

**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, 2017

**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
(State or other jurisdiction of
incorporation or organization)

Not Applicable
(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:

American Depositary Shares, each representing one Ordinary Share
(Title of each class)

New York Stock Exchange
(Name of each exchange on which registered)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files.) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Do not check if a smaller reporting company)

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, 2017), was approximately \$35.8 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, 2017.

As of December 31, 2017, the registrant had 1,016,877,139 ordinary shares outstanding.

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INTRODUCTION AND USE OF CERTAIN TERMS

Unless otherwise indicated, all references to the “Company,” “we,” “our” and “Teva” refer to Teva Pharmaceutical Industries Limited and its subsidiaries, and references to “revenues” refer to net revenues. References to “U.S. dollars,” “dollars,” “U.S. \$” and “\$” are to the lawful currency of the United States of America, and references to “NIS” are to new Israeli shekels. References to “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 “ROW” are to our Rest of the World markets. References to “Actavis Generics” are to the generic pharmaceuticals business we purchased from Allergan plc (“Allergan”) on August 2, 2016. References to “P&G” are to The Procter & Gamble Company, and references to “PGT” are to PGT Healthcare, the joint venture we formed with P&G. References to “R&D” are to Research and Development, references to “S&M” are to Selling and Marketing and references to “G&A” are to General and Administrative.

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 generics medicines business, including: that we are substantially more dependent on this business, with its significant attendant risks, following our acquisition of Allergan’s worldwide generic pharmaceuticals business; 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; price erosion relating to our generic products, both from competing products and increased regulation; delays in launches of new generic products; our ability to take advantage of high-value biosimilar opportunities; efforts of pharmaceutical companies to limit the use of generics including through legislation and regulations; the difficulty and expense of obtaining licenses to proprietary technologies; returns, allowances and chargebacks; and investigations of the calculation of wholesale prices;
- our specialty medicines business, including: competition for our specialty products, especially COPAXONE®, our leading medicine, which faces competition from existing and potential additional generic versions and orally-administered alternatives; our ability to achieve expected results from investments in our product pipeline; competition from companies with greater resources and capabilities; and the effectiveness of our patents and other measures to protect our intellectual property rights;
- our substantially increased indebtedness and significantly decreased cash on hand, which may limit our ability to incur additional indebtedness, engage in additional transactions or make new investments, and 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: failure to effectively execute the recently announced restructuring plan; uncertainties related to, and failure to achieve, the potential benefits and success of our new senior management team and organizational structure; harm to our pipeline of future products due to the expected review of our R&D programs; our ability to develop and commercialize additional

pharmaceutical products; potential additional adverse consequences following our resolution with the U.S. government of our FCPA investigation; compliance with sanctions and other trade control laws; manufacturing or quality control problems, which may damage our reputation for quality production and require costly remediation; interruptions in our supply chain; disruptions of our or third party information technology systems or breaches of our data security; the failure to recruit or retain key personnel; variations in intellectual property laws that may adversely affect our ability to manufacture our products; 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 in our U.S. market; our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions; and our prospects and opportunities for growth if we sell assets;

- compliance, regulatory and litigation matters, including: 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 section captioned “Risk Factors.” Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statements or other information contained herein, whether as a result of new information, future events or otherwise. You are cautioned not to put undue reliance on these forward-looking statements.

PART I

ITEM 1. BUSINESS

Business Overview

We are a global pharmaceutical company, committed to increasing access to high-quality healthcare to patients around the world. 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.

In November 2017, we announced a new organizational structure and leadership changes to enable strategic alignment across our portfolios, regions and functions. Under this new structure, our business will be integrated into one commercial organization, operating through three regions—North America, Europe and Growth Markets. Each region will manage our entire product portfolio, including generics, specialty and over-the-counter (“OTC”). The new structure will enable stronger alignment and integration between R&D, operations and commercial regions, allowing us to become a more agile, lean and profitable company. Prior to the implementation of our new organizational structure, we operated our business and reported our financial results in two segments:

- **Generic Medicines**, which includes chemical and therapeutic equivalents of originator medicines in a variety of dosage forms, such as tablets, capsules, injectables, inhalants, liquids, ointments and creams.

This segment includes our OTC business, a significant part of which is conducted through PGT, as well as our world-leading active pharmaceutical ingredient (“API”) manufacturing business. We are the leading generic drug company in the United States and Europe, and we have a significant presence in certain ROW markets.

- **Specialty Medicines**, which includes our core therapeutic areas of central nervous system (“CNS”) medicines such as COPAXONE and AUSTEDO® and respiratory medicines such as ProAir® and QVAR®. Our specialty medicines segment also includes other products, such as BENDEKA® and GRANIX® in oncology.

In addition to these two segments, we have other activities, primarily sales of third-party products for which we act as distributor in the United States and in other countries.

For a breakdown of our revenues and profitability by segment and by geography, see “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations” and note 20 to our consolidated financial statements. For information regarding our major customers, see note 20 to our consolidated financial statements.

In December 2017, we announced a comprehensive restructuring plan intended to significantly reduce our cost base, unify and simplify our organization and improve business performance, profitability, cash flow generation and productivity. The restructuring plan will focus on:

- The immediate deployment of the new unified and simplified organizational structure announced in November 2017, which will increase internal efficiencies and simplify business structures and processes across our global operations.
- 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, which will likely result in certain product discontinuations. This will enable us to accelerate 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.
- Closure or divestment of a significant number of R&D facilities, headquarters and other office locations across all geographies, delivering efficiencies and substantial cost savings.
- A thorough review of all R&D programs in generics and specialty, to prioritize core projects and terminate non-essential projects, while maintaining a substantial pipeline.

In addition to the restructuring plan, we continue to review the potential for additional divestment of non-core assets.

Changes in Senior Management

Effective November 1, 2017, Kåre Schultz joined Teva as President and Chief Executive Officer and was also appointed to the Board of Directors. He succeeded Dr. Yitzhak Peterburg, who served as Interim President and Chief Executive Officer from February to October 31, 2017.

On November 27, 2017, Michael McClellan was appointed Executive Vice President, Chief Financial Officer, after serving as Interim Chief Financial Officer since July 1, 2017. He succeeded Eyal Desheh who served as Group Executive Vice President, Chief Financial Officer since 2008.

See “Item 10—Directors, Executive Officers and Corporate Governance” for additional changes to our executive management team that were announced in November 2017.

Transactions

Certain Women's Health and Other Specialty Products

On January 31, 2018, we completed the sale of a portfolio of products to CVC Capital Partners Fund VI for \$703 million in cash. The portfolio of products, which is marketed and sold outside of the United States, includes the women's health products OVALEAP[®], ZOELY[®], SEASONIQUE[®], COLPOTROPHINE[®] and other specialty products such as ACTONEL[®].

PLAN B ONE-STEP[®] and Other Women's Health Products

On November 2, 2017, we completed the sale of PLAN B ONE-STEP[®] and our brands of emergency contraception TAKE ACTION[®], AFTERA[®] and NEXT CHOICE ONE DOSE[®] to Foundation Consumer Healthcare for \$675 million in cash.

PARAGARD[®]

On November 1, 2017, we completed the sale of PARAGARD[®], a copper releasing intrauterine contraceptive manufactured and sold in the United States, to CooperSurgical for \$1.1 billion in cash.

AUSTEDO

On September 19, 2017, we 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 will fund and manage phase 3 clinical development, driving all operational aspects of the program. Upon successful completion of the development we will lead the regulatory approval process and be responsible for commercialization. Upon U.S. Food and Drug Administration (the "FDA") approval of AUSTEDO for Tourette syndrome, we will pay Nuvelution pre-agreed compensation for their contribution to our partnership.

Fremanezumab

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 fremanezumab in Japan and, once approved, to commercialize the product in Japan. Otsuka paid us an upfront payment of \$50 million in consideration for the transaction and we 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 us royalties on fremanezumab sales in Japan.

Our Segments

Generic Medicines

Overview

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 regulations as their brand-name equivalents offered or sold by the originator, 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, narcotics, high-potency drugs and cytotoxic substances, in both parenteral and solid dosage forms.

Our generic business has a wide-reaching commercial presence. We are the market leader in the United States and have a top three leadership position in over 30 countries, including some of our key European markets. We have a robust product portfolio, comprehensive R&D capabilities, focused product pipeline and a global operational network, which will enable us to execute key generic launches to further expand our product pipeline and diversify our revenue stream. We use these capabilities to mitigate 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 or to otherwise share development costs or litigation risks, or to resolve patent and regulatory barriers to entry.

As part of our comprehensive restructuring plan, we intend to conduct substantial optimization of our generics portfolio globally, and most specifically in the United States, through price adjustments and/or product discontinuation, with a focus on increasing profitability. This will enable us to accelerate 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, Israel and Growth Markets.

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. 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, certain Asia Pacific and Latin American countries and certain European markets, 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 (vs. 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 own products.

In most markets in which we operate, we use an integrated and comprehensive marketing model, offering a portfolio of generic, specialty and OTC products.

OTC

We have a global OTC business, most significantly through PGT, our consumer healthcare joint venture with P&G, formed in 2011. PGT manufactures and markets more than 200 consumer healthcare brands, including OTC medicines and vitamins, minerals and food supplements, in more than 70 countries around the world, excluding North America. Its portfolio includes the leading cough and cold brand Vicks®[®], Germany’s leading OTC brand, RATIOPHARM®[®], and other leading brands.

We own 49% and P&G owns 51% of PGT, which benefits from P&G's consumer brand-building capabilities and Teva's pharmaceutical supply, regulatory and development capabilities. We are currently reviewing our relationship with P&G and are exploring options for the PGT joint venture. No decision has been finalized.

In addition to PGT, we manufacture and market other OTC products around the world, mostly in Europe and Russia. Our portfolio includes global brands such as SUDOCREM® as well as local and regional brands like FLUX® in Nordic countries and SPASMALGON® in Russia.

APIs

We produce approximately 300 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.

Below is a description of our generic medicines business by the main geographic areas in which we operate:

United States

We are the leading generic drug company in the United States. We market over 500 generic prescription and OTC products in more than 1,800 dosage strengths and packaging sizes, 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, which continue to be impacted by customer consolidation and alliances.

We will continue to focus our efforts in the United States in maintaining our position as an industry leader in introducing new generic equivalents for brand-name products on a timely basis, with a focus on complex generics and other high-barrier products, generating value by making these medicines more accessible to patients. We will conduct a 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. These efforts will be supported by our strong emphasis on customer service, the breadth of our product pipeline and our commitment to quality and regulatory compliance.

Our wholesale and retail selling efforts are supported by participating 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 generics through partnerships and digital marketing programs.

During 2017 our generics business in the United States was negatively impacted by certain developments, including: (i) additional pricing pressure as a result of customer consolidation into larger buying groups capable of extracting greater price reductions, (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.

For information about our pipeline of generic medicines in the United States, see "Item 7—Management's Discussions and Analysis of Financial Condition and Results of Operations—Segment Information—Generic Medicines Segment."

Europe

We define our European region as the European Union and certain other European countries.

We are the leading generic pharmaceutical company in Europe. We are among the top three companies in more than 25 markets across Europe. No single market in Europe represents more than 25% of our total European generic revenues, and as a result we are not dependent on any single market that could be affected by pricing reforms or changes in public policy. In Europe, we also out-license certain generic pharmaceutical products.

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 crucial partners in our generic business and are expanding across Europe, although customer consolidation is lower than it is 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.

For information about our pipeline of generic medicines in Europe, see “Item 7—Management’s Discussions and Analysis of Financial Condition and Results of Operations—Segment Information—Generic Medicines Segment.”

Rest of the World Markets

Our ROW markets include all countries other than the United States and those included within our Europe region. The ROW is comprised of more than 25 countries, covering 40% of the global pharmaceutical market.

Our key ROW markets are Japan, Canada and Russia. 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 this category include highly regulated, pure generic markets such as Canada and Israel, hybrid markets, such as Japan, and branded generics markets such as Russia, certain Commonwealth of Independent States (CIS) markets, Latin American markets and Asia Pacific 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 business segments and across various channels (e.g., retail, institutional).

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 chronic obstructive pulmonary disease (“COPD”)). We also have specialty products in oncology and selected other areas.

Between November 2017 and January 2018, we sold certain non-core specialty products, including our global women’s health business. See “– Transactions” above. We are pursuing opportunities to sell additional non-core specialty products, which will be subject to negotiation of acceptable terms, board approval and applicable regulatory approvals.

Our specialty medicines organization focuses on our key therapeutic areas and selected local opportunities, with medical and sales and marketing professionals within each area 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 part of our specialty business. In Europe and ROW markets, we leverage existing synergies with our generics and OTC businesses. Our specialty presence in ROW 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 a specialized capability 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, known as “Patient Support Programs,” reflect the importance we place on supporting patients and are a critical part of our success. We currently operate Patient Support Programs in 35 countries around the world in multiple therapeutic areas. We believe that we can provide a range of services and solutions appropriately tailored to meet the needs of patients according to their specific condition and local market requirements. We believe this capability provides us with an important competitive advantage in the specialty medicines market.

Below is a description of our key therapeutic areas, products and pipeline:

Central Nervous System—Medicines

Our CNS portfolio, one of our two core therapeutic areas, includes COPAXONE for the treatment of relapsing forms of MS, and AUSTEDO, which was launched in the United States in 2017, for the treatment of tardive dyskinesia and chorea associated with Huntington disease.

COPAXONE

- COPAXONE (glatiramer acetate injection) is the leading MS therapy in the United States and worldwide. 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.
- In October 2017, the FDA approved a generic version of COPAXONE 40 mg/mL and a second generic version of COPAXONE 20 mg/mL. A hybrid version of COPAXONE 40 mg/mL was approved in the European Union.
- COPAXONE 40 mg/mL is protected by five U.S. Orange Book patents that expire in 2030. These patents have been challenged in proceedings in the United States. We are appealing certain adverse U.S. District Court and Patent Trial and Appeal Board decisions to defend these patents in the United States. At least one competitor has obtained final FDA approval and has launched its generic version of COPAXONE 40 mg/mL. This launch, prior to final resolution of the pending patent litigation, should be considered an “at-risk” launch, which means that if the pending litigation is resolved in our favor, the company selling this generic medicine could face significant damages claims and other potential remedies. COPAXONE 40 mg/mL is also protected by one European patent expiring in 2030. This patent is being challenged in Italy and Norway and has been opposed at the European Patent Office. The U.K. High Court found this patent invalid and our application for permission to appeal this decision was rejected.
- The market for MS treatments continues to develop, particularly with the recent approvals of generic versions of COPAXONE discussed above as well as additional generic versions expected to be approved in the future, such as Glatopa® 40 mg/mL. The increasing number of oral treatments for MS, such as Tecfidera®, Gilenya® and Aubagio®, continues to present significant and increasing competition. COPAXONE also continues to face competition from existing injectable products, as well as from monoclonal antibodies.
- For information regarding our revenues from sales of COPAXONE, see “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations.”

AUSTEDO

- 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. Deutetrabenazine was granted Orphan Drug designation by the FDA for the treatment of chorea associated with Huntington disease in November 2014 and marketing exclusivity until April 3, 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.
- 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. See “—Transactions.”
- 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.

AZILECT®

- AZILECT (rasagiline tablets) is indicated as initial monotherapy and as an adjunct to levodopa for the treatment of the signs and symptoms of Parkinson’s disease, the second most common neurodegenerative disorder. AZILECT is a second-generation, irreversible monoamine oxidase type B (MAO-B) inhibitor. Generic versions of AZILECT were introduced in the United States and in Europe during 2017.

Central Nervous System—Pipeline

Our clinical pipeline of *neurology* and *neuropsychiatry* products includes:

<u>Products</u>	<u>Potential Indication(s)</u>	<u>Route of Administration</u>	<u>Development Phase (date entered phase 3)</u>
AUSTEDO			
(deutetrabenazine)	Huntington disease	Oral	FDA approved, April 2017
	Tardive Dyskinesia	Oral	FDA approved, August 2017
	Tourette syndrome*	Oral	3 (December 2017)
Laquinimod	Relapsing remitting multiple sclerosis	Oral	3 (February 2013)
	Progressive forms of multiple sclerosis	Oral	2
	Huntington disease	Oral	2
Pridopidine	Huntington disease	Oral	2

* Developed in partnership with Nuvelution, which will fund and manage clinical development.

AUSTEDO (deutetrabenazine)

- Teva and Nuvelution entered into a partnership agreement on September 19, 2017 to develop AUSTEDO for the treatment of tics associated with Tourette syndrome in pediatric patients in the United States. Nuvelution will fund and manage phase 3 clinical development, leading all operational aspects of the program. We will lead the regulatory process and be responsible for commercialization.

Laquinimod

- Laquinimod is a once-daily, orally administered immunomodulatory compound being developed for treatment of relapsing-remitting and progressive forms of MS and for Huntington disease. In 2012, we submitted a Marketing Authorization Application to the European Medicines Agency (“EMA”) and a New Drug Submission to Health Canada following completion of two phase 3 studies in 2011. In 2014, the EMA confirmed that the risk-benefit profile of laquinimod is not favorable. In May 2017, we received results for the phase 3 CONCERTO trial indicating that the primary endpoint was not met for laquinimod, which compared 0.6 mg/daily capsules versus placebo to evaluate the time to confirmed disability progression after at least 3 months. In December 2017, results from the phase 2 proof of concept study (ARPEGGIO) of laquinimod as treatment for primary progressive MS were released and did not meet the primary or secondary endpoints.
- Phase 2 clinical studies for treatment of Huntington disease are ongoing, with results expected in 2018.
- Laquinimod is protected by patents expiring in 2019 worldwide, with potential for extensions in various markets.

Pridopidine

- Pridopidine is an oral small molecule dopamine stabilizer being developed for the symptomatic treatment of motor disorders (including Huntington disease). Results from the phase 2 “Pride-HD” clinical study demonstrated an unusually high placebo effect, which limited the ability to determine the effect of treatment on Huntington disease motor scores. However, evidence of symptomatic impact was seen in the early stage Huntington patient sub-population, with improvement in total motor score and dystonia observed at 26 and 52 weeks in this patient sub-set (stage 1 Huntington disease) at specific doses. We expect to be granted seven years of Orphan Drug exclusivity in the United States for this product.
- Pridopidine is protected by patents worldwide that expire in 2020, with potential for extension in various markets.

Our clinical pipeline of *migraine* and other *pain* products includes:

<u>Migraine and Other Pain Products</u>	<u>Potential Indication(s)</u>	<u>Route of Administration</u>	<u>Development Phase (date entered phase 3)</u>
Fremanezumab (anti CGRP) . . .	Chronic and episodic migraine	Subcutaneous	Submitted to FDA (October 2017)
	Cluster headache	Subcutaneous	3 (November 2016)
	Post traumatic headache	Subcutaneous	2
Fasinumab*	Osteoarthritis pain	Subcutaneous	3 (March 2016)
	Chronic lower back pain	Subcutaneous	2
TV-45070	Neuropathic pain	Topical	2

* Developed in collaboration with Regeneron Pharmaceuticals, Inc. (“Regeneron”).

Fremanezumab (anti CGRP)

- Fremanezumab is a fully humanized monoclonal antibody that binds to calcitonin gene-related peptide (“CGRP”), which was submitted for FDA approval for the treatment of chronic and episodic migraine in October 2017. The Biologics License Application (“BLA”) was accepted for filing by the FDA in December 2017, and the FDA granted fast track designation for fremanezumab for the prevention of cluster headache. On February 2, 2018, the EMA accepted a Marketing Authorization Application for fremanezumab. Both product submissions were based on positive results from the phase 3 HALO program where both the chronic and episodic migraine studies met all primary and secondary endpoints in both monthly and quarterly dosing regimens while demonstrating a favorable risk/benefit profile.

- In August 2017, we purchased an FDA priority review voucher from a third party for \$150 million, which allowed us to accelerate the review period for fremanezumab in the United States.
- On May 12, 2017, we entered into a license and collaboration agreement with Otsuka, providing Otsuka with an exclusive license to conduct phase 2 and 3 clinical trials for fremanezumab in Japan and, once approved, to commercialize the product in Japan. See “—Transactions.”
- Fremanezumab is also in clinical development to evaluate safety and efficacy in the treatment of chronic and episodic cluster headache as well as post traumatic headache. Phase 3 clinical studies for chronic and episodic migraine were initiated in early 2017. A phase 2 clinical study for the treatment of post traumatic headache was initiated in December 2017.
- Fremanezumab is protected by patents expiring in 2026 in Europe and in 2027 in the United States, with possibility for extension in various markets. An additional patent application relating to use of fremanezumab in the treatment of migraine is currently pending worldwide, and if granted, would expire in 2035. Fremanezumab 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.
- In October 2017, we first filed suit for patent infringement against Eli Lilly (“Lilly”) in the United States District Court for the District of Massachusetts in Boston, Massachusetts. This suit was filed after Lilly’s announcement that it had filed a BLA for its migraine treatment galcanezumab. The lawsuit alleges that Lilly’s planned marketing and sales of galcanezumab would infringe five Teva patents covering CGRP inhibitors and methods of treatment, which will expire in 2026. In January 2017, Lilly filed a motion to dismiss this litigation. On February 6, 2018, two new U.S. patents were issued and we filed a new complaint against Lilly with respect to them. In the European Union, Alder Biopharmaceuticals and Lilly filed a European Patent Office opposition against our fremanezumab patents. Method of treatment claims were upheld in a first instance decision by the European Patent Office. This decision is currently on appeal with respect to Lilly and Teva; Alder withdrew from the appeal after entering into the license agreement described below. Lilly has also filed for revocation of the patent covering fremanezumab in the United Kingdom.
- In January 2018, we entered into an agreement with Alder pursuant to which Alder received a non-exclusive license to our anti-CGRP antibodies patent portfolio to develop, manufacture and commercialize eptinezumab in the United States and worldwide, excluding Japan and Korea, in consideration for a one-time payment of \$25 million, a second payment of \$25 million upon approval of a BLA for Alder’s eptinezumab with the FDA, as well as two sales-related milestone payments of \$75 million each and additional royalties. Alder also withdrew its above-mentioned appeal before the European Patent Office.
- Celltrion Inc, (“Celltrion”) is our sole source for API production for fremanezumab and also for Celltrion’s products CT-P10 (biosimilar candidate to Rituxan® US) and CT-P6 (biosimilar candidate to Herceptin® US). In January 2018, Celltrion received an FDA warning letter for its facility in Incheon, South Korea. It is likely that the remediation by Celltrion of the issues addressed in the warning letter will result in a delayed approval of the biosimilar products by the FDA. We are in active dialogue with the FDA in an effort to maintain our priority date for the approval of fremanezumab.

Fasinumab

- Fasinumab is a fully human monoclonal antibody that targets NGF, a protein that plays a central role in the regulation of pain signaling. There is evidence that NGF levels are elevated in patients with chronic pain conditions. In September 2016, we entered into a collaboration agreement with Regeneron to develop and commercialize fasinumab in the United States, the European Union and certain other markets.

- Fasinumab is currently in phase 3 clinical development for the treatment of pain associated with osteoarthritis with three trials in progress. In December 2017, Regeneron initiated a phase 3 efficacy and safety study of fasinumab in patients with moderate-to-severe chronic low back pain and osteoarthritis of the hip or knee.
- 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 and 10 years from marketing approval in Europe.

TV-45070

- TV-45070 Topical is a small molecule intended to treat pain locally at its source through blocking of Nav1.7 and Nav1.8 sodium channels, which are found in sensory nerve endings that can increase in chronic painful conditions. TV-45070 was licensed from Xenon Pharmaceuticals Inc. in December 2012.
- In June 2017, phase 2 proof of concept study results were received for TV-45070 in patients with post-herpetic neuralgia. The results did not meet the primary and secondary endpoints. TV-45070 is protected by patents in Europe that expire in 2026 and in the United States that expire in 2028.

Respiratory—Medicines

Our respiratory portfolio, one of our two core therapeutic areas, 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. Our proprietary inhalation technology “tidal inhaler” allows a person suffering from asthma or COPD to inhale their medication by breathing normally into the tidal inhaler device. We are continuing early development of inhaled medicines for use in the tidal inhaler. See “Respiratory Pipeline” for more information on our tidal inhaler.

Below is a description of our main respiratory medicines:

ProAir[®]

- The ProAir[®] line of products includes ProAir hydrofluoroalkane (“HFA”) and ProAir RespiClick, both 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. In March 2012, the FDA approved the addition of a dose counter, an innovation designed to help patients, as well as their caregivers, keep track of the number of doses remaining in the inhaler. The efficacy and safety profile of albuterol, which is used by millions of patients every day around the world, is well established, while HFA is an environmentally friendly propellant. ProAir HFA is the leading quick relief inhaler in the United States. It is protected by various patents expiring through 2031. In June 2014, we settled a

patent challenge to ProAir HFA with Perrigo Pharmaceuticals (“Perrigo”) permitting Perrigo to launch its generic product in limited quantities once it receives FDA approval and without quantity limitations after June 2018. In November 2017, we settled another patent challenge to ProAir HFA with Lupin Pharmaceuticals, Inc.

- 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. ProAir Respiclick remains the only breath-actuated, multi-dose, dry powder, short-acting beta-agonist inhaler available in the United States. ProAir Respiclick is protected by various U.S. Orange Book patents expiring between 2021 and 2032.
- 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).

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. QVAR has the highest preferred and total formulary coverage in the inhaled corticosteroid class in the United States. We market QVAR, which is manufactured by 3M, in the United States and in major European markets. QVAR is protected by various U.S. Orange Book patents expiring between 2020 and 2031.
- 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. The product is expected to become commercially available to patients by prescription in both 40 mcg and 80 mcg strengths during 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.
- The actuator with dose counter used in connection with ProAir HFA and QVAR is protected by patents and applications expiring through 2031.
- QVAR RediHaler is protected by U.S. and European device patents and applications expiring through 2031.

DuoResp Spiromax[®] / Aerivio Spiromax[®]

- **DuoResp Spiromax** (budesonide/formoterol) is a combination of an inhaled corticosteroid and a long acting beta-agonist bronchodilator, and was approved for treatment of adults with asthma and COPD in Europe by the EMA in a centralized procedure. DuoResp Spiromax is protected in Europe by patents expiring through 2031. First launched in the European Union in June 2014, DuoResp Spiromax has been successfully introduced in 19 European markets in addition to select ROW markets including Israel, Russia and South Korea.
- The main competitors for DuoResp Spiromax are Symbicort[®] Turbuhaler[®] (budesonide/formoterol), Seretide[®] (fluticasone propionate/salmeterol) and Foster[®] (beclomathasone/formoterol).

- **Aerivio Spiromax** (fluticasone/salmeterol 500/50) was developed pursuant to European Union guidance to achieve the same clinical outcomes as Seretide® Accuhaler®. Bioequivalence was demonstrated for the high strength product, which was approved in Europe in August 2016 and launched in Europe in January 2017.
- Aerivio Spiromax is protected by U.S. and European patents and applications expiring through 2034.

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. Additional regulatory filings have been submitted in other markets.
- CINQAIR is protected by patents in the United States that expired in 2017. We have requested extension of one of the patents until 2021. CINQAIR has biological exclusivity in the United States until 2028 and is entitled to regulatory exclusivity in Europe until 2026. A subcutaneous version is in development (see below).
- 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 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.
- In April 2017, we launched AirDuo RespiClick and its authorized generic simultaneously in an effort to meet the needs of patients, providers, and payers in the United States seeking greater access to lower-cost asthma inhaler technology, while also allowing us to compete in the highly competitive asthma combination controller market. The authorized generic is known as fluticasone propionate and salmeterol inhalation powder (multidose dry powder inhaler).
- AirDuo RespiClick and its authorized generic have the same active ingredients as Advair® but are delivered via Teva’s breath-activated, multi-dose dry powder inhaler (“MDPI”), RespiClick, which is used with other approved medicines in our respiratory product portfolio.
- This important launch marked not only the first available generic ICS/LABA product in the United States, but also the continued expansion of our RespiClick family of products, which now includes breath-actuated inhaler options for both maintenance treatment and rescue medication.
- **ArmonAir RespiClick®** (fluticasone propionate MDPI U.S.) is a new 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.
- Both ArmonAir RespiClick and AirDuo RespiClick were approved by the FDA in January 2017 and are protected by U.S. and European device patents and applications expiring through 2034.

Other

- **QNASL®** (beclomethasone dipropionate) nasal aerosol is indicated for the treatment of seasonal and year-round nasal allergic rhinitis in the United States.

- **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.

Respiratory—Pipeline

The key areas of focus for 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;
- Spiromax (EU) or RespiClick (U.S.), a novel inhalation-driven MDPI; and
- Tidal inhaler, a unique nebulization device currently being evaluated for use in early stage development programs.

Our clinical pipeline of respiratory projects includes:

<u>Respiratory Products</u>	<u>Potential Indication(s)</u>	<u>Route of Administration</u>	<u>Development Phase (date entered phase 3)</u>
CINQAIR/CINQAERO	Severe asthma with eosinophilia	Subcutaneous	3 (August 2015)
QVAR RediHaler	Asthma, COPD	Oral inhalation	FDA approved, August 2017, for adults and pediatrics
ArmonAir RespiClick	Asthma	Oral inhalation	FDA approved, January 2017, for adults
AirDuo RespiClick	Asthma	Oral inhalation	FDA approved, January 2017, for adults
ProAir e-RespiClick™	Bronchospasm and exercise induced bronchitis	Oral inhalation	Submitted to FDA (September 2017)

CINQAIR/CINQAERO

- CINQAIR/CINQAERO (reslizumab) subcutaneous injection, is a humanized interleukin 5 antagonist monoclonal antibody for add-on maintenance treatment of adult patients with severe asthma and with an eosinophilic phenotype.
- The phase 3 clinical program for the subcutaneous reslizumab product was initiated in August 2015. In January 2018, we received results that both a registration study and claim support study did not meet their primary endpoints. We are reviewing the data to determine next steps. No new safety concerns to the known safety profile of reslizumab were identified in review of the data from these studies and no cases of anaphylaxis related to reslizumab were reported.

Oncology—medicines

Our 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) 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”) to complement our bendamustine franchise, which also includes TREANDA. BENDEKA is now the most-used bendamustine product in the United States. The lyophilized formulation of TREANDA continues to be available, but its use has substantially declined in favor of BENDEKA.
- BENDEKA’s competitors 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 also newer targeted oral therapies, ibrutinib and idelalisib.
- There are 13 patents listed in the U.S. Orange Book for BENDEKA with expiry dates between 2026 and 2033. Teva and Eagle received notices of Abbreviated New Drug Application (“ANDA”) filings by Slayback Pharmaceuticals, Fresenius Kabi, Apotex and Mylan for generic versions of BENDEKA, which all contained Paragraph IV challenges against one or more of the patents listed in the U.S. Orange Book for BENDEKA. In response, Teva and Eagle filed patent infringement lawsuits against Slayback, Fresenius and Apotex in August 2017 and against Mylan in December 2017. All lawsuits were filed in the U.S. District Court for the District of Delaware. The respective 30 month stays expire starting in January 2020.
- We have U.S. Orange Book patents for TREANDA expiring between 2026 and 2031. To date, one company has filed a 505(b)(2) new drug application (“NDA”) for a liquid version of bendamustine, and 19 others have filed ANDAs for a generic version of the lyophilized form of TREANDA. Trial against five of the 19 ANDA filers began in December 2015. In June 2017, the court issued a final judgement affirming the validity of certain claims of the patents. We have reached final settlements with 17 of the 19 ANDA filers, which provide for the launch of generic versions prior to patent expiration. The two ANDA filers with whom we have not reached final settlements filed an appeal of the final judgment.

TEVAGRASTIM, GRANIX and LONQUEX

- Filgrastim (branded as TEVAGRASTIM (in the European Union) and GRANIX (in the United States) and LONQUEX (lipegfilgrastim) are Granulocyte Colony Stimulating Factor (“G-CSF”) medicines that stimulate the production of white blood cells and are primarily used to reduce the risk of infections in oncology patients receiving chemotherapy.
- TEVAGRASTIM (short-acting G-CSF) was the first biosimilar G-CSF to be approved by the European Union in September 2008. TEVAGRASTIM has been approved in the European Union for multiple indications and is available in most European countries. TEVAGRASTIM is also marketed as RATIOGRASTIM and BIOGRASTIM™ in the European Union.
- GRANIX (short-acting G-CSF) was the first new G-CSF to be approved in the United States in more than ten years and was approved via a BLA by the FDA in 2012 and launched in November 2013. GRANIX is not considered a biosimilar in the United States. The product is also approved and available in Japan and certain other markets. In December 2014, the FDA also approved GRANIX injection for self-administration by patients and caregivers.
- LONQUEX (long-acting G-CSF) is a G-CSF with the active ingredient lipegfilgrastim, a glycoPEGylated (PEG; polyethylene glycol) filgrastim molecule. This is the first long-acting G-CSF to

be approved in Europe in more than ten years and offers a new alternative in G-CSF therapy. LONQUEX was launched in November 2013 in Germany and has since been launched in 22 additional European countries. LONQUEX is protected by patents expiring in 2024 in Europe, with possible extension to 2028 in several countries.

- Competitors to Teva's filgrastim include short acting G-CSF products such as Neupogen® and Zarxio®, which was launched in September 2015 in the United States; and in Europe Zarxio/Zarzio® and Nivestim®. Several additional competing short-acting G-CSF biosimilars are expected to launch in 2018 in the United States, and the first long-acting G-CSF biosimilars are expected to launch in the second quarter of 2018 in Europe and during the second half of 2018 in the United States.

Oncology—Pipeline

Our pipeline of oncology products includes *CT-P10 (biosimilar candidate to Rituxan® US) and CT-P6 (biosimilar candidate to Herceptin® US)*. In October 2016, we entered into an exclusive partnership with Celltrion to commercialize two proposed monoclonal antibodies (mAb) in the United States and Canada. CT-P10 is a biosimilar candidate to Rituxan® (rituximab) and CT-P6 is a biosimilar candidate to Herceptin® (trastuzumab). BLAs for both products were accepted for review by the FDA in 2017 with regulatory action expected in the first half of 2018.

In January 2018, Celltrion received an FDA warning letter for its facility in Incheon, South Korea. It is likely that the remediation by Celltrion of the issues addressed in the warning letter will result in a delayed approval of biosimilar products by the FDA.

Changes to Other Pipeline Projects During 2017

Development of the TV-46763 and TV-46139 pain products with potential abuse-deterrent properties were discontinued.

Commercialization opportunities for VANTRELA ER™, which was approved by the FDA in January 2017, are no longer being pursued. VANTRELA is a formulation of hydrocodone (opioid analgesic) which utilizes OraGuard®, our proprietary abuse deterrence technology platform that has been evaluated for resistance to physical manipulations, chemical extractions and multi-step chemical extraction methods.

Other Activities

We have other sources of revenues, primarily sales of third-party products for which we act as distributor in certain countries. In the United States, our Anda business distributes generic, specialty and OTC pharmaceutical products from more than 300 third party manufacturers, as well as our own products, to independent retail pharmacies, pharmacy retail chains, hospitals and physician offices. Anda is able to compete in the secondary distribution market by maintaining high inventory levels for a broad offering of products, next day delivery throughout the United States, competitive pricing and high-level customer service.

We also sell medical devices, provide contract manufacturing services related to products divested in connection with the Actavis Generics acquisition and the sale of our women's health business, as well as other miscellaneous items. Our other activities are not included in our generics and specialty 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, innovation of existing molecules and OTC medicines.

Following implementation of our comprehensive restructuring plan announced in December 2017, the generic, specialty and OTC R&D organizations are expected to be combined into one global group with overall responsibility for all R&D activities – generic, specialty and biologics, enabling better focus and efficiency. We also announced the intention to close or sell a significant number of R&D facilities across all geographies, delivering efficiencies and substantial cost savings. We are conducting a thorough review of all R&D programs across the entire company, in generics and specialty, to prioritize core projects and terminate others, while maintaining a substantial pipeline.

For information about our R&D expenses during fiscal years 2017, 2016 and 2015, see “Item 7—Management’s Discussions and Analysis of Financial Condition and Results of Operations—Research and Development.”

Generics

A strong focus for Teva is the development of new generic medicines. We develop generic products for the United States, Europe, Japan and other selected ROW countries. 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 1,700 generic products in our pre-approved global pipeline.

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

Current R&D capabilities include solid oral dosage forms, inhalation, semi-solid and liquid formulations, and sterile formulations, such as tablets, capsules, liquids, ointments, creams 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 four large development centers: a center in Israel focusing on synthetic products and peptides, a center in Hungary specializing in fermentation and semi-synthetic products and centers in India and Croatia, both focusing on synthetic products. Three additional smaller sites are located in Italy, Mexico and the Czech Republic for development of high-potency APIs. Our substantial investment in API R&D generates a steady flow of API products, enabling 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.

Specialty

Our specialty R&D product pipeline is focused on novel small molecule and biologic products, biosimilar products, innovation of existing molecules as well as discovery of new small molecule and 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.

We pursue in-licensing, acquisition and partnership opportunities to supplement and expand our specialty pipeline (e.g., the transactions with Celltrion, Eagle and Regeneron) to create and maintain a robust global pipeline. 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 in our key therapeutic areas;
- 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 62 finished dosage and packaging pharmaceutical plants in 33 countries. These plants manufacture solid dosage forms, sterile injectables, liquids, semi-solids, inhalers, transdermal patches and medical devices. In 2017, we produced approximately 88 billion tablets and capsules and approximately 720 million sterile units. The FDA has approved 33 of our finished dosage manufacturing facilities and we have 30 finished dosage manufacturing facilities approved by EMA authorities.

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 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.

In connection with implementation of our comprehensive restructuring plan announced in December 2017, we intend to close or divest a significant number of manufacturing plants in the United States, Europe, Israel and other ROW markets.

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 our 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 take a global approach to managing our commercial relations with these suppliers.

We currently have 18 API production facilities, producing approximately 300 APIs in various therapeutic areas. Our API intellectual property portfolio includes approximately 600 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 or 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 a number of 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 2017, we continued to make significant progress on our multi-year plan to move closer to our long-term environment, health and safety (“EHS”) vision of “Target Zero”: zero incidents, zero injuries and zero releases. Among other things, in 2017 we:

- continued the implementation of our global EHS management system, which promotes proactive compliance with applicable environment, health and safety requirements, establishes minimum expectations throughout our global operations and helps drive continuous improvement in our EHS performance;
- provided EHS regulatory surveillance tools for all countries where we have significant operations;
- proactively evaluated EHS compliance through self-evaluation and an internal audit program, addressing non-conformities through appropriate corrective and preventative action whose progress is tracked; and

- established targets to reduce the environmental impact of our operations, through energy and water conservation, recycling and reuse of waste products.

Quality

We are committed not only to complying with quality requirements but to developing and leveraging quality as a competitive advantage. In 2017, 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 beyond compliance. We seek to ensure that quality remains part of our corporate culture and is reflected in all of our operations, resulting in reliable and high quality products.

Following an FDA audit of our API production facility in China in September 2016, we received a warning letter from the FDA in April 2017. We have undertaken corrective actions to address both the specific concerns raised by investigators as well as the underlying causes of those concerns and resumed shipments from that facility in May 2017. We have requested that the FDA conduct a follow-up inspection to confirm compliance and issue a close-out letter.

Geographic Areas

Our business is conducted in many countries all over the world and a significant portion of our revenues is generated from operations outside the United States. The products we make and sell around the world include many of those described above under “—Our Segments—Generic Medicines” and “—Our Segments—Specialty Medicines.”

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

For information regarding revenues and long-lived assets by geographic area, see “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations, and note 20 to our consolidated financial statements.

Competition

Generic Medicines Competition

Sales of generic medicines have benefitted from increasing awareness and acceptance on the part of healthcare insurers and institutions, consumers, physicians and pharmacists globally. 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, 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.

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 ROW 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 France, Japan and Russia, governments have issued or are in process of issuing regulations designed to increase generic penetration. 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.

Specialty Medicines Competition

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 and to our market and stakeholders' needs.

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 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, import or export any controlled substance must register annually with the DEA. The DEA inspects manufacturing facilities to review security, record keeping and reporting and handling prior to issuing a controlled substance registration. 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 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. Of this portfolio, TEV-TROPIN® and GRANIX are sold in the United States, while others are distributed outside of the United States. 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 and 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 just repealed by Congress in the tax reform bill that was 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.

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. Under the ACA, pharmaceutical companies are obligated to fund 50% 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 Administration is currently looking at Medicare parts B and D in terms of policy changes in the next session of Congress.

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.

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 2017, 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 whole of the European market.

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, 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. We are working to ensure we have the necessary infrastructure in place to ensure there is no disruption to our supply chain when the regulations take effect in 2019.

In connection with the Actavis Generics acquisition, we made a number of commitments to the European Commission to divest certain Actavis Generics assets and operations. Transfer of the marketing authorizations to the respective buyers is an important step in meeting these commitments, but in many cases regulatory submissions will also be required to transfer production of the finished product to the buyer. We are working with the regulators to separate certain marketing authorizations to be transferred to the buyers from other linked authorizations, which we are retaining, a process that is expected to take 3-5 years to complete.

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 (or ten years for orphan medicinal products) from the date of the first market 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.

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, as a result, the United Kingdom is scheduled to leave the European Union on March 29, 2019. The United Kingdom and European Union are currently in the process of defining their future relationship, but 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 United Kingdom exits the European Union. We are working on processes to ensure a smooth transition irrespective of the future decisions between the parties.

Rest of World

In addition to regulations in the United States, 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, similar or more stringent than the laws of the United States.

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 the product in those countries. The requirements and process 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 throughout 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 worldwide 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 November 2013, the Drug Supply Chain Security Act was enacted in the United States, mandating an industry-wide, national serialization system for pharmaceutical packaging with a ten-year phase-in process. By November 27, 2018, all manufacturers and re-packagers must mark each prescription drug package with a unique serialized code. We are working to meet these requirements on a timely basis. 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. The European Union, Russia, China, Korea, Turkey, Argentina, Brazil, India (for exported products) and certain other countries already have laws mandating serialization and we are working to comply with these requirements. Other countries, including India (domestic market), Indonesia, Malaysia, Taiwan and other Latin American countries are currently considering mandating similar requirements.

Employees

As of December 31, 2017, Teva's work force consisted of approximately 51,800 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,		
	2017	2016	2015
United States	12,416	10,168	6,342
Europe	22,350	24,170	18,316
Rest of the World (excluding Israel)	10,780	15,759	11,256
Israel	<u>6,245</u>	<u>6,863</u>	<u>6,974</u>
Total	51,792	56,960	42,888

As part of our restructuring announcement in December 2017, we expect to reduce our global work force by 14,000 positions, which is over 25% of Teva's total work force as of December 31, 2017, by the end of 2019 (excluding the impact of any future divestments). The majority of the reductions are expected to occur in 2018. Restructuring efforts will be done in accordance with applicable local requirements. Consultations with the relevant employee representatives began in January 2018.

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 public may read and copy any materials filed by Teva with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. 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 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 generic medicines business

Our generic medicines business comprises a significant portion of our business, and we are therefore increasingly subject to the significant risks associated with that business.

In 2017, revenues from our generic medicines segment were \$12.3 billion, or 55% of our total revenues. Gross profit from our generic medicines segment was \$5.1 billion, or 47% of our total gross profit. Generic pharmaceuticals are, as a general matter, less profitable than specialty pharmaceuticals, and face regular and increasing price erosion each year, placing even greater importance on our ability to continually introduce new products. We expect to be more dependent on our generics business and increasingly subject to market and regulatory factors and other risks affecting generic pharmaceuticals worldwide.

Furthermore, in the second quarter of 2017, our generics business in the United States was negatively impacted by certain developments, including: (i) additional pricing pressure as a result of customer consolidation into larger buying groups capable of extracting greater price reductions, (ii) 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. These developments were the cause of a goodwill impairment of \$6.1 billion in the second quarter of 2017.

In the fourth quarter of 2017, we noted further significantly adverse challenges in the U.S. generics market deriving from further limitations on our ability to influence generic medicine pricing in the long term and a decrease in value from future launches and growth. These new developments were the cause of an additional goodwill impairment of \$11.0 billion in the fourth quarter of 2017. See note 7 to our consolidated financial statements. 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 the U.S. generic medicines market.

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. There are three large Group Purchasing Organizations (“GPOs”) that account for approximately 80% of generics purchases in the United States. During 2017, certain of these GPOs made aggressive requests for pricing proposals and established commercial alliances resulting in greater bargaining power. 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 recently made initial moves to develop a pharmaceutical distribution business. Also, the consolidation resulting from the merger between CVS Health and Aetna, if consummated, is expected to create 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 and quarterly growth comparisons 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, and often do, decline as a result of competition from other pharmaceutical companies and changes in 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.

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

Although we believe we have the most extensive pipeline of generic products in the industry, we were unable to successfully execute a number of key generic launches in 2017. Certain launches planned for 2018 and 2019 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. Delays in launches of new generic products could have a material adverse effect on our business, financial condition and results of operations.

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

Biosimilar products are expected to make up an increasing proportion of the high-value generic opportunities in upcoming years. The development, manufacture and commercialization of biosimilar 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 biosimilars and will require significant investments and collaborations with third parties to take advantage of these opportunities. In October 2016, we entered into an exclusive partnership with Celltrion to commercialize biosimilar candidates to Herceptin® and Rituxan®, which are in development for the U.S. and Canadian markets. There is no assurance that our current and future investments and collaborations regarding biosimilar products will be successful. In January 2018, Celltrion received an FDA warning letter for its facility in Incheon, South Korea. It is likely that the remediation by Celltrion of the issues addressed in the warning letter will result in a delayed approval of both biosimilar products by the FDA.

If pharmaceutical companies are successful in limiting the use of generics 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:

- making changes to the formulation of the brand product and asserting that potential generic competitors must demonstrate bioequivalency or comparable abuse-resistance to the reformulated brand product;
- 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;
- using the legislative and regulatory process to set definitions of abuse deterrent formulations to protect brand company patents and profits;
- attaching patent extension amendments to unrelated federal legislation;
- engaging in state-by-state initiatives to enact legislation that restricts the substitution of some generic drugs, which could have an impact on products that we are developing;
- entering into agreements with pharmacy benefit management companies that have the effect of blocking the dispensing of generic products; and
- seeking patents on methods of manufacturing certain API.

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.

From time to time we may need to rely on licenses to proprietary technologies, which may be difficult or expensive to obtain.

We may need to obtain licenses to patents and other proprietary rights held by third parties to develop, manufacture and market products. If we are unable to timely obtain these licenses on commercially reasonable terms, our ability to commercially market our products may be inhibited or prevented, which could have a material adverse effect on our business, financial condition and results of operations. For example, because we

license significant intellectual property with respect to certain of our products, such as AUSTEDO and fasinumab, any loss or suspension of our rights to licensed intellectual property could have a material adverse effect on our business, financial condition and results of operations.

Investigations of the calculation of wholesale prices may adversely affect our business.

Many government and third-party payers, including Medicare, Medicaid, Health Maintenance Organization (“HMOs”) and Managed Care Organization (“MCOs”), have historically reimbursed doctors, pharmacies and others for the purchase of certain prescription drugs based on a drug’s average wholesale price (“AWP”) or wholesale acquisition cost (“WAC”). In the past several years, U.S. state and federal government agencies have conducted ongoing investigations of manufacturers’ reporting practices with respect to AWP and WAC, in which they have suggested that reporting of inflated AWP’s or WAC’s has led to excessive payments for prescription drugs. These investigations, if leading to successful proceedings or settlements, could adversely affect us and may have a material adverse effect on our business, financial condition and results of operations.

Risks related to our specialty medicines business

Our leading specialty medicine, COPAXONE, faces increasing competition, including from two generic versions of our 20 mg/mL product in the United States and one generic version of our 40 mg/mL product, which was launched “at-risk” in the United States, as well as from orally-administered therapies.

In October 2017, the FDA approved a generic version of COPAXONE 40 mg/mL and an additional generic version of COPAXONE 20 mg/mL. A hybrid version of COPAXONE 40 mg/mL was also approved in the European Union. At least one competitor has launched its generic 40 mg/mL product in the U.S. market. We consider the 40 mg/mL generic to be a launch “at risk” until final resolution of the pending patent litigation in this matter. Nevertheless, this launch, and any additional launches of generic 40 mg/mL products, will have an effect on our MS market share and revenues from COPAXONE.

The market for MS treatments continues to develop, particularly with the recent approvals of generic versions of COPAXONE as well as additional generic versions expected to be approved in the future, such as Glatopa® 40 mg/mL. Oral MS treatments, such as Tecfidera®, Gilenya® and Aubagio®, continue to present significant and increasing competition to COPAXONE. Other existing injectable products and monoclonal antibodies are additional sources of competition in this market.

Our MS franchise profit was \$3.1 billion, \$3.4 billion and \$3.1 billion in 2017, 2016 and 2015, respectively. Profitability of our MS franchise as a percentage of COPAXONE revenues was 80.6%, 81.3% and 76.7% in 2017, 2016 and 2015, respectively. Following the approval of generic competition, it is expected that COPAXONE’s revenues and profitability will decrease 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, our ProAir HFA product is expected to face generic competition in 2018 and TREANDA is expected to face generic competition prior to patent expiration beginning in 2019.

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.

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

We must invest significant resources to develop specialty medicines (including innovations utilizing existing molecules, as well as the development of complex generics), both through our own efforts and through collaborations and in-licensing or acquisition of products from or with third parties. In particular, in light of the recent approvals of generic versions of COPAXONE and the patent challenges and impending patent expirations facing certain of our other specialty medicines, we have in recent years increased our investments in the acquisition and development of products to build our specialty pipeline, including through our acquisitions of Auspex Pharmaceuticals, Inc. and Labrys Biologics, Inc. and in-licensing 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.

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 2017, the phase 3 clinical study for laquinimod as treatment for RRMS did not meet its primary endpoint and the phase 2 proof of concept study for laquinimod as treatment for primary progressive MS did not meet its primary or secondary endpoints. Also, the phase 2 proof of concept study for TV-45070 did not meet primary and secondary endpoints in 2017.

Because of the amounts required to be invested in strengthening our pipeline of specialty and other products, we are increasingly reliant on partnerships and joint ventures with third parties, such as our collaborations with Celltrion, Eagle, Otsuka, Nuvelution and Regeneron, and consequently 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. For example, in January 2018, Celltrion received an FDA warning letter for its facility in Incheon, South Korea. It is likely that the remediation by Celltrion of the issues addressed in the warning letter will result in delayed FDA approval for two biosimilar products Celltrion is developing as part of our partnership with them. 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 for such acquisition targets.

Our specialty pharmaceuticals business faces intense competition from companies that have greater resources and capabilities.

We face intense competition in our specialty pharmaceutical business. 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.

In addition, our specialty pharmaceuticals business requires 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 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.

In addition to the recently approved generic versions of COPAXONE, we have recently suffered an adverse court ruling and unfavorable appeal board decisions in lawsuits and proceedings challenging the validity and/or enforceability of the U.S. patents covering COPAXONE 40 mg/mL, which is our most significant single contributor to revenues and profits. While we are defending the validity of these patents and have appealed these decisions, such efforts are expensive and time-consuming. 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 these or other specialty medicines could materially impact our business, results of operations, financial condition and prospects.

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 substantially increased indebtedness

We have substantial debt of \$32.5 billion as of December 31, 2017, which has increased our expenses and restricts our ability to incur additional indebtedness or engage in other transactions.

Our consolidated debt was \$32.5 billion at December 31, 2017, compared to \$35.8 billion at December 31, 2016 and approximately \$9.9 billion at December 31, 2015, prior to the Actavis Generics acquisition. 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 11 to our consolidated financial statements for a detailed discussion of our outstanding indebtedness.

Our cash flows have declined and 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. In addition, our earnings have declined and we may have lower-than-anticipated earnings in the future. Certain of our loan agreements include restrictive covenants, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. Approximately \$3.7 billion of our debt is subject to such covenants and, under specified circumstances, including non-compliance with such covenants and the unavailability of any waiver, amendment or other modification thereto and the expiration of any applicable grace period thereto, substantially all other debt could be negatively impacted by non-compliance with such covenants.

As of December 31, 2017, 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. Based on our current forecast for the next twelve months from the date of issuance of these financial statements, we expect to remain in compliance with these financial covenants after taking into consideration the effect of implementation of certain cost-efficiency initiatives, such as rationalization of our plants, selling and marketing, general and administrative and research and development spend, which would allow us to continue to comply with the financial covenants. We have amended such covenants in the past, including the net debt to EBITDA ratio covenant to permit a higher ratio, most recently on February 1, 2018. 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 have severely impacted our business and resulted in the restructuring plan announced in December 2017, including: (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) an ongoing 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.

In addition, in light of the amount of unhedged floating-rate debt we currently have outstanding (approximately \$3.4 billion at December 31, 2017), we have substantial exposure to increases in interest rates.

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.

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. In addition, these downgrades have required us to increase the deferred purchase price of our trade receivables securitization program. As a result, we expect to incur a decrease of \$100–\$200 million in cash amounts received from such program in the first quarter of 2018.

Additional risks related to our business and operations

Failure to effectively execute the recently announced 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 includes:

- 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 Growth 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 is expected to result in the reduction of 14,000 positions globally (over 25% of Teva's total workforce) by the end of 2019. We expect to record an additional restructuring charge related to the implementation of the restructuring plan in 2018 and 2019, mainly related to severance costs.

We may not be able to achieve the level of benefit that we expect to realize from the restructuring plan within the expected time frame, or at all, due to unforeseen difficulties, delays or costs.

We may face wrongful termination, discrimination or other legal claims from employees affected by the workforce reduction. 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.

As part of plant closures and the transfer of production of pharmaceutical products to other sites, we are required to obtain the consent of customers and the relevant regulatory agencies. Delay or failure in obtaining such consents may have a material negative impact on our ability to effectively execute the restructuring plan. Withdrawal of business and operations from a market may result in claims for breach of contract from third parties, such as vendors, suppliers, contractors and customers that may materially impact the financial benefits of such move.

Upon the proposed divestiture of any facility in connection with our restructuring plan, 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 restructuring and streamlining of our manufacturing network and resulting announcements of the sale or closure of a significant number of manufacturing sites around the world could trigger labor unrest or strikes, potentially resulting in significant product supply disruptions.

The restructuring plan may lead to the loss of certain tax benefits we currently receive in Israel, which may have a material impact on our overall financial results.

The workforce reduction in connection with the restructuring plan 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 increase our operating expenses in the short term.

Our failure to effectively execute the restructuring plan may lead to significant volatility, and a decline, in the price of our securities. This may expose us to securities class action and shareholder derivative litigation, potentially resulting in substantial costs and expenses.

We cannot guarantee that the restructuring plan will be successful and we may need to take additional restructuring steps in the future to achieve the goals announced in December 2017.

Uncertainties related to, and failure to achieve, the potential benefits and success of our new senior management team and organizational structure may adversely affect our business, strategy, financial condition and results of operations.

Effective November 1, 2017, Kåre Schultz joined Teva as President and Chief Executive Officer, succeeding Dr. Yitzhak Peterburg. Dr. Peterburg replaced Erez Vigodman and served as Interim President and Chief Executive Officer from February to November 2017. Mr. Schultz is our seventh CEO since 2007 and sixth since 2012. In November 2017, we announced a new organizational and leadership structure, including:

- the departure of three executive officers from Teva;
- the internal promotion of six executives to Teva's executive management team;
- the combination of Teva's generic and specialty global groups into one commercial organization responsible for Teva's entire portfolio, including generics, specialty and OTC, which will operate through three regions, North America, Europe and Growth Markets;
- the combination of Teva's generic and specialty R&D organizations into a global group with overall responsibility for all R&D activities, including generics, specialty and biologics; and
- the formation of a newly formed Marketing & Portfolio function responsible for overseeing the interface between regions, R&D and operations.

Any significant leadership change or executive management transition involves risks. Failure to effectively transfer knowledge or otherwise conduct a smooth leadership transition process could hinder our strategic planning, execution and anticipated performance.

The establishment of a new executive management team may create a number of transitional challenges, which may cause disruptions to our business. We cannot be assured that a smooth transition of our executive management team has occurred or that we have taken all necessary steps to effect an orderly continuation of our operations during the transitional period. We cannot be assured that the integration of our new executive management team will occur in a timely manner, or that such integration will not present additional transitional challenges or adversely affect the operation of our business. We cannot be assured that our new management team will be successful in executing our restructuring plans and future business strategy.

We may experience operational disruptions as we implement our new organizational structure. The expected cost savings and operational efficiencies from the newly introduced organizational structure are based on assumptions and expectations, which are reasonable in our judgment, but may not be accurate due to unforeseen difficulties and challenges that are beyond our control. If these assumptions and expectations are incorrect or if we experience delays or unforeseen events in implementing the new organizational structure, our business operations and financial results may be harmed.

The recent changes in our senior management and organizational structure may be the source of uncertainty and concern for our employees, as well as for current and potential customers, other business partners, debtholders and shareholders. Any of these could have a material adverse effect on our business, reputation, financial condition or results of operations, and ultimately on the anticipated benefits of the reorganization.

In addition, the establishment of a new management team following the relatively frequent senior management transitions in recent years, may result in disruption of our business operations, distraction of our employees and management, difficulty in recruiting, hiring, motivating and retaining talented and skilled personnel and difficulty in negotiating, maintaining or consummating business or strategic relationships or transactions. If we are unable to mitigate these or other potential risks, our business and operating results may be adversely impacted.

The expected review of our R&D programs may harm our pipeline of future products.

In December 2017, we announced our intention to close or sell a significant number of R&D facilities across all geographies after conducting a thorough review of all R&D programs across the company, including both generics and specialty. This review may lead to termination of R&D programs that are in advanced stages and may cause disruptions to our R&D programs and product pipeline. In addition, we may not realize the anticipated benefits of such closures and divestments, including the efficiencies and substantial cost savings expected, and such closures and divestments may result in difficulty maintaining a substantial pipeline of future generic and specialty products.

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 pharmaceutical products, both specialty and generic, in a timely manner, particularly in light of the patent challenges, regulatory approvals and “at-risk” launch of a generic competitor to the 40 mg/mL version of our leading specialty medicine, COPAXONE, and patent challenges and impending patent expirations facing certain of our other specialty medicines. Commercialization requires that we successfully develop, test and manufacture both generic and specialty 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 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, 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.

