22. Entire Agreement; Amendment. This Agreement contains the entire agreement of the parties and supersedes any and all agreements, letters of intent or understandings between the Executive and (a) the Company, (b) any member of the Teva Group or (c) any of the Company's principal shareholders, affiliates or subsidiaries, except as to the Company's equity compensation plans and other separate agreements, plans and programs referred to herein;

*provided*, that this Agreement shall not alter (i) the Executive's obligations to any member of the Teva Group under any confidentiality, invention assignment, or similar agreement or arrangement to which the Executive is a party with any member of the Teva Group, which obligations shall remain in force and effect and (ii) the Executive's rights to any equity and/or retention award previously granted, which rights shall remain in full force and effect and shall not be overridden by this Agreement. Notwithstanding the foregoing, in the event of any inconsistency between this Agreement and the Compensation Policy, the terms of the Compensation Policy shall control. This Agreement may be changed only by an agreement in writing signed by a party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

23. Headings. The headings of the sections and subsections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

24. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement. Signatures delivered by facsimile or by e-mail as a portable document format (.pdf) file or image file attachment shall be effective for all purposes.

25. Survival. The provisions of this Agreement that are intended to survive the termination of this Agreement shall survive such termination in accordance with their terms.

26. Indemnification. The Indemnification and Release Agreement between TPI and the Executive, dated November 27, 2017, shall continue to apply in full force and effect in accordance with its terms, and is incorporated by reference to this Agreement.

* * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date specified in the first paragraph of this Agreement.

**TEVA PHARMACEUTICALS USA, INC.**

By: /s/ Deborah A. Griffin
Name: Deborah A. Griffin
Title: SVP & Chief Accounting Officer

By: /s/ Brian E. Shanahan
Name: Brian E. Shanahan
Title: Secretary

**EXECUTIVE**

/s/ Brendan P. O'Grady

**EXHIBIT A**

**FORM OF RELEASE AGREEMENT**

As a material inducement to Teva Pharmaceuticals USA, Inc. ("Teva USA") to providing the severance benefits and other benefits and payments in excess of the amounts required to be paid to Brendan O'Grady (the "Executive") by applicable law (if any) under the employment agreement (the "Employment Agreement") dated as of May 6, 2018 by and between Teva USA and the Executive, and in consideration of its agreements and obligations under the Employment Agreement and for other good and valuable consideration, the receipt of which is hereby acknowledged by the Executive, the Executive on behalf of himself and his family, agents, representatives, heirs, executors, trustees, administrators, attorneys, successors and assigns (the "Releasors") hereby irrevocably, unconditionally and generally releases Teva USA, Teva Pharmaceutical Industries Ltd., and their and the Teva Group's direct and indirect parents, subsidiaries, affiliates, shareholders, officers, directors, employees and attorneys, and the heirs, executors, administrators, receivers, successors and assigns of all of the foregoing (collectively, the "Corporate Releasees"), from, and hereby waives and/or settles any and all, actions, causes of action, suits, debts, sums of money, agreements, promises, damages, or any liability, claims or demands, known or unknown and of any nature whatsoever and which the Executive ever had, now has or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this release (collectively, the "Executive Claims") arising directly or indirectly pursuant to or out of his employment with Teva USA, the performance of services for Teva USA or any Corporate Releasee or the termination of such employment or services and, specifically, without limitation, any rights and/or the Executive Claims (a) arising under or pursuant to any contract, express or implied, written or oral, relating to the Executive's employment or termination thereof or the employment relationship, including, without limitation, the Employment Agreement; (b) for wrongful dismissal or termination of employment; (c) arising under any federal, state, local or other statutes, orders, laws, ordinances, regulations or the like that relate to the employment relationship and/or that specifically prohibit discrimination based upon age, race, religion, sex, national origin, disability, sexual orientation or any other unlawful bases, including, but not limited to, any and all claims under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended, the Age Discrimination in Employment Act of 1967, as amended, the Older Workers Benefit Protection Act of 1990, the Equal Pay Act of 1963, the Americans with Disabilities Act of 1990, as amended, the Family and Medical Leave Act of 1993, the Employee Retirement Income Security Act of 1974, as amended, and applicable rules and regulations promulgated pursuant to or concerning any of the foregoing statutes; (d) for damages, including, without limitation, punitive or compensatory damages or for attorneys' expenses, costs, wages, injunctive or equitable relief resulting or pertaining to those matters released hereunder; and (e) relating to salaries, benefits, bonuses, compensation, fringe benefits, social benefits according to any law or agreement, amounts of manager's insurance, pension fund, provident fund and education fund, overtime, severance pay, sick pay, recreation payments, vacation payments, prior notice payments, options or other securities, reimbursement of expenses and/or any other payments or benefits due to the Executive. This paragraph shall not apply to any rights or claims that the Executive may have: (i) for a breach of Teva USA's obligation to provide, or cause to be provided, the severance and other payments and benefits due under the

Employment Agreement; (ii) for disability, life insurance, health, welfare, qualified and nonqualified pension and other employee benefit plans in accordance with the terms of the applicable plans; and (iii) any right(s) of indemnification that the Executive may have, whether under or pursuant to the Employment Agreement, this release or the charter, bylaws or other governing plans, policies or arrangements of, or any insurance policy maintained by Teva USA, for any and all actions undertaken by the Executive in his capacity as an employee, contractor, consultant, agent, officer, director, shareholder, trustee, fiduciary or other representative of Teva USA.

The Releasors agree not to bring any action, suit or proceeding whatsoever (including the initiation of governmental proceedings or investigations of any type) against any of the Corporate Releasees for any matter or circumstance concerning which the Releasors have released the Corporate Releasees under this Release. Further, the Executive agrees not to encourage any other person or suggest to any other person that he, he or it institute any legal action against the Corporate Releasees, and the Executive hereby declares, confirms and undertakes that, if the Releasors or anyone else in their name should deliver a claim as mentioned above, the Executive shall reimburse the Corporate Releasees and anyone else on their behalf to the full extent of the sum of the legal expenses and legal fees incurred by them as a result of any such claim; and in the event that Releasors prevail in such legal action, then the Corporate Releasees shall reimburse such sum to the Executive. Notwithstanding the foregoing, this Release is not intended to interfere with the Executive's right to file a charge with the U.S. Equal Employment Opportunity Commission (the "EEOC") in connection with any claim the Executive believes the Executive may have against Teva USA. The Releasors hereby agree to waive the right to any relief (monetary or otherwise) in any action, suit or proceeding the Executive may bring in violation of this Release, including any proceeding before the EEOC or any other similar body or in any proceeding brought by the EEOC or any other similar body on the Executive's behalf. In addition, nothing contained in this release shall be construed to prohibit the Releasors from reporting possible violations of federal or state law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any whistleblower provisions of federal or state law or regulation, or from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body.

To the extent applicable, this release shall constitute a dismissal and compromise notice for the purposes of Section 29 of the Israeli Severance Pay Law 5713-1963.

**Representation by Counsel/Revocation.**

(a) By executing this release, the Executive acknowledges that: (i) he has been advised by Teva USA to consult with an attorney before executing this release and has consulted and been represented by counsel in connection therewith; (ii) he has been provided with at least a twenty-one (21) day period to review and consider whether to sign this release and, by executing and delivering this release to Teva USA, he is waiving any remaining portion of such twenty-one (21) day period; and (iii) he has been advised that he has seven (7) days following execution of the Release to revoke this release (the "Revocation Period").

(b) This release will not be effective or enforceable until the Revocation Period has expired. Any revocation of this release shall only be effective if an originally executed written notice of revocation is delivered to Teva USA on or before 5:00 p.m. EST on the last day of the Revocation Period. If so revoked, this release shall be deemed to be void *ab initio* and of no further force and effect.

(c) Defined terms not otherwise defined herein shall have the same meanings ascribed to them in the Employment Agreement.

Dated: [To be Executed Following a Termination of Employment]

**Exhibit 10.11**

EXECUTION VERSION

**EMPLOYMENT AGREEMENT**

This Employment Agreement (this "Agreement"), dated as of February 21, 2019 (the "Execution Date"), is entered into by and between **TEVA PHARMACEUTICALS EUROPE B.V.**, a company incorporated under the laws of The Netherlands, Dutch Companies Register number 30110625 ("TPE" or "Company"), and **GIANFRANCO NAZZI**, born on 30 June 1968, nationality _____, passport number _____ (the "Executive").

**R E C I T A L S:**

WHEREAS, Executive has been employed by TPE on the basis of terms and conditions as inter alia laid down in a written employment contract executed by Executive on 29 October 2013, as amended in Amendments/Addenda/Letters/Emails dated prior to 27 November 2017 and regardless whether those originated from TPE, TPI or any other Group Company (including without limitation, those dated 2 December 2013 (on the Commencement Date), 19 February 2016 (on school fees), the letter dated 20 January 2017 (retention bonus) and 19 May 2017 (on eligibility to payments upon termination of employment)), which shall jointly be referred to as the "Previous Employment Contract".

WHEREAS, TPE desires to continue to employ the Executive and the Executive has indicated his willingness to continue to provide his services to TPE on the terms and conditions set forth herein (the "Employment Contract"), which shall henceforward apply in substitution of the (terms and conditions of the) Employment Contract; and

NOW, THEREFORE, on the basis of the foregoing premises and in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. Effective Date. This Agreement shall be effective as of 27 November 2017 (the "Effective Date"). The (terms and conditions of the) subject Employment Contract will, as from the Effective Date, and unless specifically stated otherwise in the subject Employment Contract, substitute (all terms and conditions of) the Previous Employment Contract, with the exception of any provisions relating to outstanding cash retention awards dated 20 January 2017 and 18 September 2017, equity awards and the provisions on relocation conditions as referred to in Section 5 (e) (i) hereof (which provisions hence will remain in force).

2. Term of Employment. TPE hereby agrees to employ the Executive and the Executive hereby accepts such employment with TPE, on the terms and conditions hereinafter set forth. The term of employment (the "Term of Employment") hereunder shall be considered to have commenced on 1 February 2014 and shall continue for an indefinite term.

3. Position; Duties and Responsibilities; Place of Performance.

(a) As from 27 November 2017, the Executive has been appointed as an Executive Officer of the Teva Group in the role of Executive Vice President, Growth Markets Commercial which was subsequently renamed as International Markets Commercial (the "Role"). In such capacity, the Executive reports directly to the President and Chief Executive Officer of Teva Pharmaceutical Industries, Ltd. ("**TPI**"). In addition, the Executive has such additional executive duties and responsibilities as may be assigned to him by the President and Chief Executive Officer of TPI. If the Executive is appointed as a director or officer of TPI and/or any of its subsidiaries or affiliates (jointly: the "Teva Group" or the "Group Companies" and each severally a "Group Company"), the Executive shall serve in such capacity or capacities without additional compensation.

(b) The Executive's principal place of employment is at TPE headquarters in the Netherlands, except that during the Relocation Term (as defined below) Executive's principal place of employment shall be at TPI's headquarters in Israel. The Executive understands and agrees that it is expected that the Executive will be required to travel extensively (including internationally) in connection with the performance of his duties hereunder.

(c) Notwithstanding anything in this Agreement to the contrary, the Executive, while outside of Israel, (i) shall not have authority to bind TPI and (ii) shall be subject to such further restrictions as to his activities on behalf of TPI or its subsidiaries as may be determined by TPI from time to time.

(d) The Executive shall perform his duties under the Employment Contract on a full-time basis. Executive shall be required to occasionally perform his duties during weekends and/or on public holidays, and/or outside regular office hours and/or in excess of the number of contractual working hours, if such is reasonably necessary for the proper performance of the Executive's duties under the Employment Contract ("**Overtime**"). Sufficient remuneration for Overtime shall be deemed included in the Base Salary and the Executive shall therefore not be entitled to any (additional) remuneration for Overtime.

4. Exclusivity. Subject to the terms and conditions set forth in this Agreement, the Executive shall devote his full business time, attention, and efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term of Employment, including, without limitation, any activity that (a) conflicts with the interests of any Group Company, (b) interferes with the proper and efficient performance of his duties for TPI or TPE or (c) interferes with the exercise of his judgment in any Group Company's best interests. Notwithstanding the foregoing, nothing herein shall preclude the Executive from: (i) serving, with the prior written consent of the President and Chief Executive Officer of TPI, as a member of the board of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations; (ii) engaging in charitable activities and community affairs; (iii) speaking at meetings of business, charitable and civic organizations; or (iv) subject to the terms and conditions set forth in Section 9 hereof, managing his personal investments and affairs; *provided*, *however*, that the activities set out sub (i), (ii), (iii) and (iv) shall be limited by the Executive so as not to be in contradiction to any Group Company's policy and/or materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder or create a potential business or fiduciary conflict.

5. Compensation and Benefits.

(a) Base Salary. For services rendered under this Agreement, the Executive shall be entitled to a salary at the rate of EUR 447,000 gross per annum for the prorated period starting the Effective Date and ending 31 March 2018, and EUR 464,100 gross per annum for the period commencing 1 April 2018, including Dutch statutory holiday allowance (such salary, or any increased salary granted to the Executive pursuant to this Section 5(a), the "Base Salary"), accruing on a pro rata tempore basis. The Executive's Base Salary shall be payable in accordance with the payroll practices of TPE as the same shall exist from time to time. The Human Resources and Compensation Committee (the "Compensation Committee") of the Board of Directors of TPI (the "TPI Board"), with input from the President and Chief Executive Officer of TPI, shall periodically consider and resolve whether to approve adjustments to the Executive's Base Salary, according to the considerations specified in the shareholder-approved compensation policy of TPI in effect from time to time (the "Compensation Policy") and subject to approval of the TPI Board.

(b) Annual Bonus. For each fiscal year that ends during the Term of Employment, the Executive shall be eligible to be considered for an annual bonus under the Company's annual cash bonus plan in accordance with the Compensation Policy (the "Annual Bonus") and subject to the discretion of the Compensation Committee and the TPI Board. The Annual Bonus shall be paid to the Executive at the same time as annual bonuses are generally payable to other similarly situated senior executives of TPE, subject to the Executive's continuous employment through the payment date, except as otherwise set forth in this Agreement. As from the Effective Date, the Annual Bonus target will be 100% of the Base Salary earned during the applicable year.

(c) Equity Awards. During the Term of Employment, the Executive shall be considered for equity-based compensation awards under TPI's 2015 Long-Term Equity-Based Incentive Plan or any successor equity compensation plan(s), at the sole discretion of the President and Chief Executive Officer of TPI, the Compensation Committee and the TPI Board. Any such awards shall be granted on such terms and conditions as may be determined by the Compensation Committee and the TPI Board.

(d) Benefits.

(i) General. During the Term of Employment, the Executive shall be eligible to participate in such benefit plans and programs (other than on (1) bonus (2) equity and (3) pension, since those benefits will be covered exclusively by the provisions of this Agreement) as shall be provided to similarly situated executives of TPE, subject to the terms and conditions of such benefit plans and programs. Nothing contained herein shall be construed to limit TPE's ability to amend, suspend, or terminate any employee benefit plan or policy at any time without providing the Executive notice, and the right to do so is

expressly reserved. The terms and conditions of any TPE Employee Handbook, as that handbook may read from time to time, will apply to the subject Employment Contract, albeit that any provision of that handbook shall be considered superseded by the provisions explicitly stated or referred to herein. In case of discrepancies between the provisions of that handbook and provisions explicitly stated or referred to herein (including compensation policies), the latter shall prevail and substitute the handbook-provisions. Any TPI or TPE codes of conduct and policies (other than those on (1) bonus (2) equity and (3) pension) shall fully apply to the subject Employment Contract.

(ii) Pension. The Executive hereby explicitly waives any entitlement to participation in, and hence any entitlements to accruals under, each and every company-pension scheme as operated by TPE (including, without limitation, both the basic 'gross' pension scheme arranging for certain pension accruals over the salary up to the cap set by Dutch wage tax legislation and the 'net' pension scheme arranging for certain pension accruals over the salary in excess of that cap), with retro-active effect to the date of commencement of the Term of Employment. The Executive acknowledges and understands that as a consequence of not participating in the TPE company-pension schemes, the Executive and/or his spouse/partner (i.e. partner pension) and/or children (i.e. orphan's pension) have no rights/claims under the current and/or future company-pension schemes of TPE against either TPE and/or the pension provider, which inter alia means that they will have no claims against TPE and/or the pension provider in case of (e.g.): reaching any retirement age, the death of Executive before or after reaching any retirement age, sickness/incapacity for work of the Executive, divorce etc. At TPE's request, the Executive will execute each and every instrument required by TPE, or the pension provider, to (re-) confirm such waiver of rights. The Executive warrants that his spouse/partner will execute a written statement confirming his/her consent to the Executive's above-mentioned waiver and/or will execute a similar waiver(s) him/herself. In lieu of participation in any TPE-operated company-pension scheme (and provided that all of the above waivers and further instruments required by TPE in that respect will be executed by both the Executive and his spouse/partner), the Executive will be entitled to a monthly gross allowance as well as a monthly net allowance, each in the amount of the fictitious employer's pension contributions (excluding premiums for any risk based insurances associated with those pension schemes) that would have been contributed by TPE to the respective company-operated pension schemes if the Executive had participated in the TPE company-pension schemes (as those were and will be applicable from time to time). That net allowance and the (net equivalent of the) gross allowance are intended for financing a private retirement scheme to be concluded and operated by the Executive and for financing any risk-based insurances for his own benefit. Neither of these allowances will be considered to qualify as salary/income for the purpose of calculating any variable pay or for calculating the Lump Sum, transitional fee (statutory severance), value of accrued but untaken holidays, VaBene or any other severance/damages/benefits to which the Executive may be entitled during or upon termination of the Employment. Parties acknowledge that Executive has received all such allowances in full in respect of the period between the date of commencement of the Term of Employment and the Execution Date and that neither Party has any claims for over- or underpayment against the other Party in respect of the entitlement to allowances over that period.

(iii) Vacation. During the Term of Employment, the Executive shall be entitled to the same number of vacation days, holidays, sick days and other paid time off benefits as are generally allowed to other similarly situated executives of TPE in accordance with TPE's policy as in effect from time to time.

(e) Relocation.

(i) General. From the Effective Date until 31 July 2022, and if such term is not approved by the Committee and the Board then 31 May 2020 (the "**Relocation Term**"), the Executive will be entitled to (relocation) benefits in accordance with the terms of TPI's 2015 Long Term International Assignment Policy (the "Relocation Policy"), as shall be amended from time to time, and the terms of the Assignment Letter as executed by the Executive on 22 May 2017 (the "Assignment Letter"; **Annex 2**), to the extent relevant (i.e. to the extent covering similar benefits) and to the extent allowed by the applicable laws, in substitution of benefits/entitlements which apply pursuant to clause 5(d) of the subject Employment Contract.

(ii) Changes to Relocation Policy. The Executive acknowledges, agrees and understands that the Relocation Policy does not form part of this Agreement and the Company reserves the right to amend, suspend, or terminate the Relocation Policy at any time without providing the Executive notice, and the right to do so is expressly reserved. Notwithstanding the foregoing, (i) in the event of any conflict between the Relocation Policy and/or the Assignment Letter and this Agreement, the terms of this Agreement shall prevail, and (ii) the housing and education arrangements set forth in Executive's Assignment Letter may not be revised during Relocation Term without receiving Executive's consent.

6. Ordinary Business Expenses. During the Term of Employment, TPE shall reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in connection with the business of the Teva Group and in the performance of his duties under this Agreement, including expenses for travel, lodging and similar items, all in accordance with TPE's expense reimbursement policy, as the same may be modified from time to time. TPE shall reimburse all such proper expenses upon the Executive's presentation to TPE of an itemized accounting of such expenses with reasonable supporting data.

7. Termination of Employment.

(a) General. The employment hereunder may be terminated by either party as per the last day of a calendar month, by giving written notice to the other party. The Executive shall in that respect observe a notice period of three (3) months and TPE shall in that respect observe a notice period of six (6) months.

(b) The date on which employment hereunder will formally terminate, shall be referred to in this Agreement as the "Termination Date". Upon the termination of the Executive's employment hereunder for any reason, except as may otherwise be requested by the relevant Group Company in writing, the Executive shall resign from any and all directorships, committee memberships or any other positions the Executive holds with any member of the Teva Group. For the avoidance of doubt, if the Executive's employment with TPE will be terminated and be followed by employment between the Executive and any other member of the Teva Group, the Executive will not be entitled to receive any of the severance benefits under this Agreement and any severance or other termination benefits the Executive may thereafter become entitled to receive (pursuant to the subsequent employment with the other member of Teva Group) will be exclusively subject to the terms and conditions of any plan, program, policy or arrangement then in effect between the Executive and such other member of the Teva Group.