For several years, we conducted a voluntary worldwide investigation into business practices that may have implications under the FCPA, following the receipt, beginning in 2012, of subpoenas and informal document requests from the SEC and the Department of Justice (“DOJ”) with respect to compliance with the FCPA in certain countries. In December 2016, we reached a resolution with the SEC and DOJ to fully resolve these FCPA matters. The resolution, which relates to conduct in Russia, Mexico and Ukraine during 2007-2013, provides for: penalties of approximately \$519 million, which include a fine, disgorgement and prejudgment interest; a three-year deferred prosecution agreement (“DPA”); a guilty plea by our Russian subsidiary to criminal charges of violations of the anti-bribery provisions of the FCPA; consent to entry of a final judgment against us settling civil claims of violations of the anti-bribery, internal controls and books and records provisions of the FCPA; and the retention of an independent compliance monitor for a period of three years. The SEC civil consent and DOJ deferred prosecution agreement have each obtained court approval. A court has also accepted the guilty plea entered by our Russian subsidiary and the negotiated settlement.

Under our DPA with the DOJ, we admitted to the conduct that violated the FCPA described in the statement of facts attached to the DPA and the DOJ agreed to defer the prosecution of certain FCPA-related charges against us and not to bring any further criminal or civil charges against us or any of our subsidiaries related to such conduct. We agreed, among other things, to continue to cooperate with the DOJ, review and maintain our anti-bribery compliance program and retain an independent compliance monitor. If, during the term of the DPA (approximately three years, unless extended), 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 recently 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 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, 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), 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. 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 comply with these regulations and requirements may damage our reputation and lead to financial penalties, compliance expenditures, 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 regulators outside the United States, and our products must be made in a manner consistent with cGMP, or similar 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, there has been increasing regulatory scrutiny of pharmaceutical manufacturers, resulting in product recalls, plant shutdowns and other required remedial actions. We have been subject to increasing scrutiny of our manufacturing operations, and in previous years several of our facilities have been the subject of significant regulatory actions requiring substantial expenditures of resources to ensure compliance with more stringently applied production and quality control regulations. For example, we discontinued manufacturing activities at our facility in Godollo, Hungary following an FDA inspection in 2016, halted operations at our facility in Guadalajara, Mexico (acquired as part of the Rimsa acquisition) due to compliance issues that existed prior to the acquisition, and in May 2017 undertook corrective actions to address quality issues raised in connection with an FDA audit and warning letter received in April 2017 regarding our API production facility in China. These regulatory actions also adversely affected our ability to supply various products worldwide and to obtain new product approvals at such facilities. Also, in January 2018, Celltrion received an FDA warning letter for its facility in Incheon, South Korea. It is likely that the remediation by Celltrion of the issues addressed in the warning letter will result in a delay in FDA approval for two biosimilar products in our pipeline. If any regulatory body were to require one or more of our significant manufacturing facilities to cease or limit production, our business 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. 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, as we accelerate the planned streamlining of our manufacturing network, as part of the recently announced restructuring plan, we may become more dependent on certain plants and operations for our supply. Our inability to timely manufacture any of our significant products could have a material adverse effect on our business, financial condition and results of operations.

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 in connection with the restructuring plan announced in December 2017 may result 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.

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 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 or breaches of our data security could adversely affect our business.

A significant invasion, interruption, destruction or breakdown of our information technology systems and/or infrastructure by persons with authorized or unauthorized access could negatively impact our business and operations. 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 could also experience business interruption, information theft, legal claims and liability, regulatory penalties and/or reputational damage from cyber-attacks, which may compromise our systems and lead to data leakage either internally or at our third party providers. Our systems have been, and are expected to continue to be, the target of malware and other cyber-attacks. Although we have invested in measures to reduce these risks, we cannot guarantee that these measures will be successful in preventing compromise and/or disruption of our information technology systems and related data.

The failure to recruit or retain key personnel, or to attract additional executive and managerial talent, could adversely affect our business.

Given the size, complexity and global reach of our business and our multiple areas of focus, each of which would be a significant stand-alone company, we are especially reliant upon our ability to recruit and retain highly qualified management and other employees. Our ability to retain key employees may be diminished by the recent restructuring announcements and financial challenges we face. In addition, the success of our R&D activities depends on our ability to attract and retain sufficient numbers of skilled scientific personnel, which may be limited by the planned streamlining and reduction of our R&D programs announced in December 2017. Any loss of service of key members of our organization, or any diminution in our ability to continue to attract high-quality employees, may delay or prevent the achievement of major business objectives.

Our President and CEO, Kåre Schultz, who was appointed after a thorough global search process, initiated the restructuring plan for our business in December 2017. If we cannot retain our CEO, we may have difficulty finding a replacement in a timely manner. This may impact our ability to effect our restructuring plan and business strategy and may also have a material adverse effect on our business, financial condition and results of operation.

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 80% 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. Our operations in Venezuela are increasingly challenging due to instability there. Our partnership with Celltrion for fremanezumab is located in South Korea, which is under political and military threat. 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 recent 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. As a company that manufactures most of its products outside the United States, such a tax or other restriction, if enacted, may have a material adverse effect on our business, financial condition and results of operations.

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 significant 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, 2017, 2016

and 2015, McKesson Corporation represented 16%, 15% and 20% of our revenues, respectively, and AmerisourceBergen Corporation represented 15%, 19% and 20% 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 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 additional 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, as occurred in the Rimsa transaction.

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. In connection with our restructuring plan announced in December 2017, we intend to close or divest a significant number of manufacturing plants and R&D facilities. 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.

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 2017 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.

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, particularly as public resources have been stretched by financial and economic crises in the United States, Western Europe and elsewhere. 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. 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. These changes frequently adversely affect pricing and profitability and may cause delays in market entry. Public scrutiny has increased political and other pressures on pharmaceutical pricing, further inhibiting the raising of prices, which, in many cases, had become routine. 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.

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 administration, which had promised to repeal and replace the ACA, took office in the United States. We cannot predict the form any such replacement of the ACA may take, although it may have the impact of reducing the number of insured individuals as well as coverage for pharmaceutical products.

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.

Governmental investigations into sales and marketing practices, particularly for our specialty pharmaceutical products, 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. 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 13 to our consolidated financial statements.

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. The potential for product liability claims may increase further upon the implementation of proposed regulations in the United States that would permit companies to change the labeling of their generic products.

With respect to product liability exposure for products we sell outside of the United States, we have limited insurance coverage, which is subject to varying levels of deductibles and/or self-insured retentions. For product liability exposure in the United States, although in the past we have had limited coverage, with very high deductibles and/or self-insured retentions, we are no longer buying coverage for product liability claims arising in the United States. Product liability coverage for pharmaceutical companies, including us, is increasingly expensive and difficult to obtain on reasonable terms. In addition, where claims are made under insurance policies, insurers may reserve the right to deny coverage on various grounds.

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 is likely to 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, additional action by the FTC and state and local authorities, and an increased risk of liability in Teva’s currently pending antitrust litigations. The FTC has also brought actions against some brand and generic companies, including us, that have entered into such agreements. 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, or others, such as customers, may commence an action against us alleging violations of the antitrust laws. Such settlement agreements may further expose us to claims by purchasers of the products for unlawfully inhibiting competition. We are currently defendants in private antitrust actions involving numerous settlement agreements.

The European Commission (“EU Commission”) is also placing intense scrutiny on the European pharmaceutical sector. The EU Commission has initiated proceedings against us in connection with several patent settlement agreements. More generally, there is a risk that the increased scrutiny of the European pharmaceutical sector may lead to changes in the regulation of our business that may have an adverse impact on our results of operations in Europe. See “Competition Matters” in note 13 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 13 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 2017, approximately 47% of our 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 2017 (excluding Venezuela) in comparison with 2016 negatively impacted revenues by \$914 million and negatively impacted operating income by \$290 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 2017 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 long-lived 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 long-lived assets of \$3.8 billion. Changes in market conditions or other changes in the future outlook of value may lead to further impairments in the future. In addition, we continue to review the potential divestment of certain assets, including the closure or divestment of a significant number of manufacturing plants and R&D facilities, headquarters and other office locations as part of our announced restructuring plan, which 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 in Israel;
- 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 Tel Aviv Stock Exchange (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.

As reported on an amendment to Schedule 13D filed with the SEC on January 12, 2018 by Allergan plc, Allergan plc beneficially owned approximately 68.7 million of our ordinary shares as of such date, represented by ADSs, acquired by Allergan plc as a portion of the consideration in connection with our acquisition of Actavis Generics from Allergan plc. Allergan plc has previously announced its intention to sell ADSs that it beneficially owns.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We own or lease 88 manufacturing and R&D facilities occupying approximately 27.3 million square feet. As of December 31, 2017, these manufacturing and R&D facilities are used by our business segments as follows:

<u>Segment</u>	<u>Number of Facilities</u>	<u>Square Feet (in thousands)</u>
Generic Medicines	80	25,565
Specialty Medicines	5	484
Combined facilities for Generic and Specialty Medicines	<u>3</u>	<u>1,256</u>
Worldwide Total Manufacturing and R&D Facilities	<u>88</u>	<u>27,305</u>

Of the manufacturing and R&D facilities used by the generic medicines segment, 16 are located in the United States, 31 in Europe and 33 in ROW. Of the manufacturing and R&D facilities used by the specialty medicines segment, one is located in Europe and four are located in ROW. Combined sites are located as follows: one in the United States, one in Europe and one in ROW.

As of December 31, 2017, the locations of the manufacturing and R&D facilities by major geographic areas are as follows:

<u>Geographic Area</u>	<u>Number of Facilities</u>	<u>Square Feet (in thousands)</u>
United States	17	2,758
Europe	33	13,229
ROW	<u>38</u>	<u>11,317</u>
Worldwide Total Manufacturing and R&D Facilities	<u>88</u>	<u>27,305</u>

In addition to the manufacturing facilities discussed above, we maintain numerous office, distribution and warehouse facilities throughout 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. In the United States, our principal leased properties are our North American headquarters, warehousing and distribution centers and offices in North Wales and Frazer, Pennsylvania, which have lease terms expiring in 2022.

Following implementation of our comprehensive restructuring plan announced in December 2017, we intend to accelerate 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.

ITEM 3. LEGAL PROCEEDINGS

Information pertaining to legal proceedings can be found in “Item 8. Financial Statements—Note 13b. 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." JPMorgan Chase Bank, N.A. serves as depositary for the shares. As of December 31, 2017, we had 921,056,365 ADSs outstanding. Each ADS represents one ordinary share.

The following table sets forth, for the periods indicated, the high and low intraday prices of our ADSs on the NYSE, in U.S. dollars:

<u>Period</u>	<u>High</u>	<u>Low</u>
Q4 2017	19.31	10.85
Q3 2017	33.82	15.22
Q2 2017	33.53	27.60
Q1 2017	38.31	31.90
Q4 2016	46.51	34.57
Q3 2016	56.44	45.76
Q2 2016	58.16	48.01
Q1 2016	65.92	52.62

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. As of December 31, 2017, we had 1,016,877,139 ordinary shares outstanding, including ordinary shares underlying outstanding ADSs.

The following table sets forth, for the periods indicated, the high and low intraday sale prices of our ordinary shares on the TASE, in NIS and U.S. dollars. The translation into dollars is based on the daily representative rate of exchange published by the Bank of Israel. The TASE also quotes options on our ordinary shares.

<u>Period</u>	<u>High</u>		<u>Low</u>	
	<u>NIS</u>	<u>\$</u>	<u>NIS</u>	<u>\$</u>
Q4 2017	67.81	19.31	38.20	10.85
Q3 2017	118.50	33.82	54.31	15.22
Q2 2017	121.90	33.53	99.40	27.60
Q1 2017	147.40	38.31	116.40	31.90
Q4 2016	175.30	46.51	131.60	34.57
Q3 2016	217.70	56.44	179.90	45.76
Q2 2016	217.30	58.16	189.40	48.01
Q1 2016	258.50	65.92	200.30	52.62

Holders

The number of record holders of ADSs at December 31, 2017 was 3,027.

The number of record holders of ordinary shares at December 31, 2017 was 206.

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

In December 2017, we announced an immediate suspension of dividends on our ordinary shares and ADSs and that dividends on our mandatory convertible preferred shares will be evaluated on a quarterly basis per current practice. Until that time, we paid dividends on a regular quarterly basis since 1986.

We suspended dividends on our mandatory convertible preferred shares in the fourth quarter of 2017, due to our accumulated deficit.

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 depository of our ADSs for the benefit of owners of ADSs.

Dividends on our mandatory convertible preferred shares are payable on a cumulative basis when, as and if declared by our Board of Directors at an annual rate of 7% on the liquidation preference of \$1,000 per mandatory convertible preferred share. Declared dividends are paid in cash on March 15, June 15, September 15 and December 15 of each year to and including December 15, 2018. So long as any mandatory convertible preferred shares remain outstanding, no dividends may be declared or paid on our ordinary shares or ADSs, unless all accumulated and unpaid dividends for all preceding dividend periods have been declared and paid, or a sufficient sum of cash has been set aside for the payment of such dividends, on all outstanding mandatory convertible preferred shares.

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 15% tax is generally withheld on dividends declared and distributed.

The following table sets forth the amounts of dividends declared on our ordinary shares/ADSs in respect of each period indicated prior to deductions for applicable Israeli withholding taxes (in \$ cents per share):

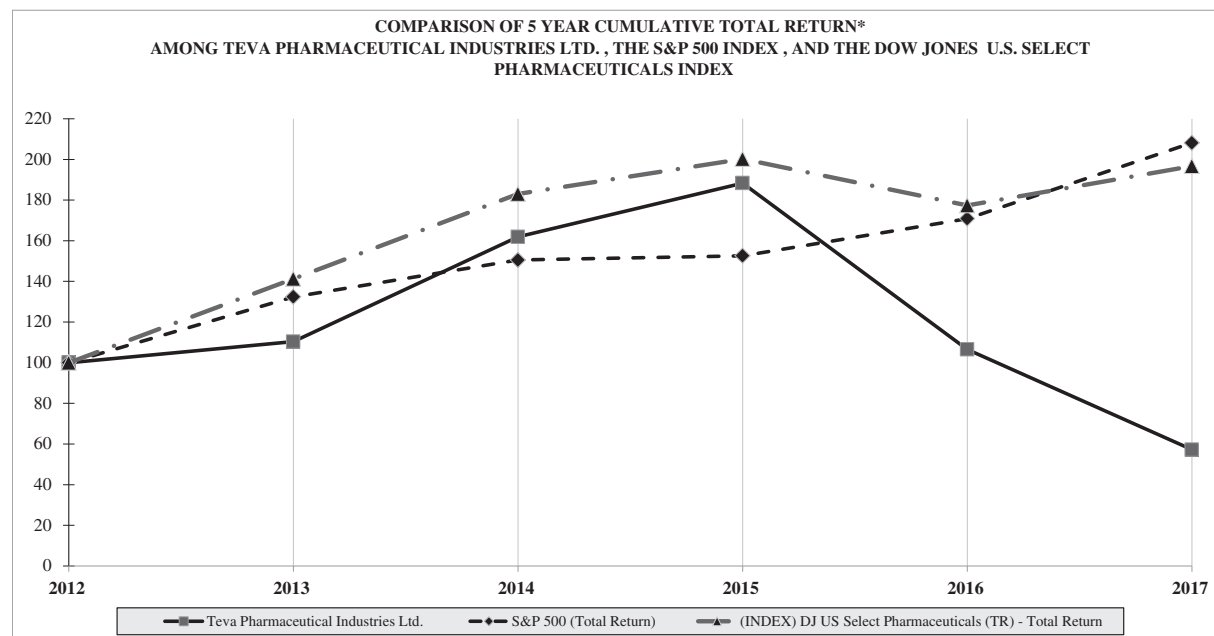
<u>Period</u>	<u>2017</u>	<u>2016</u>
Q1 2017	34.0	34.0
Q2 2017	8.5	34.0
Q3 2017	8.5	34.0
Q4 2017	—	34.0

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, 2013, 2014, 2015, 2016 and 2017, of \$100 invested on December 31, 2012 in the Company's ADSs, the Standard & Poor's 500 Index and the Dow Jones U.S. Pharmaceuticals Index.



* \$100 invested on December 31, 2012 in stock or index—including reinvestment of dividends. Indexes calculated on month-end basis

Repurchase of shares

In December 2011, our Board of Directors authorized us to repurchase up to an aggregate amount of \$3.0 billion of our ordinary shares/ADSs, of which \$1.3 billion remained available for purchase. In October 2014, the Board of Directors authorized us to increase our share repurchase program by \$1.7 billion to \$3.0 billion, of which \$2.1 billion remained available as of December 31, 2017. We did not repurchase any of our shares during 2017 and currently cannot do so due to our accumulated deficit. The repurchase program has no time limit. Repurchases may be commenced or suspended at any time, subject to applicable law.

ITEM 6. SELECTED FINANCIAL DATA

Operating Data

	For the year ended December 31,				
	2017	2016	2015	2014	2013
	U.S. dollars in millions (except share and per share amounts)				
Net revenues	22,385	21,903	19,652	20,272	20,314
Cost of sales	11,560	10,044	8,296	9,216	9,607
Gross profit	10,825	11,859	11,356	11,056	10,707
Research and development expenses	1,848	2,111	1,525	1,488	1,427
Selling and marketing expenses	3,656	3,860	3,478	3,861	4,080
General and administrative expenses	1,330	1,285	1,360	1,217	1,239
Goodwill impairment	17,100	900	—	—	—
Other asset impairments, restructuring and other items	5,074	1,419	1,176	650	788
Legal settlements and loss contingencies	500	899	631	(111)	1,524
Other Income	(1,199)	(769)	(166)	—	—
Operating income (loss)	(17,484)	2,154	3,352	3,951	1,649
Financial expenses—net	895	1,330	1,000	313	399
Income (loss) before income taxes	(18,379)	824	2,352	3,638	1,250
Income taxes (benefit)	(1,933)	521	634	591	(43)
Share in (profits) losses of associated companies—net	3	(8)	121	5	40
Net income (loss)	(16,449)	311	1,597	3,042	1,253
Net income (loss) attributable to non-controlling interests	(184)	(18)	9	(13)	(16)
Net income (loss) attributable to Teva	(16,265)	329	1,588	3,055	1,269
Accrued dividends on preferred shares	260	261	15	—	—
Net income (loss) attributable to ordinary shareholders	(16,525)	68	1,573	3,055	1,269
Earnings (loss) per share attributable to ordinary shareholders:					
Basic (\$)	(16.26)	0.07	1.84	3.58	1.49
Diluted (\$)	(16.26)	0.07	1.82	3.56	1.49
Weighted average number of shares (in millions):					
Basic	1,016	955	855	853	849
Diluted	1,016	961	864	858	850

Balance Sheet Data

	As of December 31,				
	2017	2016	2015	2014	2013
	(U.S. dollars in millions)				
Financial assets (cash, cash equivalents and investment in securities)	1,060	1,949	8,404	2,601	1,245
Identifiable intangible assets, net	17,640	21,487	7,675	5,512	6,476
Goodwill	28,414	44,409	19,025	18,408	18,981
Working capital (operating assets minus liabilities)	(384)	303	32	1,642	2,493
Total assets	70,615	93,057	54,233	46,420	47,508
Short-term debt, including current maturities	3,646	3,276	1,585	1,761	1,804
Long-term debt, net of current maturities	28,829	32,524	8,358	8,566	10,387
Total debt	32,475	35,800	9,943	10,327	12,191
Total equity	18,745	34,993	29,927	23,355	22,636

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

Business Overview

We are a global pharmaceutical company, committed to increasing access to high-quality healthcare to patients around the world. 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 generics expertise and portfolio, focused specialty 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.

In November 2017, we announced a new organizational structure and leadership changes to enable strategic alignment across our portfolios, regions and functions. Under this new structure, our business will be integrated into one commercial organization, operating through three regions – North America, Europe and Growth Markets. Each region will manage the entire portfolio of our medicines, including generics, specialty and over-the-counter (“OTC”). The new structure will enable stronger alignment and integration between R&D, operations and commercial regions, allowing us to become a more agile, lean and profitable company. Prior to the implementation of our new organizational structure, we operated our business and reported our financial results in two segments:

- **Generic Medicines**, which includes chemical and therapeutic equivalents of originator medicines in a variety of dosage forms, such as tablets, capsules, injectables, inhalants, liquids, ointments and creams. This segment includes our OTC business, a significant part of which is conducted through PGT, as well as our world-leading active pharmaceutical ingredient (“API”) manufacturing business. We are the leading generic drug company in the United States and Europe, and we have a significant presence in certain ROW markets.
- **Specialty Medicines**, which includes our core therapeutic areas of central nervous system (“CNS”) medicines such as COPAXONE® and AUSTEDO® and respiratory medicines, such as ProAir® and QVAR®. Our specialty medicines segment also includes other products, such as BENDEKA® and GRANIX® in oncology.

In addition to these two segments, we have other activities, primarily sales of third-party products for which we act as distributor in the United States and in other countries.

For a breakdown of our revenues and profitability by segment and by geography, see “— Results of Operations” and note 20 to our consolidated financial statements. For information regarding our major customers, see note 20 to our consolidated financial statements.

In December 2017, we announced a comprehensive restructuring plan intended to significantly reduce our cost base, unify and simplify our organization and improve business performance, profitability, cash flow generation and productivity. The restructuring plan will focus on:

- The immediate deployment of the new unified and simplified organizational structure announced in November 2017, which will increase internal efficiencies and simplify business structures and processes across our global operations.
- 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, which will likely result in certain product discontinuations. This will enable us to accelerate 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.

- Closure or divestment of a significant number of R&D facilities, headquarters and other office locations across all geographies, delivering efficiencies and substantial cost savings.
- A thorough review of all R&D programs in generics and specialty, to prioritize core projects and terminate non-essential projects, while maintaining a substantial pipeline.

In addition to the restructuring plan, we continue to review the potential for additional divestment of non-core assets.

Highlights

Significant highlights of 2017 included:

- In our generic medicines business, we noted significant deterioration in the U.S. generics market and economic environment. Consequently, we recorded goodwill impairments of \$17.1 billion in 2017, mainly with respect to our U.S. generics reporting unit. In our specialty medicines business, we faced increased generic competition to certain of our key specialty products, including COPAXONE. In addition, we have substantial debt of \$32.5 billion as of December 31, 2017.
- In December 2017, we announced a comprehensive restructuring plan intended to significantly reduce our cost base, unify and simplify our organization and improve business performance, profitability, cash flow generation and productivity.
- Our revenues were \$22.4 billion, an increase of 2%, or 6% in local currency terms, compared to 2016. The increase was primarily due to (i) an increase in our generic medicines segment from the inclusion of Actavis Generics revenues for the full year of 2017, compared to five months in 2016, partially offset by the adverse market dynamics in the United States; (ii) the acquisition of Anda in the fourth quarter of 2016; partially offset by (iii) a decrease in our specialty medicines segment due to generic competition to certain of our key products.
- Our generic medicines segment generated revenues of \$12.3 billion and profit of \$2.8 billion. Revenues increased 2%, or 10% in local currency terms compared to 2016. Profit decreased 15% compared to 2016. Our higher revenues in 2017 were mainly due to the inclusion of Actavis Generics revenues for the full year of 2017 compared to five months in 2016, partially offset by the adverse market dynamics in the United States. Our lower profit in 2017 was mainly due to price erosion in the U.S. generics market.
- Our specialty medicines segment generated revenues of \$7.9 billion and profit of \$4.3 billion. Revenues decreased 9% in both U.S. dollar and local currency terms compared to 2016. Profit decreased 7%. The decrease was mainly due to generic competition to COPAXONE, AZILECT® and NUVIGIL®.
- Expenses related to other asset impairments, restructuring and other items were \$5.1 billion, compared to \$1.4 billion in 2016. The expenses in 2017 were mainly due to impairments of \$3.8 billion of long-lived assets and a charge of \$396 million in connection with the deconsolidation of our subsidiaries in Venezuela.
- Legal settlements and loss contingencies were \$500 million, compared to \$899 million in 2016.
- Other income was \$1.2 billion, compared to \$769 million in 2016. Other income in 2017 was mainly due to the sale of (i) PARAGARD® for \$1.1 billion and (ii) PLAN B ONE-STEP® and other women's health products for \$675 million, in cash.
- Operating loss was \$17.5 billion, compared to operating income of \$2.2 billion in 2016, mainly due to the goodwill and long-lived asset impairments.
- Financial expenses were \$895 million, compared to \$1.3 billion in 2016. The decrease was mainly due to higher impairment of our monetary balance sheet items related to Venezuela in 2016, partially offset by an increase in interest expenses in 2017 due to our debt issuances in July 2016.

- In 2017, we recognized a tax benefit of \$1.9 billion, or 11% of a pre-tax loss of \$18 billion, which is mainly due to a one-time effect resulting from the remeasurement of our deferred taxes related to U.S. tax reform legislation.
- Net loss attributable to ordinary shareholders was \$16.5 billion in 2017, compared to net income of \$68 million in 2016. In December 2017, we announced an immediate suspension of dividends on our ordinary shares and ADSs. We have suspended dividends on our mandatory convertible preferred shares in the fourth quarter of 2017, due to our accumulated deficit.
- Exchange rate movements during 2017, in comparison with 2016, negatively impacted revenues by \$914 million and negatively impacted operating income by \$290 million. We excluded changes in revenues and operating profit in Venezuela from any discussion of local currency results. We did not exclude the \$396 million charge in connection with the deconsolidation of our subsidiaries in Venezuela.
- Cash flow from operating activities was \$3.5 billion, compared to \$5.2 billion in 2016. The decrease was mainly due to the impact of change in working capital in 2017, compared to 2016.
- In 2017 we repaid \$4.4 billion of net debt on our various term loans.

Changes in Senior Management

Effective November 1, 2017, Kåre Schultz joined Teva as President and Chief Executive Officer and was also appointed to the Board of Directors. He succeeded Dr. Yitzhak Peterburg, who served as Interim President and Chief Executive Officer from February to October 31, 2017.

On November 27, 2017, Michael McClellan was appointed Executive Vice President, Chief Financial Officer, after serving as Interim Chief Financial Officer since July 1, 2017. He succeeded Eyal Desheh who served as Group Executive Vice President, Chief Financial Officer from 2008 to June 30, 2017.

See “Item 10—Directors, Executive Officers and Corporate Governance” for additional changes to our executive management team that were announced in November 2017.

Transactions

Certain Women’s Health and Other Specialty Products

On January 31, 2018, we completed the sale of a portfolio of products to CVC Capital Partners Fund VI for \$703 million in cash. The portfolio of products, which is marketed and sold outside of the United States, includes the women’s health products OVALEAP®, ZOELY®, SEASONIQUE®, COLPOTROPHINE® and other specialty products such as ACTONEL®.

PLAN B ONE-STEP and Other Women’s Health Products

On November 2, 2017, we completed the sale of PLAN B ONE-STEP and our brands of emergency contraception TAKE ACTION®, AFTERA® and NEXT CHOICE ONE DOSE® to Foundation Consumer Healthcare for \$675 million in cash.

PARAGARD

On November 1, 2017, we completed the sale of PARAGARD, a copper releasing intrauterine contraceptive manufactured and sold in the United States, to CooperSurgical for \$1.1 billion in cash.

AUSTEDO

On September, 19, 2017, we 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 will fund and manage phase 3 clinical development, driving all operational aspects of the program. Upon successful completion of the development, we will lead the regulatory approval process and be responsible for commercialization. Upon U.S. Food and Drug Administration (the “FDA”) approval of AUSTEDO for Tourette syndrome, we will pay Nuvelution a pre-agreed amount as compensation for their contribution to our partnership.

Fremanezumab

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 fremanezumab in Japan and, once approved, to commercialize the product in Japan. Otsuka paid us an upfront payment of \$50 million in consideration for the transaction and we 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 us royalties on fremanezumab sales in Japan.

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.

	<u>Percentage of Net Revenues</u>			<u>Percentage Change</u>	
	<u>Year Ended December 31,</u>			<u>Comparison</u>	
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017-2016</u>	<u>2016-2015</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Net revenues	100.0	100.0	100.0	2	11
Gross profit	48.4	54.1	57.8	(9)	4
Research and development expenses	8.3	9.6	7.8	(12)	38
Selling and marketing expenses	16.3	17.6	17.7	(5)	11
General and administrative expenses	5.9	5.9	6.9	4	(6)
Goodwill impairment	76.4	4.1	—	1,800	n/a
Other asset impairments, restructuring and other items	22.7	6.5	6.0	258	21
Legal settlements and loss contingencies	2.2	4.1	3.2	(44)	42
Other Income	(5.4)	(3.5)	(0.8)	56	363
Operating (loss) income	(78.1)	9.8	17.0	n/a	(36)
Financial expenses—net	4.0	6.1	5.1	(33)	33
Income (loss) before income taxes	(82.1)	3.7	11.9	n/a	(65)
Income taxes (benefit)	(8.6)	2.4	3.2	n/a	(18)
Share in (profits) losses of associated companies—net	*	*	0.6	(138)	(107)
Net income (loss) attributable to non-controlling interests	(0.8)	*	(0.1)	922	(300)
Net income (loss) attributable to Teva	(72.7)	1.5	8.1	n/a	(79)

* Represents an amount less than 0.5%.

Segment Information

Generic Medicines Segment

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

	Generic Medicines					
	Year Ended December 31,					
	2017		2016		2015	
	(U.S. \$ in millions / % of Segment Revenues)					
Revenues	\$12,257	100.0%	\$11,990	100.0%	\$10,540	100.0%
Gross profit	5,115	41.7%	5,696	47.5%	4,903	46.5%
R&D expenses	702	5.7%	659	5.5%	519	4.9%
S&M expenses	1,584	12.9%	1,727	14.4%	1,459	13.8%
Segment profit*	\$ 2,829	23.1%	\$ 3,310	27.6%	\$ 2,925	27.8%

* Segment profit consists of gross profit for the segment, less R&D and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 20 to our consolidated financial statements and "Operating Income" below for additional information.

Generic Medicines Revenues

Our generic medicines segment includes generic medicines and our OTC business as well as API products sold to third parties. Revenues from our generic medicines segment in 2017 were \$12.3 billion, an increase of \$267 million, or 2%, compared to 2016. In local currency terms, revenues increased 10%, mainly due to the inclusion of Actavis Generics revenues for the full year of 2017 compared to five months in 2016.

We adjusted the exchange rates that we use for the Venezuelan bolivar twice during 2016 and three times during 2017, most recently in September 2017, when we updated the applicable exchange rate to the DICOM rate of 3,345 bolivar per U.S. dollar. This resulted in a decrease of \$1.1 billion in revenues in 2017, including \$568 million in OTC revenues, compared to 2016. We exclude these changes in revenues in Venezuela from any discussion of local currency results. We did not exclude the \$396 million charge in connection with the deconsolidation of our subsidiaries in Venezuela.

Revenues of generic medicines in the United States, our largest generics market, were \$5.0 billion, an increase of \$480 million, or 11%, compared to 2016. Revenues of generic medicines in Europe were \$4.0 billion, an increase of \$431 million, or 12%, compared to 2016. In local currency terms, European revenues increased 11%. Revenues from generic medicines in our ROW markets were \$3.2 billion, a decrease of \$644 million or 17%, compared to 2016. In local currency terms, ROW revenues increased 10%.

Our revenues from OTC products in 2017 were \$1.2 billion, a decrease of 15% compared to \$1.4 billion in 2016. In local currency terms, revenues increased 24%. The increase in local currency terms was mainly due to the inclusion of Actavis Generics for the full year compared to five months in 2016.

API sales to third parties in 2017 were \$753 million, a decrease of 3% compared to 2016, mainly due to a decrease in sales in the United States, partially offset by an increase in sales in our ROW markets.

Comparison of 2016 to 2015. In 2016, revenues from generic medicines were \$12.0 billion, an increase of 14% compared to \$10.5 billion in 2015.

The following table presents generic segment revenues by geographic area for the past three years:

	Year Ended December 31,			Percentage Change	
	2017	2016	2015	2017-2016	2016-2015
	(U.S. \$ in millions)				
United States	\$ 5,036	\$ 4,556	\$ 4,795	11%	(5%)
Europe	3,994	3,563	3,146	12%	13%
Rest of the World	3,227	3,871	2,599	(17%)	49%
Total Generic Medicines	\$12,257	\$11,990	\$10,540	2%	14%

United States Generic Medicines Revenues

In 2017, we led the U.S. generic market in total prescriptions and new prescriptions, with approximately 583 million total prescriptions, representing 15.2% of total U.S. generic prescriptions, according to IQVIA data. We will continue to focus our efforts in the United States on maintaining our position as an industry leader in introducing new generic equivalents for brand-name products on a timely basis, with a focus on complex generics and other high-barrier products that will create value for our patients. We will conduct a 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. These efforts will be supported by our strong emphasis on customer service, the breadth of our product pipeline and our commitment to quality and regulatory compliance.

Revenues from generic medicines in the United States in 2017 were \$5.0 billion, an increase of 11% compared to \$4.6 billion in 2016. The increase resulted mainly from the inclusion of Actavis Generics revenues for the full year of 2017 compared to five months in 2016 and products sold in 2017 that were not sold in 2016, partially offset by:

- decline in sales of budesonide (the generic equivalent of Pulmicort®) and methylphenidate extended-release tablets (Concerta® authorized generic) due to increased competition;
- price erosion resulting from the following factors:
 - customer consolidation into larger buying groups; and
 - accelerated FDA approvals for additional generic versions of competing off-patent medicines; and
- loss of revenues following our divestment of certain products in connection with the Actavis Generics acquisition.

In the second and fourth quarters of 2017, we recorded impairments of \$6.1 billion and \$10.4 billion, respectively, on the goodwill allocated to our U.S. generics reporting unit. For further details and analysis of the changes in the U.S. generics market, see note 7 to our consolidated financial statements.

Among the most significant generic products we sold in the United States in 2017 were methylphenidate extended-release tablets (Concerta® authorized generic), daptomycin injection (the generic equivalent of Cubicin®), imatinib mesylate tablets (the generic equivalent of Gleevec®), budesonide (the generic equivalent of Pulmicort®) and lidocaine patch (the generic equivalent of Lidoderm Patch®).

Comparison of 2016 to 2015. Revenues from generic medicines in the United States in 2016 were \$4.6 billion, compared to \$4.8 billion in 2015. This decrease was mainly due to increased competition and loss of exclusivity for key products.

Products. In 2017, we launched generic versions of the following branded products in the United States (listed by month of launch):

<u>Generic Name</u>	<u>Brand Name</u>	<u>Launch Date</u>	<u>Total Annual U.S. Branded Sales at Time of Launch \$ millions (IQVIA)*</u>
Dexmedetomidine hydrochloride injection 100 mcg/ mL, 200 mcg	Precedex®	January	56
Rasagiline tablets 0.5 & 1 mg**	Azilect®	January	360
Norepinephrine bitartrate injection, USP 1 mg/mL, 4 mg***	Levophed®	January	91
Lamotrigine extended-release tablets, USP 250 mg	Lamictal® XR™	January	39
Melphalan hydrochloride for injection, 50 mg/vial	Alkeran®	January	127
Amantadine hydrochloride capsules, USP 100 mg	Symmetrel®	January	37
Levoleucovorin for injection 50 mg/vial	Fusilev®	February	1
Levoleucovorin for injection 175 mg/vial****	Fusilev®	February	—
Desvenlafaxine extended-release tablets 25, 50, & 100 mg	Pristiq®	March	883
Fludarabine phosphate injection, USP 25 mg/mL, 50 mg	—	March	4
Norethindrone acetate and ethinyl estradiol tablets and ferrous fumarate tablets 1 mg/20 mcg*****	Minastrin® 24 Fe	March	361
Rivelsa (levonorgestrel/ethinyl estradiol and ethinyl estradiol) tablets 0.15 mg/0.02 mg; 0.15 mg/0.025 mg; 0.15 mg/0.03 mg; 0.01 mg**	Quartette™	April	11
Fluticasone propionate and salmeterol inhalation powder (multidose dry powder inhaler) 55 mcg/ 14 mcg, 113 mcg/14 mcg & 232 mcg/14 mcg**	AirDuo™ RespiClick®	April	—
Olmesartan medoxomil and hydrochlorothiazide tablets 20 mg/12.5 mg, 40 mg/12.5 mg & 40 mg/ 25 mg	Benicar HCT®	April	713
Olmesartan medoxomil tablets, 5mg, 20mg & 40mg	Benicar®	April	950
Atorvastatin calcium tablets, 10 mg, 20mg, 40mg & 80mg	Lipitor®	April	732
Ezetimibe and simvastatin tablets, 10 mg/10 mg, 10 mg/20 mg, 10 mg/40 mg & 10 mg/80 mg	Vytorin®	April	675
Metformin hydrochloride extended-release tablets, USP, 500 mg & 1000 mg	Glumetza®	May	1,027
Atomoxetine capsules, USP, 10 mg, 18 mg, 25 mg, 40 mg, 60 mg, 80 mg & 100 mg	Strattera®	May	1,121
Buprenorphine transdermal system CIII, 5 mcg/hour, 10 mcg/hour, 15 mcg/hour & 20 mcg/hour*****	Butrans®	May	282
Olopatadine hydrochloride ophthalmic solution, USP, 0.2%	Pataday®	June	303
Ezetimibe tablets, USP, 10mg	Zetia®	June	2,697
Doxycycline hyclate tablets, USP 75mg & 150 mg	Acticlate®	June	255
Metaxalone tablets, USP, 800 mg	Skelaxin®	June	158
Perphenazine tablets, USP, 2mg, 4mg, 8mg & 16mg	—	June	40

<u>Generic Name</u>	<u>Brand Name</u>	<u>Launch Date</u>	<u>Total Annual U.S. Branded Sales at Time of Launch \$ millions (IQVIA)*</u>
Dexmethylphenidate hydrochloride extended-release capsules CII, 25 mg & 35 mg	Focalin XR®	July	93
Estradiol vaginal inserts, USP, 10 mcg	Vagifem®	July	368
Eletriptan hydrobromide tablets, 20 mg & 40 mg	Relpax®	July	386
Adapalene and benzoyl peroxide gel, 0.1%/2.5%	Epiduo®	July	221
Vecuronium bromide for injection, 10 mg/vial***	—	August	8
Testosterone topical solution CIII, 30 mg/1.5 mL	Axiron®	August	244
Medroxyprogesterone acetate injectable suspension USP, 150 mg/mL, 150 mg***	Depo-Provera®	September	212
Alprostadil injection, USP, 500 mcg/mL, 500 mcg***	Prostin VR Pediatric®	September	7
Haloperidol decanoate injection, 50 mg/mL, 50 mg, 50 mg/mL, 250 mg, 100 mg/mL, 100 mg & 100 mg/mL, 500 mg***	Haldol® Decanoate	October	90
Testosterone gel, 1%	Testim®	October	111
Sildenafil tablets, USP, 25 mg, 50mg & 100 mg	Viagra®	December	1,436
Tenofovir disoproxil fumarate tablets, 300 mg	Viread®	December	771
Methylprednisolone acetate injectable suspension, USP, 40 mg/mL, 40 mg, 40 mg/mL, 200 mg, 40 mg/mL, 400 mg, 80 mg/mL, 80 mg & 80 mg/mL, 400 mg***	Depo-Medrol®	December	180
Montelukast sodium oral granules, USP, 4 mg	Singulair®	December	29
Atazanavir sulfate capsules, 150 mg, 200 mg & 300 mg	Reyataz®	December	412

* The figures given are for the twelve months ended in the calendar quarter closest to our launch or re-launch.

** Authorized generic of a Teva specialty product.

*** Products were re-launched.

**** Approved via 505(b)(2) regulatory pathway; not equivalent to a brand product.

***** Authorized generic.

Our generic medicines pipeline in the United States includes, as of December 31, 2017, 343 product applications awaiting FDA approval, including 84 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 year ended December 31, 2017 exceeding \$109 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 102 of these products, or 122 products including final approvals where launch is pending a settlement agreement or court decision. Collectively, these first to file opportunities represent over \$60 billion in U.S. brand sales for the year ended December 31, 2017, 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 2017, 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.

<u>Generic Name</u>	<u>Brand Name</u>	<u>Total U.S. Annual Branded Market \$ millions (IQVIA)*</u>
Adapalene and benzoyl peroxide gel, 0.3%/2.5%	Epiduo Forte®	\$ 200
Azelaic acid gel, 15%	Finacea®	\$ 69
Azelastine hydrochloride and fluticasone propionate nasal spray, 137 mcg/50 mcg	Dymista®	\$ 144
Azelastine hydrochloride nasal spray, 0.1876 mg base/spray	Astepro®	\$ 36
Bortezomib for injection, 3.5 mg/vial lyophilized	Velcade®	\$ 639
Buprenorphine and naloxone sublingual film, 8 mg/2 mg & 12 mg/3 mg	Suboxone®	\$1,666
Dabigatran capsules, 75 mg, 110 mg & 150 mg	Pradaxa®	\$ 909
Darunavir tablets, 800 mg	Prezista®	\$ 748
Deferasirox tablets, 90 mg, 180 mg & 360 mg	Jadenu®	\$ 416
Eltrombopag tablets, 50 mg	Promacta®	\$ 231
Estradiol valerate and dienogest tablets, 3 mg, 1 mg tablets and 2 mg/2mg, 2 mg/3 mg	Natazia®	\$ 32
Fingolimod capsules, 0.5 mg	Gilenya®	\$2,045
Fosaprepitant dimeglumine for injection, 150mg base/vial	Emend IV®	\$ 332
Lacosamide tablets, 50 mg, 100 mg, 150 mg & 200 mg	Vimpat®	\$ 931
Linagliptin tablets, 5 mg	Tradjenta®	\$1,322
Mesalamine delayed-release tablets, USP, 1.2 g	Lialda®	\$1,050
Methylphenidate hydrochloride extended-release capsules, 10 mg, 15 mg, 20 mg, 30 mg, 40 mg, 50 mg & 60 mg	Aptensio XR®	\$ 13
Minoxidil topical aerosol, 5%	Rogaine®	\$ 62
Omeprazole magnesium delayed-release tablets, 20.6 mg	Prilosec OTC®	\$ 212
Ranolazine extended-release tablets, 500 mg & 1000 mg	Ranexa®	\$ 862
Tadalafil tablets, 2.5 mg, 5mg, 10 mg & 20 mg	Cialis®	\$1,931
Testosterone gel, 1.62%	Androgel HC®	\$ 943

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

Europe Generic Medicines Revenues

We define our European region as the European Union and certain other European countries.

Revenues from generic medicines in Europe in 2017 were \$4.0 billion, an increase of 12% compared to 2016. In local currency terms, revenues increased 11%, mainly as a result of the inclusion of Actavis Generics revenues for the full year compared to five months in 2016 and the divestment of certain assets and operations of Actavis Generics in the United Kingdom in the beginning of 2017.

As in previous years, European regulatory measures aimed at reducing healthcare and drug expenditures have led to modest growth in the generic medicines market, and have adversely affected our revenues in some markets. In Germany, Italy, France, Spain and Poland, governmental measures (such as tenders and price-referencing) have reduced prices. We are addressing these changes by focusing on new product launches, gaining market share in selective markets, strong portfolio management and a focus on cost reduction.

During the year ended December 31, 2017, we received 1,131 generic approvals in Europe relating to 157 compounds in 328 formulations, including two EMA approvals valid in 30 EU member states, and

approximately 1,755 marketing authorization applications pending approval in 37 European countries, relating to 204 compounds in 418 formulations, including one application pending with the EMA for four strengths in 30 countries.

Comparison of 2016 to 2015. Total generic revenues in Europe in 2016 were \$3.6 billion, compared to \$3.1 billion in 2015. In local currency terms, revenues increased by 16% compared to 2015.

ROW Generic Medicines Revenues

Our ROW markets include all countries other than the United States and those in our European region. Our key ROW markets are Japan, Canada and Russia. The countries in this category range from highly regulated, pure generic markets, such as Canada and Israel, to hybrid markets, such as Japan and Brazil, to branded generics oriented markets, such as Russia and certain Commonwealth of Independent States (CIS), Latin American and Asia Pacific markets.

In our ROW markets, generics revenues were \$3.2 billion, a decrease of 17% compared to 2016. In local currency terms, revenues increased 10%, mainly due to the inclusion of Actavis Generics for the full year compared to five months in 2016.

We adjusted the exchange rates that we use for the Venezuelan bolivar twice during 2016 and three times during 2017, most recently in September 2017, when we updated the applicable exchange rate to the DICOM rate of 3,345 bolivar per U.S. dollar. This resulted in a decrease of \$1.1 billion in revenues in 2017, including \$568 million in OTC revenues, compared to 2016. We exclude these changes in revenues in Venezuela from any discussion of local currency results. We did not exclude the \$396 million charge in connection with the deconsolidation of our subsidiaries in Venezuela.

Comparison of 2016 to 2015. In 2016, generic medicines revenues in our ROW markets were \$3.9 billion, an increase of 49% compared to 2015. In local currency terms, revenues increased 30%.

Generic Medicines Gross Profit

In 2017, gross profit from our generic medicines segment was \$5.1 billion, a decrease of \$581 million, or 10%, compared to \$5.7 billion in 2016. The lower gross profit was mainly a result of higher other production expenses, lower gross profit in the United States due to price erosion and lower gross profit in ROW markets, partially offset by higher gross profit in Europe and higher gross profit from API sales to third parties.

Gross profit margin for our generic medicines segment in 2017 decreased to 41.7%, from 47.5% in 2016. This decrease was mainly the result of higher other production expenses (3.0 points), lower gross profit in the United States (1.9 points) and lower gross profit in ROW markets (1.8 points), partially offset by higher gross profit in Europe (0.6 points) and higher gross profit from API sales to third parties (0.4 points).

Comparison of 2016 to 2015. Our generic medicines segment gross profit was \$5.7 billion in 2016, compared to \$4.9 billion in 2015. Gross profit margin was 47.5% in 2016, compared to 46.5% in 2015.

Generic Medicines R&D Expenses

R&D expenses relating to our generic medicines segment in 2017 were \$702 million, an increase of 7% compared to \$659 million in 2016. The increase was mainly due to the inclusion of Actavis Generics for the full year in 2017, compared to five months in 2016, partially offset by portfolio optimization as well as cost reduction and efficiency measures in 2017. As a percentage of segment revenues, generic R&D expenses were 5.7% in 2017, compared to 5.5% in 2016.

Our R&D activities for the generic medicines segment include both (i) direct expenses relating to product formulation, analytical method development, stability testing, management of bioequivalence and other clinical studies, regulatory filings and other expenses relating to patent review and challenges prior to obtaining tentative approval, and (ii) indirect expenses, such as costs of internal administration, infrastructure and personnel involved in generic R&D.

Comparison of 2016 to 2015. Generic medicines R&D expenses in 2016 were \$659 million, an increase of 27% compared to 2015. As a percentage of segment revenues, generic R&D expenses were 5.5% in 2016, compared to 4.9% in 2015.

Generic Medicines S&M Expenses

S&M expenses related to our generic medicines segment in 2017 were \$1.6 billion, a decrease of 8% compared to \$1.7 billion in 2016, mainly due to lower S&M expenses in certain ROW markets, partially offset by higher S&M expenses in the United States and Europe.

As a percentage of segment revenues, S&M expenses increased to 12.9% in 2017 from 14.4% in 2016.

Comparison of 2016 to 2015. Generic medicines S&M expenses in 2016 were \$1.7 billion, compared to \$1.5 billion in 2015.

Generic Medicines Profit

The profit of our generic medicines segment consists of gross profit for the segment less S&M expenses and R&D expenses related to this segment. Segment profit does not include G&A expenses, amortization and certain other items. Beginning in 2016, our OTC business is included in our generic medicines segment. See note 17 to our consolidated financial statements and “Teva Consolidated Results—Operating Income (Loss)” below for additional information.

Profit of our generic medicines segment was \$2.8 billion in 2017, compared to \$3.3 billion in 2016. The decrease was mainly due to lower gross profit and higher R&D expenses, partially offset by lower S&M expenses.

Generic medicines profit as a percentage of generic medicines revenues was 23.1% in 2017, compared to 27.6% in 2016, mainly due to lower gross profit margin (decrease of 5.8 points) and higher R&D expenses (increase of 0.2 points), offset by lower S&M expenses (decrease of 1.5 points).

Comparison of 2016 to 2015. Generic medicines profit was \$3.3 billion in 2016, compared to \$2.9 billion in 2015. In 2016, segment profit as a percentage of revenues was 27.6%, compared to 27.8% in 2015.

Specialty Medicines Segment

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

	Specialty Medicines					
	Year Ended December 31,					
	2017		2016		2015	
	(U.S. \$ in millions / % of Segment Revenues)					
Revenues	\$7,914	100.0%	\$8,674	100.0%	\$8,338	100.0%
Gross profit	6,877	86.9%	7,558	87.1%	7,200	86.4%
R&D expenses	884	11.2%	998	11.5%	918	11.0%
S&M expenses	1,660	20.9%	1,899	21.9%	1,921	23.0%
Segment profit*	\$4,333	54.8%	\$4,661	53.7%	\$4,361	52.3%

* Segment profit consists of gross profit for the segment, less R&D and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 20 to our consolidated financial statements and “Teva Consolidated Results—Operating Income (Loss)” below for additional information.

Specialty Medicines Revenues

Specialty medicines revenues in 2017 were \$7.9 billion, a decrease of 9% in both U.S. dollar and local currency terms, compared to 2016. Specialty medicines revenues in the United States were \$5.7 billion, a decrease of 15% compared to 2016. Specialty medicines revenues in Europe were \$1.8 billion, an increase of 11%, or 10% in local currency terms, compared to 2016. Specialty medicines revenues in our ROW markets were \$448 million, an increase of 27% in both U.S. dollar and local currency terms compared to 2016.

Between November 2017 and January 2018, we sold certain non-core specialty products, including our global women’s health business. See “– Transactions” above. We are pursuing opportunities to sell additional non-core specialty products, which will be subject to negotiation of acceptable terms, board approval and applicable regulatory approvals.

Comparison of 2016 to 2015. In 2016, specialty medicines revenues were \$8.7 billion compared to \$8.3 billion in 2015. Specialty medicines revenues in the United States were \$6.7 billion, an increase of 4% compared to 2015. Specialty medicines revenues in Europe were \$1.6 billion, an increase of 5%, or 7% in local currency terms, compared to 2015. Specialty medicines revenues in our ROW markets in 2016 were \$352 million, a decrease of 7%, or 1% in local currency terms, compared to 2015.

Specialty Medicines Revenues Breakdown

The following table presents revenues by therapeutic area and key products for our specialty medicines segment for the past three years:

	<u>Year Ended December 31,</u>			<u>Percentage Change</u>	
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017-2016</u>	<u>2016-2015</u>
	(U.S. \$ in millions)				
CNS	\$4,426	\$5,283	\$5,213	(16%)	1%
COPAXONE	3,801	4,223	4,023	(10%)	5%
AZILECT	170	410	384	(59%)	7%
NUVIGIL	61	200	373	(70%)	(46%)
Respiratory	1,270	1,274	1,129	(0%)	13%
ProAir	501	565	549	(11%)	3%
QVAR	361	462	392	(22%)	18%
Oncology	1,135	1,139	1,201	(0%)	(5%)
BENDEKA and TREANDA	658	661	741	(0%)	(11%)
Women’s Health	426	458	461	(7%)	(1%)
Other Specialty*	657	520	334	26%	56%
Total Specialty Medicines	\$7,914	\$8,674	\$8,338	(9%)	4%

* Includes \$150 million royalty payments from the Ninlaro® transaction in each of the years 2016 and 2017.

Central Nervous System

Our CNS portfolio, one of our two core therapeutic areas, includes COPAXONE® and AUSTEDO®, which was launched in the United States in 2017, as well as several other medicines. In 2017, our CNS sales were

\$4.4 billion, a decrease of 16%, in U.S dollar and local currency terms, compared to 2016, primarily due to generic competition to COPAXONE 40 mg/mL in the United States commencing in October 2017, as well as generic competition to AZILECT and NUVIGIL.

COPAXONE revenues in the United States in 2017 decreased by 12% to \$3.0 billion, mainly due to generic competition which resulted in higher rebates and lower volumes, partially offset by a price increase of 7.9% in January 2017 for both the 20 mg/mL and 40 mg/mL versions.

Revenues in the United States were 80% of global COPAXONE revenues in 2017, compared to 82% in 2016.

Our COPAXONE revenues outside the United States were \$752 million in 2017, an increase of 1%, or 0.3% in local currency terms, compared to 2016.

COPAXONE accounted for approximately 17% of our revenues in 2017 and a significantly higher percentage of our profits and cash flow from operations during this period.

In October 2017, the FDA approved a generic version of COPAXONE 40 mg/mL and a second generic version of COPAXONE 20 mg/mL. A hybrid version of COPAXONE 40 mg/mL was approved in the European Union. See “Item 1—Business—Specialty Medicines—Central Nervous System—COPAXONE.”

Comparison of 2016 to 2015. In 2016, global sales of COPAXONE were approximately \$4.2 billion, an increase of 5% compared to 2015. Revenues in the United States in 2016 accounted for 82% of global sales of COPAXONE, an increase from 81% in 2015.

Our sales of **AZILECT** were \$170 million in 2017, a decrease of 59% compared to 2016. The decrease is mainly due to lower volumes following the introduction of generic competition in the United States and Europe.

Comparison of 2016 to 2015. In 2016, global in-market sales of AZILECT were \$418 million, a decrease of 19% compared to 2015. Our sales of AZILECT in 2016 were \$410 million, an increase of 7% compared to 2015.

Our sales of **NUVIGIL** (armodafinil) were \$61 million in 2017, a decrease of 70% compared to 2016. The decrease is mainly due to generic competition.

Comparison of 2016 to 2015. Our sales of NUVIGIL in 2016 were \$200 million, a decrease of 46% compared to 2015.

Respiratory

Our respiratory portfolio, one of our two core therapeutic areas, includes ProAir®, QVAR®, RespiClick® and CINQAIR®/CINQAERO®, as well as several other medicines. Revenues from our specialty respiratory products in 2017 were \$1.3 billion, flat compared to 2016.

ProAir revenues in 2017 were \$501 million, a decrease of 11% compared to 2016, mainly due to negative net pricing effects. ProAir is the second-largest short-acting beta-agonist in the market, with an exit market share of 47% in terms of total number of prescriptions during the fourth quarter of 2017, flat compared to the fourth quarter of 2016.

QVAR revenues in 2017 were \$361 million, a decrease of 22% compared to 2016, primarily due to net pricing effects. QVAR maintained its second-place position in the inhaled corticosteroids category in the United States, with an exit market share of 35.3% in terms of total number of prescriptions during the fourth quarter of 2017, a decrease of 3.2 points compared to the fourth quarter of 2016.

Comparison of 2016 to 2015. In 2016, revenues of our respiratory products were approximately \$1.3 billion, an increase of 13% compared to 2015.

Oncology

Our oncology portfolio includes BENDEKA, TREANDA, GRANIX and TRISENOX® in the United States and LONQUEX®, TEVAGRASTIM®/RATIOGRASTIM® and TRISENOX outside the United States. Sales of these products were \$1.1 billion in 2017, flat compared to 2016.

BENDEKA and **TREANDA** combined revenues were \$658 million in 2017, compared to \$661 million in 2016.

Comparison of 2016 to 2015. In 2016, sales of our oncology products were \$1.1 billion, a decrease of 5% compared to 2015.

Women's Health

Revenues from our global women's health products were \$426 million in 2017, a decrease of 7% compared to 2016, mainly due to the sale of PARAGARD and PLAN B ONE-STEP in November 2017. See "—Transactions" above, regarding the sale of our global women's health business, together with other products.

Comparison of 2016 to 2015. In 2016, sales of our women's health products were \$458 million, a decrease of 1% from \$461 million in 2015.

Specialty Medicines Gross Profit

In 2017, gross profit from our specialty medicines segment was \$6.9 billion, a decrease of 9% compared to \$7.6 billion in 2016. The lower gross profit was mainly a result of lower revenues.

Gross profit margin for our specialty medicines segment in 2017 was 86.9%, compared to 87.1% in 2016. The decrease in gross profit margin was mainly a result of lower sales of COPAXONE.

Comparison of 2016 to 2015. Specialty medicines segment gross profit was \$7.6 billion in 2016, compared to \$7.2 billion in 2015. Specialty medicines segment gross profit margin was 87.1% in 2016, compared to 86.4% in 2015.

Specialty Medicines R&D Expenses

Our specialty R&D activities focus primarily on product candidates in the migraine and headache, pain and respiratory therapeutic areas, with additional activities in selected areas. R&D expenses relating to our specialty medicines in 2017 were \$884 million, down 11%, compared to \$998 million in 2016. The decrease was mainly due to portfolio optimization, partially offset by increased expenses related to our late-stage product candidates.

As a percentage of segment revenues, R&D expenses were 11.2% in 2017, compared to 11.5% in 2016.

Specialty R&D expenditures include certain upfront and milestone payments for products in the development phase, the 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 specialty R&D 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. Furthermore, our R&D activities relating to innovation using existing molecules were managed and reported as part of our specialty R&D expenses.

The following table presents the composition of our specialty R&D expenditures and the number of projects by stage of development:

	2017 Expenditure (U.S.\$ in millions)	No. of Projects as of Dec. 31, 2017	2016 Expenditure (U.S.\$ in millions)	No. of Projects as of Dec. 31, 2016	2015 Expenditure (U.S.\$ in millions)	No. of Projects as of Dec. 31, 2015
Early stage*: discovery and pre-clinical	\$ 83	n/a	\$ 76	n/a	\$ 65	n/a
Middle stage: clinical up to phase 3	62	14	151	22	203	22
Late stage: phase 3, registration and post-approval regulatory requirements	456	55	441	40	346	37
Unallocated R&D**	313		347		321	
Total gross R&D expenses*** ...	914		1,015		935	
Total net R&D expenses	\$884		\$ 998		\$918	

* Including early stage innovation using existing molecules.

** Unallocated R&D expenses are 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.

*** Gross R&D expenses include the full cost of programs that are partially funded by third parties.

Comparison of 2016 to 2015. Specialty medicines R&D expenses in 2016 were \$998 million, compared to \$918 million in 2015.

Specialty Medicines S&M Expenses

S&M expenses related to our specialty medicines segment in 2017 were \$1.7 billion, a decrease of 13% compared to 2016. The decrease was mainly due to cost reduction and efficiency measures in our commercial operations, aligning with the life cycle of our product portfolio.

As a percentage of segment revenues, S&M expenses decreased to 20.9% in 2017 from 21.9% in 2016.

Comparison of 2016 to 2015. Specialty medicines S&M expenses in 2016 were \$1.9 billion, a decrease of 1% compared to 2015.

Specialty Medicines Profit

The profit of our specialty medicines segment consists of the gross profit for the segment, less S&M expenses and R&D expenses related to this segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 20 to our consolidated financial statements and “—Operating Income” below for additional information.

Profit of our specialty medicines segment was \$4.3 billion in 2017, compared to \$4.7 billion in 2016, a decrease of 7%. This is a result of the factors discussed above.

Specialty medicines profit as a percentage of segment revenues was 54.8% in 2017, compared to 53.7% in 2016. The increase was mainly due to lower S&M expenses as a percentage of specialty medicines revenues (0.9 points) and lower R&D expenses as a percentage of specialty medicines revenues (0.3 points), as discussed above.

Comparison of 2016 to 2015. Specialty medicines profit was \$4.7 billion in 2016, compared to \$4.4 billion in 2015, an increase of 7%. Specialty medicines profit as a percentage of segment revenues was 53.7%, compared to 52.3% in 2015.

Our MS franchise includes our COPAXONE products and laquinimod. The profit of our MS franchise consists of COPAXONE revenues and cost of goods sold as well as S&M and R&D expenses related to our MS franchise. It does not include G&A expenses, amortization and certain other items. Our MS franchise profit was \$3.1 billion, \$3.4 billion and \$3.1 billion in 2017, 2016 and 2015, respectively. Profit of our MS franchise as a percentage of COPAXONE revenues was 80.6%, 81.3% and 76.7% in 2017, 2016 and 2015, respectively.

Other Activities

We have other sources of revenues, primarily sales of third-party products for which we act as distributor in certain countries. In the United States, our Anda business distributes generic, specialty and OTC pharmaceutical products from various third party manufacturers, as well as our own products, to independent retail pharmacies, pharmacy retail chains, hospitals and physician offices. Anda is able to compete in the secondary distribution market by maintaining high inventory levels for a broad offering of products, next day delivery throughout the United States, competitive pricing and high-level customer service.

We also sell medical devices, provide contract manufacturing services related to products divested in connection with the Actavis Generics acquisition and the sale of our women's health business, as well as other miscellaneous items. Our other activities are not included in our generics and specialty segments described above.

Our revenues from other activities in 2017 were \$2.2 billion, an increase of 79% compared to revenues of \$1.2 billion in 2016. The increase was mainly related to the inclusion of Anda's revenues commencing in the fourth quarter of 2016.

Comparison of 2016 to 2015. In 2016, revenues from other activities were \$1.2 billion compared to \$774 million in 2015.

Teva Consolidated Results

Revenues

Revenues in 2017 were \$22.4 billion, an increase of 2%, or 6% in local currency terms, compared to 2016, primarily due to (i) an increase in our generic medicines segment from the inclusion of Actavis Generics revenues for the full year of 2017, compared to five months in 2016, partially offset by the adverse market dynamics in the United States; (ii) the acquisition of Anda in the fourth quarter of 2016; partially offset by (iii) a decrease in our specialty medicines segment due to generic competition to certain of our key products. See “—Generic Medicines Revenues,” “—Specialty Medicines Revenues” and “—Other Activities” above.

Exchange rate movements during 2017 in comparison with 2016 negatively impacted revenues by \$914 million. In light of the political and economic conditions in Venezuela, we exclude the changes in revenues and operating profit in Venezuela from any discussion of local currency results. We did not exclude the \$396 million charge in connection with the deconsolidation of our subsidiaries in Venezuela.

Comparison of 2016 to 2015. Revenues in 2016 were \$21.9 billion, an increase of 11% compared to 2015.

Gross Profit

In 2017, gross profit was \$10.8 billion, a decrease of 9% compared to 2016.

The lower gross profit was mainly a result of factors discussed above under “—Generic Medicines Gross Profit” and “—Specialty Medicines Gross Profit” and higher amortization of purchased intangible assets, partially offset by lower inventory step-up expenses, lower costs related to regulatory actions taken in facilities and lower inventory related expenses in connection with the devaluation in Venezuela.

Gross profit as a percentage of revenues was 48.4% in 2017, compared to 54.1% in 2016.

The decrease in gross profit as a percentage of revenues primarily reflects lower profitability of our generic segment (a decrease of 3.3 points), higher amortization of purchased intangible assets (a decrease of 1.6 points), lower profitability of our specialty medicines segment (a decrease of 1.5 points), the inclusion of Anda (a decrease of 1.4 points), lower profitability of our other activities (a decrease of 0.5 points), partially offset by lower inventory step-up expenses (an increase of 1.4 points), inventory related expenses in connection with the devaluation in Venezuela (an increase of 0.5 points) and lower costs related to regulatory actions taken in certain facilities (an increase of 0.5 points).

Comparison of 2016 to 2015. Gross profit in 2016 was \$11.9 billion, an increase of 4% compared to 2015. Gross profit as a percentage of revenues was 54.1% in 2016, compared to 57.8% in 2015.

Research and Development (R&D) Expenses

Net R&D expenses for 2017 were \$1.8 billion, a decrease of 12% compared to 2016. Specialty R&D expenses were \$884 million and generic R&D expenses were \$702 million in 2017, compared to \$998 million and \$659 million, respectively, in 2016. Our R&D expenses were primarily the result of the factors discussed above under “—Generic Medicines—R&D Expenses” and “—Specialty Medicines—R&D Expenses”, as well as milestone payments of \$60 million to Regeneron, compared to upfront payments of \$250 million and \$160 million to Regeneron and Celltrion, respectively, in 2016 and the purchase of an FDA priority review voucher to allow us to accelerate the review period for fremanezumab in 2017.

As a percentage of revenues, R&D expenses were 8.3% in 2017, compared to 9.6% in 2016.

Comparison of 2016 to 2015. In 2016, R&D expenses were \$2.1 billion, an increase of 38% compared to 2015.

Selling and Marketing (S&M) Expenses

S&M expenses in 2017 were \$3.7 billion, a decrease of 5% compared to 2016. As a percentage of revenues, S&M expenses were 16.3% in 2017, compared to 17.6% in 2016.

In 2017, we decreased our generic S&M expenses, as discussed above under “—Generic Medicines S&M Expenses” and decreased our specialty S&M expenses, as discussed above under “—Specialty Medicines S&M Expenses”.

Comparison of 2016 to 2015. S&M expenses in 2016 were \$3.9 billion, an increase of 11% compared to 2015. As a percentage of revenues, S&M expenses decreased from 17.7% in 2015 to 17.6% in 2016.

General and Administrative (G&A) Expenses

G&A expenses in 2017 were \$1.3 billion, an increase of \$45 million compared to 2016. As a percentage of revenues, G&A expenses were 5.9%, flat compared to 2016.

Comparison of 2016 to 2015. G&A expenses in 2016 were \$1.3 billion, a decrease of \$75 million compared to 2015. As a percentage of revenues, G&A expenses decreased from 6.9% in 2015 to 5.9% in 2016.

Other Asset Impairments, Restructuring and Other Items

In 2017, we recorded expenses of \$5.1 billion for other impairments, restructuring and other items, compared to \$1.4 billion of expenses in 2016. The expenses in 2017 consisted of:

Impairments

- Impairments of long-lived intangible assets in 2017 were \$3.8 billion, consisting mainly of:
 - Identifiable IPR&D of \$1.6 billion, primarily comprised of: (i) \$838 million related to revaluation of generics products acquired from Actavis Generics due to development progress, changes in other key valuation indications (market size, legal landscape or launch date); (ii) \$390 million related to discontinued Actavis Generics products; (iii) \$153 million related to discontinued Rimsa projects; and (iv) \$188 million related to discontinued specialty products in the United States, primarily LAMA/LABA from MicroDose, in addition to reduction in value of reslizumab following the results of the recent phase 3 clinical trial;
 - Identifiable product rights of \$1.6 billion, primarily comprised of: (i) \$583 million related to revaluation of Actavis Generics product rights in the United States; (ii) \$523 million related to Teva Takeda product and marketing rights for certain products; (iii) \$390 million related to Actavis Generics product rights in Europe and ROW; and (iv) \$47 million related to termination of VANTRELA product rights in the United States.

Comparison of 2016 and 2015. In 2016, impairments of identifiable intangible assets were \$589 million, compared to \$265 million, in 2015.

- Impairments of property, plant and equipment were \$544 million, consisting of:
 - \$382 million related to restructuring costs, including, mainly:
 - \$156 million related to the closure of our facilities in Jerusalem, Israel;
 - \$144 million primarily related to plant and R&D rationalizations in Puerto Rico, New Jersey and Canada; and
 - \$69 million related to discontinued manufacturing activities at our Godollo, Hungary site during 2017, following our decision in the second quarter of 2017 to divest or close this facility. We previously recorded an impairment of \$80 million for this facility in the fourth quarter of 2016.
 - Other impairment costs, mainly:
 - \$62 million related to site closures in Japan; and
 - \$42 million related to the sale of our Ra'anana, Israel site.

Comparison of 2016 and 2015. In 2016, property, plant and equipment impairments were \$149 million, compared to \$96 million in 2015.

Comparison of 2016 to 2015. Impairments in 2016 were \$746 million, compared to \$361 million in 2015.

Contingent consideration

In 2017, we recorded \$154 million of contingent consideration expenses, compared to \$83 million in 2016. The expenses in 2017 consisted mainly of \$178 million related to BENDEKA, in connection with royalty accruals, \$40 million related to re-evaluation of a Labrys project, partially offset by an \$89 million reversal of contingent consideration related to a cancelled LAMA/LABA (MicroDose) project.

Comparison of 2016 to 2015. Contingent consideration expenses in 2016 were \$83 million, compared to an income of \$399 million in 2015.

Acquisition, integration and related expenses

In 2017, we recorded \$105 million of acquisition and integration expenses, compared to \$261 million in 2016. The expenses in 2017 mainly consisted of expenses related to the acquisition and integration of Actavis Generics.

Comparison of 2016 to 2015. Acquisition and integration expenses in 2016 were \$261 million, compared to \$221 million in 2015.

Restructuring

In 2017, we recorded \$535 million of restructuring expenses, compared to \$245 million in 2016. The expenses in 2017 were primarily related to our network restructuring plan, which seeks to further optimize and consolidate our manufacturing footprint and restructure our generic R&D network. In addition we incurred restructuring expenses in connection with the acquisition of Actavis Generics. See note 18 to our consolidated financial statements.

Comparison of 2016 to 2015. Restructuring expenses in 2016 were \$245 million, compared to \$183 million in 2015.

Venezuela deconsolidation charge

In 2017 we recorded a deconsolidation charge of \$396 million in connection with our subsidiaries in Venezuela. See “—Impact of Currency Fluctuations on Results of Operations.”

Legal Settlements and Loss Contingencies

Legal settlements and loss contingencies for 2017 were \$500 million, compared to \$899 million in 2016. The 2017 expenses primarily consist of a \$235 million reserve for an award to GSK with respect to the carvedilol patent litigation, \$157 million related to the Lidoderm settlement and \$70 million related to the Aggrenox[®] antitrust litigation.

Comparison of 2016 to 2015. Legal settlements and loss contingencies in 2016 amounted to \$899 million, compared to \$631 million in 2015.

Other Income

Other income for 2017 was \$1.2 billion compared to \$769 million in 2016. Other income in 2017 was mainly due to the sale of PARAGARD to CooperSurgical for \$1.1 billion in cash. Other income in 2016 was primarily due to a gain associated with the divestiture of certain Actavis Generics and Teva products which was required by the FTC in order to complete the Actavis Generics acquisition.

Goodwill Impairment

We recognized goodwill impairments of \$6.1 billion and \$11.0 billion in the second quarter and fourth quarter of 2017, respectively, mainly in connection with our U.S. generics reporting unit. See note 7 to our consolidated financial statements.

Operating Income (Loss)

Operating loss was \$17.5 billion in 2017, compared to operating income of \$2.2 billion in 2016.

The operating loss was due to factors discussed above, in particular the goodwill impairments and impairments of long-lived assets.

Comparison of 2016 to 2015. Operating income in 2016 amounted to \$2.2 billion, compared to \$3.4 billion in 2015. As a percentage of revenues, operating income decreased to 9.8% in 2016 from 17% in 2015.

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:

	<u>Year ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(U.S.\$ in millions)		
Generic medicines profit	\$ 2,829	\$3,310	\$2,925
Specialty medicines profit	4,333	4,661	4,361
Total segment profit	7,162	7,971	7,286
Profit of other activities	86	68	75
	<u>7,248</u>	<u>8,039</u>	<u>7,361</u>
Amounts not allocated to segments:			
Amortization	1,444	993	838
General and administrative expenses	1,330	1,285	1,360
Other asset impairments, restructuring and other items**	5,074	1,419	1,176
Goodwill impairment	17,100	900	—
Inventory step-up	67	383	—
Other R&D expenses	221	426	69
Costs related to regulatory actions taken in facilities	47	153	36
Legal settlements and loss contingencies	500	899	631
Gain on sales of business and long-lived assets	(1,083)	(720)	(45)
Other unallocated amounts*	32	147	(56)
Consolidated operating income (loss)	<u>(17,484)</u>	<u>2,154</u>	<u>3,352</u>
Financial expenses—net	895	1,330	1,000
Consolidated income (loss) before income taxes	<u><u>\$(18,379)</u></u>	<u><u>\$ 824</u></u>	<u><u>\$2,352</u></u>

* Includes for 2016, \$133 million in inventory-related expenses in connection with the devaluation in Venezuela.

** Includes for 2017, \$396 million related to Venezuela deconsolidation charge.

Financial Expenses-Net

In 2017, financial expenses were \$895 million, compared to \$1.3 billion in 2016. The decrease was mainly due to a \$746 million impairment of our monetary balance sheet items related to Venezuela in 2016, compared to \$42 million in 2017, as well as \$136 million other-than temporary impairment of securities in 2016, partially offset by an increase of \$329 million in interest expenses in 2017 due to our debt issuances in July 2016, as well as a loss of \$65 million in 2017 compared to a gain of \$49 million in 2016 from exchange rate fluctuations including the impact of our hedging activities.

Comparison of 2016 to 2015. In 2016, financial expenses were \$1.3 billion, compared to \$1 billion in 2015.

Tax Rate

In 2017, we recognized a tax benefit of \$1.9 billion, or 11% of a pre-tax loss of \$18 billion. In 2016, income taxes amounted to \$521 million, or 63% of pre-tax income of \$824 million. In 2015, income taxes amounted to \$634 million, or 27% of pre-tax income of \$2.4 billion. The decrease in our 2017 effective tax rate compared to

previous years is mainly 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 24% in 2017 (reduced to 23% in 2018 and onwards). Our tax rate differs from the Israeli statutory tax rate mainly due to the mix of profits generated in various jurisdictions where tax rates are different than the Israeli tax rate, tax benefits in Israel and other countries, as well as infrequent or nonrecurring items.

In the future, our effective tax rate is expected to increase following the enactment of the Tax Cuts and Jobs Act in the United States.

Net Income (Loss)

Net loss attributable to Teva in 2017 was \$16.3 billion, compared to net income of \$329 million in 2016. This decrease was primarily due to our goodwill impairment, an impairment of long-lived assets and lower profit in our generic medicines segment, partially offset by an income tax benefit in 2017 and lower legal settlements and loss contingencies.

Comparison of 2016 to 2015. Net income attributable to Teva in 2016 was \$329 million, compared to \$1.6 billion in 2015.

Diluted Shares Outstanding and Earnings (Loss) Per Share

On December 8, 2015, we sold 54 million ADSs at \$62.50 per ADS and 3,375,000 of our 7.0% mandatory convertible preferred shares at \$1,000 per share. In addition, on January 6, 2016, we sold an additional 5.4 million ADSs and 337,500 mandatory convertible preferred shares pursuant to the exercise of the underwriters' over-allotment option. On August 2, 2016, we issued approximately 100.3 million shares to Allergan in connection with the closing of the Actavis Generics acquisition.

The weighted average diluted shares outstanding used for the fully diluted share calculation for 2017, 2016 and 2015 were 1,016 million, 961 million and 864 million shares, respectively.

In computing loss per share for the twelve months ended December 31, 2017, the assumed exercise of employee stock options and non-vested RSUs granted under employee stock compensation plans and convertible senior debentures had an anti-dilutive effect on loss per share and were therefore excluded from the outstanding shares calculation.

Additionally, for the twelve months ended December 31, 2017 and December 31, 2016, the mandatory convertible preferred shares amounting to 59 million weighted average shares had an anti-dilutive effect on loss per share in 2017 and on earnings per share in 2016 and were therefore excluded from the outstanding shares calculation.

Diluted loss per share was \$16.26 for the year ended December 31, 2017, compared to earnings per share of \$0.07 for the year ended December 31, 2016.

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"), as well as the conversion of our convertible senior debentures and mandatory convertible preferred shares, in each case, at period end.

As of December 31, 2017 and 2016, the fully diluted share count for purposes of calculating our market capitalization was approximately 1,086 million and 1,079 million, respectively.

Impact of Currency Fluctuations on Results of Operations

In 2017, approximately 47% of our revenues came from sales outside of the United States. Because our results are reported in U.S. dollars, we are subject to significant foreign currency risks and accordingly, changes in the rate of exchange between the U.S. dollar and the local currencies in the markets in which we operate (primarily the euro, Japanese yen, new Israeli shekel, British pound, Canadian dollar, Russian ruble, Hungarian forint and Polish zloty) impact our results. During 2017, 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 Japanese yen by 3%, the British pound by 5%, the Argentinian peso by 11% and the Turkish lira by 17%. During 2017, the following main currencies relevant to our operations increased in value against the U.S. dollar: the Russian ruble by 14%, the Israeli shekel by 7%, the Polish zloty by 5%, the Hungarian forint by 3%, the Canadian dollar by 2% and the euro by 2%.

As a result, exchange rate movements during 2017 in comparison with 2016 negatively impacted overall revenues by \$914 million and negatively impacted our operating income by \$290 million.

We adjusted the exchange rates that we use for the Venezuelan bolivar twice during 2016 and three times during 2017, most recently in September 2017, when we updated the applicable exchange rate to the DICOM rate of 3,345 bolivar per U.S. dollar. This resulted in a decrease of \$1.1 billion in revenues and \$249 million in operating income in 2017, compared to \$1.2 billion in revenues and \$228 million in operating income in 2016. We exclude these changes in revenues and operating profit in Venezuela from any discussion of local currency results. We did not exclude the \$396 million charge incurred in connection with the deconsolidation of our subsidiaries in Venezuela.

The evolving economic and political conditions in Venezuela, including increasingly restrictive currency exchange control regulations and reduced access to U.S. dollars through official currency exchange markets, resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and the U.S. dollar, which significantly impacted our ability to effectively manage our subsidiaries in Venezuela, including restrictions on the ability of our subsidiaries in Venezuela to import certain raw materials to maintain normal production and to settle U.S. dollar-denominated obligations.

We attempted to identify alternative currency exchange mechanisms that will allow us access to U.S. dollars, but during the fourth quarter of 2017, we determined that the alternative was inconsistent and non-compliant with our business standards.

In light of the above conditions, we concluded that as of November 30, 2017, we do not meet the accounting criteria for control over our wholly-owned subsidiaries in Venezuela and that we no longer have significant influence over such subsidiaries. Therefore, effective November 30, 2017, we deconsolidated our subsidiaries in Venezuela.

In 2017, we recorded deconsolidation charges of \$396 million under other assets impairments, restructuring and other items in connection with our subsidiaries in Venezuela, of which \$326 million resulted from reclassification of currency translation adjustments from accumulated other comprehensive income to the statement of income.

Liquidity and Capital Resources

Total balance sheet assets were \$70.6 billion as of December 31, 2017, compared to \$93.1 billion as of December 31, 2016. The decrease was mainly due to impairments of goodwill and long-lived assets.

Trade receivables as of December 31, 2017, net of sales reserves and allowances (“SR&A”), were negative \$0.8 billion, compared to negative \$0.3 billion as of December 31, 2016, in line with a decrease in sales in the fourth quarter of 2017, compared to the fourth quarter of 2016.

Prepaid expenses as of December 31, 2017, were \$1.1 billion, compared to \$1.6 billion as of December 31, 2016, mainly due to a decrease of \$0.5 billion in prepaid income tax.

Other current assets as of December 31, 2017, were \$0.7 billion, compared to \$1.3 billion as of December 31, 2016. The decrease was mainly due to the sale of our Mylan shares during 2017.

During September 2017, we entered into several agreements to sell certain non-core specialty products, including our global women’s health business. As a result of these agreements, we currently present net assets held for sale in the amount of \$0.5 billion, with a corresponding reduction of other balance sheet assets, mainly intangible assets and goodwill. Net assets held for sale, as of December 31, 2016, were \$0.7 billion, mainly comprised of the divestiture of certain assets and operations of Actavis Generics in the U.K. and Ireland that was completed in January 2017.

Accrued expenses as of December 31, 2017, were \$3.0 billion, compared to \$3.4 billion as of December 31, 2016. The decrease was mainly due to \$0.5 billion in connection with the FCPA settlement with the DOJ and SEC.

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 negative \$0.4 billion at December 31, 2017, compared to \$0.3 billion as of December 31, 2016.

Investment in property, plant and equipment in 2017 was \$0.9 billion, flat compared to 2016. Depreciation was \$632 million in 2017, compared to \$501 million in 2016.

Cash and cash equivalents and short-term and long-term investments as of December 31, 2017 were \$1.1 billion, compared to \$1.9 billion as of December 31, 2016. The decrease was mainly due to the sale of our Mylan shares during 2017.

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 internally generated funds, liquid securities and available credit facilities, primarily our \$3.0 billion syndicated revolving line of credit, which was not utilized as of December 31, 2017. We believe that these sources of liquidity, together with the proceeds from the working capital adjustment with Allergan and expected divestitures, are sufficient to meet our on-going operating needs.

2017 Debt Balance and Movements

As of December 31, 2017, our debt was \$32.5 billion, a decrease of \$3.3 billion compared to \$35.8 billion at December 31, 2016. The decrease was mainly due to \$4.4 billion of net debt repayments on our various term loans, our revolving credit facility and other short term loans, partially offset by foreign exchange fluctuations of \$1.1 billion.

In January 2017, we repaid our GBP 510 million short-term loan.

In March 2017, we repaid at maturity a JPY 8.0 billion term loan.

In March 2017, we entered into a JPY 86.8 billion term loan agreement, consisting of two tranches, JPY 58.5 billion with five years maturity and JPY 28.3 billion with one year maturity with an optional six month extension.

In April 2017, we repaid at maturity a JPY 65.5 billion term loan.

In August 2017, we repaid at maturity \$0.25 billion of our 5 year term loan.

During 2017, we prepaid \$2.2 billion of our 3 year term loan and \$0.25 billion of our 5 year term loan.

During 2017, we repaid \$1.2 billion of our revolving credit facility.

Our debt as of December 31, 2017 was effectively denominated in the following currencies: 64% in U.S. dollars, 27% in euros, 5% in Swiss francs and 4% in Japanese yen.

The portion of total debt classified as short-term as of December 31, 2017 was 11%, compared to 9% as of December 31, 2016, mainly due to changes in the current portion of our long-term debt.

Our financial leverage was 63% as of December 31, 2017, compared to 51% as of December 31, 2016.

Our average debt maturity was approximately 6.4 years as of December 31, 2017, compared to 6.5 years as of June 30, 2017.

In November 2015, we entered into a \$3.0 billion five-year unsecured syndicated revolving line of credit, which was increased to \$4.5 billion upon closing of the Actavis Generics acquisition. On February 2018 the facility was decreased to \$3.0 billion. This revolving line of credit was not utilized as of December 31, 2017.

In 2015, we entered into forward starting interest rate swap and treasury lock agreements designated as cash flow hedges of the U.S. dollar debt issuances in July 2016, with respect to \$5.25 billion notional amount in multiple transactions. 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. Following our U.S. dollar debt issuances in July 2016, the remaining agreements were terminated, resulting 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. This loss is recorded in other comprehensive income and will be amortized under financial expenses-net over the life of the debt.

2016 Debt Movements

In June 2016, we entered into a GBP 510 million short-term loan, which was fully repaid in January 2017.

In July 2016, we completed debt issuances for an aggregate principal amount of \$20.4 billion, or \$20.3 billion in net proceeds, consisting of senior notes with aggregate principal amounts of \$15.0 billion, €4.0 billion and CHF 1.0 billion with maturities of between two to 30 years. The effective average interest rate of the notes is 2.32% per annum. See note 11 to our consolidated financial statements.

Upon closing of the Actavis Generics acquisition in August 2016, we borrowed \$5.0 billion under our term loan facilities with a syndicate of banks. The term facilities consist of two tranches of \$2.5 billion each, with the first tranche maturing in full in 2018; the second tranche matures in 2020 with payment installments each year (10% to be repaid in each of 2017 and 2018, 20% to be repaid in 2019 and the remaining 60% to be repaid in 2020). In addition, in July and August 2016, we terminated our \$22 billion bridge loan credit agreement.

Total Equity

Total equity was \$18.7 billion as of December 31, 2017, compared to \$35.0 billion as of December 31, 2016. The decrease was mainly due to the net loss of \$16.4 billion, dividend payments of \$1.2 billion, \$0.1 billion of unrealized loss from derivative financial instruments, partially offset by the positive impact of foreign exchange fluctuations of \$1.5 billion. Accumulated deficit amounted to \$3.8 billion as of December 31, 2017, compared to retained earnings \$13.6 billion as of December 31, 2016. The decrease was mainly due to the goodwill impairments in 2017.

Exchange rate fluctuations affected our balance sheet, as approximately 56% 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, 2016, changes in currency rates had a positive impact of \$1.5 billion on our equity as of December 31, 2017, mainly due to the change in value against the U.S. dollar of: the euro by (12%), the Polish zloty by (17%), the British pound by (9%), the Japanese yen by (4%), the Mexican peso by (5%), the Bulgarian lev by (12%), the Canadian dollar by (6%) and the Chilean peso by (8%). All comparisons are on a year-end to year-end basis.

Cash Flow

Cash flow generated from operating activities in 2017 was \$3.5 billion, a decrease of \$1.7 billion compared to 2016. The decrease was mainly due to the impact of change in working capital in 2017, compared to 2016.

Cash flow generated from operating activities in 2017, net of cash used for capital investments, was \$2.7 billion, compared to \$4.4 billion in 2016. The decrease resulted mainly from lower cash flow generated from operating activities.

In 2011, we established a trade receivables securitization program to sell trade receivables to BNP Paribas Bank. Under the program, we receive an initial cash purchase price and the right to receive a deferred purchase price (“DPP”) for the receivables sold. The proceeds from the sale of these receivables are included in cash from operating activities in the consolidated statement of cash flows. In August 2016, the FASB issued guidance on statements of cash flows, which is described in note 1b. to our consolidated financial statements. Early adoption of the new guidance would have resulted in a reclassification of approximately \$1.3 billion from net cash provided by operating activities to investment activities for the year ended December 31, 2017. Applying the expected changes in DPP terms and volume of the securitization program for 2018, is expected to result in a reclassification of approximately \$2 billion from net cash provided by operating activities to investment activities. See note 16b to our consolidated financial statements.

We seek to continually improve the efficiency of our working capital management. In 2017, as in prior periods, cash flow from operations benefited significantly from our active working capital management, including by extending the time to pay our suppliers. For example, our standard payment terms, which apply to the majority of our suppliers, were amended in 2017 to extend such payment terms to at least 75 days net in the United States and 60 days net outside the United States, counted from the date of receipt of the valid invoice and required documentation by us from the supplier. In addition, as part of our working capital management program, in certain prior periods, we extended the time to pay certain suppliers that we would have paid near quarter-end under our standard payment terms to the beginning of the following fiscal quarter. Such extensions have the effect of increasing cash flow from operations in the quarter in which such extension occurs. In the fourth quarter of 2017, we generally did not extend the time to pay our suppliers beyond our standard terms for such suppliers, which had the effect of decreasing cash flows from operations in the fourth quarter of 2017 compared to prior quarters in which such payment times were extended.

Dividends

In December 2017, we announced an immediate suspension of dividends on our ordinary shares and ADSs and that dividends on our mandatory convertible preferred shares will be evaluated on a quarterly basis per current practice.

Teva has suspended dividends on its mandatory convertible preferred shares in the fourth quarter of 2017, due to our accumulated deficit.

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 research and development costs of approximately \$1.0 billion.

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.

On September, 19, 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 will fund and manage clinical development, driving all operational aspects of the phase 3 program, and we will lead the regulatory process and be responsible for commercialization. Upon FDA approval of AUSTEDO for Tourette syndrome, we will pay Nuvelution a pre-agreed return.

Dividends on our mandatory convertible preferred shares (aggregate liquidation preference of approximately \$3.7 billion) are payable on a cumulative basis when, as and if declared by our Board of Directors at an annual rate of 7% on the liquidation preference of \$1,000 per mandatory convertible preferred share. Declared dividends are paid in cash on March 15, June 15, September 15 and December 15 of each year to and including December 15, 2018.

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.

Certain of our loan agreements include restrictive covenants, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. Approximately \$3.7

billion of our debt is subject to such covenants and, under specified circumstances, including non-compliance with such covenants and the unavailability of any waiver, amendment or other modification thereto and the expiration of any applicable grace period thereto, substantially all other debt could be negatively impacted by non-compliance with such covenants.

As of December 31, 2017, 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. Based on our current forecast for the next twelve months from the date of issuance of these financial statements, we expect to remain in compliance with these financial covenants after taking into consideration the effect of implementation of certain cost-efficiency initiatives, such as rationalization of our plants, selling and marketing, general and administrative and research and development spend, which would allow us to continue to comply with the financial covenants. We have amended such covenants in the past, including the net debt to EBITDA ratio covenant to permit a higher ratio, most recently on February 1, 2018. 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.

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, and thus 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 these 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 this 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 size;
- 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 settlements, both amounts paid and received;
- other exceptional items that we believe are sufficiently large that their exclusion is important to understanding 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
- 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,		
	2017	2016	2015
	U.S. dollars in millions		
Amortization of purchased intangible assets	1,444	993	838
Goodwill impairment	17,100	900	—
Legal settlements and loss contingencies	500	899	631
Impairment of long-lived assets	3,782	746	361
Other R&D expenses	221	426	69
Inventory step-up	67	383	—
Acquisition, integration and related expenses	105	261	221
Restructuring expenses	535	245	183
Costs related to regulatory actions taken in facilities	47	153	36
Equity compensation	129	121	112
Contingent consideration	154	83	399
Gain on sales of business	(1,083)	(720)	(45)
Venezuela deconsolidation charge	396	—	—
Other non-GAAP items	160	203	17
Financial expense (income)	(13)	888	777
Tax effect and other income tax items*	(2,721)	(593)	(631)
Impairment of equity investment—net	47	3	124
Minority interest changes	(270)	(76)	16

* Includes \$1.0 billion U.S Tax Cuts and Jobs Act Effect

Year Ended December 31, 2017

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

	<u>GAAP</u>	<u>Non-GAAP Adjustments</u>	<u>Dividends on Preferred Shares</u>	<u>Non-GAAP</u>	<u>% of Net Revenues</u>
Gross profit ⁽¹⁾	10,825	1,419	—	12,244	55%
Operating income ⁽¹⁾⁽²⁾	(17,484)	23,557	—	6,073	27%
Net income attributable to ordinary shareholders ⁽¹⁾⁽²⁾⁽³⁾	(16,525)	20,600	—	4,075	18%
Earnings per share attributable to ordinary shareholders—diluted ⁽⁴⁾	(16.26)	20.27	—	4.01	
(1) Amortization of purchased intangible assets . . .		1,235			
Inventory step-up		67			
Costs related to regulatory actions taken in facilities		47			
Equity compensation		23			
Other COGS related adjustments		47			
Gross profit adjustments		<u>1,419</u>			
(2) Goodwill impairment		17,100			
Legal settlements and loss contingencies		500			
Impairment of long-lived assets		3,782			
Other R&D expenses		221			
Acquisition, integration and related expenses . .		105			
Restructuring expenses		535			
Amortization of purchased intangible assets . . .		209			
Equity compensation		106			
Contingent consideration		154			
Gain on sale of business		(1,083)			
Venezuela deconsolidation charge		396			
Other operating related expenses		113			
Operating income adjustments		<u>23,557</u>			
(3) Finance expense (Income)		(13)			
Tax effect and other income tax items*		(2,721)			
Changes in minority interest		(270)			
Impairment of equity investment—net		47			
Net income adjustments		<u>20,600</u>			

(4) The non-GAAP weighted average number of shares was 1,018 million for the year ended December 31, 2017. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-3 above by the applicable weighted average share number.

* Includes \$1.0 billion U.S tax cuts and jobs act effect

Year ended December 31, 2016

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

	GAAP	Non-GAAP Adjustments	Dividends on Preferred Shares	Non-GAAP	% of Net Revenues
Gross profit ⁽¹⁾	11,859	1,559	—	13,418	61%
Operating income ⁽¹⁾⁽²⁾	2,154	4,693	—	6,847	31%
Net income attributable to ordinary shareholders ⁽¹⁾⁽²⁾⁽³⁾	68	4,915	261	5,244	24%
Earnings per share attributable to ordinary shareholders—diluted ⁽⁴⁾	0.07	5.07	—	5.14	
(1) Amortization of purchased intangible assets		881			
Inventory step-up		383			
Costs related to regulatory actions taken in facilities		153			
Equity compensation expenses		14			
Other COGS related adjustments		128			
Gross profit adjustments		<u>1,559</u>			
(2) Goodwill impairment		900			
Legal settlements and loss contingencies		899			
Impairment of long-lived assets		746			
Other R&D expenses		426			
Acquisition, integration and related expenses		261			
Restructuring expenses		245			
Amortization of purchased intangible assets		112			
Equity compensation expenses		107			
Contingent consideration		83			
Gain on sale of business		(720)			
Other operating related adjustments		75			
		<u>3,134</u>			
Operating income adjustments		<u>4,693</u>			
(3) Finance expense (Income)		888			
Tax effect		(593)			
Changes in minority interest		(76)			
Impairment of equity investment—net		3			
Net income adjustments		<u>4,915</u>			

- (4) Non-GAAP net income attributable to ordinary shareholders for the year ended December 31, 2016 includes an add back of \$261 million of accrued dividends on preferred shares since they had a dilutive effect on earnings per share.
- (5) The non-GAAP weighted average number of shares was 1,020 million for the year ended December 31, 2016. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-3 above by the applicable weighted average share number.
- (6) Includes for 2016, \$133 million in inventory-related expenses in connection with the devaluation in Venezuela.

Year ended December 31, 2015

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

	GAAP	Non-GAAP Adjustments	Dividends on Preferred Shares	Non-GAAP	% of Net Revenues
Gross profit ⁽¹⁾	11,356	859		12,215	62%
Operating income ⁽¹⁾⁽²⁾	3,352	2,822		6,174	31%
Net income attributable to ordinary shareholders ⁽¹⁾⁽²⁾⁽³⁾	1,573	3,108	15	4,696	24%
Earnings per share attributable to ordinary shareholders—diluted ⁽⁴⁾	1.82	3.60		5.42	
(1) Amortization of purchased intangible assets		808			
Costs related to regulatory actions taken in facilities		36			
Equity compensation		13			
Other COGS related adjustments		2			
Gross profit adjustments		<u>859</u>			
(2) Legal settlements and loss contingencies		631			
Impairment of long-lived assets		361			
Other R&D expenses		69			
Acquisition, integration and related expenses		221			
Restructuring expenses		183			
Amortization of purchased intangible assets		30			
Equity compensation		99			
Contingent consideration		399			
Gain on sale of business		(45)			
Other operating related expenses		15			
		<u>1,963</u>			
Operating income adjustments		<u>2,822</u>			
(3) Financial expense		777			
Tax effect		(631)			
Changes in minority interest		16			
Impairment of equity investment—net		124			
Net income adjustments		<u><u>3,108</u></u>			

- (4) Non-GAAP net income attributable to ordinary shareholders for the year ended December 31, 2015 includes an add back of \$15 million accrued dividends on preferred shares since they had a dilutive effect on earnings per share.
- (5) The non-GAAP weighted average number of shares was 867 million for the year ended December 31, 2015. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-3 above by the applicable weighted average share number.

Non-GAAP Effective Tax Rate

The non-GAAP income taxes for 2017 were \$788 million on pre-tax non-GAAP income of \$5.2 billion. The non-GAAP income taxes in 2016 were \$1.1 billion on pre-tax income of \$6.4 billion, and in 2015 were \$1.3 billion on pre-tax income of \$6.0 billion. The non-GAAP tax rate for 2017 was 15%, compared to 17% in 2016 and 21% in 2015. The decrease in our annual non-GAAP effective tax rate for 2017 compared to the

non-GAAP effective tax rate in previous years resulted primarily from the synergies associated with the Actavis Generics acquisition and tax benefits resulting from utilization of losses which were fully provided for in the past.

In the future, our effective tax rate is expected to increase following the enactment of the Tax Cuts and Jobs Act in the United States.

Trend Information

The following factors are expected to have a significant effect on our 2018 results:

- execution of our restructuring plan, which will significantly affect our business and operations, and the risk of incurring additional restructuring expenses;
- our high debt levels and downgrades to non-investment grade 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 launch, and possibility of additional launches, of generic versions to the product;
- a decrease in sales of other specialty products due to generic competition or divestment;
- continued price erosion and pricing pressure in the generics markets resulting from changes in market dynamics, particularly in the United States;
- continued impact of currency fluctuations on revenues and net income, as well as on various balance sheet line items; and
- continued review of the potential for additional divestment of non-core assets.

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, 2017:

	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 estimated interest* . .	\$38,543	\$3,612	\$ 9,554	\$6,858	\$18,519
Operating lease obligations	591	160	232	124	75
Purchase obligations (including purchase orders)	1,765	1,506	240	19	—
Total	<u>\$40,899</u>	<u>\$5,278</u>	<u>\$10,026</u>	<u>\$7,001</u>	<u>\$18,594</u>

* Long-term debt obligations mainly include senior notes and convertible senior debentures as disclosed in notes 11 to our consolidated financial statements.

The total gross amount of unrecognized tax benefits for uncertain tax positions was \$1 billion at December 31, 2017. 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 above table. 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 future expenditures relating to joint ventures in accordance with the terms of the applicable agreements, mainly our PGT venture. However, the amounts of these future expenditures have not been predetermined, and are subject to management approval.

We have committed to make potential future “milestone” payments to third parties under various agreements. Such payments are contingent upon the achievement of certain regulatory milestones and sales targets. As of December 31, 2017, were all milestones and targets, for compounds in phase 2 and more advanced stages of development, to be achieved, the total contingent payments could reach an aggregate of up to approximately \$407 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 above table.

Dividends on our mandatory convertible preferred shares (aggregate liquidation preference of approximately \$3.7 billion) are payable on a cumulative basis when, as and if declared by our Board of Directors at an annual rate of 7% on the liquidation preference of \$1,000 per mandatory convertible preferred share. Declared dividends are paid in cash on March 15, June 15, September 15 and December 15 of each year to and including December 15, 2018. We have suspended dividends on our mandatory convertible preferred shares in the fourth quarter of 2017, due to our accumulated deficit.

Off-Balance Sheet Arrangements

Except for securitization transactions, which are disclosed in note 16d. 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 the most complex judgments, involving critical accounting estimates and assumptions impacting our consolidated financial statements. We have applied our policies and critical accounting estimates consistently to all our businesses, including the Actavis Generics, Anda and Rimsa businesses acquisitions and our Teva Takeda business venture.

For a discussion of the valuation allowance, deferred tax and valuation allowance estimates see notes 1 and 15 of our consolidated financial statements.

Revenue Recognition and SR&A

Revenue is recognized 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, 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, cash 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. These provisions primarily relate to sales of pharmaceutical products in the U.S.

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.

Provisions for rebates including Medicaid and other governmental allowances, chargebacks, returns and other promotional items, such as shelf stock adjustments, are included in Sales Reserves and Allowances under "current liabilities." Provisions for doubtful debts and prompt payment discounts are netted against "accounts receivable."

We adjust these provisions in the event that it appears that the actual amounts may differ from the estimated provisions. The following briefly describes the nature of each deduction and how provisions are estimated in our financial statements.

Customer Volume 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. 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 rebate to each state 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. We estimate these rebates based on historical trends of rebates paid as well as on changes in wholesaler inventory levels and increases or decreases in sales.

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. We regularly monitor the competitive factors that influence the pricing of our products and customer inventory levels and adjust these estimates where appropriate.

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 or expenses recorded in the period for which the customer earns the incentive in accordance with the contractual terms.

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.

Chargebacks. We have arrangements with various third parties, such as managed care organizations and drug store chains, establishing prices for certain of our products. While these arrangements are made between us 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 our concurrence, which establishes the pricing for certain products which the wholesalers provide. Under either arrangement, we 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 price.

Provisions for chargebacks involve estimates of contract prices of over 2,000 products and multiple contracts with 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, or expected chargeback levels for new products. We consider current and expected price competition when evaluating the provision for chargebacks. Chargeback provisions are compared to externally obtained distribution channel reports for reasonableness. We regularly monitor the provision for chargebacks and make adjustments when we believe that actual chargebacks may differ from estimated provisions.

Returns. Returns primarily relate to customer returns for 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. 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. Lag times during 2017 and 2016 were estimated at approximately 24 months from the date of sale. Additionally, we consider specific factors such as 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.

Sales reserves and allowances to U.S. customers comprise over 86% of our total sales reserves and allowances as of December 31, 2017, with the remaining balance primarily in Canada and Germany.

SR&A for third-party sales as of December 31, 2017 and 2016 were as set forth in the table below.

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. dollars in millions)								
Balance at December 31, 2015 . . .	\$ 120	\$ 3,382	\$ 1,319	\$ 1,091	\$ 598	\$ 211	\$ 6,601	\$ 6,721
Acquisition of Actavis Generics and other	101	738	408	567	244	37	1,994	2,095
Provisions related to sales made in current year period	525	7,152	1,513	7,519	291	361	16,836	17,361
Provisions related to sales made in prior periods	7	(214)	(181)	4	20	(9)	(380)	(373)
Credits and payments	(555)	(7,564)	(1,334)	(7,596)	(302)	(404)	(17,200)	(17,755)
Translation differences	1	(12)	4	(1)	(7)	4	(12)	(11)
Balance at December 31, 2016 . . .	<u>\$ 199</u>	<u>3,482</u>	<u>\$ 1,729</u>	<u>\$ 1,584</u>	<u>\$ 844</u>	<u>\$ 200</u>	<u>\$ 7,839</u>	<u>\$ 8,038</u>
Measurement period adjustments	—	—	48	—	—	—	48	48
Provisions related to sales made in current year period	613	6,435	1,589	12,408	280	469	21,181	21,794
Provisions related to sales made in prior periods	3	(79)	(60)	11	(30)	(18)	(176)	(173)
Credits and payments	(618)	(6,821)	(1,405)	(12,153)	(321)	(401)	(21,101)	(21,719)
Translation differences	(1)	60	7	(1)	7	17	90	89
Balance at December 31, 2017 . . .	<u>\$ 196</u>	<u>\$ 3,077</u>	<u>\$ 1,908</u>	<u>\$ 1,849</u>	<u>\$ 780</u>	<u>\$ 267</u>	<u>\$ 7,881</u>	<u>\$ 8,077</u>

Reserves at December 31, 2016 increased by approximately \$1.3 billion compared to December 31, 2015. This increase is mainly attributable to the acquisition of Actavis Generics.

Reserves as of December 31, 2017 increased by approximately \$39 million compared to December 31, 2016.

Actual inventory on hand with our customers may be higher or lower due to differences between actual and projected demand. We monitor inventory levels to minimize risk of excess quantities. As is customary in the industry, we may provide additional incentives to wholesalers for the purchase of certain inventory items or in relation to wholesale trade shows.

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 tax benefits recognized in the financial statements must be at least more likely than not of being 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 are needed to fund their growth, while we expect to have sufficient resources in the Israeli companies to fund our cash needs in Israel. In addition, the Company recently announced a suspension of dividend distribution on ordinary shares and ADSs, while dividends on mandatory convertible preferred shares will be evaluated on a quarterly basis. 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.

U.S. Tax Cuts and Jobs Act

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. At December 31, 2017, we have not completed our accounting for the tax effects of enactment of the Act; however we have made reasonable estimates of the effects on the existing deferred tax balances and the one-time deemed repatriation tax for which provisional amounts have been recorded

The Act requires complex computations to be performed that were not previously required in U.S. tax law, significant judgments to be made in interpretation of the provisions of the 2017 Tax Act and significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the IRS, and other standard-setting bodies could interpret or issue guidance on how provisions of the 2017 Tax Act will be applied or otherwise administered that is different from our interpretation. As we complete our analysis of the 2017 Tax Act, collect and prepare necessary data, and interpret any additional guidance, we may make adjustments to provisional amounts that we have recorded that may impact our provision for income taxes in the period in which the adjustments are made.

Contingencies

We and our subsidiaries are 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 or contingent consideration acquired in a business combination, we record accruals for these types of contingencies to the extent that we conclude their occurrence is probable and that the related liabilities are estimable. When accruing these costs, we 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, we accrue for the minimum amount within the range. We record anticipated recoveries under existing insurance contracts that are probable of occurring at the gross amount that is expected to be collected.

We review the adequacy of the accruals on a periodic basis and may determine to alter our reserves at any time in the future if we believe 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.

Inventories

Inventories are valued at the lower of cost or market. 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 reserve 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.

Long-Lived Assets

Our long-lived, non-current assets mainly consist of goodwill, identifiable intangible assets and property, plant and equipment.

We review goodwill and purchased intangible assets with indefinite lives for impairment 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 and other intangibles allow us to first assess qualitative factors to determine whether it is necessary to perform the next goodwill impairment quantitative test.

Following the acquisition of Actavis Generics, Teva conducted an analysis of its business segments, which resulted in a change to Teva's segment reporting and goodwill assignment in the fourth quarter of 2016. Teva reallocated goodwill to its adjusted reporting units using a relative fair value approach.

Pursuant to the Company's policy, Teva conducted its annual impairment test during the fourth quarter of 2017, in conjunction with the preparation of its 2018 annual operating plan ("AOP"). The AOP was used as a base for a long range plan model, incorporating the impact of the restructuring plan that was announced on December 14, 2017. See note 18 of our consolidated financial statements.

Teva determines the fair value of its reporting units using a weighting of fair values derived from the income approach. The income approach is a forward-looking approach to estimating fair value. Within the income approach, the method that was used is the discounted cash flow method. Teva commenced with a forecast of all the expected net cash flows associated with the reporting units, which include 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 Teva's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions, which are reflective of market participants. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with country-specific characteristics.

Considering the steep decline in Teva's market capitalization in the second half of 2017 and considering additional adverse developments in its businesses during the fourth quarter of 2017, which are further described below, Teva recorded a goodwill impairment of \$11.0 billion in the fourth quarter, mainly attributable to goodwill associated with its U.S. generics reporting unit, in addition to the \$6.1 billion goodwill impairment that was recorded during the second quarter of 2017.

Impairment of identifiable intangible assets amounted to \$3,238 million, \$589 million and \$265 million in the years ended December 31, 2017, 2016 and 2015, respectively, and are recorded in earnings under other asset impairments, restructuring and other items. See note 18 to our consolidated financial statements.

Generics reporting units

U.S. generics reporting unit

During the second quarter of 2017, Teva identified certain developments in the U.S. market, which negatively impacted Teva's outlook for its U.S. generics business. These developments included: (i) additional pricing pressure in the U.S. generics market as a result of customer consolidation into larger buying groups to extract further price reductions; (ii) accelerated FDA approval of additional generic versions of off-patent medicines, resulting in increased competition for these products; and (iii) delays in launches of certain of Teva's new generic products. These developments caused Teva to revisit its assumptions supporting the cash flow projections for its U.S. generics reporting unit, including: (i) the expected duration and depth of price erosion and certain revenue growth assumptions; (ii) the associated operating profit margins; and (iii) the long term growth rate.

In estimating the discounted cash flow value of Teva's U.S. generics reporting unit as of the second quarter of 2017, Teva used the following key assumptions: Teva expected revenue and operating profits to continue to decline in 2018 and 2019, as its ability to successfully launch new generic products was not expected to offset or exceed the price and volume erosion for its existing portfolio prior to 2020, following which time, in 2020 and 2021, Teva expected to return to moderate growth. Teva assumed a terminal growth rate of 2% for the coming years, in line with recent general outlook, at the time, for the U.S. generics market. The resulting cash flow amounts were discounted using a weighted average cost of capital ("WACC") of 6.8%.

Based on the second quarter revised discounted cash flows analysis, Teva recorded a goodwill impairment of \$6.1 billion related to its U.S. generics reporting unit.

During the third quarter of 2017, Teva adjusted the projections for its U.S. generics reporting unit to reflect a potentially beneficial event, offset by further pricing pressure in the U.S. generics market, and concluded that no additional impairment was required.

During the fourth quarter of 2017, Teva noted further deterioration in the U.S. generics market and economic environment and further limitations on Teva's ability to influence generic medicines pricing in the long term and a decrease in value from future launches:

- ***Pricing challenges due to customer consolidation.*** In prior periods, it appeared to be reasonable that as price erosion in the generics market continued, other manufacturers would exit particular generic markets, resulting in opportunities to eventually reduce overall erosion with price increases for certain products with decreasing competition after the exit of other manufacturers. However, increasing consolidation among purchasers of generic medicines, particularly Group Purchasing Organizations ("GPOs"), has led to three such GPOs representing approximately 80% of generics purchases in the United States. This led to a continuation and increase in the trend of "lowest price" tenders. Therefore, it now appears likely that there will be few, if any, opportunities to increase prices even when other generics manufacturers exit a market.
- ***Pricing challenges due to government regulation.*** There is an increasing trend of enacting and proposing state-level legislation in the United States imposing penalties and/or restricting price increases, making pricing more challenging. The inconsistent rules across states add to the complexity of how to make decisions about the best economic outcome to maximize profit on a given generic product and the most restrictive law will likely restrict Teva's business practices nationwide, as

marketing, sales and pricing are typically not administered on a state-by-state basis. Restrictive bills have passed in at least seven states, including high-population states such as California and New York, and bills are in the process of being re-submitted in ten additional states where they were previously rejected, with approximately half of them already passed and/or submitted for vote by January 2018.

- **Increasing generic approvals.** The FDA is approving more generic formulations than they have in the past, which is affecting the value of already launched products. On January 3, 2018, the FDA commissioner announced new steps to facilitate efficient generic drug review to enhance competition, promote access and lower drug prices. The commissioner also stated that the FDA had several record-breaking months for the number of generic medicines approved, including November 2017, when it approved the highest number of generic medicines in the FDA's history.

Being the first to market a generic version of a product, and particularly as the only company authorized to sell during the 180-day period of exclusivity in the U.S. market, can substantially increase sales, profits and profitability in the period following the introduction of such a 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. Pricing is generally higher during periods of limited competition. The FDA has also limited the availability of exclusive or semi-exclusive periods for new products with an increase in shared first to file awards, which reduces the economic benefit from being first-to-file for generic approvals.

In contrast to the FDA's accelerated approval of additional generic versions of off-patent medicines, the rate of FDA approval for a generic version of originator drugs without generic competition has not significantly increased. Thus, Teva's ability to launch profitable new products has not benefited from the FDA's increased focus on approving generic applications. Additionally, much of Teva's future pipeline is concentrated in complex or unique products coupled with devices, which take longer time for FDA approval.

- **Originator strategies to maintain market share.** Originator companies increasingly engage in strategies beyond authorized generics, to maintain market share of their originator drugs, reducing the value of newly launched complex or novel generics.
- **Changes to traditional distribution model.** 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, which Teva believes will limit its future growth in the U.S. generics market. For example: (i) in January 2018, several major hospital groups announced a plan to form a non-profit company that will provide U.S. hospitals with a number of generic drugs; (ii) 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; and (iii) the consolidation resulting from the merger announced in December 2017 between CVS Health and Aetna, if consummated, is expected to create a vertically integrated organization with increased control over the physician and pharmacy networks and, ultimately, over which medicines are sold to patients. Each of these events has the potential to drive further price erosion and limit the growth opportunities for Teva's U.S. generics unit.
- **U.S. tax reform.** Recently-enacted U.S. tax reform legislation is expected to limit Teva's ability to achieve targeted tax efficiencies compared to prior estimates. See note 15.

In response to these developments, Teva's recently appointed President and Chief Executive Officer, Kåre Schultz, and the management team that was reorganized under him, announced a comprehensive restructuring plan in December 2017, aimed to increase the profitability of Teva's U.S. generics business, among other things. This plan focuses on discontinuation of loss generating products and reductions of infrastructure costs, by closing facilities and executing divestments, as well as a reduction in R&D expenditures, focusing on fewer, more profitable opportunities to launch new generic medicines. In addition, Teva further evaluated its assumptions and approach to valuing its pipeline and related projections. Due to the increased risks and variables now impacting

generics launches, Teva, with the assistance of a global consulting firm, used a “Monte Carlo” model to simulate the different outcomes for launch value to better predict the estimated value to be derived.

As a result of the factors discussed above, Teva adjusted certain of its assumptions used in its cash flow projections in the fourth quarter of 2017 to determine the fair value of its U.S. generics reporting unit. In comparison to previous periods, Teva expects less revenues and profitability from newly launched products as well as larger pricing declines. As a result, Teva estimates a longer period will pass before it returns to revenue and profitability growth in its U.S. generics reporting unit.

The resulting cash flow amounts were discounted using a slightly increased rate of 7.3% compared to prior quarters, reflecting market participants’ assumptions regarding increased uncertainties in the U.S. generics market. Teva still assumes a terminal growth rate of 2%.

Based on the new estimates incorporating all of the above factors, Teva recorded a goodwill impairment of \$10.4 billion related to its U.S. generics reporting unit in the fourth quarter of 2017. The aggregate goodwill impairment related to Teva’s U.S. generics reporting unit in 2017 was \$16.5 billion.

If Teva holds all other assumptions constant, a reduction in the terminal value growth rate by 0.1% or an increase in discount rate by 0.1% would each result in an additional impairment of approximately \$190 million and \$230 million, respectively.

If the conditions in the U.S. generics market continue to deteriorate more than anticipated, or if Teva is unable to execute its strategies or anticipated plans, it may be necessary to record further impairment charges in the future.

Other reporting units within generics

Teva concluded that the fair value of each of its remaining reporting units within its generics medicines segment continues to be in excess of its carrying value. The remaining goodwill allocated to these reporting units was approximately \$13.4 billion as of December 31, 2017. For these reporting units, the percentage excess of estimated fair value over carrying value, as of December 31, 2017, was 45.6% for Teva’s Rimsa reporting unit, 4.6% for the European generics reporting unit and 4.1% for the ROW generics reporting unit.

Teva determined that the European and ROW generics reporting units are at risk of goodwill impairment in the future, due to the narrow margin between fair value and carrying value and also based on the sensitivity of the calculation of potential forecast revisions and/or changes in strategy in the business.

The resulting cash flow amounts for European generics reporting unit were discounted using a rate of 8.4% reflecting market participants’ assumptions regarding increased uncertainties and country-specific characteristics with a terminal growth rate of 1.8%. If Teva holds all other assumptions constant, a reduction in the terminal value growth rate by 0.5% or an increase in discount rate by 0.4% would each result in impairment. The goodwill allocated to this reporting unit was \$8.2 billion as of December 31, 2017.

The resulting cash flow amounts for ROW generics reporting unit were discounted using a rate of 8.8% reflecting market participants’ assumptions regarding increased uncertainties and country-specific characteristics with a terminal growth rate of 3.5%. If Teva holds all other assumptions constant, a reduction in the terminal value growth rate by 0.3% or an increase in discount rate by 0.2% would each result in impairment. The goodwill allocated to this reporting unit was \$4.3 billion as of December 31, 2017.

In determining the fair value of these reporting units, Teva used a discounted cash flow analysis and applied the following key assumptions: expected revenue growth and operating profit margins including an estimate for price erosion and discount rate, among others.

If market conditions continue to deteriorate, or if Teva is unable to execute its strategies, it may be necessary to record further impairments in the future.

Specialty reporting unit

Teva adjusted its projections for its specialty reporting unit to reflect significant events that took place during 2017, mainly the FDA approval of a generic version of COPAXONE and the subsequent launch at risk of a competing product in the U.S. market, as well as the unfavorable clinical trial result for laquinimod and the favorable clinical trial results for AUSTEDO and fremanezumab. Teva reflected the expected implications of these developments in the cash flow projections and discounted the adjusted cash flow amounts by adding an additional risk premium of 2.3% to the discount rate of 7.3%, which Teva uses for most of its worldwide operations, applying a market participant view, to reflect the increased uncertainties in its specialty business.

The percentage difference between estimated fair value and estimated carrying value for the specialty reporting unit is 68.5%, following the impact of the above mentioned events.

Other reporting unit

Teva's other reporting unit consists primarily of its U.S. distribution business, Anda, which is negatively impacted by the outlook for generics, as revised in the fourth quarter of 2017. See "—U.S. generics reporting unit" above. Accordingly, management reduced the projected growth of this business, resulting in an impairment of \$600 million.

Market Capitalization

Teva analyzed the aggregate fair value of its reporting units as compared to its market capitalization in order to assess the reasonableness of the results of its cash flow projections used for its goodwill impairment analysis. The market capitalization was based on the outstanding shares and expected dilution from mandatory convertible preferred shares, multiplied by the average market share price for the 30 days following the restructuring plan announcement on December 14, 2017. Reflecting the recent adverse developments in its cash flow projections as described above, Teva assessed its fair value, net of debt, to be higher than both its equity value of \$19 billion and its market capitalization of \$21 billion, as of December 31, 2017. Management believes that its fair value assessment is reasonably supported by the current market capitalization.

Management will continue to monitor business conditions and will also consider future developments in its market capitalization when assessing whether additional goodwill impairment is required in future periods.