(c) Death or Disability. The Executive's employment shall terminate automatically upon his death ("Death"). In the event the Executive's employment is terminated due to his Death or for reasons of his Disability, the Executive or his estate or his beneficiaries, as the case may be, shall be entitled to (i) all accrued but unpaid Base Salary through the Termination Date; (ii) any unpaid or unreimbursed expenses incurred in accordance with TPE policy, including amounts due under Section 6 hereof to the extent incurred prior to the Termination Date, to the extent due under the applicable employment terms and/or mandatory applicable law; (iii) any other amounts required to be paid pursuant to applicable law, if any; and (iv) accrued and/or vested benefits under any plan or agreement covering the Executive which shall be governed by the terms of such plan or agreement (items (i) through (iv) collectively, the "Accrued Obligations").

For purposes of this Agreement, "Disability" shall mean sickness/incapacity within the meaning of article 7:629 Dutch Civil Code, exceeding the period during which the Executive can benefit from statutory protection against dismissal because of such incapacity.

Except as set forth in this Section, following the Executive's termination by reason of his Death or Disability, the Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(d) Termination by TPE for Cause. In the event of termination of the Executive's employment for Cause, he shall be entitled only to (A) all accrued but unpaid Base Salary through the Termination Date; and (B) any unpaid or unreimbursed expenses incurred in accordance with TPE policy, including amounts due under Section 6 hereof to the extent incurred prior to the Termination Date. Following a termination of the Executive's employment for Cause, except as set forth in this Section 7(d), the Executive shall have no further rights to any compensation or any other benefits.

For purposes of this Agreement, "Cause" shall mean: termination of the Executive's employment hereunder through notice of termination issued by TPE for an urgent cause (*dringende reden*) within the meaning of article 7:677/678 Dutch Civil Code attributable to the Executive or at the initiative of TPE for "serious culpable conduct or omission" (*ernstig verwijtbaar handelen of nalaten*) by the Executive within the meaning of article 7:673 para 7 intro and sub c Dutch Civil Code or "culpable conduct or omission" (*verwijtbaar handelen of nalaten*) by the Executive within the meaning of article 7:669 para 3 intro and sub e Dutch Civil Code.

(e) Termination by TPE without Cause. In case of termination of the Executive's employment hereunder at the initiative of TPE without Cause, the Executive will –subject to the set-off and conditions described below- be entitled to:

(i) The Accrued Obligations;

(ii) A conditional gross payment (the "Lump Sum"), being the greater of:

**(1)** the Dutch statutory severance (transitievergoeding) and a supplement thereto, up to in aggregate (i.e. statutory severance plus supplement) 150% of the Executive's Base salary; or

**(2)** the severance or damages to which the Executive would be entitled under any TPE Social Plan, if and to the extent the Executive would have any eligibility under such Social Plan.

The Lump Sum will be set-off against (i.e. decreased by): any further compensation (*vergoeding*), including any *billijke vergoeding* and/or damages, as may be awarded to Executive in respect of the termination of the employment hereunder, by a court in a ruling no longer subject to appeal.

Sixty-six percent (66%) of the Lump Sum shall be payable within a reasonable time following Executive's execution and delivery of the Release of Claims pursuant to Section 7(i) and thirty-four percent (34%) of the Lump Sum shall be payable, in 12 equal monthly installments, with reasonable time following Executive's execution and delivery of the Release of Claims pursuant to Section 7(i).

The entitlement to the payments and benefits described in subsection 7.e.(ii) (i.e. the Lump Sum after set-off, if applicable) shall, to the extent exceeding the benefits/payments to which Executive would be entitled in respect of the termination of the employment pursuant to (Dutch) statute or a court ruling which is no longer subject to appeal, be subject to Executive fully complying with the obligations arising from Section 9 hereof. In the event that the Executive breaches any provision of Section 9 hereof, the entitlement to such excess payments and benefits under subsection 7.e.(ii) shall immediately cease, which means that the Company shall have no further obligations to the Executive with respect thereto, and the Executive shall

promptly repay to TPE any payments or benefits paid or provided to the Executive pursuant to subsection 7.e.(ii) , in as far as those payments/benefits exceed the benefits/payments to which Executive would be entitled in respect of the termination of the employment pursuant to (Dutch) statute or a court ruling which is no longer subject to appeal.

Following a termination of the Executive's employment at the initiative of TPE without Cause, except as set forth in this Section 7(e), the Executive shall have no further rights to any compensation or any other benefits under this Agreement.

For purposes of this Agreement, a termination of the Executive's employment hereunder at the initiative of TPE "without Cause" shall mean: a termination of the Executive's employment hereunder at the initiative of TPE on any ground other than Death, Disability or "(for) Cause".

(f) Resignation. In the event of termination of Executive's employment hereunder through a termination notice (*opzegging*) issued by the Executive (resignation) or through a court rescission (*ontbinding*) of the Executive's employment hereunder upon a petition made by the Executive, the Executive shall be entitled to the Accrued Obligations and, unless TPE were to release the Executive from the non-compete restrictions included in Section 9 sub (d) hereof in its sole discretion, an amount equal to the Annual Base Salary accruing and payable in 12 monthly instalments, subject to the Executive compliance and continuing compliance with the restrictions pursuant to Section 9 hereof and following the Executive's execution and delivery and non-revocation of the Release of Claims pursuant to Section 7(i).

(g) In the event of the termination of the Executive's employment, TPE may, in its sole and absolute discretion, by written notice, waive the services of the Executive during any applicable notice period or in respect of any part of such period, all on the condition that TPE will pay the Executive the monthly Base Salary and all additional compensation and benefits to which the Executive is entitled in respect of the applicable notice period (including but not limited to relocation benefits, the extent applicable) without regard to any such TPE waiver, albeit not including compensation pursuant to Section 5(b) and 5 (c) hereof).

(h) Change of Control. In the event that the Executive's employment is terminated at the initiative of TPE, during the one year period following a merger of TPI with another (non-Teva Group) entity, pursuant to which merger TPI is not the surviving entity, and such termination is both "without Cause" and a result of such merger, then, in addition to any payments or other benefits to which the Executive is entitled pursuant to this Section 7, the Executive shall also be entitled to receive a lump sum cash payment in an amount equal to USD 1,500,000 gross, payable on the next regular payroll date immediately following the sixtieth (60th) day after the Termination Date.

(i) Final Discharge. Notwithstanding any provision herein to the contrary, the payment of any amount or provision of any benefit pursuant to this Section 7 other than the Accrued Obligations (collectively, the "Severance Benefits") shall be conditioned upon and be payable within a reasonable time after the Executive's execution, delivery to TPE, and non-revocation of a statement of full and final discharge of any claims Executive has or may have pursuant to the employment hereunder and/or the termination of such employment (the "Release of Claims") within sixty (60) days following the Termination Date. If the Executive fails to execute the Release of Claims within sixty (60) days following the Termination Date, the Executive shall not be entitled to any of the Severance Benefits. For the avoidance of doubt, in the event of a termination by reason of the Executive's Death or Disability, the Executive's obligations herein to execute the Release of Claims may be satisfied on his behalf by his estate or a person having legal power of attorney over his affairs.

(j) Compliance with Covenants. The Executive's entitlement to the Severance Benefits, to the extent those Severance Benefits exceed the *statutory* minimum to which the Executive may be entitled under Dutch law, will be subject to the Executive's full compliance with any and all of the restrictions included in or referred to in Section 9 hereof, without prejudice to any other remedies available to the Company hereunder and/or pursuant to applicable law, and the Executive shall promptly repay to TPE any Severance Benefits (to the extent exceeding Executive's statutory minimum entitlements) paid or provided to the Executive pursuant to this Section 7 prior to the date of any breach of any of the restrictions included in or referred to in Section 9 hereof and the Executive's entitlement to any as yet unpaid Severance Benefits (including without limitation the Executive's entitlement to the Restriction Compensation) will cease as from the date of such breach.

(k) Return of Property. Upon termination of the Executive's employment, the Executive shall promptly return to TPE any cell phone, laptop or other hand-held device provided by any Group Company to the Executive, and any confidential or proprietary information of any Group Company that remains in the Executive's possession; *provided*, *however*, that nothing in this Agreement or elsewhere shall prevent the Executive from retaining and utilizing documents relating to his personal benefits, entitlements and obligations; documents relating to his personal tax obligations; his desk calendar, personal contact list, and the like; and such other records and documents as may reasonably be approved by the TPE Board or the President and Chief Executive Officer of TPI.

8. Representations. The Executive hereby represents that (a) he is legally entitled to enter into this Agreement and to perform the services contemplated herein and is not bound under any employment, consulting or other agreement to render services to any third party, (b) he has the full right, power and authority, subject to no rights of third parties, to grant to the relevant Group Companies the rights contemplated by Section 9(b) hereof, and (c) he does not now have, nor within the last three (3) years has he had, any ownership interest in any business enterprise (other than interests in publicly traded corporations where his ownership does not exceed one percent (1%) or more of the equity capital) which is a customer of the Teva Group, or from which the Teva Group purchases any goods or services or to whom any Group Companies owes any financial obligations or is required or directed to make any payments.

9. Executive's Covenants.

(a) Disclosure of Information. The Executive recognizes and acknowledges that the trade secrets, know-how and proprietary information and processes of Teva Group, as they may exist from time to time, are valuable, special and unique assets of the business of the Teva Group, access to and knowledge of which are essential to the performance of the Executive's duties hereunder. The Executive will not, during or at any time following the Term of Employment, in whole or in part, disclose such secrets, know-how or processes to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, nor shall the Executive make use of any such secrets, know-how or processes for his own purposes or for the benefit of any person, firm, corporation or other entity (except for a member of the Teva Group) under any circumstances during or after the Term of Employment; *provided*, that, after the termination of his employment, these restrictions shall not apply to such secrets, know-how and processes which are then in the public domain (provided that the Executive was not responsible, directly or indirectly, for such secrets, know-how or processes entering the public domain without TPE's consent). In addition, nothing contained in this Agreement shall be construed to prohibit the Executive from reporting possible violations of federal or state law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any whistleblower provisions of federal or state law or regulation, or from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body.

(b) Inventions. The Executive hereby sells, transfers and assigns to TPE, or to any person or entity designated by TPE, without any rights whatsoever to additional compensation all of the entire right, title and interest of the Executive in, and to, all inventions, ideas, disclosures and improvements, whether patented or unpatented, and copyrightable material, made or conceived by the Executive, solely or jointly, during the Term of Employment, which relate to methods, apparatus, designs, products, processes or devices, sold, leased, used or under consideration or development by any Group Company, or which otherwise relate to or pertain to the business, functions or operations of any Group Company or which arise from the efforts of the Executive during the course of his employment for any Group Company. The Executive shall communicate promptly and disclose to TPE, in such form as TPE requests, all information, details and data pertaining to the aforementioned inventions, ideas, disclosures and improvements. The Executive shall execute and deliver to TPE such formal transfers and assignments and such other papers and documents as may be necessary or required of the Executive to permit TPE or any person or entity designated by TPE, to file and prosecute the patent applications and, as to copyrightable material, to obtain copyright thereof. Any invention relating to the business of any Group Company made by the Executive within one year following the termination of the Term of Employment shall be deemed to fall within the provisions of this paragraph unless proved to have been first conceived and made following such termination. The Executive's remuneration under this Employment Contract shall be considered to include ample and sufficient remuneration in respect of the Executive's involvement in the conception or making of any and all of the inventions, ideas, disclosures and improvements referred to in this clause and the Executive shall hence not be entitled to any additional remuneration in respect of his involvement in their conception or making.

(c) Covenant Not to Interfere. During the Term of Employment and for a period of twelve (12) months following the Termination Date, the Executive shall not, directly or indirectly, (i) solicit or induce, or in any manner attempt to solicit or induce, any person employed by, or engaged as agent of, any Group Company to terminate such person's contract of employment or agency, as the case may be, with such Group Company or (ii) divert, or attempt to divert, any person, concern or entity from doing business with any member of Teva Group, or attempt to induce any such person, concern or entity to cease being a customer or supplier of any Group Company.

(d) Covenant Not to Compete. By signing this Agreement, the Executive hereby acknowledges and agrees that, in his Role, the Executive will have a great deal of exposure and access to a broad variety of commercially valuable proprietary information of the Teva Group, including, by way of illustration, confidential information regarding the Teva Group's current and future products and strategies, costs and other financial information, R&D and marketing plans and strategies, etc. As a result of the Executive's knowledge of the above information and in consideration for the benefits offered by TPE under this Agreement, the Executive affirms and recognizes his continuing obligations with respect to the use and disclosure of confidential and proprietary information of the Teva Group pursuant to the Teva Group's policies and the terms and conditions of this Agreement, and hereby agrees that, during the Term of Employment and for a period of twelve (12) months following the Termination Date , the Executive shall not, directly or indirectly (whether as an officer, director, owner, employee, partner, consultant or other direct or indirect service provider) work for or perform any services for any company or group of companies, which is focused on the development, manufacture of, sale of or trading in (i) generic products or (ii) specialty pharmaceutical products that are competitive with a fundamental product developed, manufactured, sold or otherwise traded in by Teva Group as of the date of such termination of employment, where the determination of whether a certain product constitutes a fundamental product developed, manufactured, sold or otherwise traded in by the Teva Group shall be reasonably determined on an ad-hoc basis at the relevant time by the President and Chief Executive Officer of TPI. These restrictions shall apply world-wide, i.e. regardless of where the work or services would be performed by the Executive and regardless of where the relevant (division, subsidiary or product group of the) company or group of companies would be located or would be doing business.

(e) Non-Disparagement. During the Term of Employment and at all times thereafter, the Executive agrees not to (i) make any disparaging or defamatory comments regarding any member of the Teva Group or any of its current or former directors, officers, employees or products or (ii) make any negative or disparaging comments concerning any aspect of the Executive's relationship with any member of the Teva Group or any conduct or events relating to any termination of the Executive's employment with TPE.

(f) Cooperation. During the Term of Employment and at all times thereafter, the Executive agrees to cooperate with the Company and its attorneys in connection with any matter related to the period he was employed by TPE and/or his services to other members of the Teva Group, including but not limited to any threatened, pending, and/or subsequent litigation, government investigation, or other formal inquiry against ant member of the Teva Group, and shall make himself available upon notice to prepare for and appear at deposition, hearing, arbitration, mediation, or trial in connection with any such matters. Such cooperation will include willingness to be interviewed by representatives of any Group Company and to participate in legal proceedings by deposition or testimony.

(g) Blue Pencil. It is the desire and intent of the parties that the provisions of this Section 9 be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision or clause of this Section 9 shall be adjudicated to be invalid or unenforceable or overly broad in scope, time or geographic region, then such provision or clause shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable or to reduce or narrow down the portion thus adjudicated to be too broad in scope, time or geographic region, such deletion, reduction or narrowing down to apply only with respect to the operation of this Section 9 in the particular jurisdiction in which such adjudication is made.

(h) Injunctive Relief. If there is a breach or threatened breach of the provisions or clauses of this Section 9, TPE shall be entitled to an injunction restraining the Executive from such breach. Nothing herein shall be construed as prohibiting TPE from pursuing any other remedies for such breach or threatened breach.

10. Insurance. TPE may, at its election and for its benefit, insure the Executive against death, and the Executive shall submit to such physical examination and supply such information as may be reasonably required in connection therewith.

11. Clawback. All payments made pursuant to this Agreement are subject to the "clawback" provisions in the Compensation Policy.

12. Required Stock Ownership. The Executive acknowledges and agrees to adhere to the TPI's stock ownership guidelines applicable to senior executives of TPI and/or TPE, as may be amended from time to time in TPI's sole discretion.

13. No-Hedging Policy. The Executive acknowledges and agrees to adhere to the TPI's No-Hedging Policy applicable to senior executives of TPI and/or TPE, as may be amended from time to time in TPI's sole discretion.

14. No-Pledging Policy. The Executive acknowledges and agrees to adhere to the TPI's No-Pledging Policy applicable to senior executives of TPI and/or TPI, as may be amended from time to time in TPI's sole discretion.

15. Notices. Any notice required or permitted to be given under this Agreement shall be deemed sufficient if in writing and if demonstrably received by the Executive and TPE or TPI respectively.

16. Waiver of Breach. A waiver by the Company or the Executive of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by the other party.

17. Governing Law; Severability. This Agreement shall be governed by and construed and enforced in accordance with the laws of The Netherlands without giving effect to the choice of law or conflict of laws provisions thereof. Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but the invalidity or unenforceability of any provision or portion of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision or portion of any provision, in any other jurisdiction. In addition, should a court determine that any provision or portion of any provision of this Agreement, is not reasonable or valid, either in period of time, geographical area, or otherwise, the parties agree that such provision should be interpreted and enforced to the maximum extent which such court deems reasonable or valid.

18. Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment, payroll taxes and social insurance charges/taxes, as shall be required by applicable law.

19. Assignment. This Agreement may be assigned, without the consent of the Executive, by TPE to any member of the Teva Group or to any person, firm, partnership, corporation or other entity that has purchased all or substantially all the assets of TPE and/or TPI; *provided*, that such assignee assumes any and all of the obligations of TPE hereunder. TPE or, if applicable, TPI shall cause any person, firm, partnership, corporation or other entity acquiring all or substantially all of the assets of TPE respectively TPI to execute a written instrument agreeing to assume any and all of the obligations of TPE hereunder as a condition to acquiring such assets.

20. Compensation Policy. This Agreement shall be subject to the Compensation Policy and nothing herein shall derogate in any way from the Company's rights thereunder.

21. Entire Agreement; Amendment. This Agreement contains the entire agreement of the parties and supersedes any and all agreements, letters of intent or understandings between the Executive and (a) TPE, (b) TPI, (c) any other Group Company or (d) any of TPI's principal shareholders, except for applicable provisions of the Assignment Letter, the 14 December 2017 Letter, cash retention awards dated January 20, 2017 and September 18, 2017, equity compensation plans, policies, and other separate agreements, plans and programs explicitly referred to herein; *provided*, that this Agreement shall not alter the Executive's obligations to any

member of the Teva Group under any confidentiality, invention assignment, or similar agreement or arrangement to which the Executive is a party with any member of the Teva Group, which obligations shall remain in force and effect. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of this Agreement and the (provisions of the) Compensation Policy, the terms of the Compensation Policy shall prevail/control. TPE is entitled to unilaterally amend the employment conditions (*arbeidsvoorwaarden*) under this Employment Contract whether included in this instrument, or any TPE or TPI policies, whether referred to in this instrument or not, with due observance of the provisions of article 7:613 and/or 7:611 Dutch Civil Code.

22. Headings. The headings of the sections and subsections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement. Signatures delivered by facsimile or by e-mail as a portable document format (.pdf) file or image file attachment shall be effective for all purposes.

24. Survival. The provisions of this Agreement that are intended to survive the termination of this Agreement shall survive such termination in accordance with their terms.

25. Indemnification. The Indemnification and Release Agreement between TPI and the Executive, dated November 27, 2017, shall continue to apply in full force and effect in accordance with its terms, and is incorporated by reference to this Agreement.

26. No Collective Bargaining Agreement. TPE is not bound by any collective bargaining agreement and no collective bargaining agreement applies to the Executive's employment hereunder.

* * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date specified in the first paragraph of this Agreement.

**TPE.**

By: /s/ Niels Walch
Name: Niels Walch
Title: SVP, HR Europe

By: /s/ David Vrhovec
Name: David Vrhovec
Title: CFO Europe

**EXECUTIVE**

/s/ Gianfranco Nazzi
Gianfranco Nazzi
EVP, International Markets
Tel Aviv, 1/4/2019

**Private & Confidential**

**March 15, 2017**

**To:** Gianfranco Nazzi

Dear Gianfranco,

**Reference: Your Home Based Long Term International Assignment**

Congratulations on your assignment. Global Mobility is an important part of Teva's growth, globalization, and talent initiatives. We believe that international assignments help Teva achieve worldwide business targets while simultaneously developing employee's capabilities and international business experience. We hope that you will benefit both personally and professionally from your experience. This letter summarizes the general terms and conditions of your assignment with Teva.

**ASSIGNMENT SUMMARY**

| | |
|---|---|
| Home Country**:** | **The Netherlands** |
| Host Country: | **Israel** |
| Employer (Legal Entity): | **Teva Pharmaceuticals Europe BV** |
| Host Site Entity: | **Teva Pharmaceutical Industries Ltd** |
| Annual Base Salary: | **442,000.00 EUR** |
| Bonus Guideline: | **60%** |
| Position Title: | **President & CEO Growth Markets** |
| Grade: | **21** |
| Citizenship/Permanent Resident Status: | **Italy** |
| Manager While on Assignment: | **Dipankar Bhattacharjee** |
| Estimated Assignment Start Date*: | **June 01st , 2017** |
| Scheduled Assignment End Date: | **May 31st , 2020** |
| Assignment Policy: | **2015 Long Term International Assignment** |
| Home or Host based Assignment: | **Home Based Assignment** |
| International Assignment Policy Date: | **April 2015** |
| Family Size at Host (including Employee): | **5** |

* Your actual effective date of assignment will be determined following receipt of your authorization to work and reside in the Host country.