Acquisition of Actavis Generics and Anda

On August 2, 2016, we consummated the acquisition of Actavis Generics. At closing, we paid Allergan consideration of approximately \$33.4 billion in cash and approximately 100.3 million Teva shares. On October 3, 2016, we consummated the acquisition of Anda for cash consideration of \$500 million. The purchase is a transaction related to the Actavis Generics acquisition, and as such the purchase price accounting and related disclosures have been treated on a combined basis.

We have accounted for the acquisitions of Actavis Generics and Anda using the acquisition method of accounting, which generally requires that assets acquired and liabilities assumed be recorded at fair value as of the acquisition date. Assessing fair values involves applying a series of judgments about future events and uncertainties and is heavily reliant on estimates and assumptions. The judgments we used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. For instance, the determination of asset lives can impact our results of operations, as different types of assets will have different useful lives and certain assets may even be considered to have indefinite useful lives.

Below is a summary of the methodologies and significant assumptions used in estimating the fair value of certain classes of assets and liabilities of Actavis Generics and Anda.

Contingent consideration

Contingent consideration incurred in a business combination is included as part of the consideration transferred and recorded at a probability weighted assessment of their 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 impairments, restructuring and others.

Inventory

The fair value of inventory was determined taking into account, as relevant, estimated selling price, estimated costs to be incurred to complete work in process inventory, estimated costs to be incurred to sell the inventory, estimated reasonable profit allowance for manufacturing and selling effort.

As the inventory is sold, the fair value of inventory is recognized in our results of operations. Based on internal forecasts and estimates of months of inventory on hand, we expected that the acquisition date inventory will be substantially sold and recognized in cost of sales over a period of approximately six months after the acquisition date.

Some of the more significant estimates and assumptions inherent in the estimate of the fair value of inventory include stage of completion, costs to complete, and selling price. All of these judgments and estimates can materially impact our results of operations.

Assets held-for-sale

Assets held for sale are measured at fair value less costs to sell. We present newly-acquired assets as assets held-for-sale if there is a plan to dispose of the assets within a year and it is probable that we will meet held-for-sale criteria within a short period of time after the acquisition. The other criteria include: management having the authority to approve an action which commits to selling the assets; assets are available for immediate sale in their present condition; an active program is in place to locate a buyer and actions to complete the sale are initiated; assets are being actively marketed; and it is unlikely there will be significant changes to, or withdrawal from, the plan to sell the assets.

Property, plant and equipment

The fair value of property, plant and equipment was based on the replacement costs including consideration of our intended use of the assets, and will be recognized in our results of operations over the expected useful life of the individual depreciable assets.

Identifiable intangible assets

The fair value of acquired identifiable intangible assets is generally determined using an income approach. This method starts with a forecast of all of the 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.

The more significant estimates and assumptions inherent in the estimate of the fair value of identifiable intangible assets include all assumptions associated with forecasting product profitability, including sales and cost to sell projections, research and development expenditure for ongoing support of product rights or continued development of in process R&D, estimated useful lives and in process R&D expected launch dates. A discount rate has been applied to the projections which captures the inherent risk of the products. Additionally, for in process R&D assets the probability of success has been factored into the fair value measure.

At December 31, 2017, acquired identifiable intangible assets mainly consisted of \$12.7 billion finite lived product rights with a weighted average life of approximately 11 years, and in process R&D of approximately \$4.3 billion.

Restructuring Costs

Restructuring costs have been recorded in connection with restructuring program designed to restore our financial security and stabilizing the business. As a result, our management has made estimates and judgments regarding future plans, mainly related to employee termination benefit costs, with additional charges possible following decisions on closures or divestments of manufacturing plants, R&D facilities, headquarters and other office locations. When accruing these costs, we will recognize the amount within a range of costs that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, we recognize the minimum amount within the range. 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 and local banks. We believe that due to our diversified derivative 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 \$22.4 billion in 2017. Of these revenues, approximately 56% were in U.S. dollars, 16% in euros, 4% in Japanese yen and the rest in other currencies, none of which accounted for more than 4% of total revenues in 2017. 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.

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

Net exposure as of December 31, 2017	
Liability/Asset	(U.S. \$ in millions)
CHF/EUR	437
GBP/EUR	380
EUR/USD	226
USD/JPY	189
BGN/EUR	188
INR/USD	101
PLN/EUR	97
CAD/EUR	96
CHF/USD	81
EUR/RUB	79
EUR/SEK	75
USD/ILS	65
USD/MXN	63
EUR/DKK	54

Outstanding Foreign Exchange Hedging Transactions

As of December 31, 2017, we had long and short forwards and currency option contracts with a corresponding notional amount of approximately \$2.8 billion and \$270 million, respectively. As of December 31, 2016, we had long and short forwards and currency option contracts with corresponding notional amounts of approximately \$2.1 billion and \$180 million, respectively.

The table below presents financial derivatives entered into as of December 31, 2017 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		2017 Weighted Average Cross Currency Prices or Strike Prices
		2017	2016	2017	2016	
(U.S. \$ in millions)						
Forward:						
EUR	GBP	467	57	0.5	—	0.89
EUR	CHF*	416	**	(1.0)	—	1.17
USD	EUR*	191	88	3.0	1.0	1.18
JPY	USD	106	123	1.5	4.0	111.20
NIS	USD	132	**	(1.0)	—	3.49
EUR	CAD*	102	66	—	—	1.52
RUB	EUR	70	66	(1.0)	(1.0)	70.30
USD	CHF	70	268	1.0	(2.5)	0.98
MXN	USD	60	170	2.5	1.5	19.02
EUR	PLN	50	**	0.5	—	4.22
USD	HUF	**	396	—	(6.0)	—
USD	GBP	**	101	—	(1.0)	—
Options:						
JPY	USD	71	57	—	—	111.85
EUR	PLN	70	**	—	—	4.23
EUR	USD	**	71	—	—	—

- * Change in position compared to previous year.
 ** Represents amounts 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. The fair value of this cross currency swap liability was \$96 million as of December 31, 2017.

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 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 below table presents the aggregate outstanding notional amounts of the hedged items as of December 31, 2017 and 2016:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	U.S. \$ in millions	
Cross currency swap—cash flow hedge	\$588	\$588
Interest rate swap—fair value hedge	\$500	\$500

Our outstanding debt obligations, the corresponding interest rates, currency and repayment schedules as of December 31, 2017 are set forth in the table below in U.S. dollar equivalent terms, taking into account the above-described swap transactions:

<u>Currency</u>	<u>Total Amount</u>	<u>Interest Rate Ranges</u>		<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 & thereafter</u>
				(U.S. dollars in millions)					
Fixed Rate:									
USD	17,448	1.40%	7.20%	1,515	2,000	700	3,620	864	8,749
Euro	8,946	0.38%	3.85%	—	1,199	2,095	587	—	5,066
CHF	1,489	0.13%	1.50%	770	—	—	—	360	360
JPY	311	1.42%	1.42%	—	311	—	—	—	—
USD convertible debentures*	514	0.25%	0.25%	514	—	—	—	—	—
Floating Rate:									
USD	2,785	2.80%	3.05%	285	500	1,500	—	—	500
JPY	1,081	0.35%	0.55%	561	—	—	—	519	—
Others	7	8.00%	13.00%	1	—	—	—	—	5
Total:	<u>32,581</u>			<u>\$3,646</u>	<u>\$4,010</u>	<u>\$4,295</u>	<u>\$4,207</u>	<u>\$1,743</u>	<u>\$14,680</u>
Less debt issuance costs	(106)								
Total:	<u>\$32,475</u>								

Our cash is invested in bank deposits bearing interest rates which are mostly dependent on floating rates. Bank deposits are spread among several banks. We believe that the credit risk associated with these banks is minimal. During 2017 we terminated our investments in two range accrual notes with a total amortized cost basis of \$100 million that pay higher than market interest as long as LIBOR remains within a certain range.

For information regarding derivative instruments and hedging activities, see note 16 to our consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the 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 as of December 31, 2017 and 2016, 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 periods ended December 31, 2017, including the related notes (collectively referred to as the consolidated “financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, 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, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 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, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company’s management and board of directors are 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 “*Report of Teva Management on Internal Control Over Financial Reporting*” appearing under Item 9A(b). 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.

Tel-Aviv, Israel
February 12, 2018

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

We have served as the Company's auditor since at least 1976, when Teva Pharmaceutical Industries Limited was established through the merger of several predecessor companies. We have not determined the specific year we began serving as the auditor of a predecessor company.

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

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 963	\$ 988
Trade receivables	7,128	7,523
Inventories	4,924	4,954
Prepaid expenses	1,100	1,629
Other current assets	701	1,293
Assets held for sale	566	841
	<u>15,382</u>	<u>17,228</u>
Total current assets		
Deferred income taxes	574	625
Other non-current assets	932	1,235
Property, plant and equipment, net	7,673	8,073
Identifiable intangible assets, net	17,640	21,487
Goodwill	28,414	44,409
	<u>28,414</u>	<u>44,409</u>
Total assets	<u>\$70,615</u>	<u>\$93,057</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 3,646	\$ 3,276
Sales reserves and allowances	7,881	7,839
Trade payables	2,069	2,157
Employee-related obligations	549	859
Accrued expenses	3,014	3,405
Other current liabilities	724	836
Liabilities held for sale	38	116
	<u>17,921</u>	<u>18,488</u>
Total current liabilities		
Long-term liabilities:		
Deferred income taxes	3,277	5,413
Other taxes and long-term liabilities	1,843	1,639
Senior notes and loans	28,829	32,524
	<u>33,949</u>	<u>39,576</u>
Total long-term liabilities		
Commitments and contingencies , see note 13		
Total liabilities	<u>51,870</u>	<u>58,064</u>
Equity:		
Teva shareholders' equity:		
Preferred shares of NIS 0.10 par value per mandatory convertible preferred share; December 31, 2017 and December 31, 2016: authorized 5.0 million shares; issued 3.7 million shares	3,631	3,620
Ordinary shares of NIS 0.10 par value per share; December 31, 2017 and December 31, 2016: authorized 2,495 million shares; issued 1,124 million shares and 1,123 million shares, respectively	54	54
Additional paid-in capital	23,479	23,409
Retained earnings (accumulated deficit)	(3,803)	13,607
Accumulated other comprehensive loss	(1,853)	(3,159)
Treasury shares as of December 31, 2017 and December 31, 2016 —107 million ordinary shares and 108 million ordinary shares, respectively	(4,149)	(4,194)
	<u>17,359</u>	<u>33,337</u>
Non-controlling interests	1,386	1,656
	<u>1,386</u>	<u>1,656</u>
Total equity	<u>18,745</u>	<u>34,993</u>
Total liabilities and equity	<u>\$70,615</u>	<u>\$93,057</u>

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,		
	2017	2016	2015
Net revenues	\$ 22,385	\$21,903	\$19,652
Cost of sales	11,560	10,044	8,296
Gross profit	10,825	11,859	11,356
Research and development expenses	1,848	2,111	1,525
Selling and marketing expenses	3,656	3,860	3,478
General and administrative expenses	1,330	1,285	1,360
Goodwill impairment	17,100	900	—
Other asset impairments, restructuring and other items	5,074	1,419	1,176
Legal settlements and loss contingencies	500	899	631
Other income	(1,199)	(769)	(166)
Operating (loss) income	(17,484)	2,154	3,352
Financial expenses – net	895	1,330	1,000
Income (loss) before income taxes	(18,379)	824	2,352
Income taxes (benefit)	(1,933)	521	634
Share in (profits) losses of associated companies—net	3	(8)	121
Net income (loss)	(16,449)	311	1,597
Net income (loss) attributable to non-controlling interests	(184)	(18)	9
Net income (loss) attributable to Teva	(16,265)	329	1,588
Accrued dividends on preferred shares	260	261	15
Net income (loss) attributable to ordinary shareholders	\$(16,525)	\$ 68	\$ 1,573
Earnings (loss) per share attributable to ordinary shareholders:			
Basic	\$ (16.26)	\$ 0.07	\$ 1.84
Diluted	\$ (16.26)	\$ 0.07	\$ 1.82
Weighted average number of shares (in millions):			
Basic	1,016	955	855
Diluted	1,016	961	864

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,		
	2017	2016	2015
Net income (loss)	\$(16,449)	\$ 311	\$ 1,597
Other comprehensive income (loss), net of tax:			
Currency translation adjustment*	1,516	(445)	(1,102)
Unrealized gain (loss) on derivative financial instruments, net	(140)	(477)	135
Unrealized gain (loss) on available-for-sale securities, net	3	(319)	319
Unrealized gain (loss) on defined benefit plans, net	(10)	(23)	35
Total other comprehensive income (loss)	<u>1,369</u>	<u>(1,264)</u>	<u>(613)</u>
Total comprehensive income (loss)	(15,080)	(953)	984
Comprehensive income (loss) attributable to non-controlling interests	<u>(121)</u>	<u>(78)</u>	<u>8</u>
Comprehensive income (loss) attributable to Teva	<u><u>\$(14,959)</u></u>	<u><u>\$ (875)</u></u>	<u><u>\$ 976</u></u>

* Include 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.

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 compre- hensive (loss)	Treasury shares	Total Teva share- holders' equity	Non-controlling interests	Total equity
(U.S. dollars in millions)										
Balance at January 1, 2015	957	\$50	\$ —	\$14,121	\$ 14,436	\$(1,343)	\$(3,951)	\$ 23,313	\$ 42	\$ 23,355
Changes during 2015:										
Comprehensive income (loss)					1,588	(612)		976	8	984
Ordinary shares issuance***	54	2		3,289				3,291		3,291
MCPS issuance***			3,291					3,291		3,291
Exercise of options by employees and vested RSUs	5	*		225			163	388		388
Stock-based compensation expense				117				117		117
Dividends to ordinary shareholders					(1,155)			(1,155)		(1,155)
Accrued dividends to preferred shareholders					(15)			(15)		(15)
Purchase of treasury shares							(439)	(439)		(439)
Acquisition of non-controlling interests									103	103
Other				5	(3)			2	5	7
Balance at December 31, 2015	1,016	52	3,291	17,757	14,851	(1,955)	(4,227)	29,769	158	29,927
Changes during 2016:										
Comprehensive income (loss)					329	(1,204)		(875)	(78)	(953)
Ordinary shares issuance***	106	2		5,389				5,391		5,391
MCPS issuance***			329					329		329
Exercise of options by employees and vested RSUs	1	*		2			33	35		35
Stock-based compensation expense				159				159		159
Dividends to ordinary shareholders					(1,303)			(1,303)		(1,303)
Dividends to preferred shareholders					(261)			(261)		(261)
Transactions with non-controlling interests				111				111	1,573	1,684
Other				(9)	(9)			(18)	3	(15)
Balance at December 31, 2016	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

* Represents an amount less than 0.5 million.

** Mandatory convertible preferred shares.

*** Net of issuance costs.

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,		
	2017	2016	2015
Operating activities:			
Net income (loss)	\$(16,449)	\$ 311	\$ 1,597
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Impairment of long-lived assets	20,882	1,645	361
Deferred income taxes—net and uncertain tax positions	(2,331)	15	237
Depreciation and amortization	2,112	1,524	1,308
Net (gain) loss from sale of long-lived assets and investments	(1,090)	(764)	(86)
Venezuela deconsolidation loss	383	—	—
Net change in operating assets and liabilities	(363)	1,219	967
Research and development in process	175	422	35
Stock-based compensation	133	124	117
Venezuela impairment of net monetary assets	42	603	—
Other items	13	(14)	146
Other-than-temporary impairment	—	140	736
Impairment of equity investment—net	—	—	124
Net cash provided by operating activities	3,507	5,225	5,542
Investing activities:			
Proceeds from sales of long-lived assets and investments	3,477	2,002	524
Purchases of property, plant and equipment	(874)	(901)	(772)
Other investing activities	(282)	(212)	(5)
Purchases of investments and other assets	(200)	(481)	(2,003)
Acquisitions of businesses, net of cash acquired	43	(36,148)	(3,309)
Net cash provided by (used in) investing activities	2,164	(35,740)	(5,565)
Financing activities:			
Repayment of long-term loans and other long-term liabilities	(3,300)	(999)	(2,521)
Net change in short-term debt	(1,683)	1,998	29
Dividends paid on ordinary shares	(901)	(1,303)	(1,155)
Proceeds from long-term loans and other long-term liabilities, net of issuance costs	506	25,252	2,099
Dividends paid on preferred shares	(260)	(255)	—
Other financing activities	(74)	(169)	(178)
Dividends paid to non-controlling interests	(38)	—	—
Proceeds from issuance of ordinary shares, net of issuance costs	—	329	3,291
Proceeds from issuance of mandatory convertible preferred shares, net of issuance costs	—	329	3,291
Proceeds from exercise of options by employees	*	35	388
Purchases of treasury shares	—	—	(439)
Net cash provided by (used in) financing activities	(5,750)	25,217	4,805
Translation adjustment on cash and cash equivalents	54	(660)	(62)
Net change in cash and cash equivalents	(25)	(5,958)	4,720
Balance of cash and cash equivalents at beginning of year	988	6,946	2,226
Balance of cash and cash equivalents at end of year	\$ 963	\$ 988	\$ 6,946

* Represent an amount less than 0.5 million

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

	Year ended December 31,		
	2017	2016	2015
Supplemental cash flow information:			
Non-cash financing and investing activities:			
Share issuance to Allergan plc for the Actavis Generics acquisition	\$ —	\$ 5,065	\$ —
Shares transferred to Takeda as part of the establishment of Teva			
Takeda	—	1,825	—
Actavis Generics contingent consideration	—	302	—
Cash paid during the year for:			
Interest	\$ 795	\$ 290	\$ 243
Income taxes, net of refunds	\$ 106	\$ 341	\$ 802

Net change in operating assets and liabilities:

	Year ended December 31,		
	2017	2016	2015
Other current assets	\$ 658	\$ (517)	\$ 87
Trade payables, accrued expenses, employee-related obligations and other current liabilities	(1,801)	640	(12)
Inventory step-up	67	381	—
Inventories	199	372	129
Trade receivables net of sales reserves and allowances	514	343	763
	\$ (363)	\$1,219	\$967

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated 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 generic, specialty, and other pharmaceutical products. 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 purchase price allocation on acquisitions including determination of useful lives and contingent consideration; assessing compliance with debt covenants; determining the valuation and recoverability of intangible assets and goodwill; and assessing sales reserves and allowances, 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.

Hyper-Inflation

Venezuela has experienced hyper-inflation in recent years. The government of Venezuela currently has two official exchange rates: the DIPRO rate of 10 bolivars per U.S. dollar (which replaced the CENCOEX rate of 6.3 in March 2016) and the DICOM rate, which fluctuates and was 3,345 bolivars per U.S. dollar as of December 31, 2017.

Following the announcement of the Venezuelan Central Bank and the Ministry for Banking and Finance of FX Regulation 35, effective March 10, 2016, the DIPRO rate was used to settle transactions involving the importation, manufacture and distribution of pharmaceutical products. Teva used the CENCOEX rate until March 2016 and then replaced it with the DIPRO rate to report its Venezuelan financial position, results of operations and cash flows, since it believed that the nature of its business operations in Venezuela, which include the importation, manufacture and distribution of pharmaceutical products, qualified for the most preferential rate permitted by law.

In November 2016, the unofficial exchange rate continued to increase at an accelerated rate, indicating further economic distress. This, together with a decrease in scope of transactions involving the importation,

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements—(Continued)

manufacture and distribution of pharmaceutical products that were settled using the DIPRO rate of 10 bolivars per dollar, led Teva to replace the official DIPRO rate it had used to report its Venezuelan financial position, results of operations and cash flows with a blended exchange rate of 273 bolivar per U.S. dollar. Teva began using this blended exchange rate as of December 1, 2016, which was determined based on a weighted average of the DIPRO and DICOM exchange rates affecting Teva's transactions. The blended rate was reviewed and updated on a quarterly basis.

As a result of the developments described above, Teva impaired its monetary balance sheet items related to Venezuela twice in 2016, with a devaluation charge of \$246 million in the first quarter of 2016, following introduction of the DIPRO rate, and an additional devaluation charge of \$500 million in the fourth quarter of 2016, following Teva's decision to adopt a blended rate. In addition, Teva recorded \$133 million in cost of sales, to adjust its inventory balance in Venezuela to reflect the U.S dollar net realizable value of the inventory.

During February 2017 and again in May 2017, Teva updated its blended exchange rate to 380 and 640 bolivar per dollar, respectively. In the third quarter of 2017, Teva started to use the DICOM rate of 3,345 bolivar per dollar, which was not materially different from the blended rate that would have been used instead of the DICOM rate.

Control

The evolving economic and political conditions in Venezuela, including increasingly restrictive currency exchange control regulations and reduced access to U.S. dollars through official currency exchange markets, resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and the U.S. dollar, which significantly impacted Teva's ability to effectively manage its Venezuelan businesses, including restrictions on the ability of the Venezuelan businesses to import certain raw materials to maintain normal production and to settle U.S. dollar-denominated obligations. The currency exchange restrictions, combined with other regulations that have limited Teva's ability to import certain raw materials, also increasingly constrained Teva's ability to make and execute operational decisions regarding its businesses in Venezuela. In addition, the inability of the Venezuelan businesses to pay dividends, which remain subject to Venezuelan government approvals, restricted the ability to realize the earnings generated out of the Venezuelan businesses. Teva expects these conditions to continue for the foreseeable future.

Furthermore, the fourth quarter of 2017 was the longest duration of time that Teva experienced without receiving any approvals, through regular conversion or auctions, from the government for new imports or payments for existing import liabilities. These approvals had been key to allowing management to continue the business at a level consistent with its plans. Without such approvals, the Venezuelan business is unable to import materials at the price and quantity needed to continue its operations.

In addition, since April 2017, the opposition party in Venezuela has organized protests on a daily basis and many of the marches and demonstrations have resulted in rioting and violence. This is a significant change from the sporadic protests previously and has impacted the ability of employees to arrive safely at their assigned work location and complete their tasks. The result is a significant decline in the units produced and available for sale. Teva attempted to identify alternative currency exchange mechanisms that would allow access to U.S. dollars, however, during the fourth quarter of 2017 the Company determined that the alternative was inconsistent and non-compliant with its business standards.

Deconsolidation and impairment

As a result of these factors, Teva concluded that as of November 30, 2017, it did not meet the accounting criteria for control over its wholly-owned Venezuelan subsidiaries and that it no longer has significant influence

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements—(Continued)

over such subsidiaries. In its conclusion, Teva considered the FASB guidance in accordance with ASC Topic 830 “Foreign Currency Matters” and ASC Topic 810 “Consolidation” regarding the propriety of implementing consolidation, for both the variable interest entity (“VIE”) and voting model, or equity method accounting when other than temporary lack of exchangeability exists.

The VIE model requires the primary beneficiary to demonstrate both the power to direct activities of the VIE that most significantly impact the VIE’s economic performance, and the obligation to absorb losses from or right to receive benefits of the VIE that could potentially be significant to the VIE. Based on the analysis above, Teva believes it holds neither power nor benefit over its Venezuelan subsidiaries. Furthermore, Teva has no material financial commitment to its Venezuela subsidiaries, such as liquidity arrangements, guarantees or other commitments or any other exposure to loss from its Venezuelan subsidiaries. Any potential material financial commitment in the future will be disclosed pursuant to the accounting requirements.

Therefore, effective November 30, 2017, Teva deconsolidated its Venezuelan subsidiaries and began accounting for its investments using the cost method of accounting. As of November 30, 2017, Teva’s net monetary balance sheet items in Venezuela included approximately \$13 million in cash. Accordingly, the Company recorded a deconsolidation charge of \$396 million under other asset impairments, restructuring and other items in connection with its subsidiaries in Venezuela, of which \$326 million resulted from reclassification of currency translation adjustments from accumulated other comprehensive income to the statement of income, relating mainly to Teva’s generics medicines segment. The estimated fair value of the investments was immaterial based on expected future cash flow, considering ongoing hyper-inflation, economic and political uncertainty in Venezuela. The assigned values are considered Level 3 measurements within the fair value hierarchy.

In future periods, Teva’s financial results will include sales of finished goods to the Venezuelan subsidiaries to the extent cash payments will be received from these subsidiaries, while cost of sales will be 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.

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).

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and VIE 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.

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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. New accounting pronouncements

Recently adopted accounting pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued guidance on goodwill impairment testing. The new guidance reduces the complexity of goodwill impairment tests by no longer requiring entities to determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Teva adopted the provisions of this update in the first quarter of 2017. Once impairment is recorded under the new guidance, additional impairment may occur if the fair value of the reporting unit continues to decline. The amount of goodwill impairment charges recorded in 2017 was determined in accordance with this new guidance.

In January 2017, the FASB issued guidance on the differentiation between acquisitions of assets and businesses. The new guidance dictates that, when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, it should be treated as an acquisition or disposal of an asset. The new guidance also requires that to be considered a business, a set of integrated activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, without regard as to whether a market participant could replace missing elements. In addition, the new guidance narrows the definition of the term “output” to make it consistent with how outputs are described in the updated revenue recognition guidance. The guidance is effective for the fiscal year beginning on January 1, 2018, including interim periods within that year (early adoption is permitted). Teva adopted the provisions of this update in the first quarter of 2017 with no impact on its consolidated financial statements.

In November 2016, the FASB issued guidance on the treatment of restricted cash in the statements of cash flows. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance is effective for the fiscal year beginning on January 1, 2018, including interim periods within that year (early adoption is permitted). Teva adopted the provisions of this update in the first quarter of 2017. The application of the guidance did not have a material impact on Teva’s consolidated financial statements.

In October 2016, the FASB issued guidance on accounting for consolidation of interests held through related parties that are under common control. The amended guidance designates the primary beneficiary of a VIE as the reporting entity that has a controlling financial interest in a VIE and, therefore, consolidates the VIE. A reporting entity has an indirect interest in a VIE if it has a direct interest in a related party that, in turn, has a direct interest in the VIE. Teva adopted the provisions of this update in the first quarter of 2017. The application of the guidance did not have a material impact on Teva’s consolidated financial statements.

In October 2016, the FASB issued guidance on income taxes on intra-entity transfers. The guidance eliminates the exception to the recognition requirements under the standard for intra-entity transfers of an asset other than inventory. As a result, an entity should recognize the income tax consequences when the transfer of

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assets other than inventory occurs. Teva adopted the provisions of this update in the first quarter of 2017. The application of the guidance increased the deferred tax liabilities in the consolidated balance sheet by \$31 million in the first quarter of 2017. Additionally, certain balance sheet items have been reclassified as of December 31, 2016 to conform to the current year presentation. Prepaid expenses and deferred income tax liabilities increased by \$267 million and \$198 million, respectively. Deferred income tax assets and other current liabilities decreased by \$100 million and \$31 million, respectively. The consolidated statement of income was not affected.

Recently issued accounting pronouncements, not yet adopted

In August 2017, the FASB issued guidance for derivatives and hedging, which 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. The guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (early adoption is permitted for any interim and annual financial statements that have not yet been issued). Teva is currently evaluating the potential effect of the guidance on its consolidated financial assets.

In May 2017, the FASB issued guidance on changes to terms and conditions of share-based payment awards. The amendment provides guidance about which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting. The guidance is effective for the fiscal year beginning on January 1, 2018, including interim periods within that year. Teva does not anticipate that adoption of this guidance will have a material impact on its consolidated financial statements.

In February 2017, the FASB issued guidance on de-recognition of nonfinancial assets. The amendments address the recognition of gains and losses on the transfer (i.e., sale) of nonfinancial assets to counterparties other than customers. The guidance conforms de-recognition on nonfinancial assets with the model for transactions in the new revenue standard. The amendments are effective at the same time as the new revenue standard. The amendments are effective at the same time as the new revenue standard which means for public entities annual periods beginning after December 15, 2017 and interim periods therein with earlier adoption permitted. Teva does not anticipate that such guidance will have a material impact on its consolidated financial statements.

In August 2016, the FASB issued guidance on statements of cash flows. The guidance addresses eight specific issues: debt prepayment or debt extinguishment costs; settlement of certain debt instruments; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies; distributions received from equity method investees; beneficial interest in securitization transactions; and separately identifiable cash flows and application of predominance principle. The guidance is effective for the fiscal year beginning on January 1, 2018, including interim periods within that year. The amendments should be applied retrospectively. In connection with the Company's securitization program see note 16d regarding the likely impact of the adoption on Teva's consolidated financial statements.

In June 2016, the FASB issued guidance on financial instruments. The 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. Teva is currently evaluating the potential effect of the guidance on its consolidated financial statements.

In February 2016, the FASB issued guidance on leases. The guidance requires entities to record lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. In September 2017, the FASB issued additional amendments providing clarification and implementation guidance. The guidance will become effective for interim and annual periods beginning on January 1, 2019 (early adoption is

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permitted) and is required to be adopted at the earliest period presented using a modified retrospective approach. In January 2018, the FASB issued an update that permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of the new standard and that were not previously accounted for as leases. Although the Company has not finalized its process of evaluating the impact of adoption of the ASU on its consolidated financial statements, the Company expects there will be a material increase to assets and liabilities related to the recognition of new right-of-use assets and lease liabilities on the Company's balance sheet for leases currently classified as operating leases.

In January 2016, the FASB issued guidance which updates certain aspects of recognition, measurement, presentation and disclosure of equity investments. The guidance requires entities to recognize changes in fair value in net income rather than in accumulated other comprehensive income. The guidance is effective for interim and annual periods beginning on January 1, 2018. Teva does not anticipate that such guidance will have a material impact on its consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. Under the new standard, a good or service is transferred to the customer when (or as) the customer obtains control of the good or service, which differs from the risk and rewards approach under current guidance. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In March, April and May 2016, the FASB issued three additional updates regarding identifying performance obligations and licensing, certain principal versus agent considerations and various narrow scope improvements based on practical questions raised by users. In September 2017, the FASB issued additional amendments providing clarification and implementation guidance. The guidance may be adopted through either retrospective application to all periods presented in the financial statements (full retrospective approach) or through a cumulative effect adjustment to retained earnings at the effective date (modified retrospective approach). The guidance is effective for the fiscal periods beginning on January 1, 2018.

Teva does not anticipate a material impact on its revenue recognition practices nor accumulated impact, following the adoption of the new guidance. Teva will adopt the new standard using the modified retrospective approach.

c. Acquisitions:

Teva's consolidated financial statements include the operations of an acquired business 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 their 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 impairments, restructuring and others.

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d. 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.

e. Investee companies:

Investments in entities in which the Company has a significant influence are accounted for using the equity method and included within other non-current assets. Under the equity method, the Company generally recognizes its proportionate share of comprehensive income or loss of the entity. Other non-marketable equity investments are carried at cost. The Company also reviews these investments for impairment whenever events indicate the carrying amount may not be recoverable. Impairments on investee companies are recorded in the income statement under share in profits or losses of associated companies—net.

f. 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.

g. Investment in securities:

Investment in securities consists mainly of debt and equity 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.

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Unrealized gains of available for sale 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 both debt and equity 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, and for equity securities, the Company's ability and intent to hold the investment for the length of time necessary to allow for the recovery of the market value. 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.

h. 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.

i. Trade receivables:

Trade receivables are stated at their net realizable value. The allowance against gross trade receivable reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. As of December 31, 2017, and December 31, 2016, an allowance for doubtful debts of \$232 million and \$191 million, respectively, is reflected in net trade receivables. Trade receivables are written off after all reasonable means to collect the full amount have been exhausted.

j. Concentration of credit risks:

Most of Teva's cash and cash equivalents (which, along with investment in securities, totaled \$1.1 billion at December 31, 2017) were deposited with financially sound 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 53% of Teva's consolidated revenues in 2017. The exposure of credit risks relating to other trade receivables 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. An appropriate allowance for doubtful accounts is included in the accounts and netted against trade receivables.

k. 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

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determined predominantly on a standard cost basis, approximating average 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 impairment 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.

I. Long-lived assets:

Teva's long-lived, non-current assets are comprised mainly of goodwill, identifiable intangible assets and property, plant and equipment. All long-lived assets are monitored for impairment indicators throughout the year. Impairment testing for goodwill and all identifiable 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 amount, 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 events occur that indicate impairment might be present. 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 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.

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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.

Indefinite life intangible assets are mainly comprised of research and development in-process assets. Teva monitors these assets for items such as research and development milestones and progress to identify any triggering events. Annually or when triggering events are present, Teva determines the fair value of the asset 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 period 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, the related research and development assets are impaired.

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, 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.

m. 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.

n. Treasury shares:

Treasury shares are held by Teva's subsidiaries and presented as a reduction of Teva shareholders' equity and carried at their cost to Teva, under treasury shares.

o. Stock-based compensation:

Teva recognizes the estimated fair value of share-based awards, restricted share units ("RSUs") and performance share units ("PSUs") under stock-based compensation costs. The compensation expense for PSUs is recognized only if it is probable that the performance condition will be achieved.

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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 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.

p. 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 15f.

q. 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.

r. 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.

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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 effective portion of 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. The remaining gain or loss on the derivative instrument (i.e., the ineffective portion), if any, is recognized in the statement of income during the current period.

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 was 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.

s. Revenue recognition:

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

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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 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.

Revenues included royalty income and income from services of \$394 million, \$343 million and \$140 million in the years ended December 31, 2016, 2015 and 2014, respectively.

t. 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.

u. Shipping and handling costs:

Shipping and handling costs, which are included in selling and marketing expenses, were \$164 million, \$134 million and \$127 million for the years ended December 31, 2017, 2016 and 2015, respectively.

v. Advertising costs:

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2017, 2016 and 2015 were \$318 million, \$312 million and \$297 million, respectively.

w. 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.

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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.

x. Segment reporting:

The Company's business includes two reporting segments: generic and specialty medicines. The generics segment develops, manufactures, sells and distributes generic or branded generic medicines as well as active pharmaceutical ingredients ("API") and over-the-counter medicines. The specialty segment engages in the development, manufacture, sale and distribution of branded specialty medicines such as those for central nervous system and respiratory indications, as well as those marketed in the women's health, oncology and other specialty businesses.

During the fourth quarter of 2017 the Company announced a new organizational structure and leadership changes. The Company is evaluating the resulting changes to its internal financial reporting and segment reporting starting in 2018 to align its reporting with how the Company will manage its business going forward. See note 20.

y. Earnings (loss) per share:

Basic earnings (loss) 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 (loss) per share, basic earnings (loss) 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) the conversion of the mandatory convertible preferred shares 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.

z. Securitization

Teva accounts for transfers of certain of its trade receivable as sales when it has surrendered control over the related 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 16d.

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Notes to Consolidated Financial Statements—(Continued)

aa. 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 realizable. For divestitures 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.

bb. Reclassifications:

Certain comparative figures have been reclassified to conform to the current year presentation.

NOTE 2—CERTAIN TRANSACTIONS:

a. Business transactions:

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. The acquisition significantly expanded Teva's generics product portfolio and pipeline, R&D capabilities and global operations network.

On October 3, 2016, Teva consummated the acquisition of Anda Inc. ("Anda"), the fourth largest distributor of generic pharmaceuticals in the United States, from Allergan, for cash consideration of \$500 million. The purchase is a transaction related to the Actavis Generics acquisition, and as such the purchase price accounting and related disclosures were treated on a combined basis.

In July 2016, Teva completed debt issuances for an aggregate principal amount of \$20.4 billion, or \$20.3 billion in net proceeds, consisting of senior notes with aggregate principal amounts of \$15 billion, €4 billion and CHF 1 billion and maturities between two to 30 years. The effective average interest rate of these notes is 2.32% per annum.

At the closing of the Actavis Generics acquisition, Teva borrowed \$5 billion under its term loan facility with a syndicate of banks. The term facility is split into two tranches of \$2.5 billion each, with the first tranche maturing in 2018 and the second tranche maturing in 2020 with payment installments each year. In addition, Teva terminated its \$22 billion bridge loan credit agreement. See note 11.

Teva financed the cash consideration with the amounts mentioned above, in addition to approximately \$8.1 billion from cash on hand, including from its December 2015 equity offerings and borrowings under its syndicated revolving line of credit.

Debt issuance and term loan facilities related costs of approximately \$0.1 billion were incurred as part of the financing arrangements, and were capitalized under senior notes and loans in the consolidated balance sheets in 2016. Total equity issuance costs of approximately \$0.2 billion related to the transaction were offset against the proceeds received from the issuances.

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Notes to Consolidated Financial Statements—(Continued)

The following table summarizes the fair value of consideration transferred to acquire Actavis Generics and Anda:

	U.S. \$ in millions
Cash ⁽¹⁾	\$33,878
Ordinary shares ⁽²⁾	5,065
Contingent consideration ⁽³⁾	302
Equity based compensation	25
Total fair value of consideration transferred	\$39,270

- (1) As a result of a working capital true up adjustment related to the Anda acquisition, a \$42 million reduction in the fair value of the consideration transferred to acquire the businesses was reflected in the first quarter of 2017. The adjustment was settled during the second quarter of 2017 and impacted the statements of cash flows accordingly.
- (2) Represents approximately 100.3 million shares at a price per share of \$50.50 at August 1, 2016, which has been adjusted for a lack of marketability discount factor of 5.8%. The shares issued to Allergan were subject to transfer restrictions that generally expired as of August 2, 2017.
- (3) The contingent consideration relates to sharing of profits of one specific product currently in development. Its fair value is based on the estimated future cash outflows, utilizing the same probability assessment that was applied on the related in-process research and development (“IPR&D”).

The table below summarizes the fair value estimates of the assets acquired, liabilities assumed and resulting goodwill. As the measurement period is now closed, the amounts were finalized during the second quarter of 2017:

	Preliminary values at December 31, 2016	Measurement period adjustments	Values at June 30, 2017
	(U.S. \$ in millions)		
Cash and cash equivalents	\$ 84	\$ —	\$ 84
Trade receivables ⁽¹⁾	3,211	(1)	3,210
Inventories	1,670	(6)	1,664
Other current assets ⁽²⁾	2,050	(24)	2,026
Property, plant and equipment	1,370	(105)	1,265
Other non-current assets	24	—	24
Identifiable intangible assets: ⁽³⁾			
Product rights ⁽⁴⁾	8,640	(486)	8,154
Trade names	417	12	429
In-process research and development	5,006	611	5,617
Goodwill	24,192	961	25,153
Total assets acquired	46,664	962	47,626
Sales reserves and allowances	1,988	48	2,036
Trade payables	441	(3)	438
Employee related obligations	134	13	147
Accrued expenses ⁽⁵⁾	920	124	1,044
Other current liabilities ⁽⁶⁾	376	315	691

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	Preliminary values at December 31, 2016	Measurement period adjustments	Values at June 30, 2017
	(U.S. \$ in millions)		
Deferred income taxes and other non-current liabilities ⁽⁷⁾	3,493	507	4,000
Total liabilities assumed	7,352	1,004	8,356
Net assets acquired ⁽⁸⁾	\$39,312	\$ (42)	\$39,270

- (1) As of the acquisition date, the fair value of trade receivables approximated the book value acquired. The gross contractual amount receivable was \$3,319 million, of which approximately \$109 million was not expected to be collected.
- (2) Other current net assets related to divestitures were approximately \$1,611 million.
- (3) The fair value adjustment estimate of identifiable intangible assets is determined using the “income approach,” which is a valuation technique that estimates the fair value of an asset based on market participants’ expectations of the cash flows an asset would generate over its remaining useful life.
- (4) The estimated weighted average amortization period of the acquired product rights is 11 years.
- (5) In the ordinary course of business, Actavis Generics incurred contingent and other liabilities. Except as specifically excluded by the relevant accounting standard, contingencies are required to be measured at fair value as of the acquisition date. A liability of \$607 million for litigation matters was assumed by Teva in connection with the acquisition. See note 13.
- (6) Changes in other current liabilities are mainly due to reassessment related to utilization of carryforward losses of \$327 million.
- (7) Changes in deferred income taxes are mainly due to reassessment related to uncertain tax positions of approximately \$297 million and changes related to re-allocation of intangibles assets to higher tax jurisdictions.
- (8) The reduction in the estimated fair value of the net assets acquired is a result of a working capital true up adjustment related to the Anda business.

Goodwill is largely attributable to expected synergies following the acquisitions, as well as future economic benefits arising from other assets acquired that could not be separately recognized at this time. Goodwill is not deductible for tax purposes and was allocated to the generic medicines segment and other activities. See note 7.

Purchase price allocated to intangibles primarily represents developed products already marketed and IPR&D. Approximately \$8.2 billion was allocated from the purchase price to developed products and \$5.6 billion to IPR&D.

For both developed products and IPR&D, net cash flows were discounted to present values, using a range of discount rates from 6% to 13%. Other assumptions reflect stage of development, nature and timing of efforts for completion and other risks and uncertainties. Identifiable intangible assets were valued using a variation of the income approach known as the “Multi-Period Excess Earnings Approach.” This uses a forecast of expected cash flows, cash outflows and contributory charges for economic returns on tangible and intangible assets employed.

IPR&D represents development in process which as of the closing date, had substance, where process to date is more than insignificant but had not yet reached completeness. As it relates to this acquisition, Teva considered all products that had at least begun processing the testing to demonstrate bioequivalence but had not yet received final approval from the Food and Drug Administration (“FDA”) to be part of IPR&D. There are approximately 250 products and/or product groups included in this allocation. A probability of success factor was used to reflect inherent technological and regulatory risks.

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Notes to Consolidated Financial Statements—(Continued)

The measurement period adjustments related to the identifiable intangible assets acquired represent the impact of updated cash flow projections on the fair value of the assets. The updated projections incorporated additional information obtained subsequent to the closing of the transaction, which included updated product and market based assumptions. The resulting reduction of amortization of product rights from the date of the acquisition's consummation is not material to the consolidated financial statements.

The final cash consideration for the Actavis Generics acquisition was subject to certain net working capital adjustments. Following the terms of the agreement, Teva submitted an adjustment for \$1.4 billion with regards to a working capital true up as well as potential recoveries of purchase price related to certain tax items. On January 31, 2018, Teva and Allergan entered into a settlement agreement and mutual releases, providing that Allergan will make a one-time payment of \$700 million to Teva, which is expected to be paid during the first quarter of 2018. The Agreement also provides that Teva and Allergan will jointly dismiss the working capital dispute arbitration, as well as actual or potential claims under the Master Purchase Agreement, dated July 26, 2015, by and between Teva and Allergan, for breach of any representation, warranty or covenant (other than any breach of a post-closing covenant not known as of the date of the settlement agreement). As the measurement period is now closed, this amount will be recorded as a gain in net income.

In order to complete the Actavis Generics acquisition, Teva was required by the U.S. Federal Trade Commission ("FTC") to divest certain Actavis Generics and Teva products. The sale of the Teva legacy products resulted in a net gain of \$720 million which was recognized on other income in the consolidated statements of income in the third quarter of 2016. A portion of the divestiture was considered a sale of a business, for which the respective gain includes the disposal of the estimated fair value of goodwill associated with the business, which was \$99 million. Proceeds from the sale of the Actavis Generics and Teva assets were approximately \$527 million and \$1,218 million, respectively.

Pro forma information has not been included since Teva believes that this information is not indicative of future results.

b. Other transactions:

In August 2017, Teva purchased an FDA priority review voucher from a third party for \$150 million, which allowed Teva to accelerate the review period for fremanezumab, one of its key specialty assets, for the treatment of migraine. This amount was recorded in Teva's consolidated statements of income as research and development expenses and reflected in cash flow used in investing activities.

During the year ended December 31, 2016, Teva entered into other transactions for aggregate cash consideration of \$2.3 billion and non-cash consideration with a fair value of \$1.8 billion. Goodwill recognized for these transactions is not deductible for tax purposes.

Pro forma financial information for the following transactions was not significant, individually or collectively, when compared with Teva's financial results.

Japanese business venture

On April 1, 2016, Teva and Takeda Pharmaceutical Company Limited ("Takeda") established Teva Takeda Yakuhin Ltd. ("Teva Takeda"), a new business venture in Japan. The business venture combined Teva's Japanese generics business with Takeda's portfolio of off-patent products, leveraging Takeda's leading brand reputation and strong distribution presence in Japan with Teva's expertise in supply chain, operational network, infrastructure and R&D, to meet the wide-ranging needs of patients and growing importance of generics in Japan through the provision of off-patent medicines.

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Notes to Consolidated Financial Statements—(Continued)

Teva assigned 49% in the business venture to Takeda in consideration of the contribution of its off-patented products business in Japan. The business venture was consolidated in Teva’s financial statements commencing April 1, 2016. Takeda’s interest in the business venture is accounted for under net income (loss) attributable to non-controlling interests.

The table below summarizes the fair value of the assets acquired, liabilities assumed and resulting goodwill, as finalized in the first quarter of 2017. Teva recorded net assets acquired of \$1.8 billion and non-controlling interests of \$1.6 billion, with the difference recorded under Teva shareholders’ equity.

	U.S. \$ in millions
Inventories	\$ 134
Identifiable intangible assets:	
Product and marketing rights ⁽¹⁾	1,491
Goodwill	698
Total assets acquired	\$2,323
Deferred income taxes	498
Total liabilities assumed	498
Net assets acquired	\$1,825

(1) The weighted average amortization period of the acquired product and marketing rights is approximately 15 years.

In the second quarter of 2017, Teva Takeda purchased an additional portfolio of off-patent products from Takeda for approximately \$255 million. This additional transaction was accounted as an asset acquisition and no goodwill was assigned to it.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized. Specifically, goodwill recorded as part of the Teva Takeda business venture is attributable to expected specific synergies and market benefits that could not be individually identified and separately recognized and was allocated to the generics segment.

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 the Company 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. Teva’s breach of contract claim against the Rimsa sellers remains outstanding.

During the fourth quarter of 2016, Teva completed its assessment of the implications of the identified issues on the intended synergies and integration of the acquisition, resulting in a comprehensive remediation plan and an impairment test over the goodwill acquired.

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Notes to Consolidated Financial Statements—(Continued)

As a result of the alleged fraud, and given the required level of senior management’s attention to execute the remediation plan, Teva concluded that the rarity of the circumstances warranted the evaluation of Rimsa as a separate reporting unit. Accordingly, in 2016 goodwill resulting from the Rimsa acquisition was tested for impairment at this level, and an impairment of \$900 million on goodwill was recorded.

Teva continues to monitor the execution of the remediation plan and related milestones. Critical to the plan are the timing and costs to remediate the facility and its product files. As all files required revalidation efforts in order to commence sales, all were classified as IPR&D. In the second quarter and the fourth quarter of 2017, Teva recorded \$43 million and \$110 million impairment, respectively, for IPR&D related to Rimsa. If it is determined that remediation will not be completed within the expected timeframe, Teva may conclude that additional impairment is necessary.

The table below summarizes the fair value of the assets acquired and liabilities assumed and resulting goodwill, prior to any goodwill impairments. The amounts were finalized in the first quarter of 2017.

	<u>U.S. \$ in millions</u>
Current assets ⁽¹⁾	\$ 97
Other non-current assets	144
Identifiable intangible assets:	
In-process research and development ⁽²⁾	338
Goodwill	<u>1,933</u>
Total assets acquired	<u>\$2,512</u>
Current liabilities	123
Deferred taxes and other non-current liabilities	<u>68</u>
Total liabilities assumed	<u>191</u>
Net assets acquired	<u>\$2,321</u>

- (1) As of the acquisition date, the fair value of trade receivables approximated the book value acquired. The gross contractual amount receivable was \$47 million, of which \$3 million was not expected to be collected.
- (2) The value of research and development in-process was calculated using cash flow projections discounted for the inherent risk in the projects.

Goodwill attributable to the acquisition following the updated valuations represents the expected benefits from Teva’s increased presence in the Mexican market and was allocated to the generics operating segment.

c. Assets and Liabilities Held For Sale:

Generics Assets in U.K. and Ireland

In order to complete the Actavis Generics acquisition, Teva was required by the U.S. Federal Trade Commission (“FTC”) and the European Commission to divest certain Actavis Generics and Teva products. On October 5, 2016, Teva entered into an agreement to sell certain assets and operations of Actavis Generics in the United Kingdom and Ireland. The transaction closed on January 9, 2017. Net proceeds from the sale of the assets amounted to \$677 million. As a result of the devaluation of the British pound, the transactional currency, against the U.S. dollar, a capital loss of \$52 million was recognized during the period in G&A expenses. The currency translation impact was reclassified to the statements of income out of accumulated other comprehensive income. See note 14e.

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Notes to Consolidated Financial Statements—(Continued)

Global Women's Health and Other Products

During September 2017, Teva entered into several agreements to sell certain non-core specialty products.

PARAGARD®, *PLAN B ONE-STEP®* and *Other Women's Health Products*

On November 1, 2017, Teva completed the sale of *PARAGARD®* a copper releasing intrauterine contraceptive manufactured and sold in the United States, to CooperSurgical for \$1.1 billion in cash. Additionally, on November 2, 2017, Teva completed the sale of Plan B One-Step® and Teva's value brands of emergency contraception to Foundation Consumer Healthcare for \$675 million in cash.

As a result of these transactions, the Company recognized a net gain on sale of approximately \$1.1 billion in the fourth quarter of 2017 within other income in the consolidated statement of (loss) income. The costs to sell for these divestitures of approximately \$15 million were recognized concurrently and included as a reduction to the net gain on sale.

Certain Women's Health and Other Specialty Products

On September 17, 2017, Teva entered into a definitive agreement under which CVC Capital Partners Fund VI will acquire a portfolio of products for \$703 million in cash. The portfolio of products, which is marketed and sold outside of the United States, includes the women's health products *OVALEAP®*, *ZOELY®*, *SEASONIQUE®*, *COLPOTROPHINE®* and other specialty products such as *ACTONEL®*. On January 31, 2018, Teva completed the sale of the portfolio of products to CVC Capital Partners Fund VI.

As of December 31, 2017, the Company accounted for this transaction as assets and liabilities held for sale and determined that the fair value less cost to sell exceeded the carrying value of the business. The Company included as part of the held for sale assets \$275 million of goodwill, which is the estimated fair value of goodwill associated with the divested business.

The Company determined that the sale of its global women's health businesses in connection with both pending and completed transactions did not constitute a strategic shift and that it did not and will not have a major effect on its operations and financial results. Accordingly, the operations associated with the transactions are not reported as discontinued operations.

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Notes to Consolidated Financial Statements—(Continued)

The table below summarizes the major classes of assets and liabilities included as held for sale as of December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
	(U.S. \$ in millions)	
Trade receivables	\$—	\$ 59
Inventories	39	63
Other current assets	—	1
Deferred income taxes	—	7
Property, plant and equipment, net	16	36
Identifiable intangible assets, net	236	675
Goodwill	<u>275</u>	<u>—</u>
Total assets of the disposal group classified as held for sale in the consolidated balance sheets	<u>\$566</u>	<u>\$841</u>
Trade payables and accrued expenses	\$—	\$ 83
Other current liabilities	—	10
Other taxes and long-term liabilities	<u>38</u>	<u>23</u>
Total liabilities of the disposal group classified as held for sale in the consolidated balance sheets ..	<u>\$ 38</u>	<u>\$116</u>

d. 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.

Alder BioPharmaceuticals®

On January 8, 2018, Teva signed a global license agreement with Alder BioPharmaceuticals (“Alder”). The agreement validates Teva's intellectual property 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 U.S. and worldwide, excluding Japan and Korea. Teva will receive a \$25 million upfront payment. The agreement stipulates additional milestone payments to Teva of up to \$175 million, as well as future royalties.

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 will fund and manage clinical development, driving all operational aspects of the phase 3 program, and Teva will lead the regulatory process and be responsible for commercialization. Upon FDA approval of AUSTEDO for the treatment of Tourette syndrome, Teva will pay Nuvelution a pre-agreed amount as compensation for their contribution to the partnership.

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

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Notes to Consolidated Financial Statements—(Continued)

fremanezumab 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 fremanezumab sales in Japan.

Attenukine™

In December 2016, Teva entered into a license agreement for research, development, manufacture and commercializing of Attenukine™ with a subsidiary of Takeda. Teva received a \$30 million upfront payment. The agreement stipulates additional milestone payments to Teva of up to \$280 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 two of Celltrion’s biosimilar products in development 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.

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 research and development costs of approximately \$1 billion. Teva made an upfront payment of \$250 million to Regeneron as part of the agreement and additional milestone payments of \$25 million and \$35 million in the second quarter of 2017 and January 2018, respectively.

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Notes to Consolidated Financial Statements—(Continued)

NOTE 3—FAIR VALUE MEASUREMENT:

Financial items carried at fair value as of December 31, 2017 and 2016 are classified in the tables below in one of the three categories described in note 1f:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	U.S. \$ in millions			
Cash and cash equivalents:				
Money markets	\$ 5	\$—	\$ —	\$ 5
Cash, deposits and other	958	—	—	958
Investment in securities:				
Equity securities	65	—	—	65
Structured investment vehicles	—	—	—	—
Other, mainly debt securities	14	—	18	32
Derivatives:				
Asset derivatives—options and forward contracts	—	17	—	17
Asset derivatives—cross-currency swaps	—	25	—	25
Liabilities derivatives—options and forward contracts	—	(15)	—	(15)
Liabilities derivatives—interest rate and cross-currency swaps	—	(98)	—	(98)
Contingent consideration*	—	—	(735)	(735)
Total	\$1,042	\$ (71)	\$ (717)	\$ 254

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	U.S. \$ in millions			
Cash and cash equivalents:				
Money markets	\$ 24	\$—	\$ —	\$ 24
Cash, deposits and other	964	—	—	964
Investment in securities:				
Equity securities	842	—	—	842
Structured investment vehicles	—	89	—	89
Other, mainly debt securities	14	—	17	31
Derivatives:				
Asset derivatives—options and forward contracts	—	10	—	10
Asset derivatives—cross-currency swaps	—	88	—	88
Liability derivatives—options and forward contracts	—	(17)	—	(17)
Liability derivatives—interest rate swaps	—	(2)	—	(2)
Contingent consideration*	—	—	(828)	(828)
Total	\$1,844	\$168	\$ (811)	\$1,201

* Contingent consideration represents liabilities recorded at fair value in connection with acquisitions.

Teva determined the fair value of 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 for product candidates including risks associated with uncertainty regarding achievement and payment of milestone events; the time and resources needed to complete the development and

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements—(Continued)

approval of product candidates; the life of the potential commercialized products and associated risks of obtaining regulatory approvals in the U.S. and Europe and the 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 under other asset impairments, restructuring and other items.

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, 2017	December 31, 2016
	U.S. \$ in millions	
Fair value at the beginning of the period	\$(811)	\$(811)
Investment in debt securities	—	16
Translation differences	(17)	18
Additional contingent consideration resulting from:		
Actavis Generics acquisition	—	(302)
Adjustments to provisions for contingent consideration:		
Actavis Generics transaction	(35)	—
Labrys acquisition	(40)	(6)
Eagle transaction	(178)	(179)
MicroDose acquisition	89	(8)
Cephalon acquisition	10	(12)
NuPathe transaction	—	122
Settlement of contingent consideration:		
Labrys acquisition	100	25
Eagle transaction	165	115
Cephalon acquisition	—	205
Gecko acquisition	—	6
Fair value at the end of the period	\$(717)	\$(811)

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.

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Notes to Consolidated Financial Statements—(Continued)

Financial instruments not measured at fair value

Financial instruments measured on a basis other than fair value are mostly comprised of senior notes and convertible senior debentures (see note 11), and are presented in the below table in terms of fair value:

	Estimated fair value*	
	December 31,	
	2017	2016
	(U.S. \$ in millions)	
Senior notes included under long-term liabilities	\$23,459	\$26,456
Senior notes and convertible senior debentures included under short-term liabilities	2,713	569
Fair value at the end of the period	\$26,172	\$27,025

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

NOTE 4—INVESTMENT IN SECURITIES:

a. Available-for-sale securities:

Available-for-sale securities are comprised mainly of debt securities and equity securities.

Investments in securities are classified based on the initial maturity as well as the intended time of realization.

At December 31, 2017 and 2016, the fair value, amortized cost and gross unrealized holding gains and losses of such securities were as follows:

	Fair value	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses
	(U.S. \$ in millions)			
December 31, 2017	\$102	\$103	\$19	\$20
December 31, 2016	\$986	\$985	\$44	\$43

In the second quarter of 2016, Teva recorded an impairment of \$99 million on its investment in Mesoblast.

During the third and fourth quarter of 2016, Teva sold and settled approximately five million of its Mylan shares, for an average price of \$39.3 per share, for an aggregate cash consideration of approximately \$202 million. Consequently, Teva recorded a \$5 million net loss under financial expenses-net.

As of December 31, 2016, following the decision to treat the investment as held for sale, the decline in fair value of the remaining Mylan shares was considered to be other-than-temporary and recorded as an expense in the consolidated statements of income. Consequently, Teva recorded an additional \$37 million loss under financial expenses-net, reflecting the difference between the book value and fair value of the shares as of December 31, 2016.

In the first quarter of 2017, Teva settled the remaining balance of approximately twelve million Mylan shares for an average price of \$40.2 per share for an aggregate cash consideration of approximately \$702 million. Consequently Teva recorded a \$36 million net gain under financial expenses-net. See note 17.

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Investments in securities are presented in the balance sheet as follows:

	December 31,	2017	2016
	(U.S. \$ in millions)		
Other current assets	\$	14	\$679
Other non-current assets		83	283
Cash and cash equivalents, mainly money market funds		5	24
		\$102	\$986

b. Contractual maturities:

The contractual maturities of debt securities are as follows:

	December 31,
	2017
	(U.S. \$ in millions)
2018	\$19
2021 and thereafter	18
	\$37

NOTE 5—INVENTORIES:

Inventories, net of reserves, consisted of the following:

	December 31,	2017	2016
	(U.S. \$ in millions)		
Finished products	\$2,689	\$2,832	
Raw and packaging materials	1,454	1,385	
Products in process	597	538	
Materials in transit and payments on account	184	199	
	\$4,924	\$4,954	

NOTE 6—PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, net, consisted of the following:

	December 31,	2017	2016
	(U.S. \$ in millions)		
Machinery and equipment	\$ 5,809	\$ 5,748	
Buildings	3,329	3,331	
Computer equipment and other assets	2,016	1,774	
Payments on account	634	634	
Land*	390	439	
	12,178	11,926	
Less—accumulated depreciation	4,505	3,853	
	\$ 7,673	\$ 8,073	

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* Land includes long-term leasehold rights in various locations, with useful lives of between 30 and 99 years.

Depreciation expenses were \$632 million, \$501 million and \$449 million in the years ended December 31, 2017, 2016 and 2015, respectively. During the years ended December 31, 2017, 2016 and 2015, Teva had impairments of property, plant and equipment in the amount of \$544 million, \$149 million and \$96 million, respectively. Refer to note 18.

NOTE 7—GOODWILL:

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2017 and 2016 were as follows:

	<u>Generics</u>	<u>Specialty</u>	<u>Other</u>	<u>Total</u>
	(U.S. \$ in millions)			
Balance as of January 1, 2016	\$ 8,465	\$9,420	\$1,140	\$ 19,025
Changes during year:				
Goodwill acquired and adjustments ⁽¹⁾	25,767	(29)	1,091	26,829
Goodwill disposed ⁽²⁾	(99)			(99)
Goodwill impairment ⁽³⁾	(900)			(900)
Translation differences	<u>(370)</u>	<u>(68)</u>	<u>(8)</u>	<u>(446)</u>
Balance as of December 31, 2016	\$ 32,863	\$9,323	\$2,223	\$ 44,409
Changes during year:				
Goodwill adjustments ⁽¹⁾	1,480		(560)	920
Goodwill disposed ⁽²⁾	(7)	(690)		(697)
Goodwill impairment ⁽⁴⁾	(16,500)		(600)	(17,100)
Goodwill reclassified as assets held for sale ⁽⁵⁾	—	(275)		(275)
Translation differences	<u>1,028</u>	<u>106</u>	<u>23</u>	<u>1,157</u>
Balance as of December 31, 2017	<u>\$ 18,864</u>	<u>\$8,464</u>	<u>\$1,086</u>	<u>\$ 28,414</u>

- (1) Goodwill recognized as part of the Actavis Generics, Anda, Takeda and Rimsa transactions in 2016. Goodwill adjustments in the current period represent measurement period adjustments on goodwill acquired in 2016.
- (2) Goodwill on divestiture of Teva Generic products as part of Actavis Generics acquisition and the U.S. Women's Health divestiture.
- (3) Represents Rimsa goodwill impairment. See note 2 for additional information.
- (4) Goodwill impairment is mainly attributable to the U.S. generics reporting unit.
- (5) Represent amounts related to the anticipated divestitures of the non U.S. women's health products. See note 2 for additional information.

Following the acquisition of Actavis Generics, Teva conducted an analysis of its business segments, which resulted in a change to Teva's segment reporting and goodwill assignment in the fourth quarter of 2016. Teva reallocated goodwill to its adjusted reporting units using a relative fair value approach.

Pursuant to the Company's policy, Teva conducted its annual impairment test during the fourth quarter of 2017, in conjunction with the preparation of its 2018 annual operating plan ("AOP"). The AOP was used as a base for a long range plan model, incorporating the impact of the restructuring plan that was announced on December 14, 2017. See note 18.

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Teva determines the fair value of its reporting units using a weighting of fair values derived from the income approach. The income approach is a forward-looking approach to estimating fair value. Within the income approach, the method that was used is the discounted cash flow method. Teva commenced with a forecast of all the expected net cash flows associated with the reporting units, which include 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 Teva's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions, which are reflective of market participants. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with country-specific characteristics.

Considering the steep decline in Teva's market capitalization in the second half of 2017 and considering additional adverse developments in its businesses during the fourth quarter of 2017, which are further described below, Teva recorded a goodwill impairment of \$11.0 billion in the fourth quarter, mainly attributable to goodwill associated with its U.S. generics reporting unit, in addition to the \$6.1 billion goodwill impairment that was recorded during the second quarter of 2017.

Generics reporting units

U.S. generics reporting unit

During the second quarter of 2017, Teva identified certain developments in the U.S. market, which negatively impacted Teva's outlook for its U.S. generics business. These developments included: (i) additional pricing pressure in the U.S. generics market as a result of customer consolidation into larger buying groups to extract further price reductions; (ii) accelerated FDA approval of additional generic versions of off-patent medicines, resulting in increased competition for these products; and (iii) delays in launches of certain of Teva new generic products. These developments caused Teva to revisit its assumptions supporting the cash flow projections for its U.S. generics reporting unit, including: (i) the expected duration and depth of price erosion and certain revenue growth assumptions; (ii) the associated operating profit margins; and (iii) the long term growth rate.

In estimating the discounted cash flow value of Teva's U.S. generics reporting unit as of the second quarter of 2017, Teva used the following key assumptions: Teva expected revenue and operating profits to continue to decline in 2018 and 2019, as its ability to successfully launch new generic products was not expected to offset or exceed the price and volume erosion for its existing portfolio prior to 2020, following which time, in 2020 and 2021, Teva expected to return to moderate growth. Teva assumed a terminal growth rate of 2% for the coming years, in line with recent general outlook, at the time, for the U.S. generics market. The resulting cash flow amounts were discounted using a weighted average cost of capital ("WACC") of 6.8%.

Based on the second quarter revised discounted cash flows analysis, Teva recorded a goodwill impairment of \$6.1 billion related to its U.S. generics reporting unit.

During the third quarter of 2017, Teva adjusted the projections for its U.S. generics reporting unit to reflect a potentially beneficial event, offset by further pricing pressure in the U.S. generics market, and concluded that no additional impairment was required.

During the fourth quarter of 2017, Teva noted further deterioration in the U.S. generics market and economic environment and further limitations on Teva's ability to influence generic medicines pricing in the long term and a decrease in value from future launches:

- ***Pricing challenges due to customer consolidation.*** In prior periods, it appeared to be reasonable that as price erosion in the generics market continued, other manufacturers would exit particular generic markets, resulting in opportunities to eventually reduce overall erosion with price increases for certain products with decreasing competition after the exit of other manufacturers. However, increasing

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consolidation among purchasers of generic medicines, particularly Group Purchasing Organizations (“GPOs”), has led to three such GPOs representing approximately 80% of generics purchases in the United States. This led to a continuation and increase in the trend of “lowest price” tenders. Therefore, it now appears likely that there will be few, if any, opportunities to increase prices even when other generics manufacturers exit a market.

- **Pricing challenges due to government regulation.** There is an increasing trend of enacting and proposing state-level legislation in the United States imposing penalties and/or restricting price increases, making pricing more challenging. The inconsistent rules across states add to the complexity of how to make decisions about the best economic outcome to maximize profit on a given generic product and the most restrictive law will likely restrict Teva’s business practices nationwide, as marketing, sales and pricing are typically not administered on a state-by-state basis. Restrictive bills have passed in at least seven states, including high-population states such as California and New York, and bills are in the process of being re-submitted in ten additional states where they were previously rejected, with approximately half of them already passed and/or submitted for vote by January 2018.
- **Increasing generic approvals.** The FDA is approving more generic formulations than they have in the past, which is affecting the value of already launched products. On January 3, 2018, the FDA commissioner announced new steps to facilitate efficient generic drug review to enhance competition, promote access and lower drug prices. The commissioner also stated that the FDA had several record-breaking months for the number of generic medicines approved, including November 2017, when it approved the highest number of generic medicines in the FDA’s history.

Being the first to market a generic version of a product, and particularly as the only company authorized to sell during the 180-day period of exclusivity in the U.S. market, can substantially increase sales, profits and profitability in the period following the introduction of such a 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. Pricing is generally higher during periods of limited competition. The FDA has also limited the availability of exclusive or semi-exclusive periods for new products with an increase in shared first to file awards, which reduces the economic benefit from being first-to-file for generic approvals.

In contrast to the FDA’s accelerated approval of additional generic versions of off-patent medicines, the rate of FDA approval for a generic version of originator drugs without generic competition has not significantly increased. Thus, Teva’s ability to launch profitable new products has not benefited from the FDA’s increased focus on approving generic applications. Additionally, much of Teva’s future pipeline is concentrated in complex or unique products coupled with devices, which take longer time for FDA approval.

- **Originator strategies to maintain market share.** Originator companies increasingly engage in strategies beyond authorized generics, to maintain market share of their originator drugs, reducing the value of newly launched complex or novel generics.
- **Changes to traditional distribution model.** 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, which Teva believes will limit its future growth in the U.S. generics market. For example: (i) in January 2018, several major hospital groups announced a plan to form a non-profit company that will provide U.S. hospitals with a number of generic drugs; (ii) 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; and (iii) the consolidation resulting from the merger announced in December 2017 between CVS Health and Aetna, if consummated, is expected to create a vertically integrated

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organization with increased control over the physician and pharmacy networks and, ultimately, over which medicines are sold to patients. Each of these events has the potential to drive further price erosion and limit the growth opportunities for Teva's U.S. generics unit.

- **U.S. tax reform.** Recently-enacted U.S. tax reform legislation is expected to limit Teva's ability to achieve targeted tax efficiencies compared to prior estimates. See note 15.

In response to these developments, Teva's recently appointed President and Chief Executive Officer, Kåre Schultz, and the management team that was reorganized under him, announced a comprehensive restructuring plan in December 2017, aimed to increase the profitability of Teva's U.S. generics business, among other things. This plan focuses on discontinuation of loss generating products and reductions of infrastructure costs, by closing facilities and executing divestments, as well as a reduction in R&D expenditures, focusing on fewer, more profitable opportunities to launch new generic medicines. In addition, Teva further evaluated its assumptions and approach to valuing its pipeline and related projections. Due to the increased risks and variables now impacting generics launches, Teva, with the assistance of a global consulting firm, used a "Monte Carlo" model to simulate the different outcomes for launch value to better predict the estimated value to be derived.

As a result of the factors discussed above, Teva adjusted certain of its assumptions used in its cash flow projections in the fourth quarter of 2017 to determine the fair value of its U.S. generics reporting unit. In comparison to previous periods, Teva expects less revenues and profitability from newly launched products as well as larger pricing declines. As a result, Teva estimates a longer period will pass before it returns to revenue and profitability growth in its U.S. generics reporting unit.

The resulting cash flow amounts were discounted using a slightly increased rate of 7.3% compared to prior quarters, reflecting market participants' assumptions regarding increased uncertainties in the U.S. generics market. Teva still assumes a terminal growth rate of 2%.

Based on the new estimates incorporating all of the above factors, Teva recorded a goodwill impairment of \$10.4 billion related to its U.S. generics reporting unit in the fourth quarter of 2017. The aggregate goodwill impairment related to Teva's U.S. generics reporting unit in 2017 was \$16.5 billion.

If Teva holds all other assumptions constant, a reduction in the terminal value growth rate by 0.1% or an increase in discount rate by 0.1% would each result in an additional impairment of approximately \$190 million and \$230 million, respectively.

If the conditions in the U.S. generics market continue to deteriorate more than anticipated, or if Teva is unable to execute its strategies or anticipated plans, it may be necessary to record further impairment charges in the future.

Other reporting units within generics

Teva concluded that the fair value of each of its remaining reporting units within its generics medicines segment continues to be in excess of its carrying value. The remaining goodwill allocated to these reporting units was approximately \$13.4 billion as of December 31, 2017. For these reporting units, the percentage excess of estimated fair value over carrying value, as of December 31, 2017, was 45.6% for Teva's Rimsa reporting unit, 4.6% for the European generics reporting unit and 4.1% for the ROW generics reporting unit.

Teva determined that the European and ROW generics reporting units are at risk of goodwill impairment in the future, due to the narrow margin between fair value and carrying value and also based on the sensitivity of the calculation of potential forecast revisions and/or changes in strategy in the business.

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The resulting cash flow amounts for European generics reporting unit were discounted using a rate of 8.4% reflecting market participants' assumptions regarding increased uncertainties and country-specific characteristics with a terminal growth rate of 1.8%. If Teva holds all other assumptions constant, a reduction in the terminal value growth rate by 0.5% or an increase in discount rate by 0.4% would each result in impairment. The goodwill allocated to this reporting unit was \$8.2 billion as of December 31, 2017.

The resulting cash flow amounts for ROW generics reporting unit were discounted using a rate of 8.8% reflecting market participants' assumptions regarding increased uncertainties and country-specific characteristics with a terminal growth rate of 3.5%. If Teva holds all other assumptions constant, a reduction in the terminal value growth rate by 0.3% or an increase in discount rate by 0.2% would each result in impairment. The goodwill allocated to this reporting unit was \$4.3 billion as of December 31, 2017.

In determining the fair value of these reporting units, Teva used a discounted cash flow analysis and applied the following key assumptions: expected revenue growth and operating profit margins including an estimate for price erosion and discount rate, among others.

If market conditions continue to deteriorate, or if Teva is unable to execute its strategies, it may be necessary to record further impairments in the future.

Specialty reporting unit

Teva adjusted its projections for its specialty reporting unit to reflect significant events that took place during 2017, mainly the FDA approval of a generic version of COPAXONE and the subsequent launch at risk of a competing product in the U.S. market, as well as the unfavorable clinical trial result for laquinimod and the favorable clinical trial results for AUSTEDO and fremanezumab. Teva reflected the expected implications of these developments in the cash flow projections and discounted the adjusted cash flow amounts by adding an additional risk premium of 2.3% to the discount rate of 7.3%, which Teva uses for most of its worldwide operations, applying a market participant view, to reflect the increased uncertainties in its specialty business.

The percentage difference between estimated fair value and estimated carrying value for the specialty reporting unit is 68.5%, following the impact of the above mentioned events.

Other reporting unit

Teva's other reporting unit consists primarily of its U.S. distribution business, Anda, which is negatively impacted by the outlook for generics, as revised in the fourth quarter of 2017. See "—U.S. generics reporting unit" above. Accordingly, management reduced the projected growth of this business, resulting in an impairment of \$600 million.

Market Capitalization

Teva analyzed the aggregate fair value of its reporting units as compared to its market capitalization in order to assess the reasonableness of the results of its cash flow projections used for its goodwill impairment analysis. The market capitalization was based on the outstanding shares and expected dilution from mandatory convertible preferred shares, multiplied by the average market share price for the 30 days following the restructuring plan announcement on December 14, 2017. Reflecting the recent adverse developments in its cash flow projections as described above, Teva assessed its fair value, net of debt, to be higher than both its equity value of \$19 billion and its market capitalization of \$21 billion, as of December 31, 2017. Management believes that its fair value assessment is reasonably supported by the current market capitalization.

Management will continue to monitor business conditions and will also consider future developments in its market capitalization when assessing whether additional goodwill impairment is required in future periods.

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NOTE 8—IDENTIFIABLE INTANGIBLE ASSETS:

Identifiable intangible assets consisted of the following:

	<u>Gross carrying amount net of impairment</u>		<u>Accumulated amortization</u>		<u>Net carrying amount</u>	
	<u>December 31,</u>					
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(U.S. \$ in millions)					
Product rights	\$21,011	\$18,180	\$8,276	\$6,460	\$12,735	\$11,720
Trade names	617	625	55	41	562	584
In-process research and development	4,343	9,183	—	—	4,343	9,183
Total	<u>\$25,971</u>	<u>\$27,988</u>	<u>\$8,331</u>	<u>\$6,501</u>	<u>\$17,640</u>	<u>\$21,487</u>

Whenever impairment indicators are identified for definite life intangible assets, Teva reconsiders the asset's estimated life, calculates the undiscounted value of the assets 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 by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams.

The more significant estimates and assumptions inherent in the estimate of the fair value of identifiable intangible assets include all assumptions associated with forecasting product profitability, including sales and cost to sell projections, research and development expenditure for ongoing support of product rights or continued development of IPR&D, 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.

Impairment of identifiable intangible assets amounted to \$3,238 million, \$589 million and \$265 million in the years ended December 31, 2017, 2016 and 2015, respectively, and are recorded in earnings under other asset impairments, restructuring and other items. See note 18.

Product rights and trade names

Product rights and trade names are assets presented at amortized cost. These assets represent a portfolio of pharmaceutical products from various categories with a weighted average life of approximately 11 years. Amortization of intangible assets amounted to \$1,444 million, \$993 million and \$838 million in the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, the estimated aggregate amortization of intangible assets for the years 2018 to 2022 is as follows: 2018—\$1,309 million; 2019—\$1,246 million; 2020—\$1,218 million; 2021—\$1,071 million and 2022—\$1,109 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)—\$3,535 million; LBR-101 (Labrys)—\$444 million; various generic products (Rimsa)—\$153 million and SD 809—multiple indications and SDJ60 idiopathic pulmonary fibrosis (Austedo)—\$211 million. IPR&D carry intrinsic risks that the asset might not succeed in advanced phases and may be impaired in future periods.

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Additional changes to research and development intangibles relate to reclassification to product rights following regulatory approvals, mainly AUSTEDO in 2017, and impairments of assets due to adverse development events, changes in projected launch date or changes in commercial projections related to products under development. An amount of \$1.3 billion was reclassified from IPR&D to product rights in connection with AUSTEDO, upon receipt of regulatory approval in the second quarter of 2017. In the third quarter of 2017, an additional amount of \$1.7 billion was reclassified from IPR&D to product rights in connection with the regulatory approval of AUSTEDO for a second indication.

NOTE 9—SALES RESERVES AND ALLOWANCES:

Sales reserves and allowances consisted of the following:

	December 31,	
	2017	2016
	(U.S. \$ in millions)	
Rebates	\$3,077	\$3,482
Medicaid and other governmental allowances	1,908	1,729
Chargebacks	1,849	1,584
Returns	780	844
Other	267	200
	\$7,881	\$7,839

NOTE 10—LONG-TERM EMPLOYEE-RELATED OBLIGATIONS:

a. Long-term employee-related obligations consisted of the following:

	December 31,	
	2017	2016
	(U.S. \$ in millions)	
Accrued severance obligations	\$ 91	\$120
Defined benefit plans	182	197
Total	\$273	\$317

As of December 31, 2017 and 2016, the Group had \$149 million and \$152 million, respectively, deposited in funds managed by financial institutions that are 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 \$156 million in 2018 to the pension funds and insurance companies in respect of its severance and pension pay obligations.

The main terms of the different arrangements with employees are described in below.

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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. According to the general collective pension agreement in Israel, Company deposits with respect to employees who were employed by the Company after the agreement took effect 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 the collective pension agreement effective 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.

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 2018; \$7 million in 2019; \$8 million in 2020; \$9 million in 2021; \$10 million in 2022 and \$53 million between 2023 to 2027. These amounts do not include amounts that may be paid to employees who cease working with the Company before their normal retirement age.

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NOTE 11—DEBT OBLIGATIONS:

a. Short-term debt:

	Weighted average interest rate as of December 31, 2017	Maturity	December 31,	
			2017	2016
(U.S. \$ in millions)				
Term loan JPY 28.3 billion	JPY LIBOR+0.25%	2018	\$ 251	—
Bank and financial institutions	11.67%	2018	1	15
Revolving credit facility	LIBOR+1.1375%	2017	\$ —	\$1,240
Term loan GBP 510 million	GBP LIBOR + 0.7%	2017	—	629
Term loan JPY 8.0 billion	JPY LIBOR+0.223%	2017	—	68
Convertible debentures	0.25%	2026	514	514
Current maturities of long-term liabilities			2,880	810
Total short term debt			<u>\$3,646</u>	<u>\$3,276</u>

Line of credit:

In November 2015, the Company entered into a \$3 billion five-year unsecured syndicated credit facility (which was increased to \$4.5 billion upon closing of the Actavis Generics acquisition, see note 2). In February 2018 the facility was decreased to \$3 billion. This revolving line of credit was not utilized as of December 31, 2017.

Convertible senior debentures

Teva 0.25% convertible senior debentures, due 2026, principal amount as of December 31, 2017 and 2016 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.

b. Long-term debt includes the following:

	Weighted average interest rate as of December 31,	Maturity	December 31,	December 31,
	2017		2017	2016
(U.S. \$ in millions)				
Senior notes EUR 1,750 million ⁽¹⁾	0.38%	2020	\$ 2,095	\$ 1,834
Senior notes EUR 1,500 million ⁽¹⁾	1.13%	2024	1,788	1,566
Senior notes EUR 1,300 million	1.25%	2023	1,550	1,357
Senior notes EUR 1,000 million	2.88%	2019	1,199	1,050
Senior notes EUR 750 million ⁽¹⁾	1.63%	2028	891	780
Senior notes EUR 700 million	1.88%	2027	837	733
Senior notes USD 3,500 million ⁽²⁾	3.15%	2026	3,492	3,491
Senior notes USD 3,000 million ⁽²⁾	2.20%	2021	2,996	2,995
Senior notes USD 3,000 million ^{(2),(3)}	2.80%	2023	2,992	2,991
Senior notes USD 2,000 million ⁽²⁾	1.70%	2019	2,000	2,000
Senior notes USD 2,000 million ⁽²⁾	4.10%	2046	1,984	1,984

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	Weighted average interest rate as of December 31, 2017	Maturity	December 31, 2017	December 31, 2016
	%		(U.S. \$ in millions)	
Senior notes USD 1,500 million ⁽²⁾	1.40%	2018	1,500	1,498
Senior notes USD 844 million ⁽⁴⁾	2.95%	2022	864	868
Senior notes USD 789 million	6.15%	2036	781	781
Senior notes USD 700 million	2.25%	2020	700	700
Senior notes USD 613 million ⁽⁴⁾	3.65%	2021	624	626
Senior notes USD 588 million	3.65%	2021	587	587
Senior notes CHF 450 million	1.50%	2018	461	442
Senior notes CHF 350 million ⁽⁵⁾	0.50%	2022	360	344
Senior notes CHF 350 million ⁽⁵⁾	1.00%	2025	360	345
Senior notes CHF 300 million ⁽⁵⁾	0.13%	2018	308	295
Fair value hedge accounting adjustments			(2)	(2)
Total senior notes			28,367	27,265
Term loan USD 2.5 billion ⁽⁶⁾	LIBOR +1.1375%	2018	285	2,500
Term loan USD 2.5 billion ⁽⁶⁾	LIBOR +1.50%	2017-2020	2,000	2,500
Term loan JPY 58.5 billion ⁽⁷⁾	JPY LIBOR +0.55%	2022	519	—
Term loan JPY 65 billion ⁽⁸⁾	0.99%	2017	—	560
Term loan JPY 35 billion	1.42%	2019	311	299
Term loan JPY 35 billion	JPY LIBOR +0.3%	2018	311	299
Total loans			3,426	6,158
Debentures USD 15 million	7.20%	2018	15	15
Other	7.46%	2026	5	9
Total debentures and others			20	24
Less current maturities			(2,880)	(810)
Derivative instruments			2	2
Less debt issuance costs			(106)	(115)
Total long-term debt			<u>\$28,829</u>	<u>\$32,524</u>

Certain of Teva's loan agreements include restrictive covenants, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. Approximately \$3.7 billion of Teva's debt is subject to such covenants and, under specified circumstances, including non-compliance with such covenants and the unavailability of any waiver, amendment or other modification thereto and the expiration of any applicable grace period thereto, substantially all other debt could be negatively impacted by non-compliance with such covenants.

As of December 31, 2017, Teva was in compliance with all applicable financial ratios. Teva continues to take steps to reduce its debt levels and improve profitability to ensure continual compliance with the financial maintenance covenants. Based on its current forecast for the next twelve months from the date of issuance of these financial statements, Teva expects to remain in compliance with these financial covenants after taking into consideration the effect of implementation of certain cost-efficiency initiatives, such as rationalization of its plants, selling and marketing, general and administrative and research and development spend, which would allow Teva to continue to comply with the financial covenants. Teva has amended such covenants in the past, including the net debt to EBITDA ratio covenant to permit a higher ratio, most recently on February 1, 2018. Although Teva has successfully negotiated amendments to its loan agreements in the past, Teva cannot guarantee that it will be able to amend such agreements on terms satisfactory to it, or at all, if required to maintain

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compliance in the future. If Teva experiences lower than required earnings and cash flows to continue to maintain compliance and efforts could not be successfully completed on commercially acceptable terms, Teva may curtail additional planned spending, may divest additional assets in order to generate enough cash to meet its debt requirements and all other financial obligations.

- (1) In July 2016, in connection with the anticipated closing of the Actavis Generics acquisition, Teva Pharmaceutical Finance Netherlands II B.V., a Teva finance subsidiary, issued senior notes in an aggregate principal amount of €4.0 billion.
- (2) In July 2016, in connection with the anticipated closing of the Actavis Generics acquisition, Teva Pharmaceutical Finance Netherlands III B.V., a Teva finance subsidiary, issued senior notes in an aggregate principal amount of \$15.0 billion.
- (3) In the fourth quarter of 2016, Teva entered into interest rate swap agreements designated as fair value hedge relating to its 2.8% senior notes due 2023 with respect to \$500 million notional amount of outstanding debt.
- (4) In the third quarter of 2016, Teva terminated interest rate swap agreements designated as fair value hedge relating to its 2.95% senior notes due 2022 with respect to \$844 million notional amount and its 3.65% senior notes due 2021 with respect to \$450 million notional amount.
- (5) In July 2016, in connection with the anticipated closing of the Actavis Generics acquisition, Teva Pharmaceutical Finance Netherlands IV B.V., a Teva finance subsidiary, issued senior notes in an aggregate principal amount of CHF 1.0 billion.
- (6) In August 2016, upon closing of the Actavis Generics acquisition, Teva borrowed \$5 billion under its term loan facilities with a syndicate of banks. The term facilities consists of two tranches of \$2.5 billion each, with the first tranche maturing in full in 2018 and the second tranche maturing in 2020 with payment installments each year (10% to be repaid in each of 2017 and 2018, 20% to be repaid in 2019 and the remaining 60% to be repaid in 2020).

In November 2017 Teva prepaid \$2.2 billion principle amount of its first tranche term loan maturing in 2018. In August 2017 Teva repaid at maturity \$250 million principle amount of its second tranche term loan 2017 payment instalment.

In September and November 2017 Teva prepaid \$170 million and \$80 million respectively, principle amount of its second tranche term loan 2018 payment instalment.
- (7) In March 2017 Teva entered into a JPY 86.8 billion term loan agreement with a syndicate of banks, consisting of two tranches, JPY 58.5 billion with five years maturity and JPY 28.3 billion with one year maturity with an optional six month extension recorded under short-term debt.
- (8) In April 2017 Teva repaid at maturity JPY 65.5 billion principle amount of its 0.99% term loan.

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, 2017 is effectively denominated (taking into consideration cross currency swap agreements) in the following currencies: U.S. dollar 64%, euro 31%, Japanese yen 3% and Swiss franc 2%. Certain loan agreements and debentures contain restrictive covenants, mainly the requirement to maintain certain financial ratios. As of December 31, 2017, the Company met all financial covenants.

The Company and certain subsidiaries entered into negative pledge agreements with certain banks and institutional investors. Under the agreements, the Company and such subsidiaries have undertaken not to register

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floating charges on assets in favor of any third parties without the prior consent of the banks, to maintain certain financial ratios and to fulfill other restrictions, as stipulated by the agreements.

The required annual principal payments of long-term debt, excluding debt issuance cost as of December 31, 2017, starting with the year 2019, are as follows:

	December 31, 2017
	(U.S. \$ in millions)
2019	\$ 4,010
2020	4,295
2021	4,207
2022	1,743
2023 and thereafter	14,680
	<u>\$28,935</u>

NOTE 12—OTHER INCOME:

	Year ended December, 31		
	2017	2016	2015
	(U.S. \$ in millions)		
Gains on divestitures ⁽¹⁾	\$1,083	\$720	\$ 45
Gains on litigation settlements ⁽²⁾	83	20	25
Gains on sale of assets	11	10	44
Other, net	22	19	52
Total other income	<u>\$1,199</u>	<u>\$769</u>	<u>\$166</u>

(1) Gain related to the divestment of women's health products in 2017 and certain Actavis Generics and Teva products in 2016, in order to comply with FTC and European Commission requirements following Actavis Generics acquisition. See Note 2.

(2) Mainly due to income related to a legal recovery in Canada.

NOTE 13—COMMITMENTS AND CONTINGENCIES:

a. Commitments:

Preferred dividends:

As to dividends in respect of mandatory convertible preferred shares, see note 14b.

Operating leases:

As of December 31, 2017, minimum future rentals under operating leases of buildings, machinery and equipment for periods in excess of one year were as follows: 2018—\$160 million; 2019—\$132 million; 2020—\$100 million; 2021—\$73 million; 2022—\$51 million; 2023 and thereafter—\$75 million.

The lease fees expensed in each of the years ended December 31, 2017, 2016 and 2015 were \$200 million, \$164 million and \$122 million, respectively.

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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.

Royalty expenses are reported in cost of goods sold if related to the acquisition of a product, and if not are included in sales and marketing expenses. The royalty expense in each of the years ended December 31, 2017, 2016 and 2015 were \$956 million, \$814 million and \$911 million, respectively.

Milestone commitments:

The Company is committed to paying milestone payments which are contingent upon the achievement of certain regulatory milestones and sales targets. As of December 31, 2017, were all milestones and targets, for compounds in Phase II and more advanced stages of development, to be achieved, the total contingent payments could reach an aggregate of up to approximately \$407 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.

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.

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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, where Teva has in recent years increased the number of launches of its generic versions of branded pharmaceuticals prior to the expiration of the innovator's patents. 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 December 2012, Endo International ("Endo") sued Actavis Inc. and Actavis South Atlantic LLC (collectively "Actavis"), subsidiaries of Teva, in New York federal court for infringement of patents expiring in 2023 (the "Endo Patents"). The lawsuit followed the launch by Actavis of its 7.5 mg and 15 mg oxymorphone extended-release tablets, which were the AB-rated generic versions of the original formulation of Endo's Opana® ER. According to Endo's annual report, Opana® ER had net sales of approximately \$299 million for the twelve months ended December 31, 2012. In September 2013, Actavis launched additional strengths of its product. In August 2015, the court found two of the Endo Patents valid and infringed, and on April 29, 2016, enjoined Actavis from selling its oxymorphone ER products. Actavis has appealed these rulings. In addition, in November 2014, Endo and Mallinckrodt sued Actavis in Delaware federal court, alleging that sales of the Actavis oxymorphone ER products infringe another patent that expires in 2029, which Endo had licensed from Mallinckrodt (the "Mallinckrodt Patent"). Trial in that case took place in February 2017, and in August 2017, the Delaware court issued a decision finding the Mallinckrodt Patent valid and infringed. Actavis is appealing this ruling as well. On August 17, 2017, Actavis, Endo, and Mallinckrodt entered into a partial settlement agreement, which resolved any damages claim arising from Actavis' past sales. However, Actavis' appeals of the findings of validity and infringement of the Endo Patents and the Mallinckrodt Patent remain pending. A provision has been included in the financial statements for this matter.

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

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tablets (the generic version of GSK's Coreg®) in September 2007. Teva vigorously disputed GSK's claims on the merits and also disputed the amount and nature of GSK's alleged damages. A seven-day jury trial began on June 12, 2017. On June 20, 2017, 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. Teva has filed post-trial motions for judgment as a matter of law asking the court to overturn the jury verdict on inducement, invalidity, and the award of lost profits damages, and GSK has filed post-trial motions asking the court to increase the damages amount in light of the willful infringement finding and to set the interest rate(s) to be applied to the total damages amount. A hearing on post-trial motions was held on October 26, 2017, and the parties await the court's ruling on the motions. At a later date, a separate bench trial will be held by the court to address Teva's legal and equitable defenses, which could either bar or limit GSK's claims and damages. Depending on the outcome of such trial, Teva may decide to appeal. Even if Teva is found liable for infringement, Teva would be permitted to continue selling its carvedilol products as the patent-in-suit has expired. A provision has been included in the financial statements for this matter.

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)"). Teva commenced sales in the first quarter of 2015. At the time of Teva's launch, annual sales of Velcade were approximately 94 million Canadian dollars. 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 counter claim 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. On December 20, 2017, Teva entered into an agreement with Janssen and Millenium which limits the damages payable by either party depending on the outcome of the infringement/impeachment action. As a result, the most Janssen and Millenium could recover is 200 million Canadian dollars (approximately \$159 million) plus post-judgment interest. The trial, which is limited to the issue of patent validity and infringement, began on January 29, 2018 and is ongoing. In addition to the potential damages that could be awarded, if Janssen and Millenium ultimately were successful in their allegations of patent infringement, Teva could be enjoined from further sales of its bortezomib product.

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 commercial insurance it desires, or any commercial insurance on reasonable terms, in all of its markets.

Teva and/or its subsidiaries, including Watson Laboratories, Inc. ("Watson") and Actavis Elizabeth LLC ("Actavis Elizabeth"), have been named as defendants in approximately 4,000 product liability lawsuits brought against them and other manufacturers by approximately 4,400 plaintiffs claiming injuries (including allegations of neurological disorders, such as tardive dyskinesia) from the long-term use of metoclopramide (the generic form of Reglan®). In the beginning of 2018, plaintiffs reached the agreed upon participation threshold percentage and settlement was paid in January 2018. For over 20 years, the FDA-approved label for metoclopramide has contained warning language about the risk of tardive dyskinesia, and that the risk of developing the disorder increases with duration of treatment and total cumulative dose. In February 2009, the FDA announced that

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manufacturers of metoclopramide would be required to revise the label, including the addition of a “black box” warning about the risk of tardive dyskinesia resulting from long-term usage. In October 2015, Actavis Elizabeth reached an agreement in principle to resolve the vast majority of the cases pending against it. In January 2017, Teva and/or its other subsidiaries involved in the litigation also reached an agreement to resolve the vast majority of the cases pending against them, subject to participation by a certain percentage of plaintiffs. At the beginning of 2018, plaintiffs met the participation threshold, and over 99% of the cases will be dismissed with prejudice. A provision has been included in the financial statements for these matters.

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 trebled 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 United States 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 brought by King Drug Company of Florence, Inc. on behalf of itself and as a proposed class action on behalf of any other person or entity that purchased PROVIGIL directly from Cephalon (the “Direct Purchaser

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Class”). Similar allegations were made in other complaints, including those filed on behalf of a proposed class of end payers of PROVIGIL (the “End Payer Class”), by certain individual end payers, by certain retail 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. This decision was affirmed on appeal in April 2013. Teva has either settled or reached agreements in principle to settle with all of the plaintiffs in the Philadelphia Modafinil Action. However, one of the end payers, United Healthcare Services, took the position that it is not bound by the settlement that was agreed to on its behalf and brought a separate action in Minnesota federal court, which has been transferred to the U.S. District Court for the Eastern District of Pennsylvania, where Teva has also filed suit to enforce the settlement. The suit to enforce the settlement has been scheduled for trial beginning on April 23, 2018.

Additionally, Cephalon and Teva have reached a settlement with 48 state attorneys general, which was approved by the court on November 7, 2016. Certain other claimants, including the State of California, have given notices of potential claims related to these settlement agreements. Teva has produced documents in response to two subpoenas issued by the California Attorney General’s office as part of its ongoing investigation of generic competition to PROVIGIL.

In May 2015, Cephalon entered into a consent decree with the FTC 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. Under the 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 settlement fund does not cover any judgments or settlements outside the United States.

Following an investigation initiated by the European Commission in April 2011 regarding a modafinil patent settlement in Europe, the 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. Teva submitted its defense in writing and will also have the right to request an oral hearing before the Commission makes its final decision. The sales of modafinil in the European Economic Area during the last full year of the alleged infringement amounted to EUR 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 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 direct purchaser plaintiffs filing separately), and the various actions were consolidated in a multidistrict litigation in Georgia federal court. Discovery in these actions is now closed; the defendants filed various summary judgment motions on September 29, 2017, which plaintiffs opposed on December 12, 2017. Annual sales of AndroGel® 1% at the time of the settlement were approximately \$350 million, and annual sales of the AndroGel franchise (AndroGel® 1% and AndroGel® 1.62%) were approximately \$140 million and \$1.05 billion, respectively, at the time Actavis launched its generic version of AndroGel® 1% in November 2015.

Teva subsidiaries Barr Laboratories, Inc. (“Barr”) and The Rugby Group (“Rugby”) were sued in actions in California, Kansas and Florida state courts by plaintiffs alleging that a January 1997 patent litigation settlement agreement between Barr, Rugby (then a subsidiary of Sanofi Aventis) and Bayer Corporation concerning the antibiotic ciprofloxacin was anticompetitive and violated state antitrust and consumer protection laws. In addition, Rugby is also named as a defendant in a Tennessee action. All of the litigation relating to such patent

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litigation settlement agreement have either settled or are inactive. In the California case, the trial court granted defendants' summary judgment motions, and in May 2015, the California Supreme Court reversed and remanded the case to the trial court for a rule of reason inquiry. On January 18, 2017, Barr agreed to settle with plaintiffs for \$225 million and a provision has been included in the financial statements. On April 21, 2017, the court granted final approval of the settlement. Two class members who have objected to the settlement have filed an appeal of the court's ruling granting final approval.

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 United States 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 on August 21, 2017, the Third Circuit reversed the district court's decision and remanded for further proceedings. On November 20, 2017, Teva and Wyeth filed a petition for a writ of certiorari in the United States Supreme Court, which remains pending, and litigation has resumed before the district court. Annual sales of Effexor® XR were approximately \$2.6 billion at the time of settlement and at the time generic versions were launched 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. In January 2014, the court denied the direct purchaser plaintiffs' motion for reconsideration and affirmed its original dismissal. In June 2015, the Third Circuit reversed and remanded for further proceedings. On February 19, 2016, Teva and GSK filed a petition for a writ of certiorari in the United States Supreme Court, which was denied on November 7, 2016. In the meantime, litigation resumed before the district court. Annual sales of Lamictal® were approximately \$950 million at the time of the settlement, and approximately \$2.3 billion at the time generic competition commenced 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. 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. Further proceedings in the California action have been stayed pending resolution of Defendants' petition for writ of mandate or prohibition filed with the Court of Appeal, Fourth Appellate District, which seeks an order vacating the Superior Court's denial of Defendants' motion to strike all claims for restitution and civil penalties to the extent they are not limited to alleged activity in Orange County. Annual sales of Niaspan® were approximately \$416 million at the time of the settlement and approximately \$1.1 billion at the time generic competition commenced 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, and

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the cases have been consolidated as a multidistrict litigation in federal court in California. Defendants moved to dismiss, and in November 2014, the court granted the motions in part but denied them with respect to the claims under Section 1 of the Sherman Act. Plaintiffs then filed amended consolidated complaints in December 2014, and additional complaints have followed from retailers acting in their individual capacities. On February 21, 2017, the court granted both the indirect purchaser plaintiffs' and the direct purchaser plaintiffs' motions for class certification. Discovery in these cases is now closed. In January 2018, we reached agreements in principle with the various plaintiff groups to settle the multidistrict litigation. The FTC has 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 voluntarily dismissed those claims in October 2016, but in January 2017, it re-filed the claims, 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, is pending. On February 3, 2017, the State of California filed a complaint against Allergan and Watson, and that complaint has also been assigned to the California court presiding over the multidistrict litigation. After the FTC dismissed its claims in Pennsylvania, but before it re-filed them in California, Watson and Allergan filed suit against the FTC in the same Pennsylvania federal court where the agency had initially brought its lawsuit, seeking a declaratory judgment that the FTC's claims are not authorized by statute, or, in the alternative, that the FTC does not have statutory authority to pursue a disgorgement remedy. That declaratory judgment action remains pending, and on March 28, 2017, the court in California stayed the FTC's claims against Allergan and Watson pending there, and on October 27, 2017, entered a stipulation staying the State of California's claims against Allergan and Watson, pending the outcome of the declaratory judgment action in Pennsylvania. Annual sales of Lidoderm® at the time of the settlement were approximately \$1.2 billion, and were approximately \$1.4 billion at the time Actavis launched its generic version in September 2013.

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. Teva and BI's motion to dismiss was denied in March 2015. 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. Annual sales of Aggrenox® were approximately \$340 million at the time of the settlement and approximately \$455 million at the time generic competition began in July 2015. Teva has settled with the putative class of direct purchasers. The settlement was approved by the Court on December 18, 2017. Teva has also settled with the opt out direct purchaser plaintiffs. On January 8, 2018, Teva reached an agreement to settle with the end payer class plaintiffs. That settlement has been filed for preliminary approval. A provision has been included in the financial statements for this matter.

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 Acto plus 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 (including Takeda's December 2010 settlement agreement with Teva) violated the antitrust laws. The Court dismissed the end payer lawsuits against all defendants in September 2015. In October 2015, the end payers appealed that ruling, and on March 22, 2016, a stipulation was filed dismissing Teva and the other generic defendants from the appeal. 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 after the Second Circuit's decision. Defendants had moved to dismiss the direct purchasers' original complaint and supplemental briefing

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on that motion based on the new allegations in the amended complaint was completed on June 29, 2017. At the time of the settlement, annual sales of Actos[®] were approximately \$3.7 billion and annual sales of ACTO plus Met[®] were approximately \$500 million. At the time generic competition commenced in August 2012, annual sales of Actos[®] were approximately \$2.8 billion and annual sales of ACTO plus Met[®] were approximately \$430 million.

In June 2014, two groups of end payers sued AstraZeneca and Teva, as well as Ranbaxy and Dr. Reddy's, in the Philadelphia Court of Common Pleas for violating the antitrust laws by entering into settlement agreements to resolve the esomeprazole (generic Nexium[®]) patent litigation (the "Philadelphia Esomeprazole Actions"). These end payers had opted out of a class action that was filed in the Massachusetts federal court in September 2012 and resulted in a jury verdict in December 2014 in favor of AstraZeneca and Ranbaxy (the "Massachusetts Action"). Prior to the jury verdict, Teva settled with all plaintiffs in the Massachusetts Action for \$24 million. The allegations in the Philadelphia Esomeprazole Actions are nearly identical to those in the Massachusetts Action. The Philadelphia Esomeprazole Actions were stayed pending resolution of the Massachusetts Action, which was on appeal to the First Circuit with respect to the claims against the non-settling defendants AstraZeneca and Ranbaxy. On November 21, 2016, the First Circuit affirmed the district court's judgment in favor of AstraZeneca and Ranbaxy, and the plaintiffs' petitions for rehearing and rehearing en banc were denied on January 10, 2017.

In September 2014, the FTC sued AbbVie Inc. and certain of its affiliates ("AbbVie") and Teva in the U.S. District Court for the Eastern District of Pennsylvania alleging that they violated the antitrust laws when they entered into a settlement agreement to resolve the AndroGel[®] patent litigation and a supply agreement under which AbbVie would supply authorized generic product for TriCor[®] to Teva. 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 granted Teva's motion to dismiss the FTC's claim as to Teva. The FTC's motions for reconsideration and for entry of partial final judgment to permit an immediate appeal were denied, so the FTC cannot appeal the dismissal until its claims against AbbVie are resolved. The Court granted the FTC's summary judgment motion that AbbVie's patent infringement lawsuit against Teva in the AndroGel patent litigation was objectively baseless. The trial for the FTC's case against AbbVie is scheduled to commence on February 7, 2018.

Since May 2015, two lawsuits have been filed in the U.S. District Court for the Southern District of New York by a purported class of direct purchasers of, and a purported class of end payers for, Namenda IR[®] (memantine hydrochloride) against Forest Laboratories, LLC ("Forest") and Actavis PLC, the innovator, and several generic manufacturers, including Teva. Teva is only a defendant in the end payer case and defendants moved to dismiss the claims made by the end payers. The lawsuits allege, among other things, that the settlement agreements between Forest and the generic manufacturers (including Forest's November 2009 settlement agreement with Teva) violated the antitrust laws. On September 13, 2016, the court denied defendants' motions to dismiss, but stayed the cases with respect to the claims brought under state law, which are the only claims asserted against Teva. Annual sales of Namenda IR[®] at the time of the settlement were approximately \$1.1 billion, and are currently approximately \$1.4 billion.

On March 8, 2016 and April 11, 2016, certain Actavis subsidiaries in the United Kingdom, including Auden Mckenzie Holdings Limited, received notices from the U.K. Competition and Markets Authority ("CMA") that it had launched formal investigations under Section 25 of the Competition Act of 1998 ("Competition Act") into suspected breaches of competition law in connection with the supply of 10mg and 20mg hydrocortisone tablets. On December 16, 2016, the CMA issued a statement of objections (a provisional finding of infringement of the Competition Act) in respect of certain allegations against Actavis UK and Allergan, which was later reissued to include certain Auden Mckenzie entities. A response was submitted and an oral hearing was held. On

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December 18, 2017, the CMA issued a Statement of Draft Penalty Calculation, although no final decision regarding infringement has yet been taken by the CMA. On March 3, 2017, the CMA issued a second statement of objection in respect of certain additional allegations (relating to the same products and covering part of the same time period as for the first statement of objections) against Actavis UK, Allergan, and a number of other companies, which was later reissued to include certain Auden Mckenzie entities. A response was submitted and an oral hearing was held. On January 9, 2017, Teva completed the sale of Actavis UK to Accord Healthcare Limited, pursuant to which Teva will indemnify Accord for fines imposed by the CMA and/or damages awarded by a court on Actavis UK as a result of the investigations in respect of conduct prior to the closing date of the sale. 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. A liability for this matter has been recorded in purchase accounting related to the acquisition of Actavis Generics. Further to our Master Purchase Agreement with Allergan whereby Teva agreed to indemnify Allergan for liabilities related to acquired assets, Teva agreed with Allergan to settle and release Teva's indemnity claim and Allergan's potential losses arising from the CMA in connection with this matter, pursuant to the agreement the parties entered into on January 31, 2018. See note 3.

In November 2016, three putative indirect purchaser class actions were filed in federal courts in Wisconsin, Massachusetts and Florida against Shire U.S., Inc. and Shire LLC (collectively, "Shire") and Actavis, 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. On December 30, 2016 and January 11, 2017, two additional similar actions were filed, also in Massachusetts federal court, against Shire and Actavis or Teva (as successor to Actavis) by putative classes of direct purchaser plaintiffs. All five cases are now in Massachusetts federal court, and on March 10, 2017, both the indirect purchaser plaintiffs and the direct purchaser plaintiffs filed consolidated amended complaints. Annual sales of Intuniv[®] were approximately \$335 million at the time of the settlement, and approximately \$327 million at the time generic competition began in 2014.

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 specialty 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, including certain Actavis subsidiaries, relating to reimbursements or drug price reporting under Medicaid or other programs. Such price reporting is alleged to have caused governments and others to pay inflated reimbursements for covered drugs. Teva and its subsidiaries have reached settlements in most of these cases, and remain parties to active litigation in Illinois. The Actavis subsidiaries remain parties to active litigation in Illinois and Utah. A provision for the cases has been included in the financial statements. Trial in the Illinois case against Teva concluded in the fourth quarter of 2013, and post-trial briefing was submitted. On June 28, 2017, after several years, the court issued a Memorandum Order After Trial finding liability against Teva, but reserved its decision on damages. The court is expected to order additional process on the issue of damages. The State of Illinois is seeking approximately \$100 million in compensatory damages. Any such damages ultimately awarded by the court are subject to automatic trebling. In addition, the state is seeking unspecified statutory penalties that

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could range, depending on the method used for calculation, from a de minimis amount to well over \$100 million. Teva denies any liability and sought reconsideration of the court's June 28, 2017 order, which was denied. Teva will continue to argue that any damages and penalties should be significantly less than the amount sought by the state. In August 2013, in the Mississippi case against Watson, the court ruled in favor of the state, awarding \$12.4 million in compensatory damages and civil penalties. In March 2014, the court awarded the state an additional \$17.9 million in punitive damages. A provision for these amounts has been included in the financial statements. Watson appealed both the original and the punitive damage awards. On January 11, 2018, the Mississippi Supreme Court affirmed the judgment in favor of the State of Mississippi and against Watson in all respects. In Utah, claims against Watson that were dismissed in their entirety by the trial court are now on appeal.

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 December 2009, the U.S. District Court for the District of Massachusetts unsealed a complaint alleging that numerous drug manufacturers, including certain Teva subsidiaries (including Actavis), violated the federal False Claims Act in connection with Medicaid reimbursement for certain vitamins, dietary supplements and DESI (Drug Efficacy Study Implementation) products that were allegedly ineligible for reimbursement. The U.S. Department of Justice ("DOJ") declined to join in the matter. The defendants, including Teva, filed a motion to dismiss, which was granted in February 2013. The plaintiffs' deadline to appeal the dismissal has not yet expired.

In March 2013, a federal False Claims Act complaint filed against Cephalon in the U.S. District Court for the Southern District of New York was unsealed. The case was transferred to the Eastern District of Pennsylvania. The complaint alleges off-label promotion of TREANDA® and FENTORA®. The court granted Cephalon's motion to dismiss the FENTORA claims and denied Cephalon's motion to dismiss the TREANDA claims. In January 2014, a separate federal False Claims Act complaint that had been filed in the U.S. District Court for the Eastern District of Pennsylvania was served on Cephalon. The complaint alleges off-label promotion of FENTORA, NUVIGIL® and PROVIGIL. The court dismissed the FENTORA claims and denied Cephalon's motion to dismiss the PROVIGIL and NUVIGIL claims. In August 2015, Cephalon submitted a motion to modify the court's order denying its motion to dismiss the relators' PROVIGIL claims. In February 2016, the court granted Cephalon's motion for judgment on the pleadings as to PROVIGIL claims that allegedly occurred prior to February 28, 2008. The relators' motion for reconsideration was denied without prejudice. Teva has settled both of these matters and a provision has been included in the financial statements in 2017.

In September 2013, the State of Louisiana filed a petition seeking penalties and unspecified damages against 54 pharmaceutical companies, including Teva and Actavis. The complaint alleges that the defendants defrauded the state by falsely representing that their products were FDA-approved drugs, which allegedly caused Louisiana's state Medicaid program to pay millions of dollars in reimbursement claims for products that it would not otherwise have covered. The case was dismissed without prejudice in September 2015, with the court finding that the state was not a proper plaintiff. The state appealed, and on October 21, 2016 the state court of appeals affirmed the trial court's ruling in part and reversed in part. The state and the defendants appealed to the Louisiana Supreme Court, which denied all parties' appeals on March 13, 2017, and remanded the case to the trial court. On March 31, 2017 the trial court ordered all defendants to respond to the first amended petition on or before May 11, 2017. The defendants filed motions challenging the remaining claims and, on August 9, 2017, the trial court entered a judgment sustaining, in part, the defendants' challenge. On October 3, 2017, in response to the state's request for reconsideration, the court affirmed its decision and further limited the state's sole remaining claim. The defendants filed a writ of certiorari with the state court of appeals on October 24, 2017, seeking reversal of the aspect of the trial court's August 9, 2017 decision that did not dismiss all of the state's remaining claims, which writ application remains pending.

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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, which revealed that the U.S. Attorney had notified the court in November 2014 that it had declined to intervene in and proceed with the lawsuit. The qui tam relators, however, are moving forward with the lawsuit. In June 2015, Teva filed motions to dismiss the complaint. In February 2016, the court stayed its decision on the relators' claims based on state and local laws, 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, which Teva answered in April 2016. The parties are currently engaged in discovery. Beginning in May 2014 various 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 and states across the country. Actions currently pending against Teva and its affiliates have been brought by the states of Ohio, Mississippi, New Mexico and Oklahoma. Additional actions brought by various subdivisions and state agencies are pending in both State and Federal Court in the following jurisdictions: Alabama, Arkansas, California, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Mississippi, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Puerto Rico, South Dakota, Tennessee, Texas, Washington, Wisconsin and West Virginia. The Federal cases have been consolidated into an MDL in the Northern District of Ohio. In addition to the complaints filed by states, state agencies, and other political subdivisions, private class action lawsuits have been filed in Arkansas, Massachusetts, Ohio and Pennsylvania. Four counties in West Virginia and one county in Florida have commenced an action against Anda, Inc. (and other distributor and manufacturer defendants) alleging that Anda, Inc. failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the diversion of such products to individuals who used them for other than legitimate medical purposes. The complaints, asserting claims under similar provisions of different state law, generally contend that the defendants allegedly engaged in improper marketing of opioids, including ACTIQ[®] and FENTORA and seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. None of the complaints specifies the exact amount of damages at issue. Teva and its affiliates that are defendants in the various lawsuits deny all allegations asserted in these complaints and have filed or will be filing motions to dismiss where possible. 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. Teva is cooperating with these investigations, which are ongoing, and cannot predict at this time the outcome.

On June 21, 2016, Teva USA received a subpoena from the Antitrust Division of the DOJ seeking documents and other information relating to the marketing and pricing of certain of Teva USA's generic products and communications with competitors about such products. Actavis received a similar subpoena in June 2015. On July 12, 2016, Teva USA received a subpoena from the Connecticut Attorney General seeking documents and other information relating to potential state antitrust law violations. Actavis has also received a similar subpoena from the Connecticut Attorney General. Teva and Actavis are cooperating fully with these subpoenas.

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 (specifically, section 1 of the Sherman Act) alleging price fixing of generic products in United States. An amended complaint was filed on March 1, 2017 adding twenty additional states to the named plaintiffs and adding supplemental state law claims. 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

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governmental entities and consumers, civil penalties and costs. On August 3, 2017, the Judicial Panel on Multidistrict Litigation (“JPML”) transferred this action to the generic drug multidistrict litigation pending in federal court in Pennsylvania, which is discussed in greater detail below. On July 17, 2017, a new complaint was filed in the District Court of Connecticut on behalf of four additional states – Arkansas, Missouri, New Mexico and West Virginia, as well as the District of Columbia. These plaintiffs were not previously party to the State Attorney General action that commenced in December 2016. This complaint, which the JPML has also transferred to the generic drug multidistrict litigation discussed below, makes the same factual allegations and claims that are at issue in the earlier State Attorneys General complaint. On October 31, 2017 the attorneys general of 45 states plus Puerto Rico and the District of Columbia filed a motion for leave to file an amended complaint in this action. The proposed amended complaint names Actavis as a defendant as well as Teva, and adds new allegations and claims to those appearing in the prior complaints. Defendants have opposed the motion.

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 generic drug products, as well as several individual direct purchaser opt-out plaintiffs, including: doxycycline, pravastatin, clobetasol, desonide, fluocinonide, propranolol, glyburide, ursodiol and baclofen. These complaints, which allege that the defendants engaged in conspiracies to fix, increase, maintain and/or stabilize the prices of the generic drug products named, have been brought against various defendants including, among others, Teva USA, Actavis Holdco U.S., Inc., Actavis Elizabeth and Pliva, Inc. The plaintiffs generally seek injunctive relief and damages under federal antitrust law, and damages under various state laws. On April 6, 2017, the JPML entered an order transferring cases brought by classes of direct or indirect purchasers and alleging claims of generic price-fixing for coordination or consolidation with the multidistrict litigation currently pending in the Eastern District of Pennsylvania; the panel subsequently transferred further cases to that court, and the plaintiffs filed consolidated amended complaints on August 15, 2017. Defendants moved to dismiss certain of those consolidated amended complaints on October 6, 2017. Teva denies having engaged in any conduct that would give rise to liability with respect to the above-mentioned subpoenas and civil suits.

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 fully in responding to the subpoena.

For several years, Teva had conducted a voluntary worldwide investigation into business practices that may have implications under the U.S. Foreign Corrupt Practices Act (“FCPA”), following the receipt, beginning in 2012, of subpoenas and informal document requests from the SEC and the DOJ with respect to compliance with the FCPA in certain countries. In December 2016, Teva reached a resolution with the SEC and DOJ to fully resolve these FCPA matters. The resolution, which relates to conduct in Russia, Mexico and Ukraine from 2007 to 2013, provides for penalties of approximately \$519 million (reserved in the financial statements in the third quarter of 2016), which includes a fine, disgorgement and prejudgment interest; a three-year deferred prosecution agreement for Teva; a guilty plea by Teva’s Russian subsidiary to criminal charges of violations of the anti-bribery provisions of the FCPA; consent to entry of a final judgment against Teva settling civil claims of violations of the anti-bribery, internal controls and books and records provisions of the FCPA; and the retention of an independent compliance monitor for a period of three years. The SEC civil consent and DOJ deferred prosecution agreement have each obtained court approval.

Following the resolution, Teva has had requests for documents and information from various Russian government entities. In December 2016, Teva was informed by Israeli authorities that they had initiated an investigation into the conduct that was the subject of the FCPA investigation and which resulted in the above-mentioned resolution with the SEC and DOJ. On January 14, 2018, Teva and the Government of Israel entered into an arrangement for the Contingent Cessation of Proceedings pursuant to the Israeli Securities Law that ends

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the investigation into such conduct against the Company and provides for a payment of 75 million New Israeli Shekels (approximately \$22 million).

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. 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 lead plaintiff then filed a consolidated amended complaint purportedly on behalf of purchasers of Teva's securities between February 6, 2014 and August 3, 2017. The consolidated complaint seeks unspecified damages, legal fees, interest, and costs, and it asserts that Teva and certain of its current and former officers and directors violated the federal securities laws and Israeli 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 December 1, 2017, Teva and the current and former officer and director defendants filed motions to dismiss the consolidated amended complaint, with prejudice. Those motions are currently 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 lawsuit 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 deferred prosecution agreement, and also based on allegations substantially similar to those in the putative class action securities lawsuit pending in U.S. District Court for the District of Connecticut, discussed above. 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 putative class action securities lawsuit is pending. On December 29, 2017, the parties jointly moved to stay the case pending resolution of the motions to dismiss filed in the consolidated putative securities class action described above.

On August 3, 2017, a securities lawsuit was filed in the U.S. District Court for the District of Connecticut by OZ ELS Master Fund, Ltd., OZ Special Funding, L.P., OZ Enhanced Master Fund, Ltd., Gordel Capital Limited, OZ Global Equity Opportunities Master Fund, Ltd., OZ Master Fund, Ltd., and OZ Global Special Investments Master Fund L.P. 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 August 30, 2017, the court entered an order deferring all deadlines pending the resolution of the motions to dismiss filed in the consolidated putative securities class action described above.

On August 21, 2017, a putative class action securities lawsuit was filed by Elliot Grodtko in the U.S. District Court for the Eastern District of Pennsylvania 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 complaint alleged 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. Teva's motion to transfer the action to the District of Connecticut is currently pending before the Court.

On August 30, 2017, a putative securities class action was filed by Barry Baker in the U.S. District Court for the Eastern District of Pennsylvania 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 complaint alleges that Teva

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and certain officers violated the federal 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 case with the Grodtko case, discussed above. Teva's motion to transfer the consolidated action to the District of Connecticut is currently pending before the Court.