This letter does not create a contract of employment, but simply seeks to confirm the conditions which pertain to your temporary international assignment. Should the nature of your position change or if this assignment extends beyond its initial duration} the terms may be subject to change at that time. Teva reserves the right to modify the global assignment policies and procedures at any time in whole or in part, with or without notice.

**COMPENSATION**

As a Home Based assignee, it is the intention of the Teva International Assignment policy to provide you with a compensation package derived from what you would receive as an employee based in your home country. You will continue on the Annual Increment Policy of the home country based on your performance. It is Teva's intention to pay your compensation via your Home Company's payroll into your home country bank account in the home country currency. When required per local host regulations however, you may be paid a portion or all of your compensation in the host country. When your assignment ends, all assignment benefits and allowances will cease. During your assignment if applicable and according to your Home country manager's sole discretion, your base salary will be reviewed and adjusted according to your home country policies.

**ANNUAL INCENTIVE COMPENSATION**

Any incentive compensation eligibility (e.g., cash bonus, stock option, restricted stock units, etc.) is in accordance with Teva's incentive compensation plans and programs as they may be amended from time to time. Incentive compensation paid in the form of cash, if any, will be paid from your home country payroll.

**BONUS**

Over the current performance year 2017 respectively and thereafter you will have the opportunity to earn an on-target bonus of 60% as stated above, payable in March/April of the following calendar year. Superior performance may be rewarded above that on-target level, subject to management discretion. Any bonus earned will be paid from your home country payroll.

**BENEFITS**

You and your dependents will participate in the International Benefits Plan for medical, dental, long-term disability, group life and accidental death & Dismemberment insurance coverage. Currently medical and dental coverage in Israel is provided through David Shield International Medical Insurance an insurance provider that specializes in international benefits. Medical coverage is provided in two ways:

i. By using the network of the "health fund" used by David Shield and under this system there is a direct billing arrangement between the doctor and the insurance company

ii. Through a fee-for-service medical plan in which you select whichever doctor or hospital you want to use. You pay for services up-front, and then submit claims to David Shield for reimbursement of the covered medical expenses – currently at 80%. Dental coverage is provided through David Shield via dental clinics associated with them. This is a comprehensive dental plan which pays 100% for certain treatments and the insured pays a subsidized contribution to more advanced treatments.

**VISA/IMMIGRATION**

It is important that you have the required documentations to legally work and reside in the host country; our professional immigration partner will be authorized to assist you. Relocation to your new host location must not take place until your work authorization is received. The terms of this Letter of Assignment shall not come into, or remain in force, unless and until you are granted any necessary visas or work permits allowing you to live and work in the host. Necessary costs incurred to obtain your authorization to work and your spouse's and dependents authorization to reside in the host country will be managed by Teva's global relocation provider.

Teva supports only required documentation for the intended assignment duration and will not provide financial assistance towards the acquisition of permanent resident status or documentation.

**PRE-ASSIGNMENT TRIP**

If necessary, to help you become familiar with the assignment location, house hunting trip of up to 5 days will be authorized for you and your spouse and 3 children. During this time, you will receive a per diem in accordance with the Teva Business Travel policy to cover reasonable costs of meals and incidentals. Ground transportation, lodging and air travel (booked at least 14 days in advance via the most direct route) will be provided in accordance with The Teva Travel policy. Reimbursement must be claimed via your usual home country travel expense process.

**SHIPMENT OF HOUSEHOLD GOODS**

Teva provides assistance with the shipment of personal effects, as well as the cost of packing, loading, inland transportation, and customs or import duties up to established limits.

For immediate needs, excess baggage is reimbursed. Household goods may be shipped via sea or overland container.

**Excess Baggage Limits (Unaccompanied and Accompanied)**

Three (3) excess bags for each relocating family member.

**Surface Shipment Limits (Accompanied only)**

40 ft. (68 $m^3$) container for assignees with a total family size of 4 or greater.

**Insurance**

Teva insures against damage to or losses from the goods shipment, exclusive of those items not approved for shipment up to limits established by the shipping provider.

**Storage (Unaccompanied and Accompanied)**

Teva provides temporary storage support in cases where your household goods shipment arrives in the receiving location before permanent housing is available (e.g. during the temporary living period). Any other storage needs in your home country or in your host country is your responsibility.

**Pets (Unaccompanied and Accompanied)**

Teva does not cover pet shipment costs.

All approved costs will be paid directly by Teva's global relocation provider.

Please note that Teva does not cover costs for the shipment of items restricted by the government or other regulations, or any items that are excessively large, high value, or perishable, or that require special care. The following is a representative list (this list does not include all prohibited items): alcohol, appliances, automobiles, boats, building materials/shop equipment, firearms/ammunition, furs/jewelry/fine art/antiques, hot tubs, lawnmowers, motorcycles, pianos, plants, and RVs/campers.

**HOME COUNTRY HOUSING – LEASE CANCELLATION**

Teva reimbursement up to two (2) months' rent incurred as a penalty due to lease cancellation. Reimbursement DOES NOT include loss of security deposit due to neglect, damage, or loss of a pet/smoking deposit. In order to claim reimbursement proper documentation must be provided to Teva's designated dedicated relocation provider

**TRAVEL TO THE HOST LOCATION**

On your relocation trip to your new Host Country, Teva will pay the cost of travel for you (and your spouse/dependents) including airfare, ground transportation, and in-transit living expenses. Travel class is based on Teva's Business Travel policy, booked at least 30 days in advance via the most direct route. This cost should be booked via Teva's travel provider and expenses claimed via Teva's dedicated relocation provider.

**DESTINATION SERVICES**

A provider designated by Teva will assist with house hunting and the coordination of a variety of settling-in services, e.g. local registrations, banking, and utility connections.

**TEMPORARY LIVING**

You will be provided Temporary Living for up to 30 days after vacating your residence in your Home Country and prior to establishing residence in your new Host Country. Your per diem will be 75 EUR net per person per day. (Children under the age of 14 will receive 50% of this amount). If needed, you will also receive car rental for this period. The per diem will be paid to you by Teva's dedicated relocation provider and car rental (if applicable) will arranged by Teva's relocation provided and paid directly on your behalf.

**RELOCATION ALLOWANCE**

To cover any individual costs not specifically covered in the assignment policy, you will receive a Miscellaneous Relocation allowance equivalent to 4,691 EUR. This payment will be processed by the dedicated relocation provider in advance of your departure from the Home Country or upon arrival in the Host country whichever you prefer. You will receive the full amount listed above and Teva is responsible for any applicable taxes.

**SPOUSAL ASSISTANCE ALLOWANCE**

Teva does not compensate for the loss of spousal/partner income as a result of the assignment but rather recognizes that the financial impact exists. To ease the transition, Teva reimburses for job placement and related services if your spouse accompanies you full time on assignment. Maximum reimbursement is equivalent to 1,876.00 EUR. Reimbursement must be claimed within 12 months of the effective date of your assignment and Teva is responsible for any applicable taxes. Reimbursement will be processed by Teva's dedicated relocation provider.

**LIFESTYLE ALLOWANCE**

To recognize the fact that you (and your spouse/family) have different needs that may not be covered elsewhere in the policy, you will receive a one-time allowance equivalent to 2,815.00 EUR net payable upon your first anniversary of this assignment. This payment will be processed by Teva's dedicated relocation provider and Teva is responsible for any applicable taxes.

**COST LIVING ALLOWANCE**

A cost of living allowance may be provided in those circumstances where the cost of a representative market basket of goods and services (excluding housing, taxes, education and auto purchase) in the host country location exceeds the cost of the same or similar basket of goods and services in the home country location. COLA is analyzed by an independent statistical data provider and considers both the price of the market basket as well as the effect of currency fluctuations on purchasing power. If a COLA is applicable, it will be paid to you each pay period. The amount will be reviewed periodically, but at least semi-annually and adjusted, up or down, at the discretion of the Company. You will be advised of any changes prior to its implementation. Based on your salary level, family size and current statistical data, you are eligible for a monthly COLA payment of:

| | |
|---|---|
| Current monthly Goods & Services Allowance | 2,551.17 EUR per month NET |

This payment is payable by Teva's payroll and Teva will cover any related taxes.

**LANGUAGE LESSONS**

Your ability to speak and understand the host language will increase business effectiveness and expedite social integration in the host location. If needed, you and your spouse will each be provided up to 100 hours of language instruction which will be coordinated by Global Mobility. When considering schools for your children, please consider any host language needs as the cost for language lessons for your school aged children are your responsibility. Teva's dedicated relocation provider will arrange language lessons on your behalf and all related costs will be covered by Teva through the relocation provider.

**INTERCULTURAL ORIENTATION**

To help you acclimate to the host country's culture and environment both from a business and a social perspective, Teva provides a one-day mandatory Intercultural Orientation for you and your spouse. All arrangements for this training will be coordinated by Teva's dedicated Relocation Provider and Teva will pay all related expenses directly.

Following your training and during your assignment, you will have the ability to utilize Teva's internal Cross-Cultural training located on the Teva's intranet. You may access the site through this link: http://tevanet.teva.corp/global/EN/Campiagns/Pages/Introducing-GlobeSmart.aspx.

**HOUSING ALLOWANCE**

Teva will pay for suitable accommodation costs in your host country for the duration of your assignment, with a monthly housing allowance of 32,000 ILS, net. The housing allowance will be provided in services only and not cash. A provider designated by Teva will assist you with the arrangements to ensure that your lease agreement includes a lease break clause and that you do not sign a document that binds you to unnecessary liability. If you select housing above your maximum rental budget, the overage is your responsibility. Teva will also pay for security and lease deposits required by the lease agreement. At the end of your assignment, these funds are to be refunded to you by the landlord. Whether or not your deposits are refunded, you are responsible for returning the funds to Teva. It is highly recommended that you insure your personal household items. The cost for Renter's insurance is your responsibility. Your housing will be paid directly by Teva's designated provider to your landlord or to you for payment to your landlord.

Please note that if you purchase your primary residence in the host country, your housing allowance will immediately cease**.**

**HOST AUTOMOBILE BENEFIT**

Any entitlement is strictly based on the host company car policy. All arrangements will be coordinated by your Host country HR representative.

**EDUCATION ALLOWANCE**

Teva will cover the cost and related taxes of local or international schooling for accompanying dependent children meeting compulsory school age. Teva will cover costs which are reasonable, as determined by the provider designated by Teva. Teva will cover the following expenses, which are paid directly to the school: tuition, enrollment fees and mandatory administration fees. Any other education related fees will not be covered. Nursery School and Daycare are not covered. Payment of school fees will be made directly to the school by Teva's dedicated relocation provider or to you for payment to the school, whichever is more cost effective for Teva.

**HOME LEAVE BENEFIT**

You will be provided one home leave every 12 months on assignment between your home country and your host country for you and your spouse/partner/dependents who live with you full time in the host country. Teva covers round trip airfare, based on economy fare booked at least 30 days in advance and via the most direct route. Any ground transportation and/or lodging costs are your responsibility. You must use your vacation time for your home leave visits and the time away must be approved by your manager. Reimbursement will be claimed via Teva's dedicated relocation provider.

**HOURS OF WORK, HOLIDAY, & VACATION**

While on assignment you will follow the nationally recognized paid holiday schedule of the host location and your vacation benefit continues in accordance with your home guidelines except where host country labor laws require otherwise. Your vacation time must be approved by your direct manager.

**EMERGENCY ASSISTANCE/EVACUATION**

In instances of political or civil emergency affecting an employee on an international assignment, it is the primary objective of Teva to ensure the safety and welfare of the employee and accompanying dependents. Please notify your Host Country Human Resources department and Global Mobility of all actual or potentially serious emergencies so that appropriate steps may be taken.

**PENSION & SOCIAL SECURITY**

To the extent possible, you remain on the home country pension/retirement plan and contribution schedule and your home social security scheme through regular payroll deductions. In cases where the home country pension/retirement plan cannot be maintained through the usual or voluntary contributions while on assignment, you may be able to participate in the host country scheme or Teva will arrange for you to participate in an alternative scheme. In some host locations, contributions to social tax schemes are mandatory and when that is the case, Teva will meet any mandatory host country employer and employee contributions on your behalf.

**TAX POLICY**

You will be under the Teva tax equalization policy during your assignment. The intent of this policy is that your ultimate tax liability will be similar to that which you have paid in the Home Country on your regular compensation had you not received assignment-related compensation or special tax considerations. Under this policy:

- you will be responsible for a hypothetical tax liability on both income and social taxes, which will be calculated and deducted from each paycheck,
- Teva will be responsible for an excess tax liability in the host country, and
- it is your responsibility to pay income taxes in the home country (although covered by Teva)

The extent of this tax coverage by Teva is limited to your Teva compensation including salary, bonus, benefits and earnings related to equity that is vested while you are on assignment, but does not include earnings that you receive outside of your employment with Teva. The intent of the policy is that your ultimate tax liability will be similar to the amount you would have paid in the home country on your regular compensation had you not received assignment-related compensation or special tax considerations. Each year, a final tax equalization calculation will be prepared to settle your assignment tax obligations.

**TAX PREPARATION AND SERVICES**

It is a condition of employment that you comply with all personal tax responsibilities for each taxing authority in which a responsibility exists. The responsibility includes the proper filing of all tax returns. You are also responsible for notifying Teva of the tax payments due. The Company has retained the services of a Tax Consultant to prepare your home country and host country tax returns as required during the assignment period. Although you are fully responsible for the payment of all applicable income taxes and tax duties while on assignment, the Company will directly pay the consultant tax preparation and consulting fees on your behalf. Contact information of the Tax Consultant will be provided to you prior to the commencement of your assignment so that you may discuss your particular tax preparation needs in detail. Tax preparation assistance is limited to your filing and only extends to a spouse/partner when filing jointly. The Company will directly pay the consultant tax preparation and consulting fees on your behalf. Costs associated with personal financial planning will be your responsibility.

**CHANGE IN TEVA'S INTERNATIONAL ASSIGNMENT POLICY DURING ASSIGNMENT**

This Letter of Assignment has been prepared by referencing Teva's International Assignment Policy (the policy). The policy does not form part of the Letter of Assignment and Teva reserves the right to vary the policy and associated benefits from time to time. You will be notified of any such variations or amendments to the policy and the impact on your arrangements. Where the provisions of the policy differ from those in this Letter of Assignment, the terms set out in this letter shall prevail.

**EARLY TERMINATION OF INTERNATIONAL ASSIGNMENT**

In the event Teva, in its sole discretion, ends your international assignment before its scheduled end date, Teva will provide return trip airfare for you and your dependents back to the point of origin, and will ship household goods back to the point of origin or to some other mutually agreed upon location. Unless otherwise agreed to by regional management and Human Resources, the return must be completed within 60 days after the effective date of the termination of the international assignment. By failing to relocate within 60 days, you forfeit Teva's offer to pay for repatriation transportation costs.

**INVOLUNTARY TERMINATION OF EMPLOYMENT**

In the case of an involuntary termination of employment with Teva, Teva will provide return trip airfare for you and your dependents back to the point of origin, and will ship household goods back to the point of origin or to some other mutually agreed upon location. Unless otherwise agreed to by regional management and Human Resources, the return must be completed within 60 days after the effective date of the termination of employment. By failing to relocate within 60 days, you forfeit Teva's offer to pay for repatriation transportation costs.

**VOLUNTARY TERMINATION OF EMPLOYMENT**

Should you resign from employment with Teva or should your Teva employment be terminated with cause during your assignment, Teva reserves the right to cease all assignment payments, including payment of relocation costs, from the date of resignation or the date of misconduct, whichever is applicable. In a voluntary termination case, your signed payback agreement is enforced.

**PAYBACK AGREEMENT**

As a condition of your assignment, should you voluntarily terminate your assignment within 12 months of your effective assignment date, you are required to repay Teva a prorated sum towards relocation costs including:

- Household goods shipment
- Storage costs
- Temporary lodging (excluding associated per diem)
- Relocation allowance

**REPATRIATION BENEFITS**

At the end of your assignment Teva provides:

- Household goods move support with the same limitations as when you relocated to the Host Country
- Flights back to the Home Country for you and your spouse/partner or dependents, and
- Thirty days temporary accommodations in accordance with the Teva global travel policy.
- Departure services: accommodation lease and utilities cancellation, visa cancellation, deregistration with local authorities, and the closing of bank account.

Teva's dedicated relocation provider will assist and all fees will be paid directly.

**LOCALIZATION**

If at any time during or at the end of your assignment, the Business decides that you are needed in the host country for an indefinitely, your assignment will not be extended. Instead, with your agreement, you will be localized in accordance with Teva global mobility policy in force at the time of localization. This means that your employment with your Home country will end and you will become an employee of the Host country on Host country terms and your assignment related allowances will stop. As part of your localization, Teva will work to transition you and your spouse/family to an immigration status that would allow you to remain in the Host country.

**EMPLOYMENT TERMINATION**

In case of employment termination, the notice period should be according to your local employment agreement with Teva Pharmaceuticals Europe BV as follows: The employment agreement may be terminated by either party as per last of a calendar month, by giving notice to the other party. Employee shall in that respect observe a notice period of 3 months and Teva Europe shall in that respect observe a notice period of 6 months. During this period, Employee is prohibited to directly or indirectly engage in any activities for any other company competing in any way with Teva Europe or an affiliated company of the Teva-group, also in case Teva Europe decides to put him on garden leave.

If a suitable work position is not available upon the expiration of the assignment period or in case this assignment is terminated for reasons other than termination with cause, the above will also apply and severance will be according to the terms of the Home Company.

We are very happy to offer you this opportunity for a Long Term International Assignment and feel your skills and accomplishments are an excellent match for the challenges ahead.

Sincerely,
Moshe Netzer
SVP Human Resources – Growth Markets Reg
/s/ Moshe Netzer

I acknowledge that I had an assignment briefing with a Global Mobility representative, and I had the opportunity to ask questions regarding the policy. I further understand my signature above indicates my acceptance of these terms and conditions.

| | |
|---|---|
| /s/ Gianfranco Nazzi | 22.05.2017 |
| Gianfranco Nazzi | Date |

Cc:
HRBP - Daniel Lawlor
Host Manager - Dipankar Bhattacharjee
Home HR – Moshe Netzer
Host HR – Raffi Hirsh

**Exhibit 10.13**

Execution Version

# EMPLOYMENT AGREEMENT

This Employment Agreement (this "**Agreement**") is entered on November 6, 2019, and is made by and between **TEVA PHARMACEUTICAL INDUSTRIES LTD**., an Israeli corporation located at 5 Basel Street, Petach Tikwa, Israel, Company No. 52-001395-4 (the "**Company**", "**Teva**"), and Eli Kalif ("**Executive**").

**WHEREAS,** the Company wishes to employ Executive as its Chief Financial Officer ("**CFO**"), and Executive wishes to be so employed; and

**WHEREAS,** the parties have agreed on the terms pursuant to which Executive shall serve as CFO, and wish to set forth such terms in this Agreement.

**NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:**

**1. Term; Positions and Duties; Location**

1.1 The Company agrees to employ Executive, and Executive agrees to serve the Company and its affiliates, subject to the terms and conditions of this Agreement, for the period commencing on December 22, 2019 (the "**Effective Date**") and until the termination of this Agreement pursuant to Section 7 of this Agreement (the "**Term**").

1.2 Executive shall report directly to the President and Chief Executive Officer of Teva ("**CEO**"). Executive shall have all of the duties, authorities and responsibilities customarily exercised by an individual serving as the CFO of a company the size and nature of the Company. In addition, the Executive shall have such additional executive duties and responsibilities as may be assigned to him by the CEO.

1.3 The Executive shall devote his full business time, attention, and efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term, including, without limitation, any activity that (a) conflicts with the interests of the Company or its affiliates, (b) interferes with the proper and efficient performance of his duties for the Company or (c) interferes with the exercise of his judgment in the Company's or its affiliates' best interests. Notwithstanding the foregoing, nothing herein shall preclude the Executive from: (i) serving, with the prior written consent of the CEO, as a member of the board of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations; (ii) engaging in charitable activities and community affairs; (iii) speaking at meetings of business, charitable and civic organizations; or (iv) managing his personal investments and affairs; provided, however, that the activities set out in clauses (i), (ii), (iii) and (iv) shall be limited by the Executive so as not to be in contradiction to any Company policy and/or materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder or create a potential business or fiduciary conflict.

1.4 During the Term, and as part of Executive's position, Executive may be required to serve as a director, officer or committee member of the Company and its subsidiaries and affiliates (collectively, the "**Company Group**"), and the fulfillment of such position shall not constitute an employer-employee relationship between Executive and any such entity (other than the Company), and notwithstanding any such position, Executive shall only be considered to be an employee of the Company and shall not be entitled to receive any additional compensation for serving in such additional position.

1.5 Executive's principal place of employment shall be at the Company's principal offices in Israel. However, Executive acknowledges and agrees that he shall be required to travel abroad extensively on Company business.