Motions to approve derivative actions against certain past and present directors and officers have been filed in Israel with respect to alleged negligence and recklessness with respect to the acquisition of the Rimsa business and the acquisition of Actavis Generics. Motions to approve securities class actions against Teva and certain of its current and former directors and officers were filed in Israel with allegations regarding proper disclosure of the above-mentioned pricing investigation as well as lack of disclosure of negative developments in the generic sector and erosion of the prices of Teva's products as were presented in the second quarter financial reporting of Teva. Other motions were filed in Israel to approve a derivative action, discovery and a class action related to alleged 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 cleanup 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 cleanup 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, cleanup 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 cleanup 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

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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).

NOTE 14—EQUITY:

a. Ordinary shares and ADSs

As of December 31, 2017, Teva had approximately 1.1 billion ordinary shares issued (same as December 31, 2016). 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 8, 2015, the Company completed an offering of 54 million ADSs at \$62.50 per share. The net proceeds from the offering of \$3.3 billion, together with the net proceeds of \$3.3 billion from the mandatory convertible preferred shares offering referred to below, were used to finance a portion of the cash consideration payable in connection with the Actavis Generics acquisition and related fees and expenses, to finance the Rimisa acquisition and for other general corporate purposes.

On January 6, 2016, Teva sold an additional 5.4 million ADSs, pursuant to the underwriters’ exercise in full of their overallotment option. As a result, Teva received an additional \$329 million in net proceeds, for an aggregate of approximately \$3.62 billion including the initial closing.

On August 2, 2016, Teva issued approximately 100.3 million Teva shares to Allergan in connection with the closing of the Actavis Generics acquisition.

b. Mandatory convertible preferred shares

On December 8, 2015, Teva completed an offering of 3,375,000 of its 7% mandatory convertible preferred shares. The mandatory convertible preferred shares have no voting rights and rank senior to Teva’s ordinary shares with respect to dividends and distributions upon liquidation, winding-up or dissolution. Dividends on the mandatory convertible preferred shares are payable on a cumulative basis when, as and if declared by Teva’s board of directors at an annual rate of 7% on the liquidation preference of \$1,000.00 per mandatory convertible preferred share. Declared dividends will be paid in cash on March 15, June 15, September 15 and December 15 of each year, through and including December 15, 2018.

Dividends accumulate from the most recent date as to which dividends have been paid or, if no dividends have been paid, from the first original issue date and, to the extent legally permitted and declared by the board of directors, such dividend will be paid in cash on each dividend payment date; provided that any undeclared or unpaid dividends will continue to accumulate. So long as any mandatory convertible preferred share remains outstanding, no dividend or distribution shall be declared or paid on Teva’s ordinary shares, ADSs or any other class or series of junior shares, and none of Teva’s ordinary shares, ADSs or any other class or series of junior shares shall be purchased, redeemed or otherwise acquired for consideration by Teva or any of Teva’s subsidiaries unless all accumulated and unpaid dividends for all preceding dividend periods have been declared and paid upon, or a sufficient sum of cash has been set apart for the payment of such dividends to all outstanding mandatory convertible preferred shares.

Each mandatory convertible preferred share will automatically convert on December 15, 2018 (the “mandatory conversion date”) into between 13.3 and 16.0 ADSs, subject to anti-dilution adjustments. At any time prior to the mandatory conversion date, other than during a fundamental change conversion period as

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Notes to Consolidated Financial Statements—(Continued)

defined, holders of the mandatory convertible preferred shares may elect to convert each mandatory convertible preferred share into ADSs at the minimum conversion rate of 13.3 ADSs per mandatory convertible preferred share, subject to anti-dilution adjustments.

In addition, holders may elect to convert their mandatory convertible preferred shares during a specified period beginning on the fundamental change effective date, in which case such mandatory convertible preferred shares will be converted into ADSs at the fundamental change conversion rate and converting holders will also be entitled to receive a fundamental change dividend make-whole amount and any accumulated but unpaid dividends.

On January 6, 2016, Teva sold an additional 337,500 mandatory convertible preferred shares pursuant to the underwriters exercise in full of their overallotment option. As a result, Teva received an additional \$329 million in net proceeds, for an aggregate of approximately \$3.62 billion including the initial closing. These additional 337,500 mandatory convertible preferred shares accumulated dividends from December 8, 2015.

Share repurchase program

In December 2011, Teva’s Board of Directors authorized it to repurchase up to an aggregate amount of \$3.0 billion of its ordinary shares/ADSs, of which \$1.3 billion remained available for purchase. In October 2014, the Board of Directors authorized Teva to increase its share repurchase program by \$1.7 billion to \$3.0 billion, of which \$2.1 billion remained available as of December 31, 2017. Teva did not repurchase any of its shares during 2017 and currently cannot do so due to its accumulated deficit. The repurchase program has no time limit. Repurchases may be commenced or suspended at any time, subject to applicable law.

The following table summarizes the shares repurchased and the amount Teva spent on these repurchases:

	Year ended December 31,		
	2017	2016	2015
	(in millions)		
Amount spent on shares repurchased	\$—	\$—	\$439
Number of shares repurchased	—	—	7.7

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.

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Notes to Consolidated Financial Statements—(Continued)

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, 2017, 99.4 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, 2017, 2016 and 2015, 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,					
	2017		2016		2015	
	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	32,789	\$50.71	25,233	\$49.69	26,733	\$45.91
Changes during the year:						
Granted	15,467	32.08	10,895	53.21	7,655	59.82
Exercised	(7)	17.44	(766)	44.24	(8,127)	46.88
Forfeited	(4,953)	47.92	(1,382)	54.09	(1,028)	48.96
Expired	(175)	59.81	(1,191)	52.79	—	
Balance outstanding at end of year . .	<u>43,121</u>	44.32	<u>32,789</u>	50.71	<u>25,233</u>	49.69
Balance exercisable at end of year . . .	<u>19,129</u>	47.94	<u>14,468</u>	46.06	<u>11,299</u>	44.67

The weighted average fair value of options granted during the years was generally estimated by using the Black-Scholes option-pricing model as follows:

	Year ended December 31,		
	2017	2016	2015
Weighted average fair value	\$5.7	\$9.4	\$10.9

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Notes to Consolidated Financial Statements—(Continued)

The fair value of these options was estimated on the date of grant, based on the following weighted average assumptions:

	Year ended December 31,		
	2017	2016	2015
Dividend yield	3.7%	2.6%	2.3%
Expected volatility	29%	25%	24%
Risk-free interest rate	2.1%	1.4%	1.8%
Expected term	5 years	5 years	5 years

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 at December 31, 2017 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	9.85	4.5
\$15.01 - \$25.00	1,462	16.97	9.70	2.9
\$25.01 - \$35.00	12,018	34.63	9.17	—
\$35.01 - \$45.00	7,281	40.49	4.63	—
\$45.01 - \$55.00	14,864	50.99	6.75	—
\$55.01 - \$65.00	6,891	59.42	7.29	—
\$65.01 - \$70.00	13	66.67	3.21	—
Total	43,121	44.32	7.30	7.4

(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	\$
\$15.01- \$25.00	11	17.33	5.23	*
\$25.01- \$35.00	1	25.76	5.94	—
\$35.01- \$45.00	7,054	40.54	4.53	—
\$45.01- \$55.00	8,944	49.68	5.82	—
\$55.01- \$65.00	3,105	59.82	7.21	—
\$65.01- \$70.00	14	66.67	3.21	—
Total	19,129	47.94	5.57	*

* Represents an amount less than 0.5 million.

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Notes to Consolidated Financial Statements—(Continued)

The aggregate intrinsic value in the above tables represents the total pre-tax intrinsic value, based on the Company's closing stock price of \$18.95 on December 31, 2017, 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, 2017, there was a limited amount of options exercisable that were in-the-money.

The total intrinsic value of options exercised during the years ended December 31, 2017 was a limited amount, based on the Company's average stock price of \$25.62.

The total intrinsic value of options exercised during the years ended December 31, 2016 and 2015 was \$5 million and \$120 million, respectively, based on the Company's average stock price of \$50.96 and \$61.66 during the years then ended, respectively.

Status of non-vested RSUs

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, 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,					
	2017		2016		2015	
	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	4,636	\$45.15	2,551	\$51.43	2,466	\$43.05
Granted	5,461	20.10	3,193	40.78	1,519	56.75
Vested	(1,884)	39.63	(830)	45.79	(1,112)	41.04
Forfeited	(745)	42.84	(278)	46.08	(322)	48.27
Balance outstanding at end of year	<u>7,468</u>	27.95	<u>4,636</u>	45.15	<u>2,551</u>	51.43

The Company expenses compensation costs based on the grant-date fair value. For the years ended December 31, 2017, 2016 and 2015, the Company recorded stock-based compensation costs as follows:

	Year ended December 31,		
	2017	2016	2015
	(U.S. \$ in millions)		
Employee stock options	\$ 64	\$ 56	\$ 62
RSUs and PSUs	69	66	55
Total stock-based compensation expense	133	122	117
Tax effect on stock-based compensation expense	24	26	19
Net effect	<u>\$109</u>	<u>\$ 96</u>	<u>\$ 98</u>

The total unrecognized compensation cost before tax on employee stock options and RSU/PSUs amounted to \$126 million and \$148 million, respectively, at December 31, 2017, and is expected to be recognized over a weighted average period of approximately 1.6 years.

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Notes to Consolidated Financial Statements—(Continued)

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, 2017, 2016 and 2015 were \$0.85, \$1.36 and \$1.36, respectively.

In addition, dividends paid on our mandatory convertible preferred shares per share in the years ended December 31, 2017 and 2016 were \$70 and \$71.56, respectively.

In December 2017, Teva announced an immediate suspension of dividends on its ordinary shares and ADSs and that dividends on the company mandatory convertible preferred shares will be evaluated on a quarterly basis per current practice.

Teva suspended dividends on its mandatory convertible preferred shares in the fourth quarter of 2017, due to its accumulated deficit.

e. Accumulated other comprehensive income (loss):

The components of accumulated other comprehensive loss attributable to Teva are presented in the table below:

	Net Unrealized Gains/(Losses)			Benefit Plans	Total
	Foreign currency translation adjustments	Available-for- sale securities	Derivative financial instruments	Actuarial gains/(losses) and prior service (costs)/credits	
Balance, January 1, 2015	(1,283)	(7)	40	(93)	(1,343)
Other comprehensive income/(loss) before reclassifications	(1,131)	(413)	137	33	(1,374)
Amounts reclassified to the statements of income . . .	24	737	(2)	4	763
Net other comprehensive income/(loss) before tax . . .	(1,107)	324	135	37	(611)
Corresponding income tax	6	(5)	—	(2)	(1)
Net other comprehensive income/(loss) after tax* . . .	(1,101)	319	135	35	(612)
Balance, December 31, 2015	<u>(2,384)</u>	<u>312</u>	<u>175</u>	<u>(58)</u>	<u>(1,955)</u>
Other comprehensive income/(loss) before reclassifications	(355)	(456)	(491)	(26)	(1,328)
Amounts reclassified to the statements of income . . .	3	140	14	(6)	151
Net other comprehensive income/(loss) before tax . . .	(352)	(316)	(477)	(32)	(1,177)
Corresponding income tax	(33)	(3)	—	9	(27)
Net other comprehensive income/(loss) after tax* . . .	(385)	(319)	(477)	(23)	(1,204)
Balance, December 31, 2016	<u>(2,769)</u>	<u>(7)</u>	<u>(302)</u>	<u>(81)</u>	<u>(3,159)</u>
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	<u>(1,316)</u>	<u>(4)</u>	<u>(442)</u>	<u>(91)</u>	<u>(1,853)</u>

* Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests of \$63 million loss in 2017, \$60 million loss in 2016 and \$1 million loss in 2015.

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Notes to Consolidated Financial Statements—(Continued)

NOTE 15—INCOME TAXES:

a. Income before income taxes:

	Year ended December 31,		
	2017	2016	2015
	(U.S. \$ in millions)		
Parent Company and its Israeli subsidiaries	\$ 1,451	\$1,516	\$1,932
Non-Israeli subsidiaries	(19,830)	(692)	420
	\$(18,379)	\$ 824	\$2,352

b. Income taxes:

	Year ended December 31,		
	2017	2016	2015
	(U.S. \$ in millions)		
In Israel	\$ 96	\$ 209	\$ 149
Outside Israel	(2,029)	312	485
	\$ (1,933)	\$ 521	\$ 634

Current	\$ 373	\$ 481	\$ 298
Deferred	(2,306)	40	336
	\$ (1,933)	\$ 521	\$ 634

	Year ended December 31,		
	2017	2016	2015
	(U.S. \$ in millions)		
Income (loss) before income taxes	\$(18,379)	\$ 824	\$2,352
Statutory tax rate in Israel	24.0%	25.0%	26.5%
Theoretical provision for income taxes	\$ (4,411)	\$ 206	\$ 623
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	(253)	(212)	(337)
Non-Israeli subsidiaries, including impairments (*)	3,817	546	447
U.S. Tax Cuts and Jobs Act effect	(1,061)		
Increase (decrease) in other uncertain tax positions—			
net	(25)	(19)	(99)
Effective consolidated income taxes	\$ (1,933)	\$ 521	\$ 634

* Income before income taxes includes goodwill impairment 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 above

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Notes to Consolidated Financial Statements—(Continued)

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,	
	2017	2016
	(U.S. \$ in millions)	
Long-term deferred tax assets (liabilities)—net:		
Inventory related(*)	\$ 40	\$ 46
Sales reserves and allowances	201	311
Provision for legal settlements	171	232
Intangible assets (**).	(3,132)	(5,569)
Carryforward losses and deductions and credits (***) . . .	1,485	1,922
Property, plant and equipment	(231)	(312)
Provisions for employee related obligations	142	108
Other	125	163
	(1,199)	(3,099)
Valuation allowance—in respect of carryforward losses and deductions that may not be utilized (**).	(1,504)	(1,689)
	\$(2,703)	\$(4,788)

- * Following the implementation of ASU 2016-16, the 2016 deferred taxes associated with the intra-entity transfers of inventory have been reclassified and presented under Prepaid expenses.
- ** The decrease in deferred tax liability is mainly due to impairment, amortization and changes in statutory tax rate following the enactment of Tax Cuts and Jobs Act.
- *** The amounts are shown after reduction for unrecognized tax benefits of \$26 million and \$23 million as of December 31, 2017 and 2016, respectively.

This amount represents the tax effect of gross carryforward losses and deductions with the following expirations: 2018-2020—\$277 million; 2021-2027—\$465 million; 2028 and thereafter—\$167 million. The remaining balance—\$602 million—can be utilized with no expiration date.

The deferred income taxes are reflected in the balance sheets among:

	December 31,	
	2017	2016
	(U.S. \$ in millions)	
Long-term assets—deferred income taxes	574	625
Long-term liabilities—deferred income taxes	(3,277)	(5,413)
	\$(2,703)	\$(4,788)

Balances are presented under long term deferred taxes, due to the implementation of ASU 2015-17. The 2016 deferred taxes associated with intra-entity transfers of inventory have been reclassified and presented under prepaid expenses.

Deferred taxes have not been provided for tax-exempt profits earned by the Company from Approved Enterprises through December 31, 2013 (except to the extent released due to payments made in 2013 under

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Notes to Consolidated Financial Statements—(Continued)

Amendment 69 of the Investment Law, as described below), as the Company intends to permanently reinvest these profits and does not currently foresee a need to distribute dividends out of these earnings. For the same reason, deferred taxes have not been provided for distributions of income from the Company's foreign subsidiaries. See note 15f.

d. Uncertain tax positions:

The following table summarizes the activity of Teva's gross unrecognized tax benefits:

	Year ended December 31,		
	2017	2016	2015
	(U.S. \$ in millions)		
Balance at the beginning of the year	\$ 734	\$ 648	\$713
Increase (decrease) related to prior year tax positions, net	56	23	(6)
Increase related to current year tax positions	26	71	43
Decrease related to settlements with tax authorities and lapse of applicable statutes of limitations	(56)	(103)	(99)
Liabilities assumed in acquisitions	273	101	—
Other	1	(6)	(3)
Balance at the end of the year	\$1,034	\$ 734	\$648

Uncertain tax positions, mainly of a long-term nature, included accrued potential penalties and interest of \$112 million, \$83 million and \$101 million as of December 31, 2017, 2016 and 2015, respectively. The total amount of interest and penalties reflected in the consolidated statements of income was a net increase of \$29 million for the year ended December 31, 2017, a net decrease of \$18 million for the year ended December 31, 2016 and a net increase of \$14 million for the year ended December 31, 2015. 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. The Parent Company 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, challenging the Company's positions on several issues. Teva has protested the 2008-2012 decrees. 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.

The Company's subsidiaries in North America and Europe have received final tax assessments mainly through tax year 2008.

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Notes to Consolidated Financial Statements—(Continued)

f. Basis of taxation:

The Company and its subsidiaries are subject to tax in many jurisdictions, and a certain degree of 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 2013-2017, 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

Starting 2017, part of the Company taxable income in Israel is entitled to a preferred 6% tax rate under Amendment 73 to the Investment Law.

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Notes to Consolidated Financial Statements—(Continued)

The new incentives regime applies to “Preferred Technological Enterprises” that meet certain conditions, including, inter alia:

1. Investment of at least 7% of income, or at least NIS 75 million (approximately \$19 million) in R&D activities; and
2. 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 \$2.5 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 zona 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 Enterprise benefits is taxed at the regular corporate tax rate, which was 24% in 2017. Starting January 2018, the regular corporate tax rate in Israel was reduced to 23%.

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. At December 31, 2017, the Company has not completed its accounting for the tax effects of enactment of the Act; however the Company has made reasonable estimates of the effects on its existing deferred tax balances and the one-time deemed repatriation tax for which provisional amounts have been recorded.

The Company re-measured certain of its U.S. deferred tax assets and liabilities, based on the rates at which they are expected to reverse in the future. The estimated tax benefit recorded related to the re-measurement of the deferred tax balance was \$1.2 billion.

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 Company recorded a provisional amount for its one-time deemed repatriation tax liability of Teva U.S. related to its foreign subsidiaries, resulting in an increase in income tax expense of \$112 million.

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The aforesaid provisional amounts are based on the Company’s initial analysis of the Act as of December 31, 2017. Given the significant complexity of the Act, anticipated guidance from the U.S. Treasury about implementing the Act, the potential for additional guidance from the Securities and Exchange Commission or the Financial Accounting Standards Board related to the Act, as well as additional analysis and revisions to be conducted by the Company, these estimates may be adjusted during 2018.

NOTE 16—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES:

a. Foreign exchange risk management:

In 2017, approximately 44% 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. 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 new Israeli shekel (NIS), the euro (EUR), the Swiss franc (CHF), the Japanese yen (JPY), the British pound (GBP), Canadian dollar (CAD), the Polish zloty (PLN), the Russian ruble (RUB), other European currencies, the Mexican peso (MXN) and other Latin American currencies.

Depending on market conditions, foreign currency risk also is managed through the use of foreign currency debt.

The Company may hedge against possible fluctuations in foreign subsidiaries’ net assets (“net investment hedge”). In these cases, the Company may use cross currency swaps and forward contracts.

The counterparties to the derivatives are comprised mainly of 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,	
	2017	2016
	(U.S. \$ in millions)	
Cross-currency swap—cash flow hedge	\$ 588	\$588
Interest rate swap—fair value hedge	500	500
Cross-currency swap—net investment hedge	1,000	—

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Notes to Consolidated Financial Statements—(Continued)

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

<u>Reported under</u>	Fair value			
	Designated as hedging instruments		Not designated as hedging instruments	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(U.S. \$ in millions)			
Asset derivatives:				
Other current assets:				
Option and forward contracts	\$	\$	\$ 17	\$ 10
Other non-current assets:				
Cross-currency swaps—cash flow hedge	25	88		—
Liability derivatives:				
Other current liabilities:				
Option and forward contracts			(15)	(17)
Other taxes and long-term liabilities:				
Cross currency swaps—net investment hedge	(96)			
Senior notes and loans:				
Interest rate swaps—fair value hedge . . .	(2)	(2)		—

Teva uses foreign exchange contracts (mainly option and forward contracts) to hedge balance sheet items from currency exposure. These foreign exchange contracts are not designated as hedging instruments for accounting purposes. In connection with these foreign exchange contracts, Teva recognized a loss of \$82 million, a loss of \$7 million and a gain of \$26 million under financial expenses—net for the years ended December 31, 2017, 2016 and 2015 respectively. Such losses and gains offset the revaluation of the balance sheet items also recorded under financial expenses—net.

With respect to the interest rate and cross-currency swap agreements, Teva recognized gains of \$6 million, \$15 million and \$27 million under financial expenses—net for the years ended December 31, 2017, 2016 and 2015, respectively. Such gains mainly reflect the differences between the fixed interest rate and the floating interest rate.

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). See note 11.

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.

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Notes to Consolidated Financial Statements—(Continued)

With respect to the forward starting interest rate swaps and treasury lock agreements, losses of \$27 million and \$12 million were recognized under financial expenses-net for the years ended December 31, 2017 and 2016 respectively

In the third quarter of 2016, Teva terminated interest rate swap agreements designated as fair value hedge relating to its 2.95% senior notes due 2022 with respect to \$844 million notional amount and its 3.65% senior notes due 2021 with respect to \$450 million notional amount. Settlement of these transactions resulted in a gain position of \$41 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.

With respect to the interest rate swap agreements, gains of \$7 million and \$2 million were recognized under financial expenses-net for the years ended December 31, 2017 and 2016 respectively.

In the fourth quarter of 2016, Teva entered into 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.

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 of \$13 million under financial expenses-net for the year ended December 31, 2017.

d. 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 deferred purchase price.

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 23, 2018 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 sheets.

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Notes to Consolidated Financial Statements—(Continued)

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.

The proceeds from these sales of receivables are included in cash from operating activities in the consolidated statement of cash flows. In August 2016, the FASB issued guidance on statements of cash flows (see note 1b). In connection with beneficial interest in the securitization program, early adoption of the new guidance would have resulted in a reclassification of approximately \$1.3 billion from net cash provided by operating activities to investment activities for the year ended December 31, 2017. The Company expects this amount to increase going forward based on expected changes in DPP terms and the volume of the securitization program.

DPP asset as of December 31, 2017 and 2016 was \$261 million and \$220 million, respectively.

As of December 31, 2017 and 2016, the balance of Teva's securitized assets sold were \$799 million and \$621 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,	
	2017	2016
	(U.S. \$ in millions)	
Sold receivables at the beginning of the year . .	\$ 621	\$ 445
Proceeds from sale of receivables	4,944	3,784
Cash collections (remitted to the owner of the receivables)	(4,863)	(3,660)
Effect of currency exchange rate changes	97	52
Sold receivables at the end of the year	\$ 799	\$ 621

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Notes to Consolidated Financial Statements—(Continued)

NOTE 17—FINANCIAL EXPENSES—NET:

	<u>Year ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(U.S. \$ in millions)		
Venezuela devaluation ⁽¹⁾	\$ 42	\$ 746	\$ —
Interest expenses and other bank charges	875	546	270
Income from investments	(84)	(51)	(34)
Foreign exchange (gains) losses—net	65	(49)	(9)
Other, net ⁽²⁾	(3)	2	142
Other-than-temporary impairment ⁽³⁾	—	136	631
Total finance expense—net	<u>\$895</u>	<u>\$1,330</u>	<u>\$1,000</u>

- (1) For further information regarding the Venezuela devaluation, refer to note 1a.
(2) Expenses in 2015 were comprised mainly of expenses relating to the debt tender offer and the termination of related swap agreements.
(3) Other-than-temporary impairment in 2015 relates mainly to the Company holdings in Mylan shares.

NOTE 18—OTHER EXPENSES:

a. Other assets impairments, restructuring and other items:

Other assets impairments, restructuring and other items consisted of the following:

	<u>Year ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(U.S. \$ in millions)		
Impairment of long-lived assets (see notes 6 and 8) ⁽¹⁾	\$3,782	\$ 746	\$ 361
Contingent consideration (see note 3)	154	83	399
Acquisition, integration and related costs	105	261	221
Restructuring	535	245	183
Venezuela deconsolidation charge ⁽²⁾	396	—	—
Other	102	84	12
Total	<u>\$5,074</u>	<u>\$1,419</u>	<u>\$1,176</u>

- (1) Including impairments related to exit and disposal activities
(2) Refer to note 1.

Impairments

In determining the estimated fair value of the long-lived assets, Teva utilized a discounted cash flow model. The key assumptions within the model related to forecasting future revenue and operating income, an appropriate weighted average cost of capital, 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 other things, the following: (i) for research and development in-process 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.

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As a result of Teva's plant rationalization acceleration, following the two year restructuring plan that was announced on December 14, 2017, to the extent the Company will change its plans on any given asset and/or the assumptions underlying such plan, there could be additional impairments in the future.

In 2017 we recorded expenses of \$5.1 billion for impairments, restructuring and others, compared to \$1.4 billion of such expenses in 2016. The expenses in 2017 consisted of:

Impairments of long-lived assets in 2017 were \$3.8 billion, comprised of:

- (a) Identifiable IPR&D of \$1.6 billion, primarily comprised of: (i) \$838 million related to revaluation of generics products acquired from Actavis due to development progress, changes in other key valuation indications (market size, legal landscape or launch date); (ii) \$390 million related to discontinued Actavis Generics products; (iii) \$153 million related to discontinued Rimsa projects; and (iv) \$188 million related to discontinued specialty products in the United States primarily LAMA/LABA from Microdose, in addition to reduction in value of reziluzamab following the results of the recent phase 3 clinical trial;
- (b) Identifiable product rights of \$1.6 billion, primarily comprised of: (i) \$583 million related to revaluation of Actavis Generics product rights in the United States (ii) \$523 million related to Teva Takeda product and marketing rights for certain products; (iii) \$390 million related to Actavis Generics product rights in Europe and ROW; and (iv) \$47 million related to termination of VANTRELLA product rights in the United States.

Impairments of identifiable intangible assets were \$589 million and \$265 million in 2016 and 2015, respectively.

- (c) Impairments of property, plant and equipment were \$544 million comprised mainly of:
 - (1) \$382 million related to restructuring costs, mainly comprising:
 - I. \$156 million related to the planned closure of Teva's facilities in Jerusalem, Israel;
 - II. \$144 million primarily related to plant and R&D rationalizations in Puerto Rico, New Jersey and Canada; and
 - III. \$69 million related to discontinued manufacturing activities at the Godollo, Hungary site during 2017, following company's decision in the second quarter of 2017 to divest or close this facility. Teva previously recorded an impairment of \$80 million for this facility in the fourth quarter of 2016.
 - (2) Other impairment costs, mainly:
 - I. \$62 million related to site closures in Japan; and
 - II. \$42 million related to the sale of company's Ra'anana, Israel site.

Property, plant and equipment impairment was \$149 million and \$96 million in 2016 and 2015, respectively.

Following an FDA audit of Teva's active pharmaceutical ingredient ("API") production facility in China in September 2016, Teva received a warning letter from the FDA in April 2017. Teva has undertaken corrective actions to address both the specific concerns raised by investigators as well as the underlying causes of those concerns and resumed shipments from this facility in May 2017. Teva has requested that the FDA conduct a follow-up inspection to close the warning letter.

Contingent consideration

In 2017, Teva recorded \$154 million of contingent consideration expenses, compared to \$83 million in 2016. The expenses in 2017 consisted mainly of \$178 million related to BENDEKA in connection with royalty accruals, \$40 million related to re-evaluation of a Labrys project, partially offset by a \$89 million reversal of contingent consideration related to a cancelled LAMA/LABA (MicroDose) project.

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Notes to Consolidated Financial Statements—(Continued)

Acquisition, integration and related costs

In 2017, Teva recorded \$105 million of acquisition and integration expenses, compared to \$261 million in 2016. The expenses in 2017 mainly consisted of expenses related to the acquisition and integration of Actavis Generics.

Restructuring

In 2017, Teva recorded \$535 million of restructuring expenses, compared to \$245 million in 2016. The expenses in 2017 were primarily related to Teva network restructuring plan, which seeks to further optimize and consolidate its manufacturing footprint and restructure its generic R&D network. In addition Teva incurred restructuring expenses in connection with the acquisition of Actavis Generics. In addition Teva recorded \$382 million impairment of PP&E related to restructuring costs as detailed in “— Impairments” above.

The following table provides the components of costs associated with Teva’s restructuring plan including costs related to exit and disposal activities:

	Year ended December 31,		
	2017	2016	2015
	(U.S. \$ in millions)		
Restructuring			
Employee termination	\$443	\$211	\$183
Other	92	34	—
Total	<u>\$535</u>	<u>\$245</u>	<u>\$183</u>

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

	Employee	Other	Total
	(U.S. \$ in millions)		
	termination costs		
Balance as of January 1, 2016	\$(105)	\$(10)	\$(115)
Provision	(211)	(34)	(245)
Utilization and other*	172	35	207
Balance as of December 31, 2016	<u>\$(144)</u>	<u>\$ (9)</u>	<u>\$(153)</u>
Provision	(443)	(92)	(535)
Utilization and other*	293	84	377
Balance as of December 31, 2017	<u>\$(294)</u>	<u>\$(17)</u>	<u>\$(311)</u>

* Includes adjustments for foreign currency translation.

On December 14, 2017, Teva’s President and CEO announced the launch of comprehensive two year restructuring plan (the “Plan”) in order to restore the Company’s financial security and stabilize its business.

The Plan is intended to reduce Teva’s total cost base by \$3 billion by the end of 2019, out of an estimated cost base of \$16.1 billion in 2017. More than half of the reduction is expected to be achieved by the end of 2018. The company expects to record a restructuring charge as a result of the implementation of the Plan in 2018, mainly related to employee termination benefit costs, with additional charges possible following decisions on closures or divestments of manufacturing plants, R&D facilities, headquarters and other office locations.

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Notes to Consolidated Financial Statements—(Continued)

The Plan will focus on:

- The immediate implementation of the new unified and simplified organizational structure, announced on November 27, 2017, which is intended to deliver cost savings and increase internal efficiencies.
- Optimization of the global generics portfolio, specifically in the United States, through price adjustments and/or product discontinuations. Restructuring of the Company's manufacturing and supply network, including the closures or divestments of a significant number of manufacturing plants in the United States, Europe, Israel and Growth Markets
- Closures or divestments of a significant number of R&D facilities, headquarters and other office locations across all geographies.
- A thorough review of all R&D programs in order to prioritize core projects while maintaining a substantial pipeline.

These steps are expected to result in the reduction of 14,000 positions globally (approximately 25% of Teva's total workforce as of December 31, 2017) by the end of 2019.

b. Share in profits or losses of associated companies—net:

Share in profits or losses of associated companies – net, were a loss of \$3 million in 2017, a gain of \$8 million in 2016, and a loss of \$121 million in 2015 respectively.

NOTE 19—LEGAL SETTLEMENTS AND LOSS CONTINGENCIES:

Legal settlements and loss contingencies for 2017 amounted to \$500 million, compared to \$899 million and \$631 million in 2016 and 2015, respectively. The 2017 expense primarily consisted of reserve for the carvedilol jury trial loss established in Q2 2017. The expenses in 2016 primarily consisted of a \$519 million provision established in connection with the FCPA settlement with the DOJ and SEC and a \$225 million provision established in connection with the ciprofloxacin settlement. As of December 31, 2017 and 2016, accrued amounts for legal settlements and loss contingencies of \$1.2 billion and \$1.5 billion, respectively, are recorded in accrued expenses.

NOTE 20—SEGMENTS:

Teva has two reportable segments: generic and specialty medicines. The generic medicines segment develops, manufactures, sells and distributes generic or branded generic medicines. This segment includes Teva's over-the-counter ("OTC") business, including PGT, Teva's consumer healthcare joint venture with P&G. Also included in this segment is Teva's API manufacturing businesses. The specialty medicines segment engages in the development, manufacture, sale and distribution of branded specialty medicines, most significantly in the core therapeutic areas of central nervous system medicines and respiratory medicines, as well as other therapeutic areas, such as oncology, women's health and selected other areas.

Teva's other activities include the distribution of third-party pharmaceutical products in certain countries, primarily in the United States through Anda, as well as the sale of medical devices and contract manufacturing services related to products divested in connection with the Actavis Generics acquisition and the sale of its women's health business and other miscellaneous items.

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Notes to Consolidated Financial Statements—(Continued)

Following the Actavis Generics and Anda acquisitions in 2016, Teva conducted an analysis of its business segments, resulting in a change to Teva's segment reporting and goodwill assignment. Teva's management reassessed its organizational structure and concluded that in order to enhance its managers' accountability and gain better control over all activities, its reporting segments will be reorganized as follows, commencing in the fourth quarter of 2016:

- The generic medicines segment includes all of Teva's legacy generics activities, with the addition of:
 - All Actavis Generics activities, excluding contract manufacturing services related to products divested in connection with the Actavis Generics acquisition; and
 - Teva's OTC business.
- The specialty medicines segment includes all of Teva's specialty activity without any change.
- Other non-segment activities include other business activities (excluding the OTC business), with the addition of:
 - Contract manufacturing services related to products divested in connection with the Actavis Generics acquisition; and
 - Anda's distribution activity.

All the above changes have been reflected in retroactive revision of prior period segment information.

Teva's chief executive officer, 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 two identified reportable segments, namely generic and specialty medicines 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 and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization, research and development in process, inventory step up and certain other items. Beginning in 2015, expenses related to equity compensation are excluded from our segment results. Beginning in 2016, our OTC business is included in our generic medicines segment. The data presented has been conformed to reflect these changes for all relevant periods.

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.

During the fourth quarter of 2017, Teva announced a new organizational structure and leadership changes. Under this new structure, Teva's commercial business will no longer have two separate global groups for generics and specialty medicines, and will be integrated into one commercial organization, operating through three regions – North America, Europe and Growth Markets. Each region will manage the entire portfolio of Teva's medicines – including generics, specialty and OTC.

The former Generic R&D and Specialty R&D organizations will be combined into one global group with overall responsibility for all R&D activities – generics, specialty and biologics.

As a result of the changes in structure and operations in late 2017 and early in 2018, the Company is evaluating necessary future changes to its internal financial reporting system, to better align the internal reporting with the Company's business going forward. It is anticipated that the transition to the new business structure will be completed in the first quarter of 2018, at which point management will reorganize its operations and reporting structure and begin to allocate resources to its operations under the new segment structure.

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Notes to Consolidated Financial Statements—(Continued)

a. Segment information:

	Generics			Specialty		
	Year ended December 31,			Year ended December 31,		
	2017	2016	2015	2017	2016	2015
	(U.S.\$ in millions)					
Revenues	\$12,257	\$11,990	\$10,540	\$7,914	\$8,674	\$8,338
Gross profit	5,115	5,696	4,903	6,877	7,558	7,200
R&D expenses	702	659	519	884	998	918
S&M expenses	1,584	1,727	1,459	1,660	1,899	1,921
Segment profit	<u>\$ 2,829</u>	<u>\$ 3,310</u>	<u>\$ 2,925</u>	<u>\$4,333</u>	<u>\$4,661</u>	<u>\$4,361</u>

	Year ended December 31,		
	2017	2016	2015
	(U.S.\$ in millions)		
Generic medicines profit	2,829	3,310	2,925
Specialty medicines profit	4,333	4,661	4,361
Total segment profit	7,162	7,971	7,286
Profit of other activities	86	68	75
	7,248	8,039	7,361
Amounts not allocated to segments:			
Amortization	1,444	993	838
General and administrative expenses	1,330	1,285	1,360
Other asset, impairments, restructuring and other items**	5,074	1,419	1,176
Goodwill impairment	17,100	900	—
Inventory step-up	67	383	—
Other R&D expenses	221	426	69
Costs related to regulatory actions taken in facilities . . .	47	153	36
Legal settlements and loss contingencies	500	899	631
Gain on sales of business	(1,083)	(720)	(45)
Other unallocated amounts*	32	147	(56)
Consolidated operating income (loss)	<u>(17,484)</u>	<u>2,154</u>	<u>3,352</u>
Financial expenses—net	895	1,330	1,000
Consolidated income (loss) before income taxes	<u>\$ (18,379)</u>	<u>\$ 824</u>	<u>\$2,352</u>

* Includes for 2016, \$133 million in inventory-related expenses in connection with the devaluation in Venezuela.

** Includes for 2017, \$396 million related to Venezuela deconsolidation charge.

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Notes to Consolidated Financial Statements—(Continued)

b. Segment revenues by geographic area:

	Year ended December 31,		
	2017	2016	2015
	(U.S.\$ in millions)		
Generic Medicines			
United States	\$ 5,036	\$ 4,556	\$ 4,795
Europe	3,994	3,563	3,146
Rest of the World	3,227	3,871	2,599
Total Generic Medicines	12,257	11,990	10,540
Specialty Medicines			
United States	5,686	6,724	6,442
Europe	1,780	1,598	1,518
Rest of the World	448	352	378
Total Specialty Medicines	7,914	8,674	8,338
Other Revenues			
United States	1,251	369	12
Europe	308	248	226
Rest of the World	655	622	536
Total Other Revenues	2,214	1,239	774
Total Revenues	<u>\$22,385</u>	<u>\$21,903</u>	<u>\$19,652</u>

Our revenues from external customers attributed to Israel were less than 5% of our consolidated revenues in the years ended December 31, 2017, 2016 and 2015, respectively.

c. Net revenues from specialty medicines were as follows:

	Year ended December 31,		
	2017	2016	2015
	(U.S. \$ in millions)		
CNS	\$4,426	\$5,283	\$5,213
COPAXONE	3,801	4,223	4,023
AZILECT	170	410	384
NUVIGIL	61	200	373
Respiratory	1,270	1,274	1,129
ProAir	501	565	549
QVAR	361	462	392
Oncology	1,135	1,139	1,201
BENDEKA and TREANDA	658	661	741
Women's health	426	458	461
Other Specialty*	657	520	334
Total Specialty Medicines	<u>\$7,914</u>	<u>\$8,674</u>	<u>\$8,338</u>

* Includes the \$150 million royalty payment from the Ninlaro® transaction in 2017.

It is impractical to present revenues by product for our generic medicines segment.

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Notes to Consolidated Financial Statements—(Continued)

A significant portion of Teva’s revenues, and a higher proportion of the profits, come from the manufacture and sale of patent-protected pharmaceuticals. Many of Teva’s specialty medicines are covered by several patents that expire at different times. Nevertheless, once patent protection has expired, or has been lost prior to the expiration date as a result of a legal challenge, Teva no longer has patent exclusivity on these products, and subject to regulatory approval, generic pharmaceutical manufacturers are able to produce and market similar (or purportedly similar) products and sell them for a lower price. The commencement of generic competition, even in the form of non-equivalent products, can result in a substantial decrease in revenues for a particular specialty medicine in a very short time. Any such expiration or loss of intellectual property rights could therefore significantly adversely affect Teva’s results of operations and financial condition.

In particular, Teva relies heavily on sales of COPAXONE, its leading specialty medicine. In October 2017, the FDA approved a generic version of COPAXONE 40 mg/mL and a second generic version of COPAXONE 20 mg/mL. A hybrid version of COPAXONE 40 mg/mL was approved in the European Union (“EU”). Any substantial reduction in the number of patients treated with COPAXONE due to existing or potential new generic versions would likely have a material adverse effect on Teva’s financial results and cash flows.

COPAXONE 40 mg/mL is protected by five U.S. Orange Book patents that expire in 2030. These patents have been challenged in proceedings in the United States. We are appealing certain adverse U.S. District Court and Patent Trial and Appeal Board decisions to defend these patents in the United States. At least one competitor has obtained final FDA approval and has launched its generic version of COPAXONE 40 mg/mL. This launch, prior to final resolution of the pending patent litigation, should be considered an “at-risk” launch, which means that if the pending litigation is resolved in our favor, the company selling this generic medicine could face significant damages claims and other potential remedies. COPAXONE 40 mg/mL is also protected by one European patent expiring in 2030. This patent is being challenged in Italy and Norway and has been opposed at the European Patent Office. The U.K. High Court found this patent invalid and our application for permission to appeal this decision was rejected.

Teva’s multiple sclerosis (“MS”) franchise includes COPAXONE products and laquinimod. The profitability of the MS franchise is based on of COPAXONE revenues minus cost of goods sold as well as S&M and R&D expenses related to the MS franchise. It does not include G&A expenses, amortization and certain other items. The profitability of the MS franchise as a percentage of COPAXONE revenues was 80.6%, 81.3% and 76.7% in 2017, 2016 and 2015, respectively.

d. 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, 2017, 2016 and 2015.

	Percentage of Third Party Net Sales		
	2017	2016	2015
McKesson Corporation	16%	15%	20%
AmerisourceBergen Corporation	15%	19%	20%

Most of Teva’s revenues from these customers were in the United States.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements—(Continued)

e. Property, plant and equipment—by geographical location were as follows:

	December 31,	
	2017	2016
	(U.S. \$ in millions)	
Israel	\$2,180	\$2,323
United States	1,109	1,135
Croatia	561	542
Germany	423	337
Japan	376	427
Hungary	368	422
Other	2,656	2,887
Total property, plant and equipment	<u>\$7,673</u>	<u>\$8,073</u>

NOTE 21—EARNINGS (LOSS) PER SHARE:

The net income attributable to Teva and the weighted average number of ordinary shares used in computation of basic and diluted earnings per share for the years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
	(U.S. \$ in millions, except share data)		
Net income (loss) used for the computation of diluted earnings per share	<u>\$(16,525)</u>	<u>\$ 68</u>	<u>\$1,573</u>
Weighted average number of shares used in the computation of basic earnings per share Add:	1,016	955	855
Additional shares from the assumed exercise of employee stock options and unvested RSUs	—	3	5
Weighted average number of additional shares issued upon the assumed conversion of convertible senior debentures	<u>—</u>	<u>3</u>	<u>4</u>
Weighted average number of shares used in the computation of diluted earnings per share	<u>1,016</u>	<u>961</u>	<u>864</u>

In computing dilutive earnings or loss per share for the years ended December 31, 2017, 2016 and 2015, no account was taken of the potential dilution of the assumed exercise of employee stock options, RSUs and PSUs amounting to 38 million, 4 million and 1 million weighted average shares, respectively, since they had an anti-dilutive effect on earnings per share.

Additionally, in computing dilutive earnings per share for the years ended December 31, 2017 and 2016, no account was taken of the potential dilution of the mandatory convertible preferred shares amounting to 59 million weighted average shares, since they had an anti-dilutive effect on earnings (loss) per share.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements—(Continued)

NOTE 22—SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

The following table presents selected unaudited quarterly financial data for 2017 and 2016:

	2017*			
	4th quarter**	3rd quarter	2nd quarter**	1st quarter
	(U.S dollars in millions except per share amounts)			
Net revenues	5,459	5,611	5,720	5,650
Gross profit	2,542	2,644	2,855	2,839
Net income	(11,730)	610	(5,970)	641
Net income (loss) attributable to Teva	(11,535)	595	(5,970)	645
Net income (loss) attributable to ordinary shareholders	(11,600)	530	(6,035)	580
Earning per share attributable to ordinary shareholders:				
Basic	(11.41)	0.52	(5.94)	0.57
Diluted	(11.41)	0.52	(5.94)	0.57
	2016			
	4th quarter	3rd quarter	2nd quarter	1st quarter
	(U.S dollars in millions except per share amounts)			
Net revenues	6,492	5,563	5,038	4,810
Gross profit	3,390	2,801	2,877	2,791
Net income	(974)	410	242	633
Net income (loss) attributable to Teva	(973)	412	254	636
Net income (loss) attributable to ordinary shareholders	(1,038)	348	188	570
Earning per share attributable to ordinary shareholders:				
Basic	(1.02)	0.35	0.21	0.62
Diluted	(1.02)	0.35	0.20	0.62

* Certain comparative figures in 2017 have been reclassified to conform to the fourth quarter presentation.

** Losses in the second and fourth quarters of 2017 were primarily due to our goodwill impairments of \$6.1 billion and \$11.0 billion, respectively.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements—(Continued)

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Shareholders and board of directors of

Teva Pharmaceutical Industries Limited

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 12, 2018 appearing in the 2017 Annual Report to the Shareholders of Teva Pharmaceutical Industries Limited (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule II—Valuation and Qualifying Accounts—listed in Item 15 of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Tel-Aviv, Israel
February 12, 2018

/s/ Kesselman & Kesselman

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended December 31, 2017
(U.S. \$ in millions)

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
	<u>Balance at beginning of period</u>	<u>Charged to costs and expenses</u>	<u>Charged to other accounts</u>	<u>Deductions</u>	<u>Balance at end of period</u>
Allowance for doubtful accounts:					
Year ended December 31, 2017	<u>\$ 191</u>	<u>\$ 12</u>	<u>\$ 51</u>	<u>\$ (22)</u>	<u>\$ 232</u>
Year ended December 31, 2016	<u>\$ 146</u>	<u>\$ 5</u>	<u>\$ 61</u>	<u>\$ (21)</u>	<u>\$ 191</u>
Year ended December 31, 2015	<u>\$ 149</u>	<u>\$ 18</u>	<u>\$ (6)</u>	<u>\$ (15)</u>	<u>\$ 146</u>
Allowance in respect of carryforward tax losses:					
Year ended December 31, 2017	<u>\$1,690</u>	<u>\$173</u>	<u>\$ 390</u>	<u>\$(748)</u>	<u>\$1,505</u>
Year ended December 31, 2016	<u>\$ 760</u>	<u>\$135</u>	<u>\$1,137</u>	<u>\$(342)</u>	<u>\$1,690</u>
Year ended December 31, 2015	<u>\$ 671</u>	<u>\$249</u>	<u>\$ 1</u>	<u>\$(161)</u>	<u>\$ 760</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report, has concluded that, as of such date, Teva's disclosure controls and procedures were effective to ensure that the information required in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Report of Teva Management on Internal Control over Financial Reporting. Our Board of Directors and management are responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of our published consolidated 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.

Our management assessed the effectiveness of Teva's internal control over financial reporting as of December 31, 2017. 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, 2017, Teva's internal control over financial reporting is effective based on those criteria.

(c) Attestation Report of the Registered Public Accounting Firm. Our internal control over financial reporting as of December 31, 2017 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".

(d) Changes in Internal Control over Financial Reporting. There were no changes to Teva's internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, Teva's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 8, 2018, Teva Pharmaceutical USA, Inc., a subsidiary of Teva, entered into an employment agreement with Michael McClellan, our Executive Vice President, Chief Financial Officer. For a brief description of the terms and conditions of such agreement, see "Item 11—Executive Compensation—Compensation Discussion & Analysis—IV. Components of Our Compensation Program—Leadership Transitions—Appointment of Mr. Michael McClellan as CFO; Previous Appointment as Interim CFO," which is incorporated by reference in this Item 9B.

On February 7, 2018, Teva Pharmaceutical USA, Inc., a subsidiary of Teva, entered into an Amended and Restated Employment Agreement with Carlo de Notaristefani, our Executive Vice President, Global Operations. For a brief description of the terms and conditions of such agreement, see “Item 11—Executive Compensation—Additional Compensation Information—Employment Agreements—Dr. Carlo de Notaristefani,” which is incorporated by reference in this Item 9B.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The following table sets forth information regarding the directors of Teva as of February 12, 2018:

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Term Ends</u>
Dr. Sol J. Barer—Chairman	70	2015	2020
Kåre Schultz ⁽¹⁾	56	2017	⁽²⁾
Rosemary A. Crane	58	2015	2018
Amir Elstein	62	2009	2019
Murray Goldberg	73	2017	2020
Jean-Michel Halfon	66	2014	2020
Gerald M. Lieberman	71	2015	2018
Galia Maor	75	2012	2018
Roberto Mignone	46	2017	2019
Dr. Perry D. Nisen	62	2017	2019
Nechemia (Chemi) J. Peres	59	2017	2020
Dan S. Suesskind	74	2017	⁽³⁾
Gabrielle Sulzberger	57	2015	2018

(1) Effective November 1, 2017, Kåre Schultz joined Teva as President and Chief Executive Officer and was also appointed to Teva’s Board of Directors (the “Board of Directors” or “Board”). He succeeded Dr. Yitzhak Peterburg, who served as Interim President and Chief Executive Officer from February to October 31, 2017, and stepped down from the Board of Directors on December 12, 2017.

(2) Mr. Schultz’s term ends contemporaneously with his term as President and Chief Executive Officer.

(3) Mr. Suesskind was appointed in September 2017 by board action to serve until the 2018 shareholder meeting. If re-nominated, his term on the Board of Directors will be determined and submitted to shareholders for approval at that time.

Dr. Sol J. Barer
Chairman of the Board
Independent Director

Dr. Barer became Chairman of the Board of Directors on February 6, 2017, after joining Teva’s Board of Directors in January 2015. Dr. Barer is Managing Partner at SJ Barer Consulting. He also serves as an advisor to the Israel Biotech Fund. From 1987 to 2011, he served in top leadership roles at Celgene Corporation, including as Executive Chairman from 2010 to 2011, Chairman and CEO from 2006 to 2010, CEO from 2006 to 2010, President and Chief Operating Officer from 1994 to 2006 and President from 1993 to 1994. Prior to that, he was a founder of the biotechnology group at the chemical company Celanese Corporation, which was later spun off as Celgene. Dr. Barer serves on the board of directors of Contrafact as lead director. He served on the board of Aegerion Pharmaceuticals from 2011 to 2016, on the board of Amicus Therapeutics from 2009 to February 2017 and as Chairman of the Board of InspireMD from 2011 to June 2017. Dr. Barer is Chairman of the Board of Edge Therapeutics and Aevi Genomics (formerly Medgenics). Dr. Barer received his Ph.D. in organic and physical chemistry from Rutgers University and his B.S. in chemistry from Brooklyn College of the City University of New York.

With his long career as a senior pharmaceutical executive and leadership roles in various biopharmaceutical companies, Dr. Barer provides broad and experienced knowledge of the global pharmaceutical business and industry as well as extensive scientific expertise.

Kåre Schultz
*Director and President
and Chief Executive
Officer*

Mr. Schultz became Teva's President and CEO and a member of the Board of Directors on November 1, 2017. From May 2015 to October 2017, Mr. Schultz served as President and Chief Executive Officer of H. Lundbeck A/S. Prior to that, Mr. Schultz worked for nearly three decades at Novo Nordisk, where he served in a number of leadership roles, including Chief Operating Officer, Vice President in Product Supply and Director of Product Planning and Customer Services in the Diabetes Care Division. Mr. Schultz has held positions at McKinsey and Anderson Consulting. Mr. Schultz serves as a member of the Board of Directors of LEGO A/S since 2007. From 2010 to 2017, he served as Chairman of the Board of Directors of Royal Unibrew A/S and during 2017 he served on the Board of Directors of Bitten og Mads Clausens Fond, the holding vehicle for Danfoss A/S. Mr. Schultz received a master's degree in economics from the University of Copenhagen.

Mr. Schultz's leadership positions in various healthcare corporations, including his experience as a chairman and a director of several international corporations and his service as the President and Chief Executive Officer at Teva, provides unique global perspective on the healthcare and pharmaceutical industries.

Amir Elstein
Independent Director

Committees:

- *Corporate Governance & Nominating (Chair)*
- *Audit*
- *Finance and Investment*

Mr. Elstein rejoined the Board of Directors in 2009. From January 2014 to July 2014, he served as Vice Chairman of the Board of Directors of Teva. Mr. Elstein serves as Chairman of the Board of Tower Semiconductor Ltd., Chairman of the Board of Governors of the Jerusalem College of Engineering and Chairman of the Board of the Israel Democracy Institute. Mr. Elstein also serves as Chairman and/or as a member of the board of directors of several academic, scientific, educational, social and cultural institutions. Mr. Elstein served as the Chairman of the Board of Directors of Israel Corporation from 2010 to 2013. From 2004 to 2008, Mr. Elstein was a member of Teva's senior management, where his most recent position was Executive Vice President, Global Pharmaceutical Resources. From 1995 to 2004, Mr. Elstein served on Teva's Board of Directors. Prior to joining Teva as an executive in 2004, Mr. Elstein held a number of executive positions at Intel Corporation, most recently as General Manager of Intel Electronics Ltd., an Israeli subsidiary of Intel Corporation. Mr. Elstein received a B.Sc. in physics and mathematics from the Hebrew University in Jerusalem, an M.Sc. in solid state physics from the Hebrew University and a diploma of senior business management from the Hebrew University.

Mr. Elstein's leadership positions in various international corporations, including his experience as a chairman in international public companies and his service as an executive officer at Teva and other companies, provides global business management and pharmaceutical expertise.

Rosemary A. Crane
Independent Director

Committees:

- *Human Resources and Compensation (Chair)*
- *Science and Technology*

Ms. Crane joined the Board of Directors in September 2015. Ms. Crane served as President and Chief Executive Officer of MELA Sciences, Inc. from 2013 to 2014. Ms. Crane was Head of Commercialization and a partner at Appletree Partners from 2011 to 2013. From 2008 to 2011, she served as President and Chief Executive Officer of Epocrates Inc. Ms. Crane served in various senior executive positions at Johnson & Johnson from 2002 to 2008, including as Group Chairman, OTC & Nutritional Group from 2006 to 2008, as Group Chairman, Consumer, Specialty Pharmaceuticals and Nutritionals from 2004 to 2006, and as Executive

Vice President of Global Marketing for the Pharmaceutical Group from 2002 to 2004. Prior to that, she held various positions at Bristol-Myers Squibb from 1982 to 2002, including as President of U.S. Primary Care from 2000 to 2002 and as President of Global Marketing and Consumer Products from 1998 to 2000. Ms. Crane has served as Vice Chairman of the Board of Zealand Pharma A/S since 2015 and as a director of Unilife Corporation since October 2016. Ms. Crane received an M.B.A. from Kent State University and a B.A. in communications and English from the State University of New York.

With over 30 years of experience in commercialization and business operations, primarily in the pharmaceutical and biotechnology industries, and more than 25 years of therapeutic and consumer drug launch expertise, Ms. Crane provides broad and experienced knowledge of the global pharmaceutical business and industry.

Jean-Michel Halfon
Independent Director

Committees:

- *Compliance (Chair)*
- *Human Resources and Compensation*
- *Corporate Governance and Nominating*

Mr. Halfon joined the Board of Directors in 2014. He currently serves as an independent consultant, providing consulting services to pharmaceutical, distribution, healthcare IT and R&D companies. From 2008 to 2010, Mr. Halfon served as President and General Manager of Emerging Markets at Pfizer Inc., after serving in various senior management positions since 1989. From 1987 until 1989, Mr. Halfon served as Director of Marketing in France for Merck & Co., Inc. Mr. Halfon received a B.S. from Ecole Centrale des Arts et Manufactures and an M.B.A. from Institut Supérieur des Affaires.

Mr. Halfon's years of experience in senior management at leading pharmaceutical companies, particularly his experience with emerging markets, provides expertise in international pharmaceutical operations and marketing.

Murray A. Goldberg
Independent Director

Committees:

- *Audit*
- *Finance and Investment*

Mr. Goldberg joined the Board of Directors in July 2017. Mr. Goldberg served in various leadership roles at Regeneron Pharmaceuticals from 1995 to 2015, including as Senior Vice President of Administration and Assistant Secretary from 2013 to 2015, as Chief Financial Officer and Senior Vice President, Finance and Administration and Assistant Secretary from 1995 to 2013 and as Treasurer from 1995 to 2012. From 1991 to 1995, Mr. Goldberg served as Chief Financial Officer and Vice President of Finance and Treasurer of PharmaGenics Inc. and as a director of PharmaGenics. From 1987 to 1990, he was a Managing Director at the Chase Manhattan Bank, and from 1973 to 1987, he held various managerial positions in finance and corporate development at American Cyanamid Company. Mr. Goldberg has served as a director of Aerie Pharmaceuticals since 2013 and serves as the chairman of its audit committee. Mr. Goldberg received a Bachelor's degree in engineering from New York University, a Master's degree in international economics from the London School of Economics and an M.B.A. from the University of Chicago.

Mr. Goldberg's many years of experience in leading pharmaceutical companies, together with his knowledge of financial matters, particularly in the pharmaceutical industry, will provide the Board with broad expertise in the global pharmaceutical business.

Roberto A. Mignone
Independent Director

Committees:

- *Finance and Investment*
- *Science and Technology*

Mr. Mignone joined the Board of Directors in July 2017. Mr. Mignone is the Founder and Managing Partner of Bridger Management LLC, a multi-billion dollar investment management firm specializing in long-term equity strategies, since 2000. Since inception, Bridger Management has focused on the healthcare sector and has developed considerable research expertise in support of its investments. In addition to healthcare, Bridger Management invests in global consumer, technology and financial services companies. Prior to Bridger Management,

Mr. Mignone co-founded and served as a partner of Blue Ridge Capital LLC from 1996 to 2000, an investment management firm with specialties in health care, technology, media, telecommunications, and financial services. Mr. Mignone serves as a trustee and member of the Finance Committee and Nominating Committee of the New York University Langone Medical Center. He received a Bachelor of Arts degree in classics from Harvard College and an M.B.A from Harvard University Graduate School of Business Administration.

With his long career as a global investment professional with a specialty in health care, Mr. Mignone provides the Board with finance and management expertise with respect to large, complex pharmaceutical organizations.

Dr. Perry D. Nisen
Independent Director

Committees:

- *Science and Technology (Chair)*
- *Compliance*

Dr. Nisen joined the Board of Directors in July 2017. From 2014 to 2017, Dr. Nisen served as Chief Executive Officer and the Donald Bren Chief Executive Chair of Sanford Burnham Prebys Medical Discovery Institute. From 2004 to 2014, Dr. Nisen held various roles at GlaxoSmithKline, most recently as Senior Vice President, Science and Innovation. Prior to that, Dr. Nisen served as Divisional Vice President, Global Oncology Development and as Divisional Vice President, Cancer Research at Abbott Laboratories from 1997 to 2004. Previously, he was the Lowe Foundation Professor of Neuro-Oncology at the University of Texas Southwestern Medical Center. Dr. Nisen serves as a director of Mirna Therapeutics since 2016. He received a B.S. from Stanford University, a Master's degree in molecular biology, M.D. and PhD from Albert Einstein College of Medicine.

Dr. Nisen's research and development experience, management positions in leading pharmaceutical companies and service on boards provides a unique perspective on Teva's business and R&D activities.

Nechemia (Chemi) J. Peres
Independent Director

Committees:

- *Corporate Governance and Nominating*
- *Human Resources and Compensation*

Mr. Peres joined the Board of Directors in July 2017. Mr. Peres serves as the managing general partner and co-founder of Pitango Venture Capital, Israel's largest venture capital group that invests across technology sectors from IT to healthcare, with over 220 portfolio companies, since its inception in 1996. Mr. Peres serves on the board of directors of numerous Pitango portfolio companies. Mr. Peres is also the founder of Mofet Israel Technology Fund, one of Israel's first venture capital funds, since its inception in 1992. Mr. Peres is chairman of the Peres Center for Peace and Innovation. He co-founded and chaired the Israel Venture Association (IATI—Israel Advanced Technology Industries) and he chaired the Israel America Chamber of Commerce from 2008 to 2011. He received a Bachelor of Science in industrial engineering and management and an M.B.A. from Tel Aviv University.

With his pioneering financial and entrepreneurial background, Mr. Peres provides the Board with a forward-thinking view on financial and strategic matters.

Gerald M. Lieberman
Independent Director

Committees:

- *Audit (Chair)*
- *Human Resources and Compensation*

Mr. Lieberman joined the Board of Directors in September 2015. Mr. Lieberman is currently a special advisor at Reverence Capital Partners, a private investment firm focused on the middle-market financial services industry. From 2000 to 2009, Mr. Lieberman was an executive at AllianceBernstein L.P., where he served as President and Chief Operating Officer from 2004 to 2009, as Chief Operating Officer from 2003 to 2004 and as Executive Vice President, Finance and Operations from 2000 to 2003. From 1998 to 2000, he served as Senior Vice President, Finance and Administration at Sanford C. Bernstein & Co., Inc., until it was acquired by Alliance Capital in 2000, forming AllianceBernstein L.P. Prior to that, he served in various executive positions at Fidelity Investments and at Citicorp. Prior to joining Citicorp he was a certified public accountant with Arthur Andersen. Mr. Lieberman serves on the board of directors of Entera Bio. He served on the board of directors of Forest Laboratories, LLC from 2011 to 2014, Computershare Ltd. from 2010 to 2012 and AllianceBernstein L.P. from 2004 to 2009. Mr. Lieberman received a B.S. Beta Gamma Sigma with honors in business from the University of Connecticut.

With his many years of experience as an executive in leading financial services companies, Mr. Lieberman provides finance, risk management and operating expertise for large, complex organizations.

Galia Maor
Independent Director

Committees:

- *Finance and Investment (Chair)*
- *Audit*

Ms. Maor joined the Board of Directors in 2012. Ms. Maor served as President and Chief Executive Officer of the Bank Leumi le-Israel B.M. Group from 1995 to 2012 after serving as Deputy General Manager of Bank Leumi from 1991 to 1995. She began her professional career at Bank of Israel, serving in several senior management positions from 1963 to 1989, including Supervisor of Banks and Chairperson of the Advisory Committee on Banking Issues. Ms. Maor serves as a member of the board of directors of Strauss Group Ltd. Ms. Maor serves as a member of Council and on the Finance Committee of the Open University of Israel since 1988, as Chairperson of the Circle of Friends of Sheba Medical Center in Israel since 2013 and as member of the Board of Social Finance Israel (Social Impact Bond) since 2013. She served on the board of directors of Equity One, Inc. from 2012 to 2017. She holds a B.A. in economics and statistics and an M.B.A., both from the Hebrew University. Ms. Maor holds honorary doctorates from the Technion-Israel Institute of Technology, Ben Gurion University and Bar Ilan University.

Ms. Maor's experience in the private sector as one of Israel's leading banking executives and as a senior executive at Bank of Israel, as well as her service in various committees regarding the Israeli capital market and banking system, provides financial, capital markets, accounting and regulatory expertise.

Gabrielle Sulzberger
Independent Director

Committees:

- *Corporate Governance and Nominating*
- *Compliance*

Ms. Sulzberger joined the Board of Directors in September 2015. Ms. Sulzberger has served as General Partner and Investment Manager of Rustic Canyon/Fontis Partners, L.P., a diversified investment fund, since its inception in October 2005. Ms. Sulzberger has served on the board of directors of Whole Foods Market, Inc. since 2003. From 2004 to 2016 she chaired the audit committee, and she serves as Chairperson of the board of directors from 2017. Ms. Sulzberger serves on the board of directors of Brixmor Property Group since 2015, and currently chairs the Nominating and Governance Committee. She also serves on the board of trustees of the Ford Foundation. Ms. Sulzberger served on the board of directors of Stage Stores, Inc. from 2010 to 2015. She has also served as chief financial officer of

several privately owned companies and as a principal in several private equity capital funds. Ms. Sulzberger received a B.A. in urban studies from Princeton University, a J.D. from Harvard Law School and an M.B.A. from Harvard Business School.

Ms. Sulzberger’s entrepreneurial background, years of service as a public company director, including as chair of the audit committee, and her experience as a chief financial officer provides Teva with financial, leadership, strategy and risk assessment expertise.

Dan S. Suesskind
Independent Director

Committees:

- *Audit*
- *Finance and Investment*

Dan S. Suesskind rejoined the Board of Directors in September 2017. Mr. Suesskind previously served as a director of Teva from 1981 to 2001 and from 2010 to 2014. He was Teva’s Chief Financial Officer from 1977 until 2008. Currently, Mr. Suesskind serves as a director of Israel Corporation Ltd. since 2011 and Redhill Biopharma Ltd. since 2011, as well as a member on the Board of the Jerusalem Foundation, as a member of the Investment Committee of Ben Gurion University, as a member of the Investment Committee of the Israel Academy of Science and Humanities and as a member of the Board of Trustees of the Hebrew University. He served on the Board of Gefen Biomed Investments Ltd. from 2010 to March 2013, on the Board of Migdal Insurance Company Ltd. from 2002 to 2013, on the Board of Syneron Medical Ltd. from 2004 to July 2017 and on the Board of the First International Bank of Israel from 2002 to 2003. Mr. Suesskind is one of the founders and a member of the steering committee of the Israeli Forum of Chief Financial Officers. Mr. Suesskind received a B.A. in economics and political science from the Hebrew University in 1965 and an M.B.A. from the University of Massachusetts in 1969.

Mr. Suesskind has many years of knowledge and experience at Teva, both as chief financial officer and as a director. His proven track record as a leader and innovator in corporate finance, both in Teva and outside of Teva, together with his many years of experience on boards of significant financial and pharmaceutical firms, make him a valuable member of our Board of Directors.

Executive Officers

The following table sets forth information regarding our executive officers, as of February 12, 2018:

<u>Name</u>	<u>Age</u>	<u>Executive Officer Since</u>	<u>Position</u>
Kåre Schultz	56	2017	President and Chief Executive Officer
Iris Beck-Codner	52	2014	Executive Vice President, Global Brand and Communications
Richard Daniell	51	2017	Executive Vice President, European Commercial
Sven Dethlefs	49	2017	Executive Vice President, Global Marketing & Portfolio
Dr. Hafrun Fridriksdottir	56	2017	Executive Vice President, Global R&D
Michael McClellan	47	2017	Executive Vice President, Chief Financial Officer
Gianfranco Nazzi	49	2017	Executive Vice President, Growth Markets Commercial
Dr. Carlo de Notaristefani	60	2012	Executive Vice President, Global Operations
Brendan O’Grady	51	2017	Executive Vice President, North America Commercial
Mark Sabag	47	2013	Executive Vice President, Global Human Resources
David M. Stark	49	2016	Executive Vice President, Chief Legal Officer

Effective November 1, 2017, Kåre Schultz joined Teva as President and Chief Executive Officer and was also appointed to the Board of Directors. He succeeded Dr. Yitzhak Peterburg, who served as Interim President and Chief Executive Officer from February to October 31, 2017.

On November 27, 2017, Michael McClellan was appointed Executive Vice President, Chief Financial Officer, after serving as Interim Chief Financial Officer since July 1, 2017. He succeeded Eyal Desheh who served as Group Executive Vice President, Chief Financial Officer since 2008.

In November 2017, we announced a new organizational structure and leadership changes to enable strategic alignment across our portfolios, regions and functions. In December 2017, we announced a comprehensive restructuring plan intended to significantly reduce our cost base, unify and simplify our organization and improve business performance, profitability, cash flow generation and productivity. As a result of these changes, Dr. Michael Hayden, Dr. Rob Koremans and Dipankar Bhattacharjee left Teva on November 27, 2017.

Kåre Schultz

President and Chief Executive Officer

The biography of Kåre Schultz, our President and Chief Executive Officer, and one of our directors, appears under “—Directors” above.

Iris Beck-Codner

Executive Vice President, Global Brand & Communications

Ms. Beck-Codner became Executive Vice President, Global Brand & Communications in November 2017. From 2014 to 2017, Ms. Beck-Codner served as Group Executive Vice President, Corporate Marketing and Communication. From 2013 to 2014, she served as Senior Vice President, Chief Communications Officer. From 2009 to 2012, she served as Group CEO of McCann Erickson Israel, IPG and from 2002 to 2008, as Vice President Marketing & Content at Partner Communications Company Ltd. From 1999 to 2000, she served as General Manager of Lever Israel, a wholly-owned subsidiary of Unilever Israel. Ms. Beck-Codner received a B.A. in economic sciences from Haifa University and an M.B.A. with distinction from Bar-Ilan University.

Richard Daniell

Executive Vice President, European Commercial

Mr. Daniell became Executive Vice President, European Commercial in November 2017. From December 2016 to November 2017, he served as President and CEO, Teva Europe Generics. From 2015 to 2016, he served as Chief Integration Officer, leading the integration of the Actavis Generics business into Teva. From 2015 to 2016, he served as Chief Operating Officer, Growth Markets. From 2011 to 2015 he served as Cluster General Manager, United Kingdom and Ireland. Mr. Daniell serves on the Board of Directors of PGT since February 2017. Mr. Daniell received a B.Sc. degree in chemistry from the University of Auckland, New Zealand.

Sven Dethlefs

Executive Vice President, Global Marketing & Portfolio

Mr. Dethlefs became Executive Vice President, Global Marketing & Portfolio in November 2017. From 2016 to 2017, he served as Global Head of Respiratory Medicines, Global Specialty Medicines. From 2013 to 2016, he served as Chief Operating Officer, Teva Global Operations. Mr. Dethlefs joined Teva as General Manager, Teva Germany in 2008. Prior to joining Teva, he served for over eleven years as a partner at McKinsey & Company. Mr. Dethlefs received his Ph.D. in biochemistry from the FU Berlin/Pasteur Institute Paris.

Dr. Hafrun Fridriksdottir

*Executive Vice President,
Global R&D*

Dr. Fridriksdottir became Executive Vice President, Global R&D in November 2017. From February 2017 to November 2017, she served as Executive Vice President, President of Global Generics R&D, after serving as Senior Vice President and President of Global Generics R&D from 2016. Prior to joining Teva, from 2015 to 2016, Dr. Fridriksdottir served as Senior Vice President and President of Global Generics R&D in Allergan plc. From 2002 to 2015, she held positions of increasing responsibility within the Actavis Group, including Senior Vice President, R&D. From 1997 to 2002, Dr. Fridriksdottir served as Divisional Manager of Development at Omega Pharma, until its merger with Actavis. Dr. Fridriksdottir received an MS degree in pharmacy and a Ph.D. in physical pharmacy from the University of Iceland.

Michael McClellan

*Executive Vice President, Chief
Financial Officer*

Mr. McClellan was appointed Executive Vice President, Chief Financial Officer in November 2017. He served as Interim Group Chief Financial Officer from July 2017 to November 2017. From 2015 to November 2017, he served as Senior Vice President and CFO, Global Specialty Medicines. Prior to joining Teva, Mr. McClellan was the U.S. CFO at Sanofi, where his career spanned nearly 20 years in roles of increased responsibility in global finance and healthcare. Mr. McClellan received his BSBA, accounting and economics from the University of Missouri Trulaske College of Business.

Gianfranco Nazzi

*Executive Vice President, Growth
Markets Commercial*

Mr. Nazzi was appointed Executive Vice President, Growth Markets Commercial in November 2017. From March 2017 to November 2017, he served as President and CEO of Growth Markets, Global Generic Medicines Group. Mr. Nazzi joined Teva as Senior Vice President, Specialty Medicines Europe in 2014. Prior to joining Teva, he served seven years at AstraZeneca in various senior roles, including Sales and Marketing Vice President Europe, Global Vice President Respiratory, General Manager of the Balkans and Vice President Primary Care in Italy. Prior to that, he served for two years as BU Director Metabolic & Cardiovascular at GlaxoSmithKline and five years in various sales and marketing roles at Eli Lilly and Company in both Italy and the United States. Mr. Nazzi received his BA degree in economics from the University of Udine, and his master's degree in management studies from SDA Bocconi.

Dr. Carlo de Notaristefani

*Executive Vice President, Global
Operations*

Dr. de Notaristefani became Executive Vice President, Global Operations in November 2017. From 2012 to 2017, he served as President and Chief Executive Officer, Global Operations. Prior to joining Teva, from 2004 to 2011, Dr. de Notaristefani was a member of the senior management team at Bristol-Myers Squibb, where he served as President Technical Operations and Global Support Functions, with responsibility for global supply chain operations, quality and compliance, procurement and information technology. Before joining Bristol-Myers Squibb, Dr. de Notaristefani held several senior positions of increasing responsibility in the areas of global operations and supply chain management with Aventis, Hoechst Marion Roussell and Marion Merrell Dow. Dr. de Notaristefani holds a doctoral degree in chemical engineering from the University of Naples.

Brendan O’Grady

Executive Vice President, North America Commercial

Brendan O’Grady became Executive Vice President, North America Commercial in November 2017. From 2016 until November 2017, he served as Chief Commercial Officer, Global Specialty Medicines and served as interim head of Teva’s European Specialty business. Prior to that, he held various senior roles since joining Teva in 2011 as Regional Account Manager, and from 2015 to 2016, he served as President and CEO, Teva North America Generics. Prior to joining Teva, Mr. O’Grady spent ten years with Sanofi predecessor companies in a variety of commercial and medical affairs roles that began in field sales. He received his B.S. from Geneseo State University, NY in management science/marketing and holds an M.B.A. from Baker University in Baldwinville, Kansas.

Mark Sabag

Executive Vice President, Global Human Resources

Mr. Sabag became Executive Vice President, Global Human Resources in November 2017. From 2013 to November 2017, he served as Group Executive Vice President, Human Resources. From 2012 to 2013, Mr. Sabag served as Global Deputy Vice President, Human Resources. From 2010 to 2012, he served as Vice President, Human Resources for Teva’s International Group. From 2006 to 2010, he served as Vice President, Human Resources International Group and Corporate Human Capital. Prior to joining Teva, Mr. Sabag held senior human resources roles with Intel Corporation. Mr. Sabag received a B.A. in economics and business management from Haifa University.

David M. Stark

Executive Vice President, Chief Legal Officer

Mr. Stark became Executive Vice President, Chief Legal Officer in November 2017. From November 2016 to November 2017, he served as Group Executive Vice President, Chief Legal Officer. From 2014 to 2015, Mr. Stark was Senior Vice President and General Counsel, Global Specialty Medicines. Since joining Teva in 2002, Mr. Stark served in a series of roles with increasing responsibilities in Teva North America and Teva Americas, including as Senior Director, Deputy General Counsel, and Vice President and General Counsel. Prior to joining Teva, Mr. Stark was an associate attorney in the litigation departments at Willkie Farr & Gallagher LLP between 1998 and 2002, Chadbourne & Parke between 1997 and 1998 and Haight, Gardner, Poor & Havens between 1994 and 1997. Mr. Stark received a J.D. from New York University School of Law and a B.A. in political science from Northeastern University, summa cum laude.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Section 16(a) Beneficial Ownership Reporting Compliance

As of January 1, 2018, Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of our ordinary shares to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of our ordinary shares. During 2017, our directors and executive officers and persons who own more than 10% of our ordinary shares were not required to comply with the reporting requirements of Section 16(a) because Teva was exempt from these requirements by virtue of being a “foreign private issuer.”

Code of Business Conduct

Teva has adopted a code of business conduct applicable to its directors, executive officers, and all other employees. A copy of the code is available to every Teva employee on Teva’s internet site, upon request to its human resources department, and to investors and others on Teva’s website at <http://www.tevapharm.com> or by contacting Teva’s investor relations department, legal department or the internal auditor. If we make any amendment or grant any waiver to this code that applies to our chief executive officer, chief financial officer, chief accounting officer or controller, or persons performing similar functions, and that relates to an element of the SEC’s “code of ethics” definition, then we will disclose the nature of the amendment or waiver on Teva’s website.

Audit Committee and Audit Committee Financial Experts

Our Board of Directors has a separately designated standing Audit Committee. The members of the Audit Committee are Gerald M. Lieberman (chair), Amir Elstein, Murray Goldberg, Galia Maor and Dan Suesskind. The Board has determined that all of the members of the Audit Committee are independent as defined in the listing standards of the New York Stock Exchange and in our independence standards. The Board has designated Gerald M. Lieberman, Galia Maor and Dan Suesskind as “audit committee financial experts” under SEC rules.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis (“CD&A”) describes the philosophy, objectives, process, components and additional aspects of our 2017 executive compensation program. This CD&A is intended to be read in conjunction with the tables that immediately follow this section, which provide further historical compensation information for the following named executive officers (“NEOs”):

Current NEOs

Kåre Schultz	President and Chief Executive Officer (“CEO”)
Michael McClellan	Executive Vice President, Chief Financial Officer (“CFO”)
Dr. Carlo de Notaristefani	Executive Vice President, Global Operations
Dr. Hafrun Fridriksdottir	Executive Vice President, Global Research & Development (“R&D”)
Mark Sabag	Executive Vice President, Global Human Resources

Former NEOs

Erez Vigodman	Former President and CEO
Dr. Yitzhak Peterburg	Former Interim President and CEO
Eyal Desheh	Former Group Executive Vice President and CFO
Dr. Rob Koremans	Former President and CEO, Global Specialty Medicines
Dr. Michael Hayden	Former President of Global R&D and Chief Scientific Officer

Quick CD&A Reference Guide

Executive Summary	Section I
Compensation Philosophy and Objectives	Section II
Compensation Determination Process	Section III
Components of Our Compensation Program	Section IV
Additional Compensation Policies and Practices	Section V

I. Executive Summary

Overview

The core objectives of our executive compensation programs are to (i) link pay to performance over both the short- and long-term; (ii) align executive officers' interests with those of Teva and its shareholders over the long-term, generally by including grants of the Company's equity as a significant component in our executive compensation program; (iii) encourage balanced risk management; and (iv) provide a competitive compensation package that motivates executive officers. Consistent with these objectives, our compensation plans are designed to reward our executive officers for generating performance that achieves Company, business and individual goals, and for increasing shareholder returns. When we do not achieve Company, business and individual goals, our executive officers' compensation reflects that performance.

2017 was a year of transition for Teva. Both our generic medicines business and our specialty medicines business faced significant challenges. In order to position Teva for the future, we made changes to our leadership structure. See "Item 1—Business—Business Overview" and "Item 10—Directors, Executive Officers and Corporate Governance." Our executive compensation program is designed to support our strategy, especially during this period of transition.

2017 NEO Leadership Transitions

On November 1, 2017, Kåre Schultz became our President and CEO, representing the successful completion of the global search process executed by our Board. Mr. Schultz relocated to Israel and is based out of our Petah Tikva headquarters. He was also appointed to our Board as of November 1, 2017. From 2015 to 2017, Mr. Schultz served as the President and CEO of H. Lundbeck A/S. Prior to joining Lundbeck, Mr. Schultz worked for nearly three decades at Novo Nordisk.

Mr. Schultz succeeded Dr. Yitzhak Peterburg, who served as Interim President and CEO from February 2017 to November 2017, after our former President and CEO, Erez Vigodman, stepped down in February 2017. Prior to serving as Interim President and CEO, Dr. Peterburg served as Chairman of the Board since January 2015. When Mr. Schultz began his service as President and CEO, Dr. Peterburg continued to serve as a member of our Board and then resigned from the Board on December 12, 2017.

On November 27, 2017, we appointed Michael McClellan as Executive Vice President and CFO. From July 2017 to November 2017, Mr. McClellan served as our Interim CFO. For the preceding two years, Mr. McClellan served as the Senior Vice President and CFO of Teva's Global Specialty Medicines division. Mr. McClellan succeeded Eyal Desheh, who stepped down as Group Executive Vice President, CFO in July 2017. Prior to joining Teva, Mr. McClellan was the U.S. CFO for Sanofi.

On November 27, 2017, we appointed Dr. Hafrun Fridriksdottir as Executive Vice President, Global R&D. Since February 2017, she served as Executive Vice President, President of Global Generics R&D, after serving as Senior Vice President and President of Global Generics R&D since August 2016. Prior to joining Teva, Dr. Fridriksdottir served as Senior Vice President of Global Generics R&D of Allergan plc, where she held several positions of increasing responsibility in the Actavis group within Allergan.

On November 27, 2017, Dr. Michael Hayden, President of Global R&D and Chief Scientific Officer, and Dr. Rob Koremans, President and CEO, Global Specialty Medicines, both stepped down from their positions.

These leadership transitions are all part of the process executed by our Board to recruit a new CEO and establish a new organization and leadership structure. As is typical for interim NEOs, we tailored the terms of employment for those who served in an interim capacity for a portion of the year, which in some respects made the terms vary from the general policies and practices described in this CD&A. See "—IV. Components of Our Compensation Program—Leadership Transitions" below for additional information.

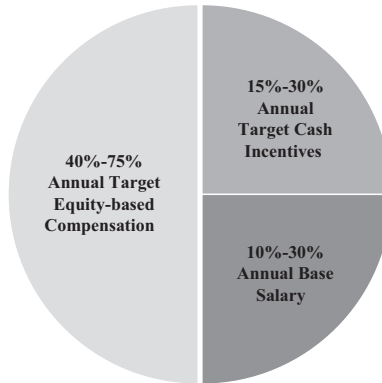
For more information regarding our new leadership structure, see “Item 10—Directors, Executive Officers and Corporate Governance.”

Components of Compensation and Target Pay Mix

The Human Resources and Compensation Committee (the “Compensation Committee”), Board and shareholders selected the components of compensation set forth below to achieve our stated executive officer compensation objectives. The majority of the compensation of each executive officer is variable and at risk. We consider compensation to be “at risk” if it is subject to performance-based payment or vesting conditions or if its value depends on share price appreciation.

Compensation of our executive officers generally consists of annual base salary, annual cash incentives and annual equity-based compensation. As required by the Israeli Companies Law, 5759-1999 (the “Israeli Companies Law”), we have adopted a Compensation Policy for Executive Officers and Directors (the “Compensation Policy”), which is presented for shareholder approval at least every three years. Under the Compensation Policy, our target range for the pay mix between the annual base salary, annual cash incentives and annual equity-based compensation of our executive officers is as follows:

- Base salary, 10%–30%;
- Annual target cash incentives, 15%–30%; and
- Annual target equity-based compensation, 40%–75%.



The target ranges express the optimal pay mix in the event all performance measures are achieved at target levels, and assume all compensation elements are granted with respect to a given calendar year. Performance that is lower than target levels or exceeds target levels in any given calendar year may result in a payout in different percentages than those described above.

The target pay mix supports the core principles of our executive officer compensation philosophy of compensating for performance and aligning executive officers’ interests with those of Teva and its shareholders, by emphasizing short- and long-term incentives that fall within the ranges noted above.

Corporate Governance Practices

As part of the efforts of the Compensation Committee, to ensure that our compensation program, which includes our policies and practices, aligns our executive officers' interests with those of Teva and its shareholders, the Compensation Committee assesses the effectiveness of our compensation program periodically, and reviews risk mitigation and governance matters. We do this by maintaining the following best practices:

<u>What We Do</u>		<u>What We Don't Do</u>
✓ Adopt a Compensation Policy that is approved by shareholders	X	No immediate vesting ("single trigger") of equity-based awards if awards are assumed or substituted in connection with a change in control; following a change-in-control, equity-based awards would only accelerate and vest in the event of a subsequent qualifying employment termination ("double trigger")
✓ Align pay and performance	X	"No hedging policy" regarding our shares applicable to directors and executive officers
✓ Review compensation data from peers whose industry, revenues, and global footprint share similarities with Teva	X	"No pledging policy" limiting the pledging of shares applicable to directors and executive officers
✓ Use equity for long-term incentive awards with mandatory minimum vesting periods	X	No guaranteed performance bonuses
✓ Maintain an appropriate balance between short and long-term compensation which discourages short-term risk taking at the expense of long-term results	X	No repricing or backdating of share options
✓ Cap annual cash incentive payouts, annual equity grant values at target, and earned PSUs	X	No discounted share options
✓ Require executive officers to comply with our share ownership guidelines	X	No highly leveraged incentive plans that encourage excessive risk taking
✓ Maintain a clawback policy designed to recoup incentive compensation paid to executive officers based on erroneously prepared financial statements	X	No excise tax gross-up provisions in employment agreements
✓ Engage an independent compensation advisor to the Compensation Committee, who performs no other consulting work for Teva		
✓ Conduct annual risk assessments of our compensation program		

U.S. Domestic Issuer Status

Effective January 1, 2018, we began filing periodic reports and registration statements with the SEC as a U.S. domestic issuer, after we determined that, as of June 30, 2017, we no longer qualified as a foreign private issuer under SEC rules. As a U.S. domestic issuer, we must now, for the first time, make our SEC filings under the rules applicable to U.S. domestic issuers, and must include certain disclosures that were not previously required, including this Compensation Discussion and Analysis. In addition, the determination and presentation of executive compensation amounts for NEOs contained within this Executive Compensation section follows SEC and applicable accounting requirements, which differ from the determination and presentation methodologies that were permitted by, and that we have used previously in, prior Annual Reports filed on Form 20-F and other disclosures and filings. For example, certain elements of compensation in this Executive Compensation section are reported based on the year with respect to which they were granted or earned, not for periods with respect to which they were accrued or expensed for accounting purposes (as was the case in our

prior Annual Reports filed on Form 20-F). This applies, for example, to amounts in respect of equity compensation in the Summary Compensation Table, which are now calculated based on grant date fair value and not calculated based on compensation expense as accrued for accounting purposes, as reflected in our prior Annual Reports filed on Form 20-F.

Compensation-Related Requirements of the Israeli Companies Law

As approved at our 2016 annual general meeting of shareholders, and as required by the Israeli Companies Law, we have adopted a Compensation Policy regarding the terms of office and employment of our “office holders” (as defined under the Israeli Companies Law, which includes directors, the CEO, other executive officers and any other managers directly subordinate to the CEO), including cash compensation, equity-based awards, releases from liability, indemnification and insurance, severance and other benefits (the “Terms of Office and Employment”). Each of our NEOs is (or was, while employed by us) an “office holder” within the meaning of the Israeli Companies Law. The Compensation Policy is reviewed from time to time by the Compensation Committee and Board to ensure its alignment with our compensation philosophy and to consider its appropriateness for Teva and is required to be brought at least once every three years to our shareholders for approval.

Pursuant to the Israeli Companies Law, arrangements between Teva and its office holders must generally be consistent with the Compensation Policy. However, under certain circumstances, we may approve an arrangement that is not consistent with the Compensation Policy, if the arrangement is approved by a majority of our shareholders, provided that (i) the majority includes a majority of the votes cast by shareholders who are present and voting (abstentions are disregarded) who (A) are not controlling shareholders and (B) do not have a personal interest in the matter, or (ii) the votes cast against the arrangement by shareholders who are not controlling shareholders and who do not have a personal interest in the matter who were present and voted constitute two percent or less of the voting power of the Company (a “special majority”). Under certain circumstances, if the Compensation Policy is not approved by the shareholders, the Compensation Committee and the Board may nonetheless approve such policy.

In addition, pursuant to the Israeli Companies Law, the Terms of Office and Employment generally require the approval of the Compensation Committee and the Board. The Terms of Office and Employment as applicable to directors further require the approval of the shareholders by a simple majority. The Terms of Office and Employment with respect to a CEO generally require the approval of the shareholders by the special majority referenced in the immediately preceding paragraph. Pursuant to regulations promulgated under the Israeli Companies Law, shareholder approval is not required with respect to Terms of Office and Employment granted to a director or a CEO for the period following his or her appointment until the next general meeting of shareholders, provided these terms are (i) approved by the Compensation Committee and the Board, (ii) consistent with the Compensation Policy and (iii) on similar or less favorable terms than those of the person’s predecessor. In addition, under certain circumstances, shareholder approval is not required with respect to the Terms of Office and Employment of a candidate for CEO if the Compensation Committee determines that the engagement will be frustrated if the approval is pursued, provided that the terms are consistent with the Compensation Policy. This provision was followed in the recruitment of our President and CEO, Kåre Schultz.

Under certain circumstances, if the Terms of Office and Employment of office holders who are not directors are not approved by the shareholders, where such approval is required, the Compensation Committee and the Board may nonetheless approve such terms. In addition, non-material amendments of the Terms of Office and Employment of office holders who are not directors may be approved by the Compensation Committee only and non-material amendments of the Terms of Office and Employment of office holders who are not directors and excluding the CEO may be approved by the CEO only, provided such approvals are permitted under the Compensation Policy and consistent therewith. Accordingly, for as long as not otherwise determined by the Compensation Committee and the Board, our President and CEO is currently authorized to approve benefits and perquisites for any other executive officer with respect to any calendar year, provided that it does not exceed the value of such executive officer’s one month base salary.

Compensation Proposal Results and Shareholder Feedback

We pay careful attention to any feedback we receive from our shareholders about our executive compensation program. Although we have not been subject to the requirement for a shareholder advisory vote on our executive compensation program (“say-on-pay”) in the past, we have historically received high levels of support from our shareholders on executive compensation matters, including the approval of our Compensation Policy. At our 2017 annual meeting of shareholders, the votes on executive compensation matters received the following levels of support:

- Approval of Teva’s 2017 Executive Incentive Compensation Plan–91%
- Amendment to the 2015 Long-Term Equity-Based Incentive Plan to increase the number of shares available for issuance thereunder–87%
- Approval of the compensation of Dr. Sol J. Barer as Chairman of the Board–92%
- Approval of the terms of office and employment of Dr. Yitzhak Peterburg as Interim President and CEO–87%
- Approval of a membership fee for directors serving on special or ad-hoc committees–91%

The Compensation Committee believes these results demonstrate strong shareholder support for our executive compensation program. While we received such support for our compensation proposals at our 2017 annual general meeting, the Compensation Committee continued to work to enhance our executive compensation program to further align with shareholder interests. When making compensation decisions for our executive officers, the Compensation Committee will continue to consider the outcome of votes on compensation-related matters and feedback from shareholders.

II. Compensation Philosophy and Objectives

To remain competitive, we must attract and retain highly talented professionals with the necessary skills and capabilities to promote creativity and manage global operations. Due to our unique position as an Israeli company with an extensive global footprint, we aim to adopt compensation policies and practices that match those of similar global companies, while complying with applicable local laws and policies.

We are also committed to transparent and ethical business practices. Maintaining high standards of corporate governance and legal compliance are key factors in our success. This allows us to create long-term value for our shareholders as well as all of our other stakeholders, including employees, customers, suppliers and, above all, patients worldwide.

Our executive officer compensation philosophy also values the following principles:

- promotion of our goals and supporting our business strategy and work plan;
- paying executive officers equitably relative to one another based on their roles and responsibilities, educational background, skills, expertise, prior professional experience, achievements, seniority and location;
- embedding a culture of strong performance with high integrity; and
- encouraging good corporate governance and compliance practices.

Our objectives with respect to executive officer compensation, as summarized below, are designed to: (i) link pay to performance; (ii) align executive officers' interests with those of Teva and its shareholders over the long-term; (iii) encourage balanced risk management; and (iv) provide a competitive compensation package that motivates our executive officers.

- **Pay-for-performance:** We aim to incentivize our executive officers by creating a strong link between their performance and compensation. Therefore, a significant portion of the total compensation package provided to our executive officers is based on measures that reflect both our short- and long-term goals and performance, as well as the executive officer's individual performance and impact on shareholder value. In order to strengthen this link, we define clear and measurable quantitative and qualitative objectives that, in combination, are designed to improve our results and returns to shareholders.
- **Alignment of executive officers' interests with those of Teva and its shareholders:** In order to promote retention and motivate executive officers to focus on long-term objectives and the performance of Teva's shares, a significant portion of the compensation packages of our executive officers is granted in the form of equity-based compensation, which creates a direct link between the interests of executive officers and the interests of Teva and its shareholders.
- **Risk management:** Compensation is structured in a manner that creates an incentive to deliver high performance (both short- and long-term) while taking into account our compliance and risk management philosophy and avoiding undue pressure on executive officers to take excessive risks, thereby encouraging a balanced and effective risk-taking approach. Our compensation elements are designed with this in mind, by including mechanisms that reduce incentives to expose Teva to imprudent risks that may harm the Company or our shareholders in the short- and long-terms. This is achieved by using tools such as (i) placing maximum limits on short- and long-term incentives; (ii) measuring performance with key performance indicators that are designed to reduce incentives to take excessive risks; (iii) using compensation vehicles with diverse performance measures; (iv) granting a mix of equity-based compensation types that have long-term vesting schedules, which tie the awards to a longer performance cycle; and (v) requiring clawback of compensation payments in certain circumstances.
- **Competitiveness:** We compete with global companies to attract and retain highly talented professionals with the necessary capabilities to promote creativity, encourage high achievement, manage our complex business and worldwide operations and execute our strategy. For these reasons, the total compensation package for our executive officers is generally targeted at the median range of the peer group, which includes global pharmaceutical companies, as well as other companies which compete with Teva for similar talent, and may also include companies in the relevant geographical locations. Executive officers' total compensation may deviate from the target level as required to attract or retain certain individuals or reflect their respective characteristics or performance.

III. Compensation Determination Process

- The Compensation Committee and the Board design the executive compensation program with the intention of accomplishing the goals of linking pay to performance and creating alignment with Teva and its shareholder interests and also retaining and motivating a qualified executive team to provide strategic leadership and business continuity. In determining executive compensation, the Compensation Committee obtains input and advice from independent compensation consultants as applicable and reviews recommendations from our CEO with respect to the performance and compensation of our other executive officers. The Board, upon recommendation from, and following approval of, the Compensation Committee, reviews and approves compensation and performance awards of the CEO and executive officers. The Compensation Committee and the Board consider financial, operational and share price performance to determine appropriate executive compensation parameters.

Key Participants

The roles and responsibilities of all parties involved with the compensation determination process are set forth below:

<u>Role</u>	<u>Responsibilities</u>
Shareholders	<ul style="list-style-type: none">• Approve the Compensation Policy as required under the Israeli Companies law, including caps and thresholds for cash incentives and target equity, and any changes thereto, at least once every three years• Cast advisory vote on proposal(s) regarding executive compensation under U.S. law• Approve any compensation that deviates from the Compensation Policy• Approve compensation of the CEO• Approve compensation of directors• Approve equity plans, material changes to equity plans and share reserve increases• Provide direct feedback and input to Teva and our Board
Board of Directors	<ul style="list-style-type: none">• Evaluate performance of the CEO and executive officers, including the NEOs• Review and approve (subject to shareholder approval in certain cases):<ul style="list-style-type: none">• Equity plans, material changes to equity plans and share reserve increases• Executive compensation, with input and recommendation from, and prior approval of, the Compensation Committee• Changes to the Compensation Policy
Human Resources and Compensation Committee	<ul style="list-style-type: none">• Consider all factors and shareholder feedback to help align our compensation program with the interests of Teva and our shareholders and long-term value creation• Review and approve (subject to Board approval in certain cases):<ul style="list-style-type: none">• Executive compensation including adjustments to executive officers' base salary, target cash incentives and equity compensation, as well as other components of compensation• Establishment of performance-based metrics and goals under the annual cash incentive plan and associated with PSUs• Achievement of performance-based goals under the annual cash incentive plan and associated with PSUs• Equity plans and awards• Compensation Policy and its adequacy (periodically)• The CD&A and the compensation tables and accompanying narrative descriptions
Independent Compensation Consultant	<ul style="list-style-type: none">• Provide advice to the Compensation Committee regarding our executive compensation program, including:<ul style="list-style-type: none">• Input on pay philosophy, best practices and market trends• Selection of peer group• Executive compensation practices and levels at peer group companies• Design of annual cash incentive plan and equity plans• Review and provide an independent assessment of the data and materials presented by management to the Compensation Committee• Participate in Compensation Committee meetings as requested
CEO	<ul style="list-style-type: none">• Evaluate the performance of other executive officers, including the other NEOs, and recommend adjustments to base salaries, annual cash incentive plan and long-term equity compensation• Develop business goals, which are taken into account by the Compensation Committee and Board in the design of our executive compensation program

Role of Independent Compensation Consultant

The Compensation Committee has retained Pay Governance LLC as its independent compensation consultant to provide advice on the compensation of our executive officers. Pay Governance provides no other services to Teva. The Compensation Committee has assessed the independence of Pay Governance and concluded that the engagement of this firm does not raise any conflict of interest with Teva or any of its directors or executive officers.

Compensation Peer Group and Peer Selection Process

As a part of setting the compensation of our CEO and executive officers, the Compensation Committee and the Board use comparative compensation information from a relevant peer group of companies (the “Peer Group”) as a data point.

The Compensation Committee selects the companies in the Peer Group, with the assistance of Willis Towers Watson, based on primary selection criteria including, but not limited to, the following:

- Industry—Pharmaceutical sector/subsector
- Company size and diversity—\$5 billion to \$70 billion of revenues, market capitalization of more than \$10 billion, and a similar number of employees as Teva
- Geography—Global footprint and breadth, with focus on U.S. and European markets

The Peer Group has been constructed, in part, such that our revenues are generally in the middle of the range of the Peer Group companies. The Compensation Committee believes that the Peer Group companies also represent the companies with which we compete for talent. Periodically, the Compensation Committee reassesses the companies within the Peer Group and makes changes as appropriate, considering changes to the companies in the Peer Group, such as mergers and acquisitions and changes in our business.

The Compensation Committee and the Board consider data from the companies in the Peer Group to review the components and the total compensation of our CEO and executive officers relative to their counterparts at Peer Group companies, while also taking into consideration sustained performance, criticality of contributions to Teva and the executive officer’s role, skills, experience and development. The Compensation Committee and the Board use Peer Group data as a reference point for measurement, but Peer Group data is just one of several factors considered. The Compensation Committee retains discretion in determining the nature and extent of the use of Peer Group data.

The Peer Group established for setting 2017 compensation consisted of the following companies:

<u>Company</u>	<u>Headquarters</u>
AbbVie, Inc.	United States
Allergan Plc	Ireland
Amgen, Inc.	United States
Astellas Pharma, Inc.	Japan
AstraZeneca Plc	United Kingdom
Bayer AG	Germany
Bristol-Myers Squibb Co.	United States
Eli Lilly & Co.	United States
Gilead Sciences, Inc.	United States
GlaxoSmithKline Plc	United Kingdom
Merck & Co., Inc.	United States
Merck KGaA	Germany
Mylan NV	Netherlands
Novartis AG	Switzerland
Novo Nordisk A/S	Denmark
Pfizer Inc.	United States
Roche Holding AG	Switzerland
Sanofi	France
Takeda Pharmaceutical Co., Ltd. ...	Japan

	<u>Revenues</u> <u>(\$ in millions)</u>	<u>Market Cap</u> <u>(\$ in millions)</u>	<u>Employees</u>
Teva Pharmaceutical Industries Ltd. Percentile			
Rank	47 th	16 th	58 th
Median	22,859	98,638	41,275

Internal Considerations

Internal fairness: As a global company with complex operations worldwide and with many of our executive officers and a majority of our employees located outside of Israel, we position our executive officer compensation on a competitive scale commensurate with each executive officer’s role and responsibilities. Due to the large variations in customary pay levels, compensation practices and mandatory compensation requirements among the jurisdictions in which executive officers and employees are located, the Compensation Committee and the Board believe that a meaningful comparison between executive officer compensation and the compensation of other employees should be made, taking into account the relevant geographic location in which the executive officer is located, the executive officer’s role and scope of responsibility and the relevant geographic location of employees under the executive officer’s area of responsibility. Therefore, in addition to external benchmarking, the Compensation Committee and the Board review relevant internal ratios between executive officer compensation and the compensation of other employees, including the average and median values of employee compensation in Israel and other relevant geographies and its potential effect on our labor relations.

Previous and existing compensation arrangements: When considering the compensation package of an executive officer, the Compensation Committee and the Board may consider the previous and existing compensation arrangements of such individual and his or her scope of responsibility.

In addition, see “—Additional Compensation Information—2017 Pay Ratio” set forth below.

Risk Considerations

While the Board has overall responsibility for risk oversight, each of the standing committees of the Board regularly assesses risk in connection with executing its responsibilities. Therefore, the Compensation Committee assesses the potential risks arising from our compensation program, policies and practices. The Compensation Committee coordinates with our legal, human resources and other departments, considers shareholder feedback and interests and consults with its compensation consultant. The Compensation Committee reviewed and discussed the assessment for 2017. The Compensation Committee determined that our compensation program, policies and practices do not create risks that are reasonably likely to have a material adverse effect on Teva.

IV. Components of Our Compensation Program

2017 Components in General

The Compensation Committee, Board and shareholders selected the components of compensation set forth in the chart below to achieve our stated executive officer compensation program objectives. The Compensation Committee and the Board review all components of the compensation of executive officers in order to verify that the executive officer's total compensation is consistent with our compensation philosophy and objectives. The majority of the compensation of each executive officer is variable and at risk and subject to the achievement of performance goals in order to be earned.

<u>Element</u>	<u>Description</u>	<u>Strategic Role</u>
Base Salary	Fixed cash compensation Determined based on each executive officer's individual skills, experience, performance, external market and internal equity	Base salaries provide stable compensation to executive officers, allow Teva to attract and retain competent executive talent and maintain a stable leadership team.
Short-Term Incentives: Annual Cash Incentives	Variable cash compensation, based on the level of achievement of quantitative and qualitative performance objectives that are pre-determined annually Cash incentives are awarded only if performance against goals is at least 85% of target (90% for all CEOs) Cash incentives are capped at a maximum of 200% of base salary if achievement level is at least 120% of performance goal (125% for the former CEO and former interim CEO) Target cash award as a percentage of base salary is capped at 100% (140% for all CEOs)	Annual cash incentives are designed to ensure that our executive officers are aligned in reaching our short- and long-term goals; payout levels are determined based on actual financial and operational results, as well as individual performance.
Long-Term Incentives: Annual Equity-Based Compensation	Variable equity-based compensation Maximum monetary grant value of the annual equity award is \$6.0 million at target for the CEO and \$3.5 million at target for executive officers Performance Share Units (PSUs): Restricted share units that are earned	Equity-based compensation is used to foster a long-term link between executive officers' interests and the interests of Teva and its shareholders, as well as to attract, motivate and retain executive officers for the long-term.

<u>Element</u>	<u>Description</u>	<u>Strategic Role</u>
	<p>only upon the attainment of pre-established 3-year performance goals, with a relative TSR modifier</p> <p>Awards earned only if corporate performance against goals is at least 85% of target</p> <p>Awards capped at 200% of target number of shares if achievement level is at least 120% of performance goal</p> <p>Restricted Share Units (RSUs): Restricted share units that are time-based</p> <p>Share Options: Right to purchase shares at a price equal to the share price on the grant date that vest during a specified period</p>	

Base Salary

Purpose: Base salaries provide stable compensation to executive officers, allow Teva to attract and retain competent executive talent and maintain a stable leadership team. Base salaries vary among executive officers, and are individually determined according to each executive officer's areas of responsibility, role and experience, based on a variety of considerations, including:

- **Professional background:** Factors such as education, skills, expertise, professional experience and achievements are considered.
- **Competitiveness:** The base salary of executive officers is evaluated for competitiveness by considering external information with respect to the Company's peer group selected based on such factors among others as Teva's size, global footprint, nature of activities and competitors for similar talent, as well as the relevant geographic location.
- **Internal fairness:** The variation in the relative base salary among executive officers is designed to reflect the differences in position, education, scope of responsibilities, location, previous experience in similar roles and contribution to the attainment of our goals.

Adjustments to base salary: The Compensation Committee and the Board may periodically consider and approve base salary adjustments for executive officers. The main considerations for a salary adjustment are similar to those used in initially determining base salary, but may also include a change of role or responsibilities, recognition for professional achievements, regulatory or contractual requirements, budgetary constraints or market trends. The Compensation Committee and the Board also consider the previous and existing compensation arrangements of the executive officer whose base salary is being considered for adjustment.

Annual Cash Incentives

Purpose: The annual cash incentive component aims to ensure that our executive officers are aligned in reaching our short- and long-term goals. Annual cash incentives are designed to provide a significant pay-for-performance element of our executive compensation package.

Annual cash incentives: Payout eligibility and levels of individual annual cash incentives are determined based on actual financial and operational results, as well as individual performance. Following approval of the

Company's annual operating plan each calendar year, the Compensation Committee and the Board, following the CEO's recommendations, determine the performance measures, taking into account our short- and long-term goals, as well as our compliance and risk management policies. The Compensation Committee and the Board may also determine any applicable super-measures that must be met for entitlement to the annual cash incentive (all or any portion thereof) and the formula for calculating any annual cash incentive payout, with respect to each calendar year, for each executive officer.

In special circumstances, as determined by the Compensation Committee and the Board (e.g., regulatory changes and significant changes in our business environment), the Compensation Committee and the Board may modify the objectives and/or their relative weights during the calendar year.

Parameters: Individual annual cash incentive parameters are determined by the Compensation Committee and the Board, taking into account our short- and long-term goals, as well as our risk management policy.

- **Thresholds:** Achievement of less than 85% of an executive officer's performance measures (or 90% with respect to the CEO) in a given calendar year calculated on a weighted average basis will not entitle the executive officer to an annual cash incentive.
- **Target incentive:** The target incentive, which is the annual cash incentive amount that an executive officer will be entitled to receive upon achievement of 100% of his or her performance measures, is up to 100% of the executive officer's annual base salary (other than with respect to the CEO). The target incentive for the CEO is up to 140% of the CEO's annual base salary.
- **Maximum incentive:** The maximum incentive, which is the maximum annual cash incentive amount that an executive officer, including the CEO, will be entitled to receive upon achievement of at least 120% of his or her performance measures for any given calendar year, will not exceed 200% of the executive officer's annual base salary.
- **Payout formula:** The formula for calculating the annual cash incentive payout with respect to each calendar year refers to the target and maximum incentive and applicable thresholds and super-measures. The formula may result in a partial annual cash incentive payout in the event that an executive officer achieves less than 100% (but no less than 85%, and with respect to the CEO, no less than 90%) of his or her performance measures.
- **Super-measures:** The Compensation Committee and the Board may determine one or more additional mandatory requirements that must be met to receive the annual cash incentive (all or any portion thereof) with respect to each calendar year. The super-measures may be determined as an absolute parameter (e.g., operating profits, revenues and earnings per share ("EPS")) and/or as a parameter that is relative to a peer group (e.g., a comparison of Teva's EPS to the peer group EPS, or Teva's total shareholder return ("TSR") to the peer group TSR).
- **Budget:** The Compensation Committee and the Board may set an annual budget for annual cash incentives awarded to executive officers. In special circumstances, as determined by the Compensation Committee and the Board (e.g., regulatory changes and significant changes in our business environment), the Compensation Committee and the Board may amend or modify the budget during the applicable period.

The annual cash incentive parameters are intended to drive motivation and performance higher, while the maximum payout ceiling provides a risk management mechanism that assists in protecting Teva from excessive risk taking to achieve short-term results that could expose us to risk in the long-term, and aligns target setting with our pre-defined risk profile.

In the event of an executive officer's termination of service or employment where such executive officer served Teva for less than 12 months, he or she will not be entitled to an annual cash incentive, unless otherwise determined by the Compensation Committee and Board.

2017 Annual Cash Incentives

As provided in our Compensation Policy, annual cash incentives are designed to ensure that our executive officers are aligned in reaching our short- and long-term goals. Annual cash incentives are therefore a strictly pay-for-performance compensation element, as payout eligibility and levels are determined based on actual financial and operational company and business unit results, as well as individual performance.

As provided in our Compensation Policy and as described above, our annual cash incentive plan for our executive officers takes the form of cash awards that are earned based on one-year performance. This structure aligns our executive officers' interests with those of our shareholders by providing incentives to the executive officers to achieve certain short-term financial and operational results established by the Board as vital to the execution of our business strategy.

For 2017, the Compensation Committee and the Board reviewed our company performance against our 2017 objectives in order to make determinations regarding whether any payouts were due under our 2017 executive officers' annual incentive plan. Due to the fact that our financial results were significantly below our original financial targets for the year, the Compensation Committee and the Board determined not to make any payouts under the executive officers' annual cash incentive plan for 2017. Below we provide additional information about the design and operation of the 2017 annual cash incentive plan for executive officers.

Annual Cash Incentive Calculation Methodology

$$\text{Eligible Salary} \times \text{Target Incentive \%} \times \text{Overall Performance Factor \%} = \text{Annual Cash Incentive Payout}$$

The amount of the annual cash incentive for the executive officers, including the CEO and our other NEOs, is determined as follows. First, the Compensation Committee determines a target cash incentive opportunity by taking the individual's base salary and multiplying it by the individual's target incentive percentage.

Second, for each of the Company-, business unit- and individual-level performance results, a weighted-average approach is used. As shown below, Company-level performance measures consist of financial measures and operational measures. Each component of the financial and operational measures has a weighting, and the Compensation Committee determines the aggregate Company-level weighted average performance relative to target. Similarly, for business-unit level performance measures, each component is assigned a weighting, and the Compensation Committee determines the aggregate business-unit level weighted average performance relative to the target (except for the CEO, whose annual cash incentive is determined based on only Company- and individual-level measures). Finally, for individual-level measures, the Compensation Committee determines the individual performance rating based on achievement of individual goals.

Third, the Compensation Committee determines an overall performance factor. The Compensation Committee determines this overall performance factor by calculating the weighted average of the performance factors for Company-, business unit- and individual-level performance. There are slightly different potential factors for the CEO and the other executive officers, as described below. If the overall performance factor is below the overall threshold, then the performance factor will be zero (and the individual will not receive an annual cash incentive). If the overall performance factor is between the overall threshold and overall maximum, the individual's overall performance factor will be determined by linear interpolation. If the overall performance factor is above the maximum, the maximum performance factor will be used.

Finally, the Compensation Committee takes the target cash incentive opportunities of the executive officers, including the CEO, and multiplies them by the applicable overall performance factor of the person to determine the actual cash incentive to be paid. The Compensation Committee then approves and presents the Company-, business unit- and individual-level achievement relative to target performance measures, the calculation of performance factors and the determination of incentive amounts to the Board for its review and approval.

The Compensation Committee and the Board established the following performance measure categories and weightings for 2017:

CEO

<u>Category</u>	<u>Weighting</u>	<u>Additional Weighting</u>
Company	80%	70% Financial 30% Operational
Individual	20%	

Other Executive Officers

<u>Category</u>	<u>Weighting</u>	<u>Additional Weighting</u>
Company	60%	70% Financial 30% Operational
Business Unit	20%	Commercial Units: 50% Financial (minimum) Global Functions: 100% Operational
Individual	20%	

Company-Level: Financial Measures: The Compensation Committee and the Board believe that financial measures are key performance indicators of the present and future prospects of our business and key drivers of shareholder value, and selected the following financial measures for use in the annual cash incentive program:

- **Net revenue**, which is determined using net revenue as reported in our audited financial statements, subject to adjustment for currency fluctuations, is a leading indicator of corporate performance and value creation and represents top line growth.
- **Non-GAAP Earnings Per Share (“EPS”)**, calculated as net income attributable to ordinary shareholders divided by the weighted average number of shares outstanding (fully diluted), is a measure of income and represents profitable growth. It focuses managers on expense control in addition to revenues and is viewed as a strong indicator of sustained performance over the short and long-term.
- **Free Cash Flow**, calculated as the cash generated by Teva from operational activity after deducting investment in capital expenditures such as buildings or equipment, serves to focus employees on generating cash in the short and long-term to fund operations. It focuses managers on expense control in addition to revenues and on improvement in working capital. We adjust our free cash flow measure to exclude legal settlements.

The Compensation Committee and the Board used non-GAAP measures as performance metrics in structuring our annual cash and long-term equity incentive programs. The use of these measures is not intended to replace comparable GAAP measures as set forth in our consolidated financial statements. We believe that these non-GAAP measures are helpful to management and investors as measures of operating performance because they exclude various items that do not relate to or are not indicative of operating performance. Please see “Item 7—Management’s Discussion and Analysis—Supplemental Non-GAAP Income Data” for reconciliations of these measures to the most directly comparable GAAP measures and other required disclosures.

The table below shows Company-level financial performance measures and their weightings approved by the Compensation Committee and the Board for the 2017 annual cash incentive plan:

<u>Financial Measure</u>	<u>Weighting</u>
Net Revenue	20%
Non-GAAP EPS	25%
Free Cash Flow	25%

Company-Level: Operational Measures: Of the 80% (CEO) or 60% (other executive officers) of performance measures that are set at the Company level, operational metrics constituted 30% of those respective amounts. The Compensation Committee and the Board believe that operational measures represent key steps on the path to achieving short and long-term strategic objectives and value creation. For 2017, the Compensation Committee and the Board selected operational measures as follows:

<u>Operational Measure</u>	<u>Description</u>	<u>Weighting</u>
Value Generation	Achieving certain critical specialty products business milestones and achieving certain gross profit levels from new launches of generic products	15%
Product Quality, Safety and Compliance	Quality: Achieving goals related to the quality of our products, including the outcome of regulatory authority audits Safety: Achieving goals related to the nature of environmental, health and safety (“EHS”) events Compliance: Achieving goals related to our compliance program	15%

Business Unit Level: Of the 20% of performance measures that are set at the Business Unit level for executive officers (other than the CEO), the commercial business units have measures that include the following components:

- Financial (50% or more)
 - Net revenue
 - Profitability
 - Operating profit before general and administrative expenses and R&D costs
- Operational
 - Product launches
 - Customer service
- Quality and Safety
- R&D
- Corporate Initiatives

The global function units, such as Finance, Human Resources and Legal, have operational measures that include components specific to their nature.

Individual Level: The remaining 20% of the measures under the annual cash incentive plan are individual performance measures established by the Compensation Committee and the Board early in the year in the following areas:

- Strategy
- Collaboration
- Culture
- Leadership

Strategy measures are primarily related to key planned strategic actions, such as transformation. Collaboration, culture and leadership measures are generally related to cross business unit collaboration, talent development and building organizational capability, and personal development. The Compensation Committee and the Board evaluate performance with respect to the individual measures using a rating system that equates to a level of performance, which is then used as a component for determination of the overall performance factor.

Overall Performance Factor: The Compensation Committee and the Board then determine the weighted average of the performance factors for Company-, business unit- and individual-level performance. Based on the weighted average performance, the overall performance factor is then determined based on the following table for each executive officer, and for the CEO, the former CEO and the former interim CEO:

<u>Level of Achievement of Objectives</u>	<u>Weighted Average % Achievement of Category Measures (1)(2)</u>	<u>Overall Performance Factor: Potential Annual Cash Incentive as a % of Annual Base Salary</u>
Threshold	85% (90% for CEOs) and below	No annual cash incentive payment
Target	100%	100% (140% for CEOs)
Maximum Cash Incentive	120% (125% for former CEO and former interim CEO)	200%

- (1) Payouts for performance for the CEO and former CEOs are determined linearly based on a straight line interpolation of the applicable payout range (i.e., 14% for each percentile change in performance between threshold and target, 2.4% for each percentile change in performance between target and maximum for former CEOs, and 3% for each percentile change in performance between target and maximum for the current CEO). No additional payout is made for performance achievement in excess of 125% for former CEOs and 120% for the current CEO.
- (2) Payouts for performance for other executive officers are determined linearly based on a straight-line interpolation of the applicable payout range (i.e., 6.67% for each percentile change in performance between threshold and target and 5% for each percentile change in performance between target and maximum). No additional payout is made for performance in excess of 120% achievement of the performance criteria.

As described above, the Compensation Committee and the Board reviewed our company performance against our 2017 objectives. Due to the fact that our financial results were significantly below our original financial targets for the year, the Compensation Committee and the Board determined not to make any payouts under the executive officers' annual cash incentive plan for 2017.

The table below sets forth the calculation of the annual cash incentive plan for our interim CEO, CEO, and other NEOs which is reflected in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table presented in this Executive Compensation section.

<u>Name</u>	<u>Eligible Base Salary (\$)</u>	<u>Target Annual Cash Incentive (% of Base Salary)</u>	<u>Target Award (\$)</u>	<u>Overall Performance Factor</u>	<u>Payout (\$)</u>	<u>Cash Incentive Payout as a % of Base Salary</u>
Current NEOs						
Kåre Schultz	\$2,000,000	140%	\$2,800,000	0%	\$ 0	0%
Michael McClellan ⁽¹⁾	\$ 219,519	100%	\$ 219,519	0%	\$ 0	0%
Dr. Carlo de Notaristefani	\$ 836,400	100%	\$ 836,400	0%	\$ 0	0%
Dr. Hafrun Fridriksdottir ⁽¹⁾	\$ 630,577	100%	\$ 630,577	0%	\$ 0	0%
Mark Sabag	\$ 604,637	100%	\$ 604,637	0%	\$ 0	0%
Former NEOs						
Erez Vigodman ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Yitzhak Peterburg ⁽¹⁾	\$1,199,750	140%	\$1,679,650	0%	\$ 0	0%
Eyal Desheh ⁽³⁾	\$ 408,300	100%	\$ 408,300	0%	\$ 0	0%
Dr. Rob Koremans ⁽⁴⁾	\$ 783,215	100%	\$ 783,215	0%	\$ 0	0%
Dr. Michael Hayden ⁽⁴⁾	\$1,071,000	100%	\$1,071,000	0%	\$ 0	0%

- (1) The payouts for Mr. McClellan, Dr. Fridriksdottir and Dr. Peterburg would have been pro-rated based on the partial period of the year during which they held their positions as NEOs. The eligible base salaries above reflect the portion of their respective salaries that would have been used for executive officer annual incentive plan calculation purposes. Mr. McClellan and Dr. Fridriksdottir were also eligible for a cash incentive payout under the non-executive officer annual incentive plan in respect of their service during 2017 prior to becoming executive officers. They did not receive a payout under this plan for 2017.
- (2) Mr. Vigodman was not eligible for a cash incentive in 2017.
- (3) Mr. Desheh was eligible for a pro-rated cash incentive based on the partial period of the year that he held his position pursuant to his employment agreement. The eligible base salary above reflects the portion of his salary that would have been used for annual incentive plan calculation purposes.
- (4) Dr. Koremans and Dr. Hayden were eligible for a full annual incentive plan award as they were supporting the transition through end of year.