1.6 Executive acknowledges and agrees that no collective and/or special bargaining agreement that might apply to the Company's employees shall apply to Executive in his capacity as an employee of the Company, unless required by applicable Law.

1.7 This Agreement and all compensation and benefits payable hereunder are subject to the Company's compensation plans and policies applicable to senior officers or any successor compensation plans or policies, including the Company's Compensation Policy for Executive Officers and Directors adopted by the shareholders at the 2019 annual general meeting of shareholders (the "**Compensation Policy**") and nothing herein shall derogate in any way from the Company's rights thereunder.

**2. Base Salary**

2.1 The Executive's gross annual base salary shall be 2,343,200 New Israeli Shekels (the "**Annual Salary**"). The Annual Salary shall be divided by 12, and each such 1/12 shall constitute Executive's monthly salary (the "**Monthly Salary**") payable in arrears in monthly installments. The Annual Salary shall be reviewed, from time to time, by the Human Resources & Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**") and/or the Board of Directors.

2.2 Executive hereby acknowledges and agrees that in light of his position and areas of responsibility, which require a special degree of trust, and since he is part of the Company's senior management, the provisions of the Hours of Work and Rest Law, 5711-1951, shall not apply to his employment.

2.3 It is hereby agreed that only the Monthly Salary payable to Executive pursuant to Section 2.1 shall constitute the basis for the calculation of all social benefits granted to Executive pursuant to this Agreement (including contributions and deductions related to the Insurance Arrangements (as such term is defined below)) and for any other purpose or benefit plan for which deductions are calculated based on a percentage of Executive's salary.

2.4 The parties hereby acknowledge and agree that the compensation terms set forth in this Agreement constitute fair consideration to Executive, given, inter alia, his managerial responsibilities and obligations towards the Company and that the Executive shall not be entitled to receive any other payment or compensation of any kind beyond the Monthly Salary and the other payments and benefits specified in this Agreement unless otherwise agreed between the Company and the Executive in writing and approved as required by applicable Law.

2.5 The Company shall pay or reimburse Executive for all reasonable out-of-pocket business expenses incurred by Executive in performing his duties under this Agreement, subject to presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.

**3. Annual Bonus**

3.1 For each fiscal year that ends during the Term, the Executive shall be eligible to be considered for an annual bonus under the Company's annual cash bonus plan in accordance with the Compensation Policy (the "**Annual Bonus**") and subject to the sole discretion of the CEO, the Compensation Committee and the Board of Directors, with a target amount equal to 100% of Executive's Annual Salary. If payable, the Annual Bonus shall be paid to the Executive at the same time as annual bonuses are generally payable to other similarly situated senior executives of the Company, subject to the Executive's continuous employment through the payment date. For the avoidance of doubt, Executive shall not be eligible to be considered for Annul Bonus for 2019.

**4. Equity Awards**

4.1 Sign-On Equity-based Award. Executive shall be granted a one-time award of Restrictive Share Units ("Sign-On RSU") in a total fair market value of U.S. $250,000 at Grant Date, subject to (i) the Executive's commencement of employment with the Company, (ii) the terms of TPI's 2015 Long Term Equity-Based Incentive Plan (the "**2015 Plan**") (including any applicable sub-plans and the terms of the award agreement), (iii) the Executive's acceptance of the award agreement (iv) the Compensation Policy, and (v) any applicable law. The number of RSUs shall be determined according to the fair value of RSU on or about the Grant Date (as defined below), in accordance with the terms of the 2015 Plan and the resolutions of the Compensation Committee and the Board, and based on Company practice. The Sign-on RSU shall vest in equal installments on the second (2nd), third (3rd) and fourth (4th) anniversaries of the Grant Date. The Sign-On RSU will be granted on the Effective Date (or, if the Company is subject to a blackout on the Effective Date, the first day of trading after the blackout period ends) (the "**Grant Date**").

4.2 Annual Equity-based Awards. During the Term, the Executive shall be considered for equity-based compensation awards under the Equity Plan or any successor equity compensation plan(s), at the sole discretion of the CEO, the Compensation Committee and the Board of Directors. Any such awards shall be granted on such terms and conditions as may be determined by the Compensation Committee and the Board of Directors.

**5. Executive Benefits**

5.1 During the Term, Executive (and, to the extent eligible, his dependents and Beneficiaries (as defined below)) shall be entitled to participate in any and all health, medical, dental, group insurance (including life insurance), welfare, fringe benefits, perquisites and other employee benefit plans, programs and arrangements that are generally available from time to time to similarly situated senior executives of the Company and their dependents and Beneficiaries (the "**Executive Benefits**"). Nothing contained herein shall be construed to limit the Company's ability to amend, suspend, or terminate any employee benefit plan or policy at any time without providing the Executive notice, and the right to do so is expressly reserved.

5.2 Vacation. Executive shall be entitled to twenty three and a half (23.5) paid vacation working days per calendar year during the Term, which shall accrue in accordance with Company policy. Executive shall be required to utilize at least five (5) consecutive vacation days every calendar year, and may accumulate the remaining vacation days up to 47 days in total and in accordance with Company policy which may be revised from time to time. Any accumulated vacation days above 47 days shall be forfeited by the Company with no consideration. The dates of Executive's annual vacation shall be coordinated in advance with the CEO.

5.3 Sick Leave. Executive shall be entitled to twenty two (22) paid sick working days per calendar year during the Term (without any reduction in the compensation or benefits payable hereunder), which may accumulate during the Term in accordance with the Company's practice or policy, as in effect from time to time but in no event shall exceed twelve (12) months. The sick pay shall include the Monthly Salary and all other amounts and benefits to which Executive is entitled under this Agreement, as if Executive worked at the Company during the period of his illness (in respect of period for which he is entitled to receive payment as aforesaid), less any amount that Executive is entitled to receive with respect to the aforementioned period of his illness, including from any Israeli pension fund; provided that Executive provides the Company with medical confirmation of his illness. The parties hereto hereby acknowledge and agree that the payments to Executive set forth in this Section 5.3 and Executive's insurance in the pension fund and/or loss of ability to work are meant to also cover the Company's obligations under the Sick Pay Law, 57361976.

5.4 Recreation Pay. Executive shall be entitled to fifteen (15) paid recreation days per calendar year during the Term (without any reduction in the compensation or benefits payable hereunder). The amount of recreation pay per recreation day, the payment conditions and any other conditions governing recreation pay shall be in accordance with applicable Law and the Company's policy in effect at the applicable time with respect to its employees generally.

5.5 Study Fund. For every month in which the Executive is employed, Teva shall make contributions on Executive's behalf to a study fund (keren hishtalmut) (the "**Study Fund**"), in an amount equal to 7.5% (seven and one half percent) of the Monthly Salary in such month, and shall deduct 2.5% (two and one half percent) from the Monthly Salary, and transfer these amounts to the Study Fund. By signing this Agreement, the Executive hereby irrevocably grants Teva a power-of attorney to exercise the aforementioned deduction from the Executive's Monthly Salary.

5.6 Car. The Company shall furnish the Executive with a car owned or leased by Teva, and which the Executive shall use during the Term. Subject to the provisions of any applicable Law, and the Company's policy on the matter, the Company shall bear all costs relating to the use and maintenance of the car. The Executive undertakes to use the car in a reasonable manner.

**6. Pension, Severance and Remuneration**

6.1 It is hereby declared and agreed that the rights of the Executive to pension allowance (kitzba), severance payment and remuneration will be insured in a pension fund, managers' insurance, provident fund and/or any combination of the foregoing, according to the Executive's choice, as set forth herein below.

6.2 The Executive will specify, in a notice to Teva, which part of the Monthly Salary shall be insured in each of the programs specified below (the "**Insurance Arrangement**"). To the extent the Executive does not notify the Company of his choice, the Executive's Monthly Salary shall be insured in accordance with the Company's policy. For the avoidance of doubt, it is hereby clarified that the accumulated contributions according to the Insurance Arrangement shall not be made, in any event, from an amount exceeding the Monthly Salary.

6.3 The rate of allocations to the pension fund and/or managers' insurance and/or provident fund, subject to the Insurance Arrangement, shall be as follows:

6.3.1 Remunerations – The Company shall contribute 7.5% out of the Monthly Salary according to the Insurance Arrangement to the remuneration component, and deduct the Executive's contribution in the rate of 6% out of the Monthly Salary according to the Insurance Arrangement for this purpose.

It is hereby clarified that the Company's contributions to the remuneration component to managers' insurance and/or provident fund, shall include a contribution of 5% for the remuneration component as well as payment for acquiring loss of ability to work insurance to insure 75% of the Monthly Salary according to the Insurance Arrangement. For the avoidance of any doubt, it is hereby clarified that (i) the Company's contributions percentages to the remuneration component for managers' insurance and/or provident fund shall not be lower than 5% of the Monthly Salary, and (ii) the total amount of the Company's contributions, including loss of ability to work insurance shall not be higher than 7.5% of the Monthly Salary and (iii) in the event that the cost of the loss of ability to work insurance shall be lower than 2.5% of the Monthly Salary according to the Insurance Arrangement, the remainder shall be contributed to the remuneration component for the benefit of the Executive, as detailed above.

6.3.2 Severance Pay – The Company shall contribute each month an amount equal to 8.33% of the Monthly Salary to the component of Severance Pay (the "**Severance Contribution**").

6.4 In the event of an increase in the Executive's Monthly Salary, the Executive shall be entitled to choose (in accordance with the Provident Funds Articles of Association and applicable provisions of Law) the Insurance Arrangement which will apply to the increase in the Monthly Salary. The Executive shall notify the Company with respect to such choice in accordance with the Company's policies regarding this matter. The provisions of Section 6.3 above shall apply to the Insurance Arrangement, which the Executive chose for the increase in the Monthly Salary.

It is hereby declared and agreed that in the event of an increase in the Executive's Monthly Salary, the Company shall not have an obligation to contribute to the pension fund and/or managers' insurance and/or the provident funds its indebtedness for severance payment, which derives (if at all) from the aforementioned increase, with respect to the term of employment prior to the salary increase.

6.5 By signing this Agreement, the Executive grants the Company an irrevocable power of attorney to deduct from his salary the contributions relating to the Monthly Salary, and to transfer such amounts to any of the pension fund and/or managers' insurance and/or the provident funds included in the Insurance Arrangement, which he chose, all as set forth in Section **Error! Reference source not found.** above.

**7. Termination of Employment**

7.1 General. Executive's employment with the Company shall terminate upon the earliest to occur of (a) Executive's death, (b) a termination by reason of a Disability, (c) a termination by the Company with or without Cause, and (d) a termination by Executive with or without Good Reason. The date on which employee-employer relations cease to exist between the parties shall be referred to in this Agreement as the "**Date of Termination**." Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by Executive, Executive shall be deemed to have resigned, effective immediately, from any and all directorships, committee memberships, and any other positions Executive holds with any member of the Company Group. If for any reason this Section 7.1 is deemed to be insufficient to effectuate the resignations contemplated by the immediately preceding sentence, then Executive shall without incurring any costs on him, upon the Company's request, execute any documents or instruments that the Company may deem necessary or desirable to effectuate such resignations. In addition, Executive hereby designates the Secretary or any Assistant Secretary of the Company to execute any such documents or instruments as Executive's attorney-in-fact to effectuate such resignations if execution by the Secretary or any Assistant Secretary of the Company is deemed by the Company to be a more expedient means to effectuate such resignation or resignations. In addition, Executive undertakes to cooperate with the Company to ensure the orderly transition of position and provide any other assistance that may be required by the Company in connection with the Executive's duties and responsibilities.

Furthermore, upon any termination of Executive's employment for any reason, except for termination for Cause, the Company shall provide Executive with letters addressed to the pension fund, managers insurance, provident fund and Study Fund (as applicable) that will enable Executive to receive any amounts due to him in connection with the termination of his employment.

7.2 Termination Due to Death or Disability. Executive's employment shall terminate automatically upon his death. The Company may terminate Executive's employment immediately upon the occurrence of a Disability (as defined in Section 8.4), such termination to be effective upon Executive's receipt of written notice of such termination and subject to applicable proceedings pursuant to applicable Law. Upon Executive's death or in the event that Executive's employment is terminated due to his Disability, Executive or his estate or his Beneficiaries, as the case may be, shall be entitled to:

7.2.1 The Accrued Obligations;

7.2.2 Amounts accumulated in the funds pursuant to the Severance Contributions;

Notwithstanding the foregoing provisions of this Section 7.2, the payments and benefits described in this Section 7.2 (other than the components of the Accrued Obligations and any portion of the Severance Payment required to be paid pursuant to applicable Law) (a) are subject to Executive's or his estate or his Beneficiaries, as the case may be, execution and non-revocation of the Release of Claims in accordance with Section 7.6 and (b) shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of Sections Sections 9, 10, 11, 12 or 13. In addition, in the event Executive breaches any provision of Sections 9, 10, 11 12 or 13, Executive shall repay to the Company all payments and benefits which were made and/or paid by the Company pursuant to Section 7.4 (other than the components of the Accrued Obligations and the portion of the Severance Payment required to be paid pursuant to applicable Law)

7.3 Termination by the Company for Cause.

7.3.1 The Company may terminate Executive's employment at any time and without any advance notice, in the event of Cause.

7.3.2 In the event that the Company terminates Executive's employment for Cause, he shall be entitled only to those components of the Accrued required to be paid by applicable Law, and subject to applicable Law.

7.3.3 In the event of termination of employment for Cause, the Executive shall be entitled to receive from Teva appropriate letters regarding his termination of employment with Teva, addressed to the pension fund, provident funds and/or the insurer of the managers' insurance, pursuant to which the Executive shall be entitled to receive from them the amounts accumulated therein in the Executive's favor from the contributions of the parties to remuneration, together with linkage differentials and earnings on such contributions, and Teva shall be entitled to the amounts accumulated in such funds that constitute the aggregate Severance Contributions. In the event that the Executive has reimbursed Teva an amount equal to the Severance Contributions, then the Executive shall be entitled to receive from Teva letters as specified in Section 7.1 above without any reservations. In addition, the Executive shall be entitled to receive a letter addressed to the Study Fund according to which Executive will be entitled to receive only the amounts contributed by the Executive to the Study Fund, and Teva shall be entitled to the employer contributions made by Teva to the Study Fund.

7.3.4 Following such termination of Executive's employment by the Company for Cause, except as set forth in this Section 7.3, Executive shall have no further rights to any compensation or any benefits under this Agreement.

7.4 Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective six (6) months following the date of Executive's receipt of notice of such termination (the "**Company Notice Period**"); provided, however, that the Company may, in its sole and absolute discretion and by written notice, waive the services of the Executive during the Company Notice Period or in respect of any part of such period, and at the Company's sole discretion accelerate the effective date of such termination of employee-employer relationship (such accelerated date shall constitute the Termination Date), all on the condition that the Company pay the Executive the Monthly Salary and all additional compensation and benefits to which the Executive is entitled in respect of the Notice Period without regard to any such Company waiver.

In the event that Executive's employment is terminated by the Company without Cause (other than due to death or Disability), Executive shall be entitled to:

7.4.1 The Accrued Obligations;

7.4.2 The Severance Payment (as such term is defined below); and

7.4.3 If Executive's employment is terminated by the Company without Cause within one (1) year following a Change In Control event (as defined in the Compensation Policy as in effect on the date hereof), the CIC Amount (as defined below).

7.4.4 Notwithstanding the foregoing, the payments and benefits described in this Section 7.4 (other than the components of the Accrued Obligations and the portion of the Severance Payment required to be paid pursuant to applicable Law) (a) are subject to Executive's execution and non-revocation of the Release of Claims in accordance with Section 7.7 and (b) shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of Sections 9, 10, 11 12 or 13. In addition, in the event Executive breaches any provision of Sections 9, 10, 11 12 or 13, Executive shall repay to the Company all payments and benefits which were made and/or paid by the Company pursuant to Section 7.4 (other than the components of the Accrued Obligations and the portion of the Severance Payment required to be paid pursuant to applicable Law)

7.5 Termination by Executive with or without Good Reason. Executive may terminate his employment with or without Good Reason by providing the Company six (6) months' prior written notice of such termination (the "**Executive Notice Period**"); provided, however, that the Company may, in

its sole and absolute discretion, by written notice, waive the services of the Executive during the Executive Notice Period or in respect of any part of such period, and at Company's sole discretion accelerate the effective date of such termination of employee-employer relationship (such accelerated date shall constitute the Termination Date) and still have it treated as a termination without Good Reason.

In the event of a termination of employment by Executive for Good Reason, Executive shall be entitled to the same payments and benefits as provided in Sections 7.4.1 and 7.4.2, subject to the same conditions on payment and benefits as described in Section 7.4 (including execution and non-revocation of the Release of Claims in accordance with Section 7.6 and compliance with Sections 9, 10, 11, 12 or 13). Notwithstanding the above, the Company may terminate the employment of Executive without Cause in accordance with Section 7.1 after receipt of the "Good Reason Notice" (as defined below).

In the event of a termination of employment by Executive without Good Reason, Executive shall be entitled to only the Accrued Obligations and the Severance Contributions accumulated in the Insurance Arrangements;

7.6 Release. Notwithstanding any provision in this Agreement to the contrary, the payment of any amount or provision of any benefit pursuant to Section 7 (other than the components of the Accrued Obligations and those components of the Severance Payment required to be paid pursuant to applicable Law) (collectively, the "**Severance Benefits**") shall be conditioned upon Executive's execution, delivery to the Company, and non-revocation of the Release of Claims within thirty (30) days following the Date of Termination. If Executive fails to execute the Release of Claims in such a timely manner or revokes the Release of Claims, Executive shall not be entitled to any of the Severance Benefits. For the avoidance of doubt, in the event of a termination due to Executive's death or Disability or Executive's death or Disability following a notice of termination of employment without Cause or for Good Reason, Executive's obligations herein to execute and not revoke the Release of Claims may be satisfied on his behalf by his estate or a person having legal power of attorney over his affairs.

7.7 Full Settlement. The payments and benefits provided under this Section 7 shall be in full satisfaction of all obligations of the Company Group to Executive under this Agreement or any other agreement, plan, arrangement or policy of the Company Group in connection with his termination of employment. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment shall be receipt of the payments and benefits specified in this Section 7.

7.8 Definitions. For purposes of this Agreement, the following terms have the following meanings:

7.8.1 "**Accrued Obligations**" means (a) any unpaid Monthly Salary earned through the Date of Termination, and any unused vacation days and recreation days accrued in accordance with Company policy and this Agreement through the Date of Termination, which amounts shall be paid on the next regular payroll date immediately following the Date of Termination, (b) any other payment to which Executive is entitled under the applicable terms of any applicable plan, program, agreement, corporate governance document or arrangement of the Company or its affiliates, including Company reimbursement of any unreimbursed business expenses and rights to any Company indemnification as set forth in Section 8.

7.8.2 "**Beneficiaries**" means, subject to applicable Law, the executors of Executive's estate, the Executive's legal heirs and those beneficiaries whom the Executive stipulated in a written notice to any applicable Insurance Arrangement Providers.

7.8.3 "**Cause**" means (A) the Executive's indictment for, conviction of or pleading of guilty or nolo contendere to, (i) a felony or (ii) any crime involving moral turpitude; (B) the Executive's embezzlement, dishonesty, misappropriation of Company property, breach of fiduciary duty or fraud with regard to the Company or any of its assets or businesses; (C) the Executive's willful misconduct or gross negligence in the performance of the Executive's duties or continual failure to perform the material duties of his position; (D) the Executive's material violation of a Company rule or regulation; (E) the Executive's breach of a material provision of this Agreement; or (F) circumstances entitling the Company under any applicable law to terminate the employment of the Executive without payment of severance pay.

7.8.4 "**Disability**" means that Executive, due to a physical or mental disability, has been substantially unable to perform his duties under this Agreement for a continuous period of ninety (90) days or longer, as determined by a physician selected by the Company and reasonably acceptable to Executive.

7.8.5 "**Good Reason**" means a termination by Executive if (a) any of the following events occurs without Executive's express prior written consent, (b) Executive notifies the Company in writing that such event has occurred, describing such event in reasonable detail and demanding cure, within ninety (90) days after Executive learns of the occurrence of such event (the "**Good Reason Notice**"), (c) such event is not substantially cured within thirty (30) days after Executive delivers the Good Reason Notice to the Company, and (d) the Date of Termination occurs within one hundred twenty (120) days after the failure of the Company to so cure: (A) the Company's breach of a material provision of this Agreement, (B) a material diminution in the Executive's duties or responsibilities that is inconsistent with the Executive's position as described herein, or (C) a material reduction in the Executive's rate of Annual Salary.

7.8.6 "**Law**" means any Israeli law, rule or regulation, and the regulations of any securities exchange on which the Company's securities are listed, or any applicable judgment, order, writ, decree, permit or license of any governmental authority.

7.8.7 "**CIC Amount**" means one and a half (1.5) million USD converted into local currency at the Date of Termination and in accordance with the Company's practice and polices.

7.8.8 "**Release of Claims**" means the release of claims in favor of the Company and its affiliates substantially in the form attached hereto as **Exhibit A**.

7.8.9 "**Severance Payment**" means an amount equal to twice the most recent Monthly Salary multiplied by the number of years of employment by Teva (pro rated for partial year) of which any amounts accumulated in the Insurance Arrangement as a result of the Severance Contributions shall be deducted, provided, however, that (i) in no event shall the Executive (or, if applicable, his Beneficiaries) be entitled to receive from the Company an amount which, together with the Severance Contributions accumulated in the Insurance Arrangements, exceeds eighteen (18) months of the Executive's most recent Monthly Salary (unless required otherwise by applicable Law).

**8. Indemnification**

8.1 In accordance with and subject to the provisions of applicable Law and the applicable provisions of the Company's Articles of Association and the Compensation Policy then in effect, Executive shall be indemnified and released by the Company in accordance with the provisions of the Indemnification and Release Agreement attached hereto as **Exhibit B**, the terms of which shall be incorporated by reference herein.

**9. Confidentiality and Disclosure of Information**

Executive shall execute the Confidentiality, Disclosure of Information and Assignment of Inventions Agreement attached hereto as **Exhibit C** concurrently with the execution of this Agreement and agrees to abide by the terms thereof, which shall be deemed incorporated into this Section 9.

**10. Non-Competition**

By signing this Agreement, the Executive hereby acknowledges and agrees that, in his capacity as Executive Vice President, Chief Financial Officer, the Executive will have a great deal of exposure and access to a broad variety of commercially valuable proprietary information of the Company Group, including, by way of illustration, confidential

information regarding the Company Group's current and future products and strategies, costs and other financial information, R&D and marketing plans and strategies, etc. As a result of the Executive's knowledge of the above information and in consideration for the benefits offered by the Company under this Agreement, the Executive affirms and recognizes his continuing obligations with respect to the use and disclosure of confidential and proprietary information of the Company Group pursuant to the Company Group's policies and the terms and conditions of this Agreement, and hereby agrees that, during the Term and for the six (6) months following the Date of Termination, the Executive shall not, directly or indirectly (whether as an officer, director, owner, employee, partner, consultant or other direct or indirect service provider) engage, directly or indirectly, anywhere in the world, in any activity, business or any other engagement in the pharmaceutical industry, which competes with the business of any member of the Company Group as of the Date of Termination (including any business that any member of the Company Group is actively planning to enter as of the Date of Termination), except with the Company's prior written approval. Notwithstanding anything to the contrary contained in this Section 10, the foregoing shall not prevent Executive from acquiring for his own personal investment not more than 1% of the outstanding voting securities of any publicly-traded corporation.

It is hereby agreed and clarified that, when determining the above non-competition undertaking, the parties took into account the entire consideration provided to Executive pursuant to this Agreement, which is being made in consideration, *inter alia*, for such undertaking.

**11. Non-Solicitation**

Executive herby agrees that during the Term and for the six (6) months following the Date of Termination, the Executive shall not, directly or indirectly, (i) solicit or induce, or in any manner attempt to solicit or induce, any person employed by, or as agent of, the Company Group to terminate such person's contract of employment or agency, as the case may be, with the Company Group, or (ii) divert, or attempt to divert, any person, concern or entity from doing business with the Company Group, or attempt to induce any such person, concern or entity to cease being a customer or supplier of the Company Group.

It is hereby agreed and clarified that, when determining the above non-solicitation undertaking, the parties took into account the entire consideration provided to Executive pursuant to this Agreement, which is being made in consideration, *inter alia*, for such undertaking.

**12. No Disparagement**

During the Term and at all times thereafter, the Executive agrees not to (i) make any disparaging or defamatory comments regarding any member of the Company Group or any of its current or former directors, officers, employees or products or (ii) make any negative or disparaging comments concerning any aspect of the Executive's relationship with any member of the Teva Group or any conduct or events relating to any termination of the Executive's employment with the Company.

Nothing herein shall prevent Executive from testifying truthfully in any legal proceeding, to any governmental or regulatory body or as may otherwise be required by applicable Law.

It is hereby agreed and clarified that, when determining the above non-disparagement undertaking, the parties took into account the entire consideration provided to Executive pursuant to this Agreement, which is being made in consideration, *inter alia*, for such undertaking.

**13. Cooperation.**

During the Term and at all times thereafter, Executive agrees to cooperate with the Company and its attorneys in connection with any matter related to the period he was employed by the Company and/or his services to any other member of the Company Group, including but not limited to any threatened, pending, and/or subsequent litigation, government investigation, or other formal inquiry against any member of the Company Group, and shall make himself available upon reasonable notice to prepare for and appear at deposition, hearing, arbitration, mediation, or trial in connection with any such matters. Such cooperation will include willingness to be interviewed by representatives of the Company and to participate in legal proceedings by deposition or testimony. To the extent reasonably practicable, the Company shall coordinate with Executive to minimize scheduling conflicts with Executive's business and personal commitments. The Company shall reimburse Executive for any reasonable re approved out-of-pocket expenses (including travel expenses) incurred in connection with providing such assistance and subject to any terms and limitation in the Indemnification and Release Agreement

**14. No-Hedging Policy; No-Pledging Policy; Stock Ownership Guidelines.**

Executive acknowledges and agrees to adhere to the Company's No-Hedging Policy, No-Pledging Policy and Stock Ownership Guidelines applicable to executive officers of the Company, as each may be amended from time to time in the Company's sole discretion

**15. Return of Car, Equipment and Documents**

As of no later than the Date of Termination, or earlier than that if required by the Company, Executive shall return to the Company the car, cell phone (or other hand-held device), laptop, credit card(s) and any other company equipment, if any, provided to Executive, and any other confidential or proprietary information of the Company that remains in Executive's possession; provided, however, that nothing in this Agreement or elsewhere shall prevent Executive from retaining and utilizing documents relating to his personal benefits, personal contact list, and the like; and such other records and documents as may reasonably be approved by the CEO (such approval not to be unreasonably withheld or delayed). Executive shall confirm such return in writing to the Company promptly upon Company's written request, together with confirmation that Executive no longer has any Company property or confidential or proprietary information of the Company in his possession or control.

**16. Assignability; Binding Nature**

This Agreement shall inure to the benefit of, and be binding on, the parties and each of their respective successors, heirs (in Executive's case) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights and obligations may be assigned or transferred pursuant to a merger or consolidation, or the sale or liquidation of all or substantially all of the business and assets of the Company; provided that the assignee or transferee is the successor to all or substantially all of the business and assets of the Company and such assignee or transferee contractually assumes the liabilities, obligations and duties of the Company, as contained in this Agreement.

**17. Tax Payments; Clawback**

17.1 Tax and Social Security Payments. Executive hereby acknowledges and agrees that the payments and benefits granted to him under this Agreement shall be subject to income tax deductions and other mandatory tax deductions which the Company is required to deduct and/or withhold by applicable Law, and further represents that, except as specifically set forth in this Agreement, nothing in this Agreement shall be construed as imposing on the Company the obligation to pay taxes or any other obligatory payment imposed on Executive due to any payment or benefit, except that the Company shall pay taxes related to the use of car pursuant to Section 5.6.

17.2 Clawback. All payments made pursuant to this Agreement are subject to the "clawback" provisions in the Compensation Policy as may be amended from time to time. By signing this Agreement, Executive grants the Company a power of attorney to deduct from the Monthly Salary and/or any other payments due to Executive by the Company, any amounts owed by him, in accordance with applicable Law and any Company clawback provisions in the Compensation Policy.

**18. Representations**

Executive represents that (a) he has provided to the Company complete and accurate information regarding the terms of all contracts, arrangements, agreements, policies or understandings applicable to Executive, with prior employers or otherwise, which include post-employment covenants including those relating to competition or solicitation of third parties and (b) he is not subject to (or has been released from all restrictive covenants under) any contract, arrangement, agreement, policy or understanding that in any way impacts his ability to enter into or fully perform his obligations under this Agreement. Executive and the Company each represent and warrant (i) that such party is not otherwise unable to enter into and fully perform such party's obligations under this Agreement; and (ii) that, upon the execution and delivery of this Agreement by both parties, this Agreement shall be such party's valid and binding obligation, enforceable against such party in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, or otherwise as may be limited by applicable Laws. Notwithstanding any portion of this Agreement to the contrary, if any of Executive's representations under this Section 18 prove to be inaccurate, the Company may immediately declare this Agreement null and void and Executive's employment with the Company shall terminate immediately without obligation of any sort by the Company, including pursuant to any equity or other award previously issued to Executive.

**19. Notices**

Any notice or other communication required or permitted to be delivered under this Agreement shall be (a) in writing; (b) delivered personally, by email received by the intended receiver of such email, by facsimile, by courier service or by certified or registered mail, first class postage prepaid and return receipt requested; (c) deemed to have been received on the date of delivery or, if so mailed, on the third business day after the mailing thereof; and (d) addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

If to the Company: to the Company's headquarters, Attn: CEO;

If to Executive: to the last address on file with the Company.

**Miscellaneous**

19.1 Entire Agreement. As of the Effective Date, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof, and this Agreement (including the agreements attached hereto as Exhibits) shall supersede all prior representations, agreements and understandings (including any prior course of dealings), both written and oral, between the parties with respect to the subject matter hereof.

19.2 Amendment or Waiver. No provision in this Agreement may be amended unless such amendment is set forth in writing that expressly refers to the provision of this Agreement that is being amended and that is signed by Executive and by an authorized officer of the Company. No waiver by either party of any breach of any condition or provision contained in this Agreement shall be deemed a waiver of any similar or dissimilar condition or provision at the same or any prior or subsequent time. To be effective, any waiver must be set forth in a writing signed by the waiving party and must specifically refer to the condition(s) or provision(s) of this Agreement being waived.

19.3 Inconsistencies. Subject to applicable Law, in the event of any inconsistency between any provision of this Agreement and any provision of any applicable plan, program, agreement, corporate governance document or arrangement of the Company or its affiliates, the provisions of this Agreement shall control unless Executive and the Company otherwise agree in a writing that expressly refers to the provision of this Agreement whose control they are waiving.

19.4 Headings; Construction. The headings of the sections and sub-sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement. For purposes of this Agreement, the term "including" shall mean "including, without limitation."

19.5 Survivorship. The provisions of this Agreement that by their terms call for performance subsequent to the termination of either Executive's employment or this Agreement (including the terms of Sections 7 through 13 and Section 19) shall survive such termination in accordance with their applicable terms.

19.6 Governing Law; Severability. This Agreement shall be governed by the laws of the State of Israel, without regard to its conflict of laws rules. Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under Law but the invalidity or unenforceability of any provision or portion of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision or portion of any provision, in any other jurisdiction. In addition, should a court or arbitrator determine that any provision or portion of any provision of this Agreement, is not reasonable or valid, either in period of time, geographical area, or otherwise, the parties agree that such provision should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable or valid.

19.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument. Signatures delivered by facsimile shall be effective for all purposes.

19.8 Board Approvals. Any reference made in this Agreement to an approval required of the Board or a committee of the Board shall also include any approval of the Board or any committee of the Board as may be required by Law, the Compensation Policy or the Company's corporate documents.

— Signature page follows –

**IN WITNESS WHEREOF**, the parties have executed this Agreement in one or more counterparts as of the Effective Date.

**TEVA PHARMACEUTICAL INDUSTRIES LTD.**

/s/ Mark Sabag

By: Mark Sabag
Title: Chief HR Officer

/s/ Kåre Schultz

By: Kåre Schultz
Title: President & CEO

**EXECUTIVE**

/s/ Eli Kalif

Name: Eli Kalif
Dated:

[Signature Page to Employment Agreement]

**Exhibit A**

**Form of Release Agreement**

This Release Agreement (this "**Release Agreement**") is dated as of [_____] and is entered into by Eli Kalif ("**Executive**", "**Me**" or "**I**") and **TEVA PHARMACEUTICAL INDUSTRIES LTD.** (the "**Company**") in connection with the termination of Executive's employment with the Company.

**1. General Release.**

(a) In consideration for the receipt of those payments that are in excess of the amounts required to be paid to Me by Law (as detailed in the settlement of account attached hereto), I, on behalf of myself and my family, agents, representatives, heirs, executors, trustees, administrators, attorneys, successors and assigns (the "**Releasors**"), hereby irrevocably and unconditionally (i) represent and warrant that I have received in a timely manner full and complete payment of all amounts due to Me under my employment agreement with the Company or under any applicable law and/or in connection with the termination of my employment, both at law and pursuant to the terms of the employment agreement, and (ii) release, settle, cancel, acquit, discharge and acknowledge to be fully satisfied, and covenant not to sue the Company and each of its respective past and/or present subsidiaries, affiliates, successors and assigns, and each of their respective predecessors, and past and/or present stockholders, partners, members, directors, managers, officers, employees, agents or other representatives, and employee benefit plans of the Company or its affiliates, including, but not limited to, trustees and administrators of these plans, in each case, in their individual and/or representative capacities (collectively, the "**Releasees**") from any and all claims, contractual or otherwise, demands, costs, rights, causes of action, charges, debts, liens, promises, obligations, complaints, losses, damages and all liability of whatever kind and nature, whether known or unknown, and hereby waive any and all rights that I, he, she or it may have, from the beginning of time up to and including the time of signing this Release Agreement, in respect of my employment or separation from employment with the Company, or is in any way connected with or related to any applicable compensatory or benefit plan, program, policy or arrangement, including, but not limited to, any claims relating to salaries, benefits, bonuses, compensation, fringe benefits, social benefits according to any law or agreement, amounts of pension fund, overtime, severance pay, sick pay, recreation payments, vacation payments, prior notice payments, options or other securities, reimbursement of expenses and/or any other payments or benefits due to Me by any of the Releasees, or claims under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and any of its affiliates and myself, now or hereafter recognized, including claims for wrongful discharge, slander and defamation, as well as all claims for counsel fees and costs; provided that such released claims shall not include any claims to enforce my rights under, or with respect to, any post-termination obligations of the Company expressly undertaken by the Company under my employment agreement with the Company (including vested accrued benefits and compensation under the Company's employee benefit plans and arrangements as set forth in Section 7 to the Employment Agreement), rights as a shareholder of the Company and rights to indemnification and liability insurance coverage.

(b) The Releasors agree not to bring any action, suit or proceeding whatsoever (including the initiation of governmental proceedings or investigations of any type) against any of the Releasees hereto for any matter or circumstance concerning which the Releasors have released the Releasees under this Release Agreement. Further, the Releasors agree not to encourage any other person or suggest to any other person that he, she or it institute any legal action against the Releasees, and I hereby declare, confirm and undertake that, if the Releasors or anyone else in their name should deliver a claim as mentioned above, I shall reimburse the Releasees and anyone else on their behalf to the full extent of the sum of the legal expenses and legal fees incurred by them as a result of any such claim; and in the event that Releasors prevail in such legal action, then the Releasees shall reimburse such sum to Me or the Releasors. The Releasors hereby agree to waive the right to any relief (monetary or otherwise) in any action, suit or proceeding I may bring in violation of this Release Agreement.

(c) This Release Agreement shall constitute a dismissal and compromise notice for the purposes of Section 29 of the Severance Pay Law 5713-1963.

**2. Legal Advice, Reliance.** I represent and acknowledge that (a) I have been given adequate time to consider this Release Agreement and have been advised to discuss all aspects of this Release Agreement with my private attorney, (b) I have carefully read and fully understand all the provisions of this Release Agreement, (c) I have voluntarily entered into this Release Agreement, without duress or coercion, and (d) I have not heretofore assigned or transferred or purported to assign or transfer, to any person or entity, any of the claims described in Section 1(a), any portion thereof or any interest therein. I understand that if I request additional time to review the terms of this Release Agreement, a reasonable extension of time shall be granted.

**3. Miscellaneous.**

(a) No Violation of Law. I agree and acknowledge that this Release Agreement is not and shall not be construed to be an admission by the Company of any violation of any applicable laws of Israel, or of any duty owed by the Company to Me.

(b) Governing Law; Severability. This Release Agreement shall be governed by the laws of the State of Israel, without regard to its conflict of laws rules. In the event that any one or more of the provisions of this Release Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(c) Counterparts. This Release Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

* * * * *

Very truly yours,

**EXECUTIVE**

_____

Name: _____

Dated: _____

ACCEPTED AND AGREED:

**TEVA PHARMACEUTICAL INDUSTRIES LTD**

By:
Title:

By:
Title:

**Exhibit B**

**Indemnification Agreement**

**Indemnification and Release Agreement**

This Indemnification and Release Agreement (this "Indemnification Agreement") is being entered into, pursuant to the resolutions of the Board of Directors (the "Board") of Teva Pharmaceutical Industries Ltd., a company organized under the laws of the State of Israel (the "Company"), dated July 31, 2012 and the resolutions of the Human Resources and Compensation Committee of the Board, and the Audit Committee of the Board, each dated July 30, 2012.

It is in the best interest of the Company to retain and attract as office holders the most capable persons available and such persons are becoming increasingly reluctant to serve in companies unless they are provided with adequate protection through insurance, exemption and indemnification in connection with such service.

You are or have been appointed as an office holder of the Company, and in order to enhance your service to the Company in an effective manner, the Company desires to provide for your indemnification to the fullest extent permitted by law and the Company's Articles of Association (the "Articles of Association"). In consideration of your service to the Company, the Company hereby agrees as follows:

**1.** The Company hereby undertakes to indemnify you to the maximum extent permitted by the Articles of Association and the Israeli Companies Law, 5759 – 1999, as amended from time to time (the "Companies Law"), the Israeli Securities Law, 5728-1968, as amended from time to time (the "Securities Law") and any other applicable law, in respect of the following expenses or liabilities imposed on, or incurred by, you in consequence of any act performed or omission committed by you in your capacity as an "Office Holder" (such term shall bear the meaning assigned to it in the Companies Law) of the Company (including your service, at the request of the Company, as an officer, director, employee or board observer of any other company controlled directly or indirectly by the Company (a "Subsidiary") or in which the Company holds shares (an "Affiliate")).

**1.1** any monetary liability imposed on you in favor of another person by a court judgment, including a settlement or an arbitrator's award which was approved by court;

**1.2** reasonable litigation expenses, including attorneys' fees, actually incurred by you in connection with an investigation or proceeding that was conducted against you by a competent authority which has been Terminated Without the Filing of an Indictment (*as such term is defined in the Companies Law*) against you and without the Imposition on you of a Monetary Liability In Lieu of a Criminal Proceeding (*as such term is defined in the Companies Law*), or which has been Terminated Without the Filing of an Indictment against you but with the Imposition on you of a Monetary Liability in Lieu of a Criminal Proceeding in respect of a crime which does not require the proof of *mens rea* (criminal intent) or in connection with a monetary sanction;

**1.3** reasonable litigation expenses, including attorneys' fees, actually incurred by you or charged to you by a court, in a proceeding instituted against you by the Company or on its behalf or by another person, or in any criminal proceeding in which you were acquitted, or in any criminal proceedings in which you were convicted of a crime which does not require the proof of *mens rea* (criminal intent); and

**1.4** payment which you are obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law, and expenses actually incurred by you in connection with a proceeding under Chapters H'3, H'4, or I'1 of the Securities Law, including reasonable legal expenses, which term includes attorneys' fees or in connection with Article D of Chapter Four of Part Nine of the Companies Law.

For the purpose of this Indemnification Agreement, "expenses" shall include, without limitation, attorneys' fees and all other costs, expenses and obligations paid or incurred by you in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in any claim relating to any matter for which indemnification hereunder may be provided, and expenses paid or incurred by you in successfully enforcing this Indemnification Agreement. Expenses shall be considered paid or incurred by you at such time as you are required to pay or incur such cost or expenses, including upon receipt of an invoice or payment demand.

**2.** Notwithstanding the forgoing provisions of Section 1, except to the extent permitted by applicable law, the Company will not indemnify you for any amount you may be obligated to pay in respect of:

**2.1** A breach of your duty of loyalty to the Company or a Subsidiary or Affiliate, unless committed in good faith and with reasonable grounds to believe that such act would not prejudice the interests of the Company or a Subsidiary or Affiliate;

**2.2** A breach of your duty of care to the Company or a Subsidiary or an Affiliate committed intentionally or recklessly;

**2.3** An action or omission taken by you with the intent of unlawfully realizing personal gain;

**2.4** A fine, monetary sanction, forfeit or penalty imposed upon you; or

**2.5** With respect to proceedings or claims initiated or brought voluntarily by you against the Company or a Subsidiary or an Affiliate, other than by way of defense, by way of third party notice to the Company or a Subsidiary or an Affiliate, or by way of countersuit in connection with claims brought against you.

**3.** To the fullest extent permitted by law, the Company will, following receipt by the Company of your written request therefor, make available all amounts payable to you in accordance with Section 1 above on the date on which such amounts are first payable by you ("Time of Indebtedness"), and with respect to items referred to in Sections 1.2, 1.3 and 1.4 above, even prior to the time on which the applicable court renders its decision, *provided however*, that advances given to cover legal expenses will be repaid by you to the Company if it is determined that you are not lawfully entitled to such indemnification.

As part of the aforementioned undertaking, the Company will make available to you any security or guarantee that you may be required to post in accordance with an interim decision given by a court or an arbitrator, including for the purpose of substituting liens imposed on your assets.

**4.** The Company will indemnify you and advance expenses in accordance with this Indemnification Agreement even if at the relevant Time of Indebtedness you are no longer an Office Holder of the Company or a Subsidiary or an Affiliate, *provided* that the obligations with respect to which you will be indemnified hereunder are in respect of actions taken or omissions committed by you while you were an Office Holder of the Company or such Subsidiary or such Affiliate as aforesaid, and in such capacity.

**5.** The undertaking of the Company set forth in Section 1.1 shall be limited as follows:

**5.1** to matters that are connected or otherwise related to those events or circumstances set forth in Schedule A hereto.

5.2 the maximum amount for which the Company undertakes to indemnify you for the matters and circumstances described in Section 1.1, jointly and in the aggregate, shall not exceed US$ 200 million according to the representative rate of exchange, or any other official rate of exchange that may replace it, at the Time of Indebtedness calculated with respect to each Office Holder of the Company. Such amount has been determined by the Board to be reasonable under the circumstances.

**6.** Subject to the limitations of Section 5 above and Section 7 below, the indemnification hereunder will, in each case, cover all sums of money that you will be obligated to pay, in those circumstances for which indemnification is permitted under the law, the Articles of Association and under this Indemnification Agreement.

**7.** Notwithstanding anything to the contrary herein, the Company will not indemnify you for any liability with respect to which you have received payment by virtue of an insurance policy or another indemnification agreement, including, without limitation, an indemnification undertaking provided by a Subsidiary or an Affiliate, other than for amounts which are in excess of the amounts actually paid to you pursuant to any such insurance policy or other indemnity agreement (including deductible amounts not covered by insurance policies), all within the limits set forth in Section 5 above. In order to eliminate any duplication of benefits, the Company will be entitled to receive any amount collected by you from a third party in connection with liabilities actually indemnified hereunder, up to the amount actually paid to you by the Company as indemnification hereunder, to be transferred by you to the Company within fifteen (15) days following the receipt of the said amount.

In the event of payment by the Company pursuant to this Indemnification Agreement, the Company shall be subrogated to the extent of such payment to all of your rights of recovery, and you shall execute all documents required, and shall do everything that may be necessary, to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

**8.** In all indemnifiable circumstances, indemnification will be subject to the following:

**8.1** You shall promptly notify the Company in writing of any legal proceedings initiated against you and of all possible or threatened legal proceedings for which you may seek indemnification hereunder, without delay, and in any event within seven (7) days following your first becoming aware thereof, *provided*, *however*, that your failure to notify the Company as aforesaid shall not derogate from your right to be indemnified as provided herein except and to the extent that such failure to provide notice prejudices the Company's ability to defend against such action or to conduct any related legal proceeding. You shall deliver to the Company, or to such person as it shall advise you, without delay all documents you receive in connection with these proceedings or possible or threatened proceedings. Notice to the Company shall be directed to the Chairman of the Board, and in the event you are the Chairman of the Board, to the Chairman of the Audit Committee, at the address of the Company's principal office (or at such other address as the Company shall advise you).

**8.2** Other than with respect to proceedings that have been initiated against you by the Company or in its name, the Company shall be entitled to undertake the conduct of your defense in respect of such legal proceedings and/or to hand over the conduct thereof to any attorney which the Company may choose for that purpose, except to an attorney who is not, upon reasonable grounds, acceptable to you. In such case, the fees and expenses of such counsel shall be paid by the Company. The Company shall notify you of any such decision to defend within ten (10) calendar days of receipt of notice of any such proceeding.

The Company or the attorney as aforesaid shall be entitled, within the context of the conduct as aforesaid, to conclude such proceedings, all as they shall see fit, including by way of settlement.

Notwithstanding the foregoing, in the case of criminal proceedings, the Company or the attorneys as aforesaid will not have the right to plead guilty in your name or to agree to a plea-bargain in your name without your consent. Furthermore, in a civil proceeding (whether before a court or as a part of a compromise arrangement), the Company and/or its attorneys will not have the right to admit to any occurrences that are not indemnifiable pursuant to this Indemnification Agreement and/or pursuant to law, without your consent. However, the aforesaid will not prevent the Company or its attorneys as aforesaid, with the approval of the Company, to come to a financial arrangement with a plaintiff in a civil proceeding or to consent to the entry of any judgment against you or enter into any settlement, arrangement or compromise, in each case without your consent, so long as such arrangement, judgment, settlement or compromise: (i) does not include an admission of your fault, (ii) is fully indemnifiable pursuant to this Indemnification Agreement and pursuant to law and (iii) further provides, as an unconditional term thereof, the full release of you from all liability in respect of such proceeding. This paragraph shall not apply to a proceeding brought by you under Section 8.7 below.

**8.3** You will fully cooperate with the Company and/or any attorney as aforesaid in every reasonable way as may be required of you within the context of their conduct of such legal proceedings, including but not limited to the execution of power(s) of attorney and other documents required to enable the Company or its attorney as aforesaid to conduct your defense in your name, and to represent you in all matters connected therewith, in accordance with the aforesaid and will give the Company all information and access to documents, files and your advisors and representatives as shall be within your power, in every reasonable way as may be required by the Company with respect to any such legal proceedings, provided that the Company shall cover all reasonable costs incidental thereto such that you will not be required to pay the same or to finance the same yourself, and provided, further, that you shall not be required to take any action that would reasonably prejudice your defense in connection with any indemnifiable proceeding.

**8.4** Notwithstanding the provisions of Sections 8.2 and 8.3 above, (i) if in a proceeding to which you are a party by reason of your status as an Office Holder of the Company or any Subsidiary or Affiliate, the named parties to any such proceeding include both you and the Company or any Subsidiary or Affiliate, and joint representation is inappropriate under applicable standards of professional conduct due to a conflict of interest or potential conflict of interest (including the availability to the Company and its Subsidiary or Affiliate, on the one hand, and you, on the other hand, of different or inconsistent defenses or counterclaims) that exists between you and the Company, or (ii) if the Company fails to assume the defense of such proceeding in a timely manner, or (iii) if the Company refers the conduct of your defense to an attorney who is not, upon reasonable grounds, acceptable to you, you shall be entitled to be represented by separate legal counsel, which may represent other persons similarly situated, of the Company's choice and reasonably acceptable to you and such other persons, at the sole expense of the Company. In addition, if the Company fails to comply with any of its material obligations under this Indemnification Agreement or in the event that the Company or any other person takes any action to declare this Indemnification Agreement void or unenforceable, or institutes any action, suit or proceeding to deny or to recover from you the benefits intended to be provided to you hereunder, except with respect to such actions, suits or proceedings brought by the Company that are resolved in favor of the Company, you shall have the right to retain counsel of your choice, reasonably acceptable to the Company and at the expense of the Company, to represent you in connection with any such matter.

**8.5** If, in accordance with Section 8.2 (but subject to Section 8.4), the Company has taken upon itself the conduct of your defense, you shall have the right to employ counsel in any such action, suit or proceeding, who shall fully update, and be fully updated by, the Company on the defense procedure and shall consult with, and be consulted with by, the Company and the attorney conducting the legal defense on behalf of the Company, but the fees and expenses of such counsel, incurred after the assumption by the Company of the defense thereof, shall be at your expense and the Company will have no liability or obligation pursuant to this Indemnification Agreement or the above resolutions to indemnify you for any legal expenses, including any legal fees, that you may incur in connection with your defense, unless the Company shall agree to such expenses; in which event all reasonable fees and expenses of your counsel shall be borne by the Company to the extent so agreed to by the Company.

**8.6** The Company will have no liability or obligation pursuant to this Indemnification Agreement to indemnify you for any amount expended by you pursuant to any compromise or settlement agreement reached in any suit, demand or other proceeding as aforesaid without the Company's consent to such compromise or settlement, which consent shall not be unreasonably withheld.

**8.7** The Board and/or applicable committee(s) thereof and/or any other person(s) authorized by the Board will consider the request for indemnification and the amount thereof and will determine if you are entitled to indemnification and the amount thereof. In the event that you make a request for payment of an amount of indemnification hereunder or a request for an advancement of indemnification expenses hereunder and the Company fails to timely determine your right to indemnification hereunder or fails to timely make such payment or advancement in

whole or in part, you may request that a determination with respect to your entitlement thereto shall be made in the specific case by an Independent Counsel agreed upon by the Company and you, and in the absence of such agreement, appointed by the head of the Israeli Bar Association. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Indemnification Agreement or its engagement pursuant hereto, provided, however, that you shall reimburse the Company for any such fees, expenses, claims, liabilities and damages in the event the matter is resolved in favor of the Company. "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of Israeli corporate law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company, an "interested party" (as defined in the Companies Law) of the Company or you in any matter material to either such party (other than in the capacity of Independent Counsel with respect to this Indemnification Agreement or similar indemnification agreements of the Company), or (ii) any other party to the proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or you in an action to determine your rights under this Indemnification Agreement.

**8.8** Neither the Company nor any of its agents, employees, directors or officers shall make any statement to the public or to any other person regarding any settlement of claims made pursuant to this Indemnification Agreement against you that would in any manner cast any negative light, inference or aspersion against you.

**8.9** By signing this Indemnification Agreement you hereby accept that you shall not make any statement to the public or to any other person regarding any settlement of claims made pursuant to this Indemnification Agreement against you or the Company that would in any manner cast any negative light, inference or aspersion against the Company, and that you will keep the terms of such settlement confidential.

**9.** The Company hereby exempts you, to the fullest extent permitted by law and the Articles of Association, from any liability for damages caused as a result of a breach of your duty of care to the Company, ***provided*** that in no event shall you be exempt with respect to any actions listed in Section 2 above or for a breach of your duty of care in connection with a Distribution (*as defined in the Companies Law*).

**10.** Subject to Section 20 below, if any act, resolution, approval or other procedure is required for the validation of any of the undertakings in this Indemnification Agreement, the Company undertakes to cause them to be done or adopted in a manner which will enable the Company to fulfill all its undertakings as aforesaid.

**11.** To the fullest extent permitted by law and the Articles of Association (as stated above), nothing contained in this Indemnification Agreement shall derogate from the Company's right (but in no way shall the Company be obligated) to indemnify you *post factum* for any amounts which you may be obligated to pay as set forth in Section 1 above without regard to the limitations set forth in Section 5 above. Your rights of indemnification hereunder shall not be deemed exclusive of any other rights you may have under the Articles of Association or applicable law or otherwise.

**12.** If any undertaking included in this Indemnification Agreement is held invalid or unenforceable, such invalidity or unenforceability will not affect any of the other undertakings which will remain in full force and effect. Furthermore, if such invalid or unenforceable undertaking may be modified or amended so as to be valid and enforceable as a matter of law, such undertaking will be deemed to have been modified or amended, and any competent court or arbitrator is hereby authorized to modify or amend such undertaking, so as to be valid and enforceable to the maximum extent permitted by law.

**13.** This Indemnification Agreement and the agreements herein shall be governed by and construed and enforced in accordance with the laws of the State of Israel, without regard to the rules of conflict of laws, and any dispute arising from or in connection with this Indemnification Agreement is hereby submitted to the sole and exclusive jurisdiction of the competent courts in Tel Aviv, Israel.

**14.** This Indemnification Agreement cancels and replaces any preceding letter of indemnification or arrangement for indemnification that may have been issued to you by the Company. Notwithstanding the foregoing, the indemnification obligation set forth in this Indemnification Agreement will also apply, subject to the terms, conditions and limitations set forth in this Indemnification Agreement, with respect to actions performed, or omissions committed, in your capacity as an Office Holder of the Company or a Subsidiary or an Affiliate, during the period prior to the date of this Indemnification Agreement.

**15.** Neither the settlement nor termination of any proceeding nor the failure of the Company to award indemnification or to determine that indemnification is payable shall create an adverse presumption that you are not entitled to indemnification hereunder. In addition, the termination of any proceeding by judgment or order (unless such judgment or order provides so specifically) or settlement shall not create a presumption that you did not act in good faith and in a manner which you reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, that you had reasonable cause to believe that your action was unlawful.

**16.** This Indemnification Agreement shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by merger or consolidation or otherwise by operation of law), and (b) binding on and shall inure to the benefit of your heirs, personal representatives, executors and administrators. This Indemnification Agreement shall continue for your benefit and your heirs', personal representatives', executors' and administrators' benefit after you cease to be an Office Holder of the Company.

**17.** The obligations of the Company according to this Indemnification Agreement shall be interpreted broadly and in a manner that shall facilitate its execution, to the extent permitted by law, and for the purposes for which it was intended. In the event of a conflict between any provision of this Indemnification Agreement and any provision of the law which cannot be conditioned upon, changed or added to, the said provision of the law shall supersede the specific provision in this Indemnification Agreement, but shall not limit or diminish the validity of the remaining provisions of this Indemnification Agreement.

**18.** Subject to Section 20 below, the Company hereby agrees to indemnify and exempt you to the fullest extent permitted by law, notwithstanding that such indemnification or exemption is not specifically authorized by the other provisions of this Indemnification Agreement. In the event of any change after the date of this Indemnification Agreement in any applicable law, statute or rule which expands the right of an Israeli company to indemnify Office Holders, it is the intent of the parties hereto that you shall enjoy by this Indemnification Agreement the greater benefits afforded by such change and such changes shall to the extent permitted by applicable law be, ipso facto, within the purview of your rights and the Company's obligations pursuant to this Indemnification Agreement.

**19.** Subject to Section 5 above and notwithstanding anything else to the contrary herein, in the event of any change in the Articles of Association after the date of this Indemnification Agreement which narrows the Company's right to indemnify you under this Agreement, such change shall apply only with respect to actions performed, or omissions committed, by you in your capacity as an Office Holder of the Company, of a Subsidiary or of an Affiliate, after the date of such change, to the extent permitted by applicable law.

**20.** Notwithstanding anything to the contrary herein, nothing in this Indemnification Agreement shall require or obligate the Company to amend its Articles of Association, or take any action with respect thereto.

**21.** No waiver of any of the provisions of this Indemnification Agreement shall be deemed or shall constitute a waiver of any other provisions of this Indemnification Agreement (whether or not similar), nor shall such waiver constitute a continuing waiver. Any waiver shall be in writing.

**22.** All notices and other communications required or permitted under this Indemnification Agreement shall be in writing, shall be effective (i) if mailed, three (3) business days after mailing (unless mailed abroad, in which case it shall be effective five (5) business days after mailing), (ii) if by air courier, two (2) business days after delivery to the courier service, (iii) if sent by messenger, upon delivery, (iv) if sent via facsimile, upon transmission and electronic (or other) confirmation of receipt or (if transmitted and received on a non-business day) on the first business day following transmission and electronic (or other) confirmation of receipt and (iv) if sent by email, on the date of transmission or (if transmitted and received on a non-business day) on the first business day following transmission, except where a notice is received stating that such mail has not been successfully delivered.

**23.** This Indemnification Agreement shall continue in effect regardless of whether you continue to serve as an Office Holder of the Company.

**24.** This Indemnification Agreement may be executed in any number of counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall constitute one and the same instrument; it being understood that parties need not sign the same counterpart. The exchange of an executed Agreement (in counterparts or otherwise) by facsimile or by electronic delivery in pdf format shall be sufficient to bind the parties to the terms and conditions of this Indemnification Agreement, as an original.

The Board has determined, based on the current activity of the Company, that the amount stated in Section 5 is reasonable under the circumstances, and that those events and circumstances specified in Schedule A are foreseeable in light of the Company's activities as of the date hereof.

Schedule A

All references in this schedule to the "Company" shall be deemed to refer to a Subsidiary or Affiliate as well, to the extent that your service as an office holder, director, employee or board observer of the Subsidiary or Affiliate is at the request of the Company in the circumstances described in the preface of Section 1 to the Indemnification Agreement.

1. The offering of securities by the Company and/or by a shareholder to the public and/or to private investors or the offer by the Company to purchase securities from the public and/or from private investors or other holders pursuant to a prospectus, agreement, notice, report, tender and/or other proceeding, whether in Israel, the United States or abroad;

2. Occurrences resulting from the Company's public filings or omissions to make a public filing, delisting of shares, or buy-back of Company's securities;

3. Occurrences in connection with investments the Company make in other corporations whether before and/or after the investment is made, entering into the transaction, the execution, development and monitoring thereof, including without limitation, actions taken by you in the name of the Company as an Office Holder and/or board observer of the corporation which is the subject of the transaction and the like;

4. The sale, purchase and holding of negotiable securities or other investments for or in the name of the Company;

5. Actions in connection with an actual or anticipated change in ownership, control or structure of the Company, its reorganization, dissolution, including without limitation, a merger, sale or acquisition of shares, or change in capital;

6. Actions in connection with any actual or proposed transaction not in the ordinary course of business of the Company, including without limitation, the sale, lease or purchase of any assets, subsidiary, operations and/or business, or part thereof, of the Company;

7. Actions concerning the approval of transactions of the Company with officers and/or directors and/or holders of controlling interests in the Company, and any other transactions referred to in Section 270 of the Companies Law;

8. Without derogating from the generality of the above, actions in connection with the purchase or sale of companies, legal entities, business, securities or assets, and the division or consolidation thereof, including without limitation, any Tender Offer, Forced Sale of Shares, Arrangement and Compromise (as such capitalized terms are defined in the Companies Law) or any reorganization, merger or consolidation of whatever kind or nature within the meaning of any law applicable to such claim or demand;

9. Actions taken in connection with labor relations and/or employment matters in the Company and trade relations of the Company, including without limitation, with employees, independent contractors, customers, suppliers and various service providers;

10. Actions in connection with products or services developed and/or commercialized by the Company, including without limitation, the performance of pre-clinical and clinical trials on such products, whether performed by the Company or by third parties on behalf of the Company, and/or in connection with the certification, distribution, sale, license or use of such products, including without limitation in connection with professional liability and product liability claims and/or in connection with the procedure of obtaining regulatory or other approvals regarding such products, whether in Israel or abroad and including without limitation, liabilities arising out of advertising or marketing, including without limitation, misrepresentations regarding the Company's products and unlawful distribution of emails;

11. Actions taken in connection with the intellectual property of the Company, and its protection, including without limitation, the registration or assertion of rights to intellectual property and the defense of claims related to intellectual property, including without limitation, any assertion that the Company's products violate, infringe, misappropriate or misuse the intellectual property rights of any third party;

12. Actions taken pursuant to or in accordance with the policies and procedures of the Company (including without limitation, tax policies and procedures), whether such policies and procedures are published or not;

13. Approval of corporate actions, in good faith, including without limitation, the approval of the acts of the Company's management, their guidance and their supervision;

14. Claims of failure to exercise business judgment and a reasonable level of proficiency, expertise and care in regard of the Company's business;

15. Violations of laws requiring the Company to obtain regulatory and governmental licenses, permits and authorizations in any jurisdiction;

16. Claims in connection with publishing or providing any information, including without limitation, any filings with governmental authorities, on behalf of the Company in the circumstances required under applicable laws;

17. Any claim or demand made under any securities laws of any jurisdiction or by reference thereto, or related to the failure to disclose any information in the manner or time such information is required to be disclosed pursuant to any securities authority or any stock exchange disclosure or other rules, or any other claims relating to relationships with investors, debt holders, shareholders and the investment community; or related to inadequate or improper disclosure of information to investors, debt holders, shareholders and the investment community, claims relating to or arising out of financing arrangements, any breach of financial covenants or other obligations towards lenders or debt holders of the Company, class actions, violations of laws requiring the Company to obtain regulatory and governmental licenses, permits and authorizations in any jurisdiction; actions taken in connection with the issuance of any type of securities of Company, including without limitation, the grant of options to purchase any of the same, or related to the purchase, holding or disposition of securities of the Company or any other investment activity involving or effected by such securities, including, without limitation, any offering of the Company's securities to private investors or to the public, and listing of such securities, or the offer by the Company to purchase securities from the public or from private investors or other holders, and any undertakings, representations, warranties and other obligations related to any such offering, listing or offer or to the Company's status as a public company or as an issuer of securities;

18. Any claim or demand made by any lenders or other creditors or for monies borrowed by, or other indebtedness of, the Company;

19. Any claim or demand made directly or indirectly in connection with complete or partial failure, by the Company, or their respective directors, officers and employees, to pay, report, keep applicable records or otherwise, any state, municipal, federal, county, local, city or foreign taxes or other mandatory payments of any nature whatsoever, including, without limitation, income, sales, use, transfer, excise, value added, registration, severance, stamp, occupation, customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll or employee withholding or other withholding, including without limitation, any interest, penalty or addition thereto, whether disputed or not;

20. Any claim or demand arising out of dealings by the Company with third parties, including without limitation, agents, employees, customers, suppliers, creditors or others;

21. Any claim or demand arising out of presentations or reports submitted or delivered (or not submitted or delivered) to shareholders (whether current or prospective), customers or creditors of the Company or to any governmental entity or agency, including without limitation, relevant securities authorities or commissions;

22. Any claim or demand made by purchasers, holders, lessors or other users of products of the Company, or individuals treated with or exposed to such products, for damages or losses related to such use or treatment;

23. Review, approval and actions taken in connection with the financial and tax reports of the Company, including without limitation, any action, consent or approval related to or arising from the foregoing, including without limitation, execution of certificates for the benefit of third parties related to the financial statements;

24. Claims in connection with anti-competitive laws and regulations and laws and regulation of commercial wrongdoing;

25. Claims in connection with breach of confidentiality obligations, acts in regard of invasion of privacy, including with respect to databases, and acts in connection with slander and defamation;

26. Claims or demands made by any third party suffering any personal injury and/or bodily injury and/or property damage to business or personal property through any act or omission attributed to the Company, or its employees, agents or other persons acting or allegedly acting on their behalf;

27. Any administrative, regulatory or judicial actions, orders, decrees, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation by any governmental entity, including without limitation, the Office of the Chief Scientist or the Investments Center of the Israeli Ministry of Industry, Trade and Labor, the Israeli Antitrust Authority, the Israel Securities Authority, the United States Securities and Exchange Commission,

or other person alleging the failure to comply with any statute, law, ordinance, rule, regulation, order or decree of any governmental entity applicable to the Company, or any of its businesses, subsidiaries, assets or operations, or the terms and conditions of any operating certificate or licensing agreement;

28. Any action or decision regarding Distribution;

29. An announcement, a statement, including without limitation, a position taken, or an opinion made in good faith by an Office Holder in the course of his duties and in conjunction with his duties, including without limitation, during a meeting of the Board or one of the committees of the Board;

30. An act or omission undertaken in contradiction to the Company's Memorandum of Association or Articles of Association;

31. Any action or decision in relation to work safety and/or working conditions;

32. An act or omission undertaken in negotiating, signing and performing an insurance policy or any claim relating to a failure to maintain appropriate insurance and/or adequate safety measures;

33. Any claim or demand made by a customer, supplier, contractor or other third party transacting any form of business with the Company, in the ordinary course of their business, relating to the negotiations or performance of such transaction, or representations or inducements provided in connection therewith or otherwise.

34. Any administrative, regulatory, civil or judicial actions, orders, decrees, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation by any governmental entity or other person alleging potential responsibility or liability (including without limitation, potential responsibility or liability for costs of enforcement, investigation, cleanup, governmental response, removal or remediation, for natural resources damages, property damage, personal injuries, or penalties or for contribution, indemnification, cost recovery, compensation, or injunctive relief) arising out of, based on or related to (x) the presence of release, spill, emission, leaking, dumping, pouring, deposit, disposal, discharge, leaching or migration into the environment (each a "Release") or threatened Release of, or exposure to, any hazardous, toxic, explosive or radioactive substances, wastes or other pollutants and all other substances or wastes of any nature regulated pursuant to any environmental law, at any location, whether or not owned, operated, leased or managed by the Company, or any of its subsidiaries, or (y) circumstances forming the basis of any violation of any environmental law, environmental permit, license, registration or other authorization required under applicable environmental and/or public health law.

**Exhibit C**

**Confidentiality, Disclosure of Information and Assignment of Inventions Agreement**

To: Teva Pharmaceutical Industries Ltd. and its subsidiaries and affiliates (the "**Company**")

Re: Proprietary Information, Non-Disclosure and Assignment of Inventions Agreement

The undersigned ("**Executive**") hereby acknowledges that he will have access to, certain proprietary information, inventions, commercial secrets and other confidential information of the Company and may participate in the development, planning or marketing of the Company's products, in connection with Executive's employment under the Employment Agreement entered into between the Company and Executive dated November 6, 2019 (hereinafter, the "**Employment Agreement**"). In relation to such confidential information Executive hereby undertakes as follows, in full knowledge that the force of this undertaking is in no way dependent upon the force of the Employment Agreement, is entirely independent from said agreement, does not in any way constitute a concurrent obligation with the obligations defined in the Employment Agreement and has been a material part of the consideration of his engagement by the Company:

**1. Proprietary Information and Non-Disclosure**

1.1. Executive acknowledges and agrees that he will have access to or be involved in the planning, making or development of, confidential and proprietary information concerning the business and financial activities of the Company or its property, business, dealings, clients, suppliers, people or entities that come into contact with them, their operational methods, research or manufacturing process, plans and strategies, business plans, research projects, employees, marketing plans, supplier lists, customers, data, trade secrets, test results, formulas, processes, data and know-how, improvements, inventions, patents, application for patents, copyrights, trademarks, engineering specifications, product designs, technical information discoveries, studies, techniques, specifications, computer programs (in source and object code), databases, products (actual or planned) and information contained in computers, preservation of information methods, disks, diskettes, drawings, plans, communications, prospectuses, reports, prices, calculations, fees, work conditions in the Company or other agreement conditions which relate to the Company and documents of the Company. All such information, whether in documentary, written, oral or digital format, and whether received by Executive as a result of his employment with the Company or brought to his attention in any other manner, shall be deemed to be and referred to as "**Proprietary Information**." For purposes of this Confidentiality, Disclosure of Information and Assignment of Inventions Agreement, the term "Company" shall include all entities within the Company Group (as defined in the Employment Agreement).

"Proprietary Information" shall be deemed to include any and all proprietary information disclosed by or on behalf of the Company irrespective of form, but excluding information that (i) was known to Executive prior to his association with the Company and can be so proven by Executive by documentary evidence; (ii)

shall have appeared in any printed publication or patent of a third party or shall have become a part of the public knowledge except as a result of a breach of this Agreement by Executive; or (iii) shall have been received by Executive from a third party having no obligation to the Company.

In addition, the term "Proprietary Information" shall include information regarding salaries, bonuses and benefits paid or granted to Executive by the Company under the Agreement to which this **Exhibit E** is attached.

1.2. Executive agrees and declares that all Proprietary Information and rights in connection therewith are, and shall be, the sole property of the Company and its assignees. At all times, both during the term of his engagement with the Company and thereafter Executive will keep in strict confidence and trust all Proprietary Information, and Executive will not copy, transmit, reproduce, summarize, quote, publish and/or make any commercial or other use or disclose directly or indirectly any Proprietary Information or anything relating to it without the prior written consent of the Company, except as may be necessary in the ordinary course of performing Executive's duties in his engagement with the Company and in the best interests of the Company.

1.3. Executive recognizes that the Company received and will receive confidential or proprietary information from third parties subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. At all times, both during the term of his engagement with the Company and thereafter, Executive undertakes to hold and maintain all such information in strict confidence, and not to use or disclose any of such information without the prior written consent of the Company, except as may be necessary to perform his duties as an Executive of the Company and consistent with the Company's agreement with such third party.

**2. Assignment of Inventions**

2.1. Executive understands that the Company is engaged, involved or associated in a continuous program of investment, research, development, production or marketing in connection with its business and that, as an essential part of his engagement with the Company, he may make new contributions to and create know-how of value for the Company.

2.2. During the term of his engagement, Executive undertakes and covenants that he will promptly disclose in confidence to the Company all inventions, improvements, ideas, themes, designs, original works of authorship, formulas, concepts, techniques, forecasts, test results and documentation, discoveries, models, drawings, tooling, schematics and other diagrams, instructional material, notes, records, algorithms, operating procedures methods, systems, processes, compositions of matter, computer software programs, databases, mask works, and trade secrets, whether or not patentable, copyrightable or protectable as trade secrets or under any other intellectual property right, that are made or conceived or first reduced to practice or created by him, either alone or jointly with others, in the course of his engagement with the Company and due to his engagement with the Company ("**Inventions**").

2.3. Executive agrees and represents, that all Inventions will be the sole and exclusive property of the Company and/or its assignees and undertakes to act with respect to such Inventions in accordance with the Company's applicable corporate policy.

2.4. To the extent relevant, Executive agrees to keep and maintain adequate and current written records of all Inventions made by him (solely or jointly with others) during the term of his engagement. The records will be in the form of notes, sketches, drawings and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times and will be returned to the Company upon the termination of Executive's employment or earlier at the request of the Company.

2.5. Executive hereby irrevocably transfers and assigns to the Company and/or its assignees and shall in the future take all reasonable steps (including by way of illustration only, signing all appropriate documents) to assign to Company and/or its assignees without additional consideration to Executive (other than Executive's salary and other benefits to which he is entitled to as an employee of the Company (including without limitation, without any compensation or royalties in accordance with Sections 132 or 134 of the Patent and Design Act of 1967 (the "**Patent Law**")): (a) all worldwide patents, patent applications, copyrights, mask works, trade secrets and other intellectual property rights, titles and interests, in any Invention, including, without limitation, service inventions under Section 134 of the Patent Law, and hereby further acknowledges and shall in the future acknowledge Company's full and exclusive ownership in all such Inventions; and (b) any and all Moral Rights (as defined below) that he may have in or with respect to any Invention. Executive also hereby forever waives and agrees never to assert any and all Moral Rights he may have in or with respect to any Invention, even after termination of his engagement with the Company. "**Moral Rights**" mean any rights of paternity or integrity, any right to claim authorship of an invention, to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, any Invention, whether or not such would be prejudicial to his honor or reputation, and any similar right, existing under judicial or statutory law of any jurisdiction whatsoever, or under any treaty, regardless of whether or not such right is denominated or generally referred to as a "moral right."

2.6. Executive expressly waives all economic rights in the Inventions including without limitation any rights to royalties from any intellectual property right (specifically including patent rights under Section 134 of the Patent Law) and any right to receive any payment or other consideration whatsoever.

2.7. Executive agrees to assist the Company in every reasonable way to obtain and enforce, for the benefit of the Company and/or its assignees exclusive and absolute title, right, interest, patents, copyrights, mask work rights, and other legal protections for the Inventions in any and all countries. Executive will execute any documents that may be reasonably requested of him for use in obtaining or enforcing such patents, copyrights, mask work rights, trade secrets and other legal protections. Executive's obligations under this Section 2.7 will survive the termination of his engagement with the Company; provided that the Company will compensate him at a reasonable rate after such termination for time or expenses actually spent by him at the Company's request on such assistance. After the termination of Executive's engagement with the Company, any assistance

requested by the Company or any of its assignees pursuant to this Section 2.7 shall take into account Executive's obligations towards third parties. Executive hereby irrevocably appoints the Company and/or its duly authorized officers and agents (including, without limitation, the chairman of the Board) as his attorney-in-fact to execute documents on his behalf for this purpose and agrees that, if the Company is unable because of Executive's unavailability, mental or physical incapacity, or for any other reason, to secure Executive's signature for the purpose of applying for or pursuing any application for any Israeli or foreign patents or mask work or copyright registrations covering the Inventions assigned to the Company in this Section 2, to act for and on Executive's behalf to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright and mask work registrations with the same legal force and effect as if executed by Executive.

2.8. Executive hereby acknowledge and agrees that the salary and other benefits provided to him under his Employment Agreement constitute appropriate, full and fair consideration in connection with his employment with the Company, including, without limitation, with respect to this Agreement and including with respect to Executive's undertakings under this Section 2, and with respect to any Inventions created, conceived or reduced to practice or that may be created, conceived or reduced to practice by Executive, either alone or jointly with others, in the course of his employment with the Company, all of which are assigned to the Company in accordance with this Agreement, and Executive hereby unconditionally and irrevocably waives any right that he may have to receive any additional payment or other consideration whatsoever to which Executive may be entitled with respect to any Invention pursuant to any applicable law, in any jurisdiction, including (but not limited to) pursuant to Section 134 of the Patent Law, or any provision that may supersede it. In the event that for any reason such right cannot be waived, Executive hereby assigns and transfers to the Company any such right Executive may have to receive any additional payment or other consideration whatsoever with respect to any Invention pursuant to any applicable law, including the Patent Law, in any jurisdiction.

2.9. The provisions of this Section 2 shall survive termination or expiration of the Employment Agreement and shall be and remain in full force and effect at all times thereafter.

2.10. Executive acknowledges that the Company has entered into the Employment Agreement in reliance on his undertaking set forth in this Section, and that given his access to information regarding the Company, the provisions of this Section 2 are reasonable and necessary to protect the Company's business and rights.

2.11. If any one or more of the terms contained in this Proprietary Information, Assignment of Inventions and Non-Disclosure Agreement shall for any reason be held to be excessively broad with regard to time, geographic scope or activity, the term shall be construed in a manner to enable it to be enforced to the extent compatible with applicable law.

**3. Miscellaneous**

3.1. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Israel. Any dispute arising under or relating to this Agreement or any transactions contemplated herein shall be resolved in accordance with Section 20.6 of the Employment Agreement.

3.2. Injunctive Relief. Any breach of this Agreement may cause irreparable harm to the Company, for which damages would not be an adequate remedy, and therefore, the Company will be entitled to injunctive relief from any court of competent jurisdiction as such court so determines, restraining any violation or further violation of this Agreement by Executive. The Company's right to injunctive relief shall be cumulative and in addition to any other remedies provided by law or equity and without any requirement to post bond.

IN WITNESS WHEREOF, Executive has signed this Proprietary Information, Non-Disclosure and Assignment of Inventions Agreement as of November 6, 2019.

**EMPLOYEE**

_____

_____

ACCEPTED AND AGREED:

**TEVA PHARMACEUTICAL INDUSTRIES LTD**

_____

Name:
Title:

_____

Name:
Title:

**Exhibit 10.29**

**Private & Confidential**

Full Name

September 18, 2017

**Special Award**

Dear Name,

There are numerous reasons to believe in Teva and they start with people like you who are loyal, dedicated and professional. We are committed to maintaining a strong focus on our people, enhancing professional and leadership capabilities, while embracing a diverse range of perspectives.

**We would like to recognize the critical role you play in Teva and to ensure your continued valuable contribution to the company's future.**

Therefore, we are pleased to inform you that you have been selected by the Teva Executive Committee (TEC) to receive a one-time Special Award.

The Special Award has a total value of approximately **NIS _____** divided among the following three components:

**NIS _____** in cash (pre-tax), **_____ Options** and **_____ RSUs***.

50% of the award shall vest in **September 2018**; and 50% of the award shall vest in **September 2019**.

* Number of Options and RSUs were determined based on the fair values of Options and RSUs as of August 11, 2017 ($5.47 and $16.5 respectively) and the average FX rate of August 2017. Please note that the fair value on grant date may differ and the final value of Options and RSUs on grant date shall be computed based on the number of units listed above.

The Special Award is subject to the terms and conditions set forth in the attached document, "Conditions for Special Award."

**We strongly believe in the company and in your contribution to its success. We look forward to your continued commitment towards Teva's short and long-term strategic goals.**

Sincerely,

Dr. Sol J. Barer
Chairman of the Board of Directors

Dr. Yitzhak Peterburg
Interim President and Chief Executive Officer

**Private & Confidential**

**Conditions for Special Award**

- The cash component is payable only if the employee is actively employed by the Company on the applicable vesting and payment date(s) set out in the Special Award letter. For the avoidance of doubt, notice period shall not be deemed as active employment.
- The vested portion of the cash component shall be payable on the next regular payroll date immediately following the applicable vesting date.
- The equity award will be subject to the terms and conditions of Teva's 2015 Long-Term Equity-Based Incentive Plan (including any applicable sub-plans and the terms of the award agreement which may contain additional terms and conditions) (the "2015 Plan").
- Confidentiality is a condition to employee's receipt of the Special Award to the maximum extent permitted by applicable law. Therefore, if employee discloses the details of the Special Award, the Company reserves the right to withhold the payment, unless prohibited by applicable law.
- Please note that this letter does not constitute a contract of employment and/or an offer to enter into a contract of employment for any specific period of time.
- The Special Award is a one-time special award. Receipt of all or part of the Special Award shall not in any way give rise to a right to receive the same or similar awards and/or payments in the future.
- To the extent mandated by applicable law, the Special Award shall be subject to required withholdings and deductions.
- The Special Award and any payment thereof shall not be taken into account for benefit contribution or severance calculation.

**Exhibit 10.30**

**AWARD AGREEMENT**

This Award Agreement (this "Agreement"), is made effective as of [•], between Teva Pharmaceutical Industries Limited (the "Company") and [•] (the "Participant"). Capitalized terms used and not otherwise defined herein shall have the meanings assigned thereto in the Company's 2015 Long-Term Equity-Based Incentive Plan (the "Plan").

Pursuant to Sections 5 and 7 of the Plan, the Company hereby grants to the Participant as of the Grant Date (as defined below) the number of Options and/or Restricted Share Units ("RSUs") (Options and RSUs are collectively and individually referred to herein as "Awards") set forth below, subject to the terms and conditions contained herein and in the appendices attached hereto, as well as the terms and conditions of the Plan, which are incorporated herein in their entirety.

| | |
|---|---|
| Total Fair Value of Award: | $[•] |
| Fair Value of each Option: | $[•] |
| Fair Value of each RSU: | $[•] |
| Options Granted: | [•], which represents approximately fifty percent (50%) of the Total Fair Value of Award divided by the Fair Value of each Option, calculated as follows: the difference between the Total Fair Value of Award and the product of (i) the Fair Value of each RSU and (ii) the number of RSUs granted is divided by the Fair Value of each Option, and the result is rounded up to the nearest whole number. |
| RSUs Granted: | [•], which represents approximately fifty percent (50%) of the Total Fair Value of Award divided by the Fair Value of each RSU rounded down to the nearest whole number. |
| Grant Date: | [•] |

| | |
|---|---|
| Vesting of First [Third (⅓) / Quarter (¼)] of Awards Granted: | First Anniversary of the Grant Date.[1] |
| Vesting of Second [Third (⅓)/ Quarter (¼) of Awards Granted: | Second Anniversary of the Grant Date. |
| [Vesting of Third Quarter (¼) of Awards Granted:] | [Third Anniversary of the Grant Date.] |
| Vesting of Balance of Awards Granted: | [Third / Fourth] Anniversary of the Grant Date. |
| Option Exercise Price: | $[•], the Fair Market Value per Share on the Grant Date. |
| Option Expiration Date: | Tenth Anniversary of the Grant Date. |

**1. Options.**

(A) Grant of Options. As set forth above, the Company hereby grants to the Participant, as of the Grant Date, the number of Options as set forth in the table above to purchase an equal number of Shares.

(B) No Obligation to Exercise Options. The grant and acceptance of Options pursuant to this Agreement do not impose any obligation on the Participant to exercise them.

[1] Note to Draft: Vesting schedule to be updated as necessary, as directed by the Human Resources and Compensation Committee.

**2. Restricted Share Units.**

(A) Grant of RSUs. As set forth above, the Company hereby grants to the Participant, as of the Grant Date, the number of RSUs as set forth in the table above.

(B) No Issuance at Grant. No Shares shall be issued or delivered to the Participant at the time the RSUs are granted.

**3. Other Provisions.**

(A) Vesting. The Awards granted hereunder shall vest and become exercisable or settle, as the case may be, as set forth in the table above.

(B) Termination of Employment. In addition to the provisions of the Plan related to the treatment of Options and RSUs upon Termination, as applicable, the Company's Qualifying Retirement and Qualifying Termination Policy as in effect from time to time will be deemed to be is incorporated herein by reference and made a part hereof.

(C) Withholding. The Company or the Employer, or a third party holding Awards on behalf of the Participant, shall have the right to make all payments or distributions pursuant to this Agreement to the Participant net of any applicable taxes, fees or other required deductions, such as, but not limited to, income taxes, capital gains taxes, social security premiums, and custody fees, trustee charges, fees for exercise and/or transfer of any Award or its underlying Share payable by the Participant or required to be paid or withheld as a result of the exercise of an Option, the settlement of an RSU, the delivery of a Share or its transfer, and any other event occurring pursuant to the Plan or this Agreement, that necessitates the withholding of income, employment or capital gains taxes or any other required deductions or payments (hereinafter referred to as "Taxes"). The Company or the Employer, may withhold from wages or other amounts payable to the Participant such Taxes as may be required by law or otherwise payable by the Participant, or to otherwise require the Participant to pay such Taxes.

(D) Other Effective Documents; Other Agreements.

(i) The terms and provisions of the Plan are incorporated herein by reference and made a part hereof. In case of contradiction between the terms of this Agreement and/or its appendices and/or the Plan, it is agreed that the terms of the Plan shall prevail over the terms of this Agreement and any appendix, and that the terms of any appendix shall prevail over the terms of this Agreement. The Participant agrees to (x) execute and become a party to the agreements set forth in any appendix attached hereto, (y) the terms of an Award administration framework agreement and its terms and conditions, as may be set forth in an appendix or as requested by the Company or the Employer in the future, and shall also agree to such agreement in writing, and (z) to the extent applicable, to adhere to the terms of the Company's insider trading policy.

(ii) The Participant is advised to exercise caution in relation to the Awards. If the Participant is in any doubt about any of the contents of the Plan or this Agreement, the Participant should obtain independent professional advice. Receiving Awards may have tax consequences under local tax laws. Neither Teva nor any of its Affiliates is responsible for, and has not provided, any advice to the Participant in relation to the Plan or the Awards, including but not limited to legal, investment or tax advice.

(iii) By accepting the Awards, the Participant acknowledges his or her consent to receive the documents relating to participation in the Plan and evidencing the Awards in the English language only. The Participant also confirms that he or she fully understands the contents of the English language versions of such documents. Further, the Participant acknowledges that he or she is fluent, and regularly conducts business, in the English language as a part of his or her duties and responsibilities to Teva.

(iv) The Participant acknowledges and agrees that, if the Participant's employment location changes or the Participant's employment transfers to a different Employer, whether the Participant will be able to continue participating in the Plan will depend on the Participant's circumstances and will be determined by Teva in its discretion in accordance with the Plan.

(E) Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties hereto.

(F) Governing Law. This Agreement (including, for the avoidance of doubt, any appendices attached hereto) shall be construed and interpreted in accordance with the local laws of country where the Participant is or was last employed by the Employer without giving effect to the principles of the conflicts of laws thereof.

(G) Entire Agreement; Modification. This Agreement (together with any appendices attached hereto) and the Plan constitute the entire agreement between the parties relative to the subject matter hereof, and supersede all proposals, written or oral, and all other communications between the parties relating to the subject matter of this Agreement. This Agreement may be modified, amended, or rescinded only by a written agreement executed by both parties.

(H) No Employee-Employer Relationship. Nothing in this Agreement shall create employee-employer relationship between the Company and the Participant.

(I) Counterparts; Electronic Signature. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Signature of this Agreement, unless otherwise stipulated in any appendix, may be by electronic or digital means.

By accepting the Award, the Participant hereby certifies that the Participant (A) has been furnished with all relevant information and materials with respect to the terms and conditions of the Award, (B) has read and understands such information and materials, (C) is fully aware and knowledgeable of the terms and conditions of the Award, and (D) completely and voluntarily agrees to the terms and conditions of the Award, as set forth in the Plan and this Agreement.

I acknowledge that I have read this Agreement and all appendices and I

Accept

**Exhibit 10.31**

**AWARD AGREEMENT**

This Award Agreement (this "Agreement"), is made effective as of [•], between Teva Pharmaceutical Industries Limited (the "Company") and [•] (the "Participant"). Capitalized terms used and not otherwise defined herein shall have the meanings assigned thereto in the Company's 2015 Long-Term Equity-Based Incentive Plan (the "Plan").

Pursuant to Sections 7 and 8 of the Plan, the Company hereby grants to the Participant as of the Grant Date (as defined below) the number of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") (RSUs and PSUs are collectively and individually referred to herein as "Awards") set forth below, subject to the terms and conditions contained herein and in the appendices attached hereto, as well as the terms and conditions of the Plan and the Compensation Policy, as may be amended from time to time at the Company's sole discretion, which are incorporated herein in their entirety. All dollar amounts in this Agreement are in U.S. dollars.

| | |
|---|---|
| Total Fair Value of the Award: | $[•] |
| Fair Value of each RSU: | $[•] |
| Fair Value of each PSU: | $[•] |
| RSUs Granted: | [•], which represents approximately **[•]** of the Total Fair Value of the Award divided by the Fair Value of each RSU, rounded down to the nearest whole number. |
| Target Number of PSUs Granted: | [•], which represents approximately **[•]** of the Total Fair Value of the Award divided by the Fair Value of each PSU, rounded down to the nearest whole number.<br><br>The Target Number of PSUs Granted represents the number of PSUs that would be earned, subject to vesting, if the Company were to achieve the target level of the PSU Performance Objectives and the target Relative TSR Modifier during the PSU Performance Period. The number of PSUs earned, if any, is subject to an increase or decrease based on the Company's actual achievement of the PSU Performance Objectives during the PSU Performance Period, as modified by the Relative TSR Modifier, and may range from **[•]** to **[•]** of the Target Number of PSUs Granted. |
| Grant Date: | [•] |

| | |
|---|---|
| Vesting of **[•]** of RSUs Granted: | **[•]** anniversary of the Grant Date, subject to the Participant's continued employment through such date. |
| Vesting of **[•]** of RSUs Granted: | **[•]** anniversary of the Grant Date, subject to the Participant's continued employment through such date. |
| Vesting of the Balance of RSUs Granted: | **[•]** anniversary of the Grant Date, subject to the Participant's continued employment through such date. |
| Settlement of Vested RSUs: | Upon vesting, RSUs shall be settled by delivering one Share for each RSU (or the cash value of one Share, if so determined by the Committee) that vested as soon as practicable, but in any event no later than thirty (30) days, following the vesting date. |
| PSU Performance Period: | [•] |
| PSU Performance Objectives: | • **[•] Performance Objective**<br>• **[•] Performance Objective** |
| Relative TSR Modifier: | The "Relative TSR Modifier" will be determined based on the Company's Relative TSR Percentile Rank for the PSU Performance Period, in accordance with the following table: |

| *Achievement Level* | *Relative TSR Percentile Rank* | *Relative TSR Modifier* |
|---|---|---|
| Minimum | Up to **[•]** Percentile | **[•]** % |
| Target | **[•]** Percentile | **[•]** % |
| Maximum | **[•]**Percentile or above | **[•]** % |

Linear interpolation shall be used to determine the Relative TSR Modifier between Achievement Levels.

For purposes hereof, the following terms have the following meanings:

"Beginning Stock Price" with respect to any company means the average of the closing prices of such company's stock for each of the sixty (60) trading days ending on (and including) the day immediately prior to the first day of the PSU Performance Period.

"Ending Stock Price" with respect to any company means the average of the closing prices of such company's stock for each of the sixty (60) trading days ending on (and including) the last day of the PSU Performance Period.

"Peer Group" means the following group of companies: **[•]**

"Relative TSR Percentile Rank" means the percentile rank of the TSR of the Company relative to the TSR of the companies in the Peer Group, in each case, for the PSU Performance Period, equal to the product of (i) the quotient of (a) the numeric rank of Company's TSR relative to the Peer Group, where the lowest TSR in the Peer Group is ranked number 1, and (b) the total number of companies in the Peer Group plus 1, rounded to the nearest hundredth, and (ii) 100.

"TSR" as of a given date means the percentage change in the value of company's stock from the Beginning Stock Price to the Ending Stock Price calculated as the quotient of (i) (a) the applicable Ending Stock Price minus the applicable Beginning Stock Price, plus (b) dividends paid with respect to a record date occurring during the PSU Performance Period, divided by (ii) the applicable Beginning Stock Price.

Earned PSUs:

The number of PSUs earned, if any, subject to vesting ("Earned PSUs"), will be based on the achievement of the PSU Performance Objectives for the PSU Performance Period, as determined in accordance with the following table and as adjusted by the Relative TSR Modifier. Performance will be measured for each PSU Performance Objective, and the arithmetic mean of the Applicable Earning Percentage of the **[•]** Performance Objective and the Applicable Earning Percentage of the **[•]** Objective shall equal the Applicable Earning Percentage of the PSU Performance Objectives:

| *Achievement Level* | *Percentage Achievement of PSU Performance Objectives* | *Applicable Earning Percentage* |
|---|---|---|
| Below Threshold | [•] | [•] |
| Threshold | [•] | [•] |
| Target | [•] | [•] |
| Maximum | [•] | [•] |
| Above Maximum | [•] | [•] |

| | |
|---|---|
| | Linear interpolation shall be used to determine the Applicable Earning Percentage between Achievement Levels.<br><br>The number of Earned PSUs shall equal the product of (i) the Target Number of PSUs Granted, (ii) the Applicable Earning Percentage and (iii) the Relative TSR Modifier; provided, however, that the number of Earned PSUs shall not be greater than **[•]** % of the Target Number of PSUs Granted.<br><br>Any PSUs that do not become Earned PSUs based on performance during the PSUs Performance Period shall not be eligible to vest pursuant to this Agreement and shall immediately be forfeited to the Company for no consideration upon expiration of the PSU Performance Period. |
| Vesting Date of Earned PSUs (if any): | **[•]** anniversary of the Grant Date, subject to the Participant's continued employment through such date. |
| Settlement of Vested, Earned PSUs: | Upon vesting, Earned PSUs shall be settled by delivering one Share for each Earned PSU (or the cash value of one Share, if so determined by the Committee) that vested as soon as practicable, but in any event no later than thirty (30) days, following the vesting date. |

**1. Restricted Share Units.**

(A) Grant of RSUs. As set forth above, the Company hereby grants to the Participant, as of the Grant Date, the number of RSUs as set forth in the table above.

(B) No Share Issuance at Grant. No Shares shall be issued or delivered to the Participant at the time the RSUs are granted.

**2. Performance Share Units.**

(A) Grant of PSUs. As set forth above, the Company hereby grants to the Participant, as of the Grant Date, the Target Number of PSUs Granted as set forth in the table above.

(B) No Share Issuance at Grant. No Shares shall be issued or delivered to the Participant at the time the PSUs are granted.

(C) Determination of the Earned PSUs. The Human Resources and Compensation Committee (the "Committee") and the Board shall have the sole authority to determine the level of achievement of the PSU Performance Objectives and the Relative TSR Modifier and to calculate the number of Earned PSUs, and shall do so as soon as practicable following the completion of the PSU Performance Period and release of Financial Statements as set forth in the table above. For the avoidance of doubt, nothing herein shall derogate from the Committee's and the Board's discretion to reduce variable compensation.

(D) Adjustment of PSU Performance Objectives. The Committee and, as applicable, the Board shall have the discretion to adjust (increase or decrease) the PSU Performance Objectives and their relative weights as set forth in the table above if one or more of the following items of gain, loss, profit or expense, having a material impact on the PSU Performance Objectives, is: (i) determined to be extraordinary, unusual or non-recurring in nature; (ii) related to changes in accounting principles under GAAP or tax laws; (iii) related to currency fluctuations; (iv) related to productivity initiatives or new business initiatives; (v) related to discontinued operations that do not qualify as a segment of business under GAAP; or (vi) attributable to the business operations or assets of any entity acquired or licensed by the Company during the fiscal year, to the extent the Committee or the Board, as applicable, determines that the adjustment is necessary or advisable to avoid the dilution or enhancement of the intended incentives and benefits of the PSUs or if such adjustments were reflected in the Company's public non-GAAP financial results.

**3. Other Provisions.**

(A) Vesting. The Awards granted hereunder shall vest and settle as set forth in the table above.

(B) Termination of Employment. In order to vest in the Awards, the Participant must be actively employed by the Company or its Affiliates on the applicable vesting date, except as expressly provided in the Participant's employment agreement including any amendment thereof and/or company policy applicable to Participant and/or the Plan.

(C) Withholding. The Company or the Employer, or a third party holding Awards on behalf of the Participant, shall have the right to make all payments or distributions pursuant to this Agreement to the Participant net of any applicable taxes, fees or other required deductions, such as, but not limited to, income taxes, capital gains taxes, social security premiums, and custody fees, trustee charges, fees for transfer of any Award or its underlying Share payable by the Participant or required to be paid or withheld as a result of the settlement of an RSU or a PSU, the delivery of a Share or its transfer, and any other event occurring pursuant to the Plan or this Agreement, that necessitates the withholding of income, employment or capital gains taxes or any other required deductions or payments (hereinafter referred to as "Taxes"). The Company or the Employer, may withhold from wages or other amounts payable to the Participant such Taxes as may be required by law or otherwise payable by the Participant, or to otherwise require the Participant to pay such Taxes.

(D) Other Effective Documents; Other Agreements.

(i) The terms and provisions of the Compensation Policy and the Plan are incorporated herein by reference and made a part hereof. In case of contradiction between the terms of this Agreement and/or its appendices and/or the Plan and/or the Compensation Policy, it is agreed that the terms of the Plan and the Compensation Policy shall prevail over the terms of this Agreement and any appendix, and that the terms of any appendix shall prevail over the terms of this Agreement. The Participant agrees (x) that by not declining this Agreement within 30 days following Grant Date, he/she will become a party to the agreements set forth in any appendix attached hereto, (y) to the terms of an Award administration framework agreement and its terms and conditions, as may be set forth in an appendix or as requested by the Company or the Employer in the future, and shall also agree to such agreement in writing and (z) to the extent applicable, to adhere to the terms of the Company's insider trading policy. In addition to any restrictions on resale and transfer noted in the Plan, Shares acquired pursuant to the Plan may be subject to certain restrictions on resale and/or disclosure of such sale imposed by local securities laws. Accordingly, the Participant is encouraged to seek legal advice prior to any resale of such Shares.

(ii) The Participant is advised to exercise caution regarding the Awards. If the Participant is in any doubt about any provisions of the Plan or this Agreement, the Participant should obtain independent professional advice. Receiving Awards may have tax consequences under local tax laws. Neither the Company nor any of its Affiliates is responsible for, and has not provided, any advice to the Participant regarding the Plan or the Awards, including but not limited to legal, investment or tax advice.

(iii) The Participant acknowledges and agrees that, if the Participant's employment location changes or the Participant's employment transfers to a different Employer, whether the Participant will be able to continue participating in the Plan will depend on the Participant's circumstances and will be determined by Teva in its discretion in accordance with the Plan.

(E) Clawback/Recoupment Policy. By signing this Agreement, the Participant grants the Employer a power of attorney to deduct from any payments due to the Participant by the Employer, any amounts owed by the Participant under Section 21(e) of the Plan, in accordance with applicable law.

(F) Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties hereto.

(G) Governing Law. This Agreement (including, for the avoidance of doubt, any appendices attached hereto) shall be construed and interpreted in accordance with the local laws of country where the Participant is or was last employed by the Employer without giving effect to the principles of the conflicts of laws thereof.

(H) Entire Agreement; Modification. This Agreement (together with any appendices attached hereto) and the Plan constitute the entire agreement between the parties relative to the subject matter hereof, and supersede all proposals, written or oral, and all other communications between the parties relating to the subject matter of this Agreement. This Agreement may be modified or amended in accordance with Section 18 of the Plan.

(I) Counterparts; Electronic Signature. The award agreement shall be deemed automatically accepted by the Participant and the Participant shall be subject to all its terms and conditions, unless the Participant clicks the "I decline" button at the end of the award agreement on Equate+ within 30 days following the Grant Date. The Participant certifies that the Participant (A) has been furnished with all relevant information and materials with respect to the terms and conditions of the Award, (B) has read and understands such information and materials, (C) is fully aware and knowledgeable of the terms and conditions of the Award, and (D) completely and voluntarily agrees to the terms and conditions of the Award, as set forth in the Plan and this Agreement.

**Exhibit 10.32**

**Amendment to Employment Agreement**

This Amendment to the Employment Agreement (the "**Amendment**") is entered into on this 5 day of February 2020 (the "**Effective Date**"), and is made by and between **TEVA PHARMACEUTICAL INDUSTRIES LTD**., an Israeli corporation located at 5 Basel Street, Petach Tikwa, Israel, Company No. 52-001395-4 (the "**Company**", "**Teva**"), and Eli Kalif ("**Executive**").

**WHEREAS,** the Company and the Executive entered into an Employment Agreement dated November 6, 2019 (the "**Agreement**"); and

**WHEREAS,** the Executive's requested to limit the part of his Monthly Salary (as such term is defined in the Agreement) from which the Company's and the Executive's contributions are made to the Study Fund in accordance with Sub Section 5.5 of the Agreement to 100,000 New Israeli Shekels (the "**Maximum Cap**"), and to receive the difference between the contribution rates for the Study Fund set forth in Sub Section 5.5 of the Agreement and the contribution rates to the Maximum Cap, as a special supplement to the salary (hereinafter "**Supplement in lieu of Study Fund**"); and

**WHEREAS,** the Company has accepted the Executive's request subject to the terms detailed in this Amendment;

**NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:**

**1.** Capitalized terms used in this Amendment and not otherwise defined herein, shall bear the meaning ascribed to them in the Agreement.

**2.** As of February 2020 Monthly's Salary, the Company's contribution to the Study Fund pursuant to Sub Section 5.5 of the Agreement shall be made out of Monthly Salary only up to the Maximum Cap and the Company shall pay the Executive on a monthly basis the Supplement in lieu of Providence.

**3.** It is hereby acknowledged and agreed that the Supplement in lieu of Study Fund shall not be deemed part of the Executive's Salary for any purpose, including without derogating from the foregoing, for the purpose of payment of severance pay and any other entitlement calculated as a percentage of Executive's Monthly Salary, and this Amendment shall not impose on the Company any additional current or future cost or expense, directly or indirectly.

**4.** The Executive hereby explicitly waives any and all claim and/or demand and/or lawsuit of any kind with respect to the scope of the Study Fund contributions. The Executive undertakes to indemnify the Company for any damage and/or cost and/or expense incurred by the Company as a result of any demand and/or lawsuit filed by him and/or on his behalf in connection with the foregoing.

**5.** The Executive shall be entitled to cancel and/or modify the arrangement specified in this Amendment, including the amount of the Maximum Cap, by providing the Company with a written request and the Company shall accept such request. For the sake of clarity, any such request made following the 15th day of a month shall apply to Monthly Salaries of the following month in which such a request was made.

**6.** Unless explicitly set forth otherwise in this Amendment, the terms and conditions set forth in the Agreement shall remain without change, binding and of full force and effect. In event of conflict between the terms and conditions set forth in this Amendment and the terms and conditions set forth in the Agreement, the terms set forth in this Amendment shall prevail.

**IN WITNESS WHEREOF**, the parties have executed this Amendment in one or more counterparts as of the Effective Date.

**TEVA PHARMACEUTICAL INDUSTRIES LTD.**

/s/ Kåre Schultz
By: Kåre Schultz
Title: President and CEO

/s/ Mark Sabag
By: Mark Sabag
Title: Chief Human Resources Officer

**EXECUTIVE**

/s/ Eli Kalif
Name: Eli Kalif
Dated: 06/02/2020

**Exhibit 21**

The following is a list of subsidiaries of the Company as of December 31, 2019, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

| Name of Subsidiary | Jurisdiction of Organization |
|---|---|
| Actavis Pharma Holding 4 ehf | Iceland |
| Allergan UK Group limited | United Kingdom |
| Medis ehf. | Iceland |
| Mepha Schweiz AG | Switzerland |
| Merckle GmbH | Germany |
| Norton (Waterford) Limited | Ireland |
| PLIVA HRVATSKA d.o.o. | Croatia |
| Plus Chemicals, branch of Teva Pharmaceuticals International GmbH | Switzerland |
| Ratiopharm GmbH | Germany |
| Teva API B.V. | Netherlands |
| Teva Canada Limited | Canada |
| Teva Capital Services Switzerland GmbH | Switzerland |
| Teva Czech Industries s.r.o | Czech Republic |
| Teva Finance Services B.V. | Curacao |
| Teva Finance Services II B.V. | Curacao |
| Teva GmbH | Germany |
| Teva Italia S.r.l | Italy |
| Teva Limited Liability Company | Russia |
| Teva Operations Poland | Poland |
| Teva Pharma S.L.U | Spain |
| Teva Pharmaceuticals Europe B.V. | Netherlands |
| Teva Pharmaceuticals International GmbH | Switzerland |
| Teva Pharmaceuticals USA, Inc. | United States |
| Teva Pharm. Works Private Ltd. Company | Hungary |
| Teva Santé SAS | France |
| Teva Takeda Pharma Ltd. | Japan |
| Teva Takeda Yakuhin Ltd. | Japan |
| Teva UK Limited | United Kingdom |

**Exhibit 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-168331, 333-206753, 333-212851, 333-214077 and 333-220382) and Form S-3 (No. 333-222767) of Teva Pharmaceutical Industries Limited of our report dated February 21, 2020 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ Kesselman & Kesselman

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member of PricewaterhouseCoopers International Limited

Tel-Aviv, Israel
February 21, 2020

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302**
**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**

I, Kåre Schultz, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 21, 2020

/s/ Kåre Schultz
Kåre Schultz
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302**
**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

I, Eli Kalif, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 21, 2020

/s/ Eli Kalif
Eli Kalif
Chief Financial Officer

**Exhibit 32**

CERTIFICATION OF THE CEO AND CFO PURSUANT TO SECTION 906
CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF
FINANCIAL OFFICER

**CERTIFICATION 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 Annual Report of Teva Pharmaceutical Industries Limited (the "Company") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kåre Schultz, 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: February 21, 2020

/s/ Kåre Schultz
Kåre Schultz
President and Chief Executive Officer

/s/ Eli Kalif
Eli Kalif
Chief Financial Officer