Equity-Based Compensation

Purpose: Equity-based compensation is intended to reward future performance, as reflected by the market price of our shares and/or other performance criteria, and is used to foster a long-term link between executive officers’ interests and the interests of Teva and its shareholders, as well as to attract, motivate and retain executive officers for the long-term by:

- providing executive officers with a meaningful interest in Teva’s share performance;
- linking equity-based compensation to potential and sustained performance; and
- spreading benefits over a longer performance cycle through the vesting period mechanism.

Equity-based awards: Equity-based awards are generally granted to executive officers on an annual basis, and at other times as the Compensation Committee and the Board deem appropriate, including for newly hired or promoted executive officers or due to special retention needs. Notwithstanding the foregoing, the Compensation Committee and the Board may determine with respect to a specific year that no equity-based awards will be granted to all or any particular executive officers.

Parameters: Equity-based awards are granted pursuant to Teva's 2015 Long-Term Equity-Based Incentive Plan, and/or any other long-term incentive plan(s) that we may adopt in the future, and generally on terms and conditions provided for therein and as determined by the Compensation Committee and the Board, provided that any such terms and conditions are consistent with the following:

- **Performance-based equity awards:** The amount and/or vesting of performance-based awards are subject to achievement of pre-determined performance criteria. Performance measurement periods for performance-based equity awards are for specified periods that express the long-term performance goals that we seek to achieve. Following the performance measurement period, additional time-based vesting requirements may also apply. The performance vesting criteria for performance-based equity awards are based on measurable performance criteria, such as financial and/or non-financial parameters, which may be determined as an absolute parameter (e.g., EPS, TSR, share price and strategic goals) and/or a parameter that is relative to a peer group (e.g., ratio of Teva's TSR to the peer group TSR). These types of awards may include performance share units, shares and/or other share-based awards.
- **Time-based equity awards:** Equity-based awards structured as time-based awards (aimed to reward long-term performance, as reflected by the market price of Teva shares) include a time-vesting period. Time-based equity awards have an overall exercise term of several years, structured in order to retain executive officers and maintain their commitment to increasing Company and shareholder value over the long-term. These types of awards may include share options, restricted stock, restricted share units and/or other share-based awards.
- **Vesting of equity-based awards:** The minimum vesting period of all equity-based awards, other than performance share units (if granted), is two years from the date of grant. The minimum vesting period of performance share units (if granted) is three years from the date of grant.

The monetary grant value of executive officers' equity-based awards is determined by the Compensation Committee and the Board, taking into account, among other things, our pay mix targets, the desired mix of equity-based vehicles, the executive officer's contribution to Company performance, desired competitive compensation levels and dilution or pool limits. When establishing the monetary grant value, the Compensation Committee and the Board also determine the mix of equity-based vehicles for each grant, which may include various types of time-based and performance-based equity-based vehicles, such as share options, restricted share units, performance share units and/or other share-based awards. The value of each type of equity-based vehicle is determined in accordance with accepted valuation and accounting principles, as they apply to the relevant type of equity-based vehicle, and might differ from the value determined for other purposes.

The mix of equity-based vehicles and the relative weight assigned to each type of equity-based vehicle out of the total equity-based grant is structured to enhance the executive officers' commitment to increasing Company and shareholder value and is designed to encourage balanced and effective business risk-taking. The Compensation Committee and the Board may change the distribution and elements of the equity mix from time to time.

Caps on equity-based compensation:

- **Equity budget:** The Compensation Committee and the Board may set an annual budget for annual equity-based compensation granted to executive officers, based on the CEO's recommendation. The CEO also recommends how to allocate the annual equity budget among the other executive officers, subject to approval by the Compensation Committee and the Board. In circumstances determined by the Compensation Committee and the Board (e.g., regulatory changes or significant changes in our business environment), the Compensation Committee and the Board may amend or modify the budget during the applicable period.
- **Cap at grant date:** The maximum monetary grant value of the annual equity-based compensation granted to the CEO shall not exceed \$6.0 million at target and to any other executive officer \$3.5 million at target.

- **Cap at exercise date:** The Compensation Committee and the Board may from time to time consider determining a cap for the benefit deriving from the exercise of equity-based compensation.

2017 Long-Term Equity Incentives—Annual Grant

As described above, the Compensation Committee and the Board intend for long-term equity-based compensation to reward executive officers based on our future performance, as reflected by the market price of Teva's shares, to foster a long-term link between executive officers' interests and the interests of Teva and its shareholders, as well as to attract, motivate and retain executive officers for the long-term by:

- providing executive officers with a meaningful interest in our share performance;
- linking equity-based compensation to potential and sustained performance; and
- spreading benefits over a longer performance cycle through the vesting period mechanism.

In making determinations about 2017 long-term equity incentive grants to executive officers, the Compensation Committee and the Board considered, among other things:

- sustained performance;
- criticality of contributions to Teva;
- comparison against our Peer Group;
- role, skills, experience and development;
- internal fairness among executive officers; and
- pay mix.

The sizes of the grants to executive officers vary based on the factors above. The portion of executive officer compensation that is composed of these equity vehicles is "at risk" and directly aligned with shareholder value creation.

For the 2017 long-term equity incentive grants to executive officers, the Compensation Committee and the Board used the terms and mix set forth in the following table:

<u>Type of Long- Term Incentive Vehicle</u>	<u>Proportion of Long-Term Incentive Grant</u>	<u>Vesting Cycle</u>	<u>Performance Metrics (Weighting)</u>	<u>Rationale for Use of Performance Metric</u>
Performance Share Units	33.3%	Three year cliff vesting	1) 2017-2019 Non-GAAP EPS (50%) 2) 2017-2019 Free Cash Flow (50%) 3) 2017-2019 Relative TSR (Modifier)	1) Leading indicator of profitability, expense control and sustained short and long-term performance. 2) Serves to focus executive officers on generating cash in the short and long-term to fund operations; focuses executive officers on expense control and on improvement in working capital; and is an indicator of long-term shareholder value creation. 3) Strong performance as measured by the other two operating metrics is fully rewarded only if it also results in above average shareholder returns.
Restricted Share Units	33.3%	Three annual tranches vesting on the second, third and fourth anniversaries of the date of grant	N/A	N/A
Share Options	33.3%	Three annual tranches vesting on the second, third and fourth anniversaries of the date of grant	N/A	N/A

The PSU performance measures were selected because (i) Free Cash Flow and Non-GAAP EPS focus management on metrics that align with our most critical strategic priorities of servicing debt, controlling expenses and improving profitability, (ii) relative TSR is an important measure for shareholders and (iii) they give recipients a clear line of sight into how executing on operating measures drives the achievement of performance and earning awards.

The Compensation Committee and the Board utilize RSUs to encourage ownership and retention while immediately aligning executive officers' interests with those of our shareholders, and options are meant to focus executive officers on share price appreciation.

PSU Calculation Methodology

In connection with the 2017 PSU grants, the number of shares earned by the CEO, former interim CEO, and to the other executive officers will be determined in two steps as follows.

There are two performance measures, in step 1, 2017-2019 Non-GAAP EPS and 2017-2019 Free Cash Flow, each of which is weighted an equal 50%. For each of these two measures, the Compensation Committee

determines the Company’s performance for the measure for the three-year period. The Company’s performance with respect to each measure is compared to the target for the measure, and the proportion of achievement is converted to a factor as set forth below.

<u>Level of Achievement of Objectives(*)</u>	<u>Achievement of Target</u>	<u>Earning Percentage</u>
Threshold	Up to 85%	0%
Target	100%	100%
Maximum	120%	200%

(*) Linear interpolation will be used to determine the applicable earning percentage.

The Compensation Committee then calculates the average of the earning percentages for the two performance measures.

In step two, this average of the earning percentages is multiplied by a modifier that has been determined based on our relative TSR performance for the three year period as set forth below. See “—III. Compensation Determination Process—Compensation Peer Group and Peer Selection Process” for a list of the peer group companies used for this purpose.

<u>Level of Achievement of Relative TSR(*)</u>	<u>Relative TSR Ranking</u>	<u>Modifier</u>
Threshold	Up to 25 th percentile	80%
Target	50 th percentile	100%
Maximum	100 th percentile	120%

(*) Linear interpolation will be used to determine the applicable modifier.

The product of (1) the average of the earning percentages and (2) the modifier is multiplied by the target number of PSUs granted to the CEO, former interim CEO, and to each of the executive officers, respectively, to determine the final number of shares earned by each individual, except that the number of shares to be issued may not exceed 200% of the target number of PSUs.

The Compensation Committee approves and presents the achievement relative to target performance measures, the calculation of the earning percentage and the TSR modifier, and the determination of the number of earned PSUs to the Board for its review and approval.

2017 Long-Term Incentive Award Values—Annual Grant

In connection with determinations of the appropriate level of annual equity grants for 2017, the Compensation Committee and the Board took into account the factors outlined above as well as information regarding the Peer Group. The Compensation Committee and the Board determined that it was consistent with our performance-based compensation philosophy and appropriate to structure the equity grants to executive officers such that (1) 33% are earned and vest only if the CEO and executive officers achieve specified levels of performance as measured by certain metrics, and (2) 67% are earned and vest over four years. The following table sets forth the 2017 annual award values approved by the Compensation Committee and the Board for the NEOs.

<u>Name</u>	<u>PSUs (\$)</u> <u>(1/3)</u>	<u>RSUs (\$)</u> <u>(1/3)</u>	<u>Share</u> <u>Options (\$)</u> <u>(1/3)</u>	<u>Total (\$)</u>
Current NEOs				
Kåre Schultz	\$1,999,998	\$1,999,993	\$2,000,009	\$6,000,000
Michael McClellan ⁽¹⁾	N/A	\$ 132,331	\$ 132,329	\$ 264,660
Dr. Carlo de Notaristefani	\$ 866,657	\$ 866,659	\$ 866,688	\$2,600,004
Dr. Hafrun Fridriksdottir	\$ 499,979	\$ 499,979	\$ 500,047	\$1,500,005
Mark Sabag	\$ 533,310	\$ 533,319	\$ 533,375	\$1,600,004
Former NEOs				
Erez Vigodman ⁽²⁾	N/A	N/A	N/A	N/A
Dr. Yitzhak Peterburg	\$1,499,992	\$1,499,999	\$1,500,009	\$4,500,000
Eyal Desheh	\$ 666,666	\$ 666,649	\$ 666,686	\$2,000,001
Dr. Rob Koremans	\$ 833,326	\$ 833,319	\$ 833,361	\$2,500,006
Dr. Michael Hayden	\$ 666,666	\$ 666,649	\$ 666,686	\$2,000,001

- (1) The long-term incentive award to Mr. McClellan was made prior to his appointment as Interim CFO in July 2017 pursuant to our program for non-executive officers.
- (2) Mr. Vigodman did not receive an equity grant in 2017.

Consistent with historical practice, the dollar value allocated to PSUs was converted to a number of units, based on the fair market value on the grant dates as determined in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718. The dollar amount allocated to RSUs was converted to a number of shares using the fair market value on the grant date. The dollar amount allocated to share options was converted to a number of shares using the Black Scholes valuation method as of the grant dates.

2015-2017 Performance Share Unit Payout

In 2015, the Compensation Committee and the Board granted PSUs with performance-based vesting requirements for the three-year performance period 2015-2017. The threshold level of achievement was 90%, the target level of achievement was 100%, and the maximum level of achievement was 120% of the PSU performance goals as defined below, with a maximum payout of 150% of the target number of PSUs. Payouts for performance between threshold and target and between target and maximum were determined based on a straight-line linear interpolation of the applicable payout range (i.e., 10% for each percentile change in performance between threshold and target and 2.5% for each percentile change in performance between target and maximum).

The Compensation Committee and the Board set the three-year performance targets (“PSU Performance Goals”) for net revenues and non-GAAP operating profit at the beginning of 2015, subject to adjustment for the effect of changes in currency exchange rates. The Compensation Committee and the Board set these targets based on certain assumptions about our performance. Pursuant to the 2015 award agreements, the Compensation

Committee and the Board have the discretion to adjust (increase or decrease) the PSU Performance Goals and their relative weights if one or more of the following items of gain, loss, profit or expense, having a material impact on the PSU Performance Goals, is: (i) determined to be extraordinary, unusual or non-recurring in nature; (ii) related to changes in accounting principles under U.S. 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 U.S. 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 Compensation Committee or the Board, as applicable, determines that the adjustment is necessary or advisable to preserve the intended incentives and benefits of the PSUs, or if such adjustments were reflected in our public non-GAAP financial results.

In connection with evaluating our achievement of the 2015-2017 performance metrics, the Compensation Committee and the Board determined that in order for the PSU Performance Goals to operate as they were intended to, they would make adjustments by increasing the targets due primarily to the 2016 acquisition of Actavis Generics. The aggregate effect of these adjustments was an increase of approximately 16% in the net revenue target and an increase of approximately 22% in the non-GAAP operating profit target. For the performance period, our actual net revenue achievement was 91% and our actual non-GAAP operating profit achievement was 86%, resulting in a weighted average achievement of 88.5%. This level of achievement was below the threshold level of performance of 90%, resulting in no payout, a 122% decrease compared to what would have been if the upward adjustments had not been taken into account.

<u>Weighting</u>	<u>Performance Metric</u>	<u>Target (100%) (\$MM) Excluding FX Effect</u>	<u>Adjusted Target (100%) (\$MM)</u>	<u>Actual Results (\$MM)</u>	<u>% Achievement</u>
50%	Net Revenue	58,654	67,992	62,045	91%
50%	Non-GAAP Operating Profit	17,557	21,461	18,406	86%
			Weighted Average:		88.5%

Based on this outcome, the NEOs did not earn any Teva shares in respect of their 2015-2017 PSU awards:

<u>Name</u>	<u>Target Award (# of PSUs)</u>	<u>Payout Factor</u>	<u>Final Award (# of PSUs)</u>
Current NEOs			
Kåre Schultz ⁽¹⁾	N/A	N/A	N/A
Michael McClellan ⁽¹⁾	N/A	N/A	N/A
Dr. Carlo de Notaristefani	16,838	0%	0
Dr. Hafrun Fridriksdottir ⁽¹⁾	N/A	N/A	N/A
Mark Sabag	12,628	0%	0
Former NEOs			
Erez Vigodman ⁽²⁾	30,869	0%	0
Dr. Yitzhak Peterburg ⁽¹⁾	N/A	N/A	N/A
Eyal Desheh ⁽²⁾	16,838	0%	0
Dr. Rob Koremans ⁽²⁾	17,773	0%	0
Dr. Michael Hayden ⁽²⁾	17,773	0%	0

- (1) Because it was prior to their appointments as executive officers, we did not grant Mr. Schultz, Mr. McClellan, Dr. Fridriksdottir or Dr. Peterburg PSUs under the 2015 PSU plan.
- (2) Mr. Vigodman, Mr. Desheh, Dr. Koremans and Dr. Hayden were eligible for a 2015 PSU payout pursuant to the terms of their employment agreements as described below.

Performance, Promotion and Other One-Time Grants

In connection with a performance-based cash award earned by Dr. Fridriksdottir when she was an employee of Actavis Generics prior to its acquisition by Teva in 2016, we assumed the obligation to pay a cash incentive of \$535,000 based on Actavis Generics shareholder return performance metrics. Also, pursuant to a legacy 2014 Actavis Generics retention plan that we also assumed, we fulfilled the assumed obligation under the plan by making payment of a \$900,000 cash award to Dr. Fridriksdottir.

In connection with the promotion of Mr. McClellan to the position of Interim CFO in July 2017 (before his promotion to Executive Vice President, CFO in November 2017), we awarded Mr. McClellan a one-time promotion cash award of \$202,500 in recognition of his increased responsibility. One-half of the award was paid in November 2017, and the remaining half was paid in February 2018. In order to secure the services of Mr. McClellan during a time of transition while he served as Interim CFO, we granted him 12,341 options, 4,091 RSUs, and a cash award totaling \$67,500. One-half of the cash award will be paid in September 2018 and the remaining half will be paid in September 2019. The options and RSUs will vest in September 2019. All payments and vesting are subject to continued employment through the applicable vesting dates. These grants were part of a broader program to secure the services of key employees during a period of uncertainty for our Company.

In addition, in May 2017, we granted Dr. de Notaristefani 30,875 RSUs due to his significance and key role during the transition period and the importance of securing his services. The RSUs will vest in May 2019.

Information regarding the sign-on equity and cash grants for Kåre Schultz is provided in the leadership transitions section below.

Leadership Transitions

Appointment of Mr. Kåre Schultz as President and CEO

In September 2017, our Board successfully completed its global search process (with the assistance of a search firm) for our next President and CEO when it appointed Kåre Schultz to the position. In its search, the Board sought a leader with extensive global pharmaceutical experience and a strong track record in corporate turnarounds, as well as in driving growth and leading international expansion. Mr. Schultz is a seasoned leader in the health care industry with an extensive background leading global companies' financial and restructuring initiatives.

Since 2015, and prior to his appointment as our President and CEO, Mr. Schultz served as the President and CEO of H. Lundbeck A/S, which he joined as the company was facing the loss of critical patents. Mr. Schultz conducted a top to bottom evaluation of the business and implemented a robust turnaround strategy that involved cutting operating costs while targeting new product launches. As a result of his leadership, H. Lundbeck A/S is on track to achieve all-time high revenue and earnings with significant stock price appreciation and increased market cap. Prior to joining Lundbeck, Mr. Schultz worked for nearly three decades at Novo Nordisk, where he served in a number of leadership roles, including Chief Operating Officer, Vice President in Product Supply and Director of Product Planning and Customer Services in the Diabetes Care Division.

Based on this outstanding profile, our Board selected Mr. Schultz as the best candidate to lead Teva presently and to participate in the establishment of, and steer the execution of, our strategic and operational goals. The Board appointed Mr. Schultz as President and CEO effective November 1, 2017, and he joined the Board at that time.

The terms of the employment agreement with Mr. Schultz were negotiated in order to induce him to accept the Board's offer to become our President and CEO at this critical time, including relocation to our headquarters in Israel. The Board was mindful of the challenges currently facing our Company in its various business segments, product lines and markets, the advent of generic competition for one of our key branded specialty

products, the fierce competition for talented executives in the pharmaceutical industry and the extreme pressure on, and vast duties of, the leader of an international organization of the size and complexity of Teva in approving the components of the compensation package, including the annual base salary, target annual incentive, annual equity grants, and inducement equity grants and cash awards to Mr. Schultz. The Board also took into account the difficulty not just in identifying an individual with the desired skills and experience, but also retaining the person throughout the period of transition and significant change being driven by the Board. Accordingly, the Board, with the assistance of its independent compensation consultant, developed a compensation package that considered pay structures for CEOs at peer companies, and which includes pay that depends on long-term Company performance as well as the opportunity to accumulate a significant ownership interest in Teva upon the creation of sustained shareholder value.

In light of all of these factors, we entered into an employment agreement with Mr. Schultz which provides for an initial employment term of five years, subject to automatic renewal for subsequent one-year periods (or until the second anniversary following a change in control of the Company, if later than the otherwise applicable term end date) until a notice of non-renewal is provided or other termination circumstances occur.

Under the employment agreement, Mr. Schultz received an annual base salary of \$2 million, a performance-based target annual incentive opportunity equal to 140% of his annual base salary (and a maximum opportunity of 200% of his annual base salary), annual long-term equity incentives with a total target grant date fair value of \$6 million with vesting terms similar to other senior executive officers, a meaningful portion of which are performance-based, and the same employee benefits as are provided to similarly situated senior executives of the Company.

Upon commencing employment on November 1, 2017, Mr. Schultz received the following sign-on equity awards over the five year term of the agreement, which are designed to align his interests with those of Teva and its shareholders over the long term (like our stock ownership guidelines to which he is subject): (i) a restricted share unit award with a grant date fair value of \$5 million (as determined based on the closing price of Teva's shares on the date prior to the announcement of Mr. Schultz's hire), which will vest and settle in equal installments on the third, fourth and fifth anniversaries of the employment commencement date (the "Effective Date"); and (ii) two sign-on performance share unit awards, each with a target grant date fair value of \$7.5 million (as determined based on the closing price of Teva's shares on the date prior to the announcement of Mr. Schultz's hire), which will be earned based on the achievement of performance goals related to the absolute increase in the price of Teva's shares over three- and five-year periods following the Effective Date, which range from a 16% increase to a 158% increase for the three-year performance period and from a 28% increase to a 385% increase for the five-year period, and generally vest on the third, fourth and fifth anniversaries of the Effective Date (in the case of the award with a three-year performance period) and on the fifth anniversary of the Effective Date (in the case of the award with a five-year performance period). In addition, Mr. Schultz received a sign-on cash award of \$20 million, which will vest and be paid in two equal installments three and six months following the Effective Date. In connection with his relocation to Israel, Mr. Schultz will also receive a housing reimbursement and certain relocation benefits.

As the grant date value of equity awards for accounting purposes depends on, among other things, stock price, the actual grant date fair values of these sign-on equity awards that appear in our Summary Compensation Table are lower than the intended target values described in the preceding paragraph since the number of units was set based on the closing price of Teva's shares on the date prior to the announcement of Mr. Schultz's hire, but the grant date fair value of the awards for accounting purposes were determined when they were actually granted. The Compensation Committee believed that fixing the number of units was appropriate and consistent with the aforementioned focus on aligning executives' compensation with long-term shareholder value creation. See "—Additional Compensation Information—2017 Grant of Plan-Based Awards."

Appointment of Mr. Michael McClellan as CFO; Previous Appointment as Interim CFO

Effective as of November 27, 2017, we entered into an employment agreement with Mr. McClellan. For the preceding two years, Mr. McClellan served as the Senior Vice President and CFO of Teva's Global Specialty Medicines division. Prior to joining Teva, he was the U.S. CFO at Sanofi. The agreement provides that Mr. McClellan will be employed as Executive Vice President, CFO, until his death, disability, termination with or without cause or resignation with or without good reason. He will continue his international assignment in Amsterdam, Netherlands, and on or about September 1, 2018, he will relocate to our corporate headquarters in Israel. The agreement provides for an initial base salary of \$700,000. Mr. McClellan is eligible to be considered for an annual cash incentive with a target of 100% of his then current base salary, and for equity-based awards under our equity compensation plan.

In July 2017, in connection with the promotion of Mr. McClellan to the position of Interim CFO (before his promotion to Executive Vice President, CFO in November 2017), we awarded Mr. McClellan a one-time promotion cash award of \$202,500 in recognition of his increased responsibility. One-half of the award was paid in November 2017, and the remaining half was paid in February 2018. In order to retain the services of Mr. McClellan during a time of transition while he served as Interim CFO, we granted him 12,341 options, 4,091 RSUs, and a cash award totaling \$67,500. One-half of the cash award will be paid in September 2018 and the remaining half will be paid in September 2019. The options and RSUs will vest in September 2019. All payments and vesting are subject to continued employment through the applicable vesting dates.

Appointment of Dr. Hafrun Fridriksdottir as Executive Vice President, Global R&D

On November 27, 2017, we appointed Dr. Hafrun Fridriksdottir as Executive Vice President, Global R&D. Since February 2017, she served as Executive Vice President, President of Global Generics R&D, after serving as Senior Vice President and President of Global Generics R&D since August 2016. Prior to joining Teva, Dr. Fridriksdottir served as Senior Vice President of Global Generics R&D of Allergan plc, where she held several positions of increasing responsibility in the Actavis group within Allergan.

On June 18, 2017, we entered into an employment agreement with Dr. Fridriksdottir. The agreement provides that Dr. Fridriksdottir will serve in a senior R&D position until her death, disability, termination with or without cause or resignation with or without good reason. The agreement provided for an initial base salary of \$720,000. Dr. Fridriksdottir is eligible to be considered for an annual cash incentive (prorated for 2017 and under the applicable plan prior to being appointed an executive officer for the time period before such appointment), and for equity-based awards under our equity compensation plan.

Separation of former President and CEO Erez Vigodman

In February 2017, Erez Vigodman stepped down as President and CEO.

Pursuant to the terms of our employment agreement with Mr. Vigodman, in connection with his termination of employment, Mr. Vigodman was entitled to receive nine months' notice, payments associated with termination as required pursuant to Israeli law, certain previously accrued obligations, and a payment that, together with severance amounts accumulated in his existing pension insurance funds, equals the product of twice his monthly base salary multiplied by the number of his years of service. Mr. Vigodman is also receiving an amount equal to eighteen times his monthly base salary in consideration for compliance with certain non-competition covenants.

Under his employment agreement, Mr. Vigodman is also entitled to continued vesting of equity-based awards for twelve months following termination and an extension of the exercise period of outstanding options for a period of ninety days after the twelve month period.

Appointment and Separation of Dr. Yitzhak Peterburg as Interim President and CEO

Dr. Yitzhak Peterburg served as Interim President and CEO from February 2017 until November 2017. Prior to that, Dr. Peterburg served as Chairman of the Board since January 2015. When Mr. Schultz began his service as President and CEO on November 1, 2017, Dr. Peterburg continued to serve as a member of our Board and then resigned from the Board on December 12, 2017.

Pursuant to Dr. Peterburg's terms of employment, during his service as Interim President and CEO, Dr. Peterburg was compensated in a manner comparable to our former President and CEO, Mr. Vigodman, subject to certain differences relating to his interim status, as described below.

Dr. Peterburg's compensation included (i) a monthly base salary of 488,250 Israeli shekels (approximately \$135,608 using a 2017 average monthly exchange rate of 3.60 shekels per U.S. dollar); (ii) an annual cash incentive (pro-rated for service for the partial period of the year) with an annual target amount equal to 140% of annual base salary and a maximum amount equal to 200% of annual base salary; (iii) an annual equity award with an aggregate target fair market value of \$4.5 million under terms consistent with those of the previous President and CEO, with one third of the annual award being granted in the form of options to purchase Teva shares, one third in the form of PSUs and one third in the form of RSUs, calculated in accordance with accepted valuation and accounting principles, as they apply to the relevant type of equity-based vehicle and in accordance with Teva practice; and (iv) termination arrangements as described below.

Pursuant to Dr. Peterburg's terms of employment, in connection with his termination of employment, Dr. Peterburg is entitled to receive nine months' notice, payments associated with termination as required pursuant to Israeli law, certain previously accrued obligations, and a payment that, together with severance amounts accumulated in his existing pension insurance funds, equals the product of twice his monthly base salary multiplied by the number of his years of service as Interim President and CEO.

Under his employment terms, Dr. Peterburg will also be entitled to continued vesting in full of all equity based awards granted as Interim President and CEO and continued exercisability of vested options through their expiration dates.

Separation of former CFO Eyal Desheh

In July 2017, Eyal Desheh stepped down as Group Executive Vice President and CFO.

Pursuant to the terms of our employment agreement with Mr. Desheh, in connection with his termination of employment, Mr. Desheh is entitled to receive nine months' notice, payments associated with termination as required pursuant to Israeli law, certain previously accrued obligations, a make-up payment equal to his monthly base salary multiplied by the number of his years of service, that together with severance amounts accumulated in his pension insurance fund account cannot exceed twice his monthly base salary multiplied by the number of his years of service, and eligibility to a pro-rata annual cash incentive for the term active in position. Mr. Desheh is also receiving an amount equal to twelve times his monthly base salary, conditioned upon his undertaking not to compete with Teva for one year following termination.

Mr. Desheh is also entitled to continued vesting in full of equity-based awards and continued exercisability of vested options through their expiration dates due to our qualifying retirement and qualifying termination policy.

Separation of Dr. Rob Koremans

As a result of the new organization and leadership structure, on November 27, 2017, Dr. Rob Koremans stepped down as President and CEO, Global Specialty Medicines.

Pursuant to the terms of our employment agreement with Dr. Koremans, in connection with his termination of employment, Dr. Koremans is entitled to receive six months' notice, a severance payment equal to 12 monthly salaries and target annual cash incentive (for a total of 24 monthly salaries).

Dr. Koremans is also entitled to continued vesting of equity-based awards until March 1, 2020 and continued exercisability of vested options through their expiration dates.

Separation of Dr. Michael Hayden

As a result of the new organization and leadership structure, on November 27, 2017, Dr. Michael Hayden stepped down as President of Global R&D and Chief Scientific Officer.

Pursuant to the terms of our employment agreement with Dr. Hayden, in connection with his termination of employment, Dr. Hayden is entitled to receive nine months' notice, payments associated with termination as required pursuant to Israeli law, certain previously accrued obligations, a payment equal to 12 monthly salaries, a payment that, together with severance amounts accumulated in his existing pension insurance funds, equals the product of twice his monthly base salary multiplied by the number of his years of service, a payment equal to the premium for continued health insurance coverage for eighteen months following the termination date and certain relocation benefits in the event of a move back to Canada within one year following the termination date.

Dr. Hayden is also entitled to continued vesting of certain equity-based awards and continued exercisability of vested options through their expiration dates due to our qualifying retirement and qualifying termination policy.

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 executives and Board use non-GAAP measures to evaluate our operational performance, to compare against work plans and budgets, and ultimately to evaluate the performance of our executives;
- our annual budgets are prepared on a non-GAAP basis; and
- senior executive's annual compensation is derived, in part, using these non-GAAP measures. While qualitative factors and judgment also affect annual cash incentives, the principal quantitative element in the determination of the cash incentives is various performance targets tied to the work plan, and thus 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 this non-GAAP data because our executives believe that the 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. Please see "Item 7—Management's Discussion and Analysis—Supplemental Non-GAAP Income Data" for additional information.

V. Additional Compensation Policies and Practices

Equity Ownership Policy

Teva and its shareholders are best served by executives that manage the business with a long-term perspective. Therefore, we adopted share ownership guidelines, as we believe share ownership is an important tool to strengthen the alignment of interests among shareholders and our executive officers. The policy provides

that Teva expects the applicable required level of equity ownership to be satisfied by our executive officers within five years of the later of the date the guidelines were adopted in June 2016 or the date of appointment as an executive officer. If an executive officer's holding requirement increases because of a change in annual base salary, the executive officer is expected to achieve the higher holding requirement within one year of the date of the increase.

The Compensation Committee receives periodic reports of the ownership achieved by each executive officer. For purposes of determining compliance with the guidelines, the value of an executive officer's share holdings is based on the closing price of Teva's American Depositary Shares reported on the principal U.S. national securities exchange on which the shares are listed on the last trading day of the year.

The following table represents the required salary multiples:

<u>Current Position</u>	<u>Required Salary Multiple</u>
CEO	4x
All other executive officers	2x

The value of all of the following types of Teva shares or share options owned by or granted to an executive officer qualifies toward the participant's attainment of the target multiple of pay:

- shares owned outright by the executive officer or jointly with, or separately by, his or her immediate family members residing in the same household;
- shares held in a grantor trust or under a similar arrangement for the economic benefit of the executive officer or his or her immediate family members residing in the same household;
- shares held in any Teva retirement plan;
- time-based vesting restricted shares and restricted share units issued as part of the executive officer's long-term compensation, whether or not vested;
- the target number of shares subject to any performance shares or units issued as part of the executive officer's long-term compensation; and
- the in-the-money value of vested but unexercised in-the-money share options.

Clawback Policy

Our executive officers are required to return any compensation paid to them on the basis of results included in financial statements that turned out to be erroneous and were subsequently restated, during the three year period following filing thereof. In such case, compensation amounts will be returned net of taxes that were withheld thereon, unless the executive officer has reclaimed or is able to reclaim such tax payments from the relevant tax authorities (in which case the executive officer will also be obligated to return such tax amounts). In addition, in the event that it is discovered that an executive officer engaged in conduct that resulted in a material inaccuracy in Teva's financial statements or caused severe financial or reputational damage to Teva, or in the event that it is discovered that an executive officer breached confidentiality and/or non-compete obligations to Teva (as determined by the Compensation Committee), the Compensation Committee shall have broad remedial and disciplinary authority. Such disciplinary action or remedy would vary depending on the facts and circumstances, and may include, without limitation, (i) termination of employment, (ii) initiating an action for breach of fiduciary duty, and (iii) seeking reimbursement of performance-based or incentive compensation paid or awarded to the executive officer. The Compensation Committee will determine applicable terms to enforce repayment of clawback amounts and may modify this clawback policy in accordance with applicable law and regulations.

Anti-Hedging and Pledging Policies

Directors and executive officers are prohibited from hedging their equity-based awards and any other Teva securities held by them (whether they are subject to transfer restrictions or not), such as purchasing or selling options on Teva securities, purchasing or selling puts, calls, straddles, equity swaps or other derivative securities linked to Teva's securities, or engaging in "short" sales on Teva securities. This policy applies to each director and each executive officer until one year after the director's or executive officer's termination or retirement.

Directors and executive officers are subject to certain restrictions on pledging or using their equity-based awards and any other Teva securities held by them (whether they are subject to transfer restrictions or not) as collateral for loans.

Tax Deductibility

Prior to the Tax Cuts and Jobs Act (the "TCJA") signed into law in December 2017, Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), generally limited the corporate tax deduction for compensation paid to the CEO and the three other most highly compensated executives (other than the CFO) to \$1.0 million annually, unless certain requirements were satisfied. To maximize the corporate tax deduction, incentive plans were designed so that certain awards under those plans would constitute "qualified performance-based compensation" for purposes of Section 162(m) of the Code and preserve our corporate tax deductibility for those amounts.

The TCJA contained significant changes to Section 162(m) of the Code, including the elimination of the performance-based compensation exception to Section 162(m) for corporate tax years beginning after December 31, 2017 and an expansion of employees covered by the provision. Section 162(m) now covers the CFO or any individual who served as the CFO in the relevant taxable year. In addition, once an individual becomes a covered employee under Section 162(m) for any taxable year beginning after December 31, 2016, this status carries forward to all future years, even in the event of the employee's termination or death. The act provides limited transition relief for certain "performance-based" compensation, specifying that compensation payable pursuant to a written binding contract which was in effect on November 2, 2017 and which was not modified in any material respect on or after that date will remain eligible for the "performance-based" pay exception to Section 162(m) (i.e., may remain deductible even if in excess of \$1 million). The U.S. Internal Revenue Service is expected to provide guidance on the application of the transition relief to specific situations. However, given the changes to Section 162(m), we expect that the U.S.-based tax deductibility of performance-based compensation in excess of \$1.0 million will be less of a consideration for us when designing and implementing our executive officers' compensation program in future years.

Other Benefits and Perquisites

We generally provide to our CEO and executive officers the same benefits that are provided to all employees, including certain retirement benefits, health and welfare benefits, and other benefits. In addition, our executive officers are provided with certain additional benefits, intended to be competitive with the practices of our peer companies.

Our Compensation Policy provides that:

Benefit plans and perquisites have three main objectives:

- Compliance with legal requirements to provide certain benefits that are mandatory under applicable law (e.g., paid vacation, sick leave and pension plans);
- Attracting, motivating and retaining high level professionals; and
- Enabling recruitment of executive officers from various locations and their relocation.

Benefit plans and perquisites are intended to supplement cash compensation and often involve non-monetary rewards, coverage of certain business-related expenses, insurance, pension and savings plans and other deferred monetary savings. These benefits and perquisites may vary depending on geographic location and other circumstances. Global, regional and local units may develop their own benefit plans and procedures, consistent with Teva's principles and guidelines and subject to any required Company approvals. Benefits and perquisites may include, in addition to benefits that are mandated by applicable law and/or generally provided to other employees (including related costs and expenses): car, transportation and accommodations, telecommunication devices, media and computer equipment and expenses, travel and relocation (including family-related expenses, such as tuition and commuting) and life and medical insurance and benefits (including executive officers' families).

Health and Welfare Benefits

We offer health and welfare benefits to all eligible employees, including the President and CEO and executive officers, which are tailored to each location's competitive market. Health and welfare benefits may include medical, dental, prescription drug, vision, life insurance, accidental death and dismemberment, short- and long-term disability coverage and an employee assistance program.

Retirement and Other Local Benefits

Israel

Israeli law generally requires severance pay equal to one month's salary for each year of employment upon the termination of an employee's employment due to retirement, death, termination without cause (and other circumstances as defined under Israeli law). We make monthly contributions on behalf of our Israel-based executive officers to a pension plan known as Managers' Insurance or to a Pension Fund. These funds provide a combination of pension allowance and/or insurance and severance pay benefits to the executive officers. We contribute 7.5% of the monthly salary to the pension component (including disability insurance) and 8.33% of the monthly salary to the severance component and the employee contributes an amount between 6% and 7% of salary to the pension component. These contributions are on account of Teva's obligation to pay severance upon termination as referenced above. Our President and CEO is entitled to similar contributions on behalf of the Company as pension contribution and on account of severance. Accordingly, a substantial part of our statutory severance obligation is covered by these monthly contributions.

Generally, in addition, our Israel-based executive officers (excluding the current President and CEO), are entitled to participate in an study fund plan, pursuant to which each employee who participates in the plan contributes an amount equal to 2.5% of his or her monthly salary to the study fund and Teva contributes 7.5% of his or her monthly salary to this fund.

North America

Our 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. In addition, Teva USA offers a supplemental deferred compensation plan to eligible employees. The plan is a nonqualified plan which is intended to work as a complement to the qualified 401(k) Retirement Savings Plan. The plan has been designed to address the "retirement gap" that many highly compensated individuals face, primarily due to IRS imposed limits on qualified Plans and IRAs. Finally, certain executive officers located in the United States participate in a defined contribution supplemental executive retirement plan. No new executive officers are enrolled in this plan.

Expatriate Benefits / International Assignment and Relocation Benefits

Teva provides benefits to our employees, who either accept an expatriate assignment or relocate internationally. The benefits are designed to provide ongoing assignment management, where applicable, and

physical relocation support services. These benefits can vary depending on the nature of the assignment or relocation, but generally include a housing allowance, transportation support, a cost of living allowance (where applicable), home leave, global health insurance, and company paid education for approved dependents in locations where public education is not suitable. Additionally, we provide tax preparation and tax support services, dependent on the nature of the assignment (e.g., tax equalization for home-based assignments or tax gross up of relocation benefits and ongoing assignment allowances for host-based assignments), as well as immigration services to manage compliance within all global jurisdictions.

Details regarding benefits and perquisites specific to each NEO can be found in the footnotes to the Summary Compensation Table.

Committee Report

The Compensation Committee has reviewed and discussed this “Compensation Discussion and Analysis” section of Teva’s Annual Report on Form 10-K with our executives. Based upon this review and discussions, the Compensation Committee recommended to the Board that the “Compensation Discussion and Analysis” be included in this Annual Report on Form 10-K.

Members of the Compensation Committee:

Rosemary A. Crane, Chair
Gerald M. Lieberman
Jean-Michel Halfon
Nechemia (Chemi) J. Peres

ADDITIONAL COMPENSATION INFORMATION

2017 Summary Compensation Table

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	Option Awards (\$) ⁽⁴⁾	Non-Equity Incentive Plan Compensation (\$) ⁽⁵⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ⁽⁶⁾	Total (\$)
Kåre Schultz <i>President and Chief Executive Officer</i>	2017	333,333	0	14,229,808	2,000,009	0	0	464,591	17,027,741
Michael McClellan <i>Executive Vice President, Chief Financial Officer</i>	2017	397,058	101,250	199,260	195,515	0	0	199,579	1,092,662
Dr. Carlo de Notaristefani <i>Executive Vice President, Global Operations</i>	2017	836,400	0	2,569,720	866,688	0	0	189,551	4,462,359
	2016	835,832	0	1,074,937	1,075,070	872,532	0	191,766	4,050,137
	2015	877,231	0	899,991	900,016	1,189,398	0	178,988	4,045,624
Dr. Hafrun Fridriksdottir <i>Executive Vice President, Global Research and Development</i>	2017	696,346	900,000	999,957	500,047	535,000	0	77,492	3,708,842
Mark Sabag <i>Executive Vice President, Global Human Resources</i>	2017	604,637	0	1,066,630	533,375	0	0	317,108	2,521,750
Erez Vigodman <i>Former President and CEO</i>	2017	1,378,702	0	0	0	0	0	1,455,704	2,834,406
	2016	1,528,437	0	2,249,948	2,250,061	0	0	478,671	6,507,117
	2015	1,363,692	0	1,649,948	1,650,060	2,253,581	0	435,942	7,353,223
Dr. Yitzhak Peterburg <i>Former Interim President and CEO</i>	2017	1,534,467	0	2,999,991	1,500,009	0	0	737,071	6,771,538
Eyal Desheh <i>Former Group Executive Vice President and Chief Financial Officer</i>	2017	831,428	0	1,333,315	666,686	0	0	1,369,101	4,200,530
	2016	779,399	0	1,124,934	1,125,072	591,775	0	269,231	3,890,411
	2015	733,863	0	899,991	900,016	1,110,824	0	253,068	3,897,762
Dr. Rob Koremans <i>Former President and CEO, Global Specialty Medicines</i>	2017	783,215	0	1,666,644	833,361	0	0	1,807,975	5,091,195
Dr. Michael Hayden <i>Former President of Global R&D and Chief Scientific Officer</i>	2017	1,071,000	0	1,333,315	666,686	0	0	1,152,537	4,223,538
	2016	1,071,000	500,000	1,149,956	1,150,055	970,202	0	2,638,012	7,479,225
	2015	1,050,000	500,000	949,967	950,034	1,608,239	0	1,045,992	6,104,232

Salary

(1) Mr. Schultz commenced employment with the Company on November 1, 2017. Mr. McClellan was appointed Executive Vice President, CFO on November 27, 2017, after having served as Interim CFO since July 2017. Dr. Fridriksdottir was appointed Executive Vice President, Global R&D, on November 27, 2017, after having been appointed as Executive Vice President, President of Global Generics R&D in February 2017. Mr. Vigodman stepped down as President and CEO in February 2017 and terminated following the completion of his applicable notice period in November 2017. Dr. Peterburg stepped down as Interim President and CEO on November 1, 2017 and will terminate in July 2018 following the completion of his applicable notice period. The amount presented as salary for Dr. Peterburg includes director fees of \$56,358, which were paid in respect of his service as Chairman of the Board prior to his appointment as Interim President and CEO. Mr. Desheh stepped down as Group Executive Vice President and CFO in July 2017 and will terminate in April 2018 following his notice period and usage of a portion of accrued vacation days. Dr. Koremans and Dr. Hayden each stepped down as executive officers on November 27, 2017 and will terminate in May 2018 and August 2018, respectively, following the completion of their notice periods. Salary payments made in 2017 during the notice periods for all terminating employees are included in the salary displayed in this column. The Company paid the salaries of Dr. Peterburg and Messrs. Sabag, Vigodman and Desheh in Israeli shekels. The U.S. dollar amounts in the table above were converted from Israeli shekels using a 2017 monthly average exchange rate for the month of each salary payment, ranging from 3.50 to 3.82 shekels per U.S. dollar; a 2016 monthly average exchange rate for the month of each payment, ranging from 3.77 to 3.94 shekels per U.S. dollar; and a 2015 monthly average exchange rate for the month of each payment, ranging from 3.79 to 4.00 shekels per U.S. dollar. The Company paid Dr. Koremans' salary in euros. The U.S. dollar amounts in the table above for Dr. Koremans were converted from euros using a monthly average exchange rate for the month of each payment, ranging from 0.84 to 0.94 euros per U.S. dollar.

Bonus

- (2) In connection with the promotion of Mr. McClellan to the position of Interim CFO in July 2017 (before his appointment as Executive Vice President, CFO in November 2017), the Company awarded Mr. McClellan a one-time promotion cash award. The amount reflected in the table above represents half of the full cash award for Mr. McClellan. The remaining half was awarded in February 2018. Dr. Fridriksdottir was entitled to receive payment of the remaining portion of the retention award Teva assumed pursuant to a legacy 2014 Actavis Generics retention plan, and the Company fulfilled its assumed obligation to Dr. Fridriksdottir under the plan during 2017.

Stock Awards

- (3) The amounts shown in the Stock Awards column represent the aggregate grant date fair value of the Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”) awarded to our NEOs, computed in accordance with FASB Accounting Standards Codification Topic 718 (“Topic 718”). Valuations of PSUs and RSUs were determined based on the fair market value of a Teva share on the grant date, less the net present value of dividends, and by applying a discount factor for PSUs. Valuations of sign-on PSUs granted to Mr. Schultz were determined using a Monte Carlo simulation valuation model. For information regarding assumptions, factors and methodologies used in our computations pursuant to Topic 718, see note 14c. to our consolidated financial statements for the year ended December 31, 2017.

The PSUs granted as part of the executive officer annual grants have a three-year performance period and vest in full on the third anniversary of the date of grant. The RSUs granted as part of the executive officer annual grants vest in equal installments on the second, third and fourth anniversaries of the date of grant. For more information on these and other share awards granted during 2017, see the table entitled “2017 Grants of Plan-Based Awards” and related narrative and footnotes.

Under the employment agreement with Mr. Schultz, the Company made two sign-on grants of PSUs, one of which has a three-year performance period and thereafter vests in equal installments generally on the third, fourth, and fifth anniversaries of the date of grant, and the other of which has a five year performance period and thereafter vests in full on the fifth anniversary of the date of grant. In addition, under the employment agreement with Mr. Schultz, the Company made a sign-on grant of RSUs that vest in equal installments on the third, fourth and fifth anniversaries of the date of grant.

The grant date fair value of PSUs displayed above is determined based upon achievement of performance at “target” level, which is the probable outcome of the performance metrics associated with each award of PSUs. If performance were to be achieved at “maximum” level, the grant date fair value of the PSU awards as of the respective grant dates would have been as follows: Mr. Schultz: five year PSUs—\$10,889,293; three year PSUs—\$9,105,295; annual PSUs—\$3,999,996; Mr. McClellan: NA; Dr. de Notaristefani: \$1,733,315; Dr. Fridriksdottir: \$999,957; Mr. Sabag: \$1,066,621; Mr. Vigodman: NA; Dr. Peterburg: \$2,999,983; Mr. Desheh: \$1,333,332; Dr. Koremans: \$1,666,651; and Dr. Hayden: \$1,333,332. These values and the values in the table do not include the impact of shares that will be forfeited upon the conclusion of the notice period currently in effect for applicable former NEOs.

Options

- (4) The amounts shown above in the Option Awards column represent the aggregate grant date fair value of share options computed in accordance with Topic 718. Valuations of options were determined using the Black-Scholes option pricing model. For information regarding assumptions, factors and methodologies used in our computations pursuant to Topic 718, see note 14c. to our consolidated financial statements for the year ended December 31, 2017. The values in this column do not include the impact of options that will be forfeited upon the conclusion of the notice period currently in effect for applicable former NEOs. For more information regarding options granted during 2017, see the table entitled “2017 Grants of Plan-Based Awards” and related narrative and footnotes.

Non-Equity Incentive Awards

- (5) The amounts shown in the Non-Equity Incentive Plan Compensation column are comprised of amounts paid in respect of the executive officer annual incentive plan, as determined by the Compensation Committee and the Board in accordance with the plan and the awards thereunder, except the amount for Dr. Fridriksdottir, which is derived from a plan Teva assumed from her prior employer in the Actavis Generics acquisition. Payments pursuant to the executive officer annual incentive plan are generally made early in the year following the year in which they are earned. For the 2017 performance year, the Compensation Committee and the Board determined not to make any payouts under the executive officer annual incentive plan due to the fact that the Company’s financial results were significantly below our original financial targets for the year.

The amount reported for Dr. Fridriksdottir was paid in respect of a performance-based cash award granted when she was an employee of Actavis Generics prior to its acquisition by Teva in 2016. In conjunction with the Actavis Generics acquisition, Teva assumed the obligation to pay the cash incentive based on Actavis Generics shareholder return performance metrics.

The Company paid the amounts reported in 2016 and 2015 for Messrs. Vigodman and Desheh and Dr. Hayden in Israeli shekels. The 2016 U.S. dollar amounts in the table above were converted from Israeli shekels using a 2016 annual average exchange rate of 3.84 shekels per U.S. dollar, and the 2015 U.S. dollar amounts were converted using a 2015 annual average exchange rate of 3.89 shekels per U.S. dollar.

All Other Compensation

(6)

Name	Defined Contribution and Post Separation Plans(\$)	Automobile(\$)	Life and Other Insurance(\$)	Housing and Relocation Expenses and Allowances(\$)	Tax Gross-Ups(\$)	Study Funds(\$)	Termination Payments(\$)	Other(\$)	Total(\$)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Kåre Schultz	52,922	15,232	0	41,393	201,339	0	0	153,705	464,591
Michael McClellan	46,114	13,748	1,080	99,311	39,326	0	0	0	199,579
Dr. Carlo de Notaristefani	154,641	30,330	1,080	0	0	0	0	3,500	189,551
Dr. Hafrun Fridriksdottir	54,104	20,308	1,080	0	0	0	0	2,000	77,492
Mark Sabag	98,058	42,443	103	44,434	82,801	45,348	0	3,921	317,108
Erez Vigodman	210,953	66,135	0	0	33,761	103,403	1,038,539	2,913	1,455,704
Dr. Yitzhak Peterburg	235,237	91,024	0	0	40,896	111,451	253,620	4,843	737,071
Eyal Desheh	131,460	48,122	0	0	43,261	62,357	1,080,471	3,430	1,369,101
Dr. Rob Koremans	52,588	17,673	0	54,210	21,585	0	1,641,994	19,925	1,807,975
Dr. Michael Hayden	160,230	48,118	39,255	241,742	219,565	80,344	359,702	3,581	1,152,537

- (a) Amounts disclosed in this column reflect Company contributions and/or payments related to tax-qualified and non-qualified retirement plans and Israeli post-separation contributions which include pension and severance.
- (b) Amounts disclosed in this column reflect automobile allowances, participation in the Company's car lease program, or use of a Company car and/or reimbursement of non-business automobile expenses. The amount disclosed for Dr. Peterburg includes car expenses incurred in connection with his service as Chairman of the Board prior to his appointment as Interim President and CEO.
- (c) Amounts disclosed in this column reflect life insurance premium payments made by the Company on behalf of the NEOs. The amount disclosed for Dr. Hayden includes life and disability insurance premium reimbursements.
- (d) Amounts disclosed in this column reflect housing accommodation costs for Mr. Schultz (\$21,169), Mr. McClellan (\$41,710), Mr. Sabag (\$44,434), Dr. Koremans (\$54,210) and Dr. Hayden (\$96,023) and costs related to relocation such as travel, tax services, and general allowance payments.
- (e) Amounts disclosed in this column reflect tax gross-ups paid to our NEOs as follows: Mr. Schultz—gross-ups are provided for the income associated with accommodation in Israel, travel costs associated with travel allowance, legal fees associated with negotiation of his employment contract, and other items related to his relocation (paid in accordance with Teva's relocation policy); Mr. McClellan—gross-ups are provided for the income associated with his relocation (paid in accordance with Teva's relocation policy), such as housing, travel, and automobile costs; Mr. Sabag—gross-ups are provided for the income associated with accommodation; Dr. Koremans—gross-ups are provided for the income associated with a flexible benefit plan provided in Dr. Koremans' country of residence; and Dr. Hayden—gross-ups are provided for the income associated with his accommodation in Israel and his relocation in general; gross-ups are provided for all Israel-based NEOs as follows—costs associated with the Company-provided or leased automobile and Company-provided cell phone. In addition, Israel-based NEOs receive gross-ups for miscellaneous fringe benefits, as are generally provided to other eligible employees in Israel.
- (f) Amounts disclosed in this column reflect a Company contribution equal to 7.5% of the applicable NEO's annual base salary to Study Fund (savings fund) maintained for Israel-based NEOs (except Mr. Schultz), as provided to other eligible employees in Israel.
- (g) Amounts disclosed in this column reflect termination payments paid to Mr. Vigodman, who terminated during 2017, and termination payments to be made in 2018 to our former NEOs, who were provided notice in 2017 and will terminate in 2018, that are not subject to any additional conditions on the receipt of payment, such as statutory severance payments (less contributions already made to severance funds as of the conclusion of the 2017 calendar year) and the estimated payment of accrued vacation as of the termination date for Israel-based NEOs. The amounts for Mr. Desheh and Dr. Koremans include payment of their full severance.
- (h) Amounts disclosed in this column reflect reimbursement of legal fees associated with the negotiation of the employment contract for Mr. Schultz (\$125,000, excluding VAT), a cash payment associated with a flexible benefit plan provided in Dr. Koremans' country of residence and miscellaneous cash fringe benefits provided generally to all eligible employees in applicable countries, such as a children's education allowance and service recognition awards.

The U.S. dollar amounts in the table above were converted from local currency using the relevant 2017 monthly average exchange rates of 3.50 to 3.82 Israeli shekels per U.S. dollar and 0.84 to 0.94 euros per U.S. dollar.

Employment Agreements

We have entered into employment agreements with all of our current and former NEOs that provide for, among other things, the term of employment, the position and duties, the compensation and benefits payable during the term of the agreement and certain restrictive covenants. The agreements also set forth the terms in the event that the NEO's employment is terminated under various conditions. The material provisions pertaining to termination of employment of the NEOs are set forth below under "—2017 Potential Payments Upon Termination or Change in Control."

Kåre Schultz

On September 7, 2017, we entered into an employment agreement with Mr. Schultz to serve as our President and CEO. He is eligible for benefit plans provided to similarly situated executive officers, including medical, dental, group life and other programs, pension and severance contributions required under Israeli law, relocation benefits in accordance with our policy, housing reimbursement up to 40,000 Israeli shekels per month (\$11,110 using a 2017 average monthly exchange rate of 3.60 shekels per U.S. dollar) and personal travel reimbursement up to \$100,000 per year. We agreed to provide Mr. Schultz with a company car. For a summary of the material terms of Mr. Schultz's employment agreement, see "—Compensation Discussion and Analysis—IV. Components of Our Compensation Program—Leadership Transitions—Appointment of Mr. Kåre Schultz as President and CEO" above. Mr. Schultz agreed to noncompetition (except in the event of expiration of his term) and nonsolicitation covenants, for 24 months, and a nondisparagement covenant for 10 years after termination. Mr. Schultz also agreed to an assignment of inventions.

Michael McClellan

Effective as of November 27, 2017, we entered into an employment agreement with Mr. McClellan. The agreement provides that Mr. McClellan will be employed as Executive Vice President, CFO. He is eligible for benefit plans provided to similarly situated executive officers, including medical, disability, dental, life, 401(k) plan, deferred compensation and other programs. In conjunction with Mr. McClellan's relocations to the Netherlands and then to Israel, he will be entitled to relocation benefits in accordance with the terms of our relocation policy. While he is based in the Netherlands, he is entitled to a housing allowance of up to €3,250 per month (\$3,663 using a 2017 average monthly exchange rate of 0.89 euros per U.S. dollar). For a summary of the material terms of Mr. McClellan's employment agreement, see "—Compensation Discussion and Analysis—IV. Components of Our Compensation Program—Leadership Transitions—Appointment of Mr. Michael McClellan as CFO; Previous Appointment as Interim CFO" above.

The agreement also contains noncompetition and nonsolicitation covenants during and for 12 months after the term of the agreement and nondisclosure and nondisparagement covenants and assignment of inventions.

Dr. Carlo de Notaristefani

On August 6, 2012, we entered into an employment agreement with Dr. de Notaristefani which was amended and restated on February 7, 2018. The agreement provides that Dr. de Notaristefani will serve in a senior global operations position, until his death, disability, termination with or without cause or resignation with or without good reason. The agreement provided for an initial base salary of \$836,400. Dr. de Notaristefani is eligible to participate in the Company's annual cash incentive plan with a target of 100% of his then current base salary, and for equity-based awards under our equity compensation plan. He is eligible for benefit plans provided to similarly situated executive officers, including medical, disability, dental, life, 401(k) plan, deferred compensation and other programs. We agreed to furnish a car or a car allowance. In May 2017, we granted Dr. de Notaristefani 30,875 RSUs due to his significance and key role during a critical transition period for us and the importance of securing his services. The RSUs will vest in May 2019.

The agreement also contains noncompetition and nonsolicitation covenants during and for 12 months after the term of the agreement and nondisclosure and nondisparagement covenants and assignment of inventions.

Dr. Hafrun Fridriksdottir

On June 18, 2017, we entered into an employment agreement with Dr. Fridriksdottir. The agreement provides that Dr. Fridriksdottir will serve in a senior R&D position. She is eligible for benefit plans provided to similarly situated executive officers, including medical, disability, dental, life, 401(k) plan, deferred compensation and other programs. We agreed to provide a car allowance. For a summary of the material terms of

Dr. Fridriksdottir's employment agreement, see “—Compensation Discussion and Analysis—IV. Components of Our Compensation Program—Leadership Transitions— Appointment of Dr. Hafrun Fridriksdottir as Executive Vice President, Global R&D” above.

The agreement also contains noncompetition and nonsolicitation covenants during and for 12 months after the term of the agreement and nondisclosure and nondisparagement covenants and assignment of inventions.

Mark Sabag

On December 22, 2013, we entered into an employment agreement with Mr. Sabag. The agreement provides that Mr. Sabag will serve as Group Executive Vice President, Human Resources until his death, disability, aged retirement, termination with or without cause or resignation with or without good reason. The agreement provided for an initial base monthly salary of 126,500 Israeli shekels (approximately \$35,134 using a 2017 average monthly exchange rate of 3.60 shekels per U.S. dollar). Mr. Sabag is eligible to be considered for an annual cash incentive and for equity-based awards under our equity compensation plan. We agreed to provide Mr. Sabag with a company or leased car and grossed-up for applicable taxes. We also agreed to provide certain pension and severance fund contributions required in Israel, and group life insurance and other benefits customary for executives in Israel. Mr. Sabag is also eligible for reimbursement of rent up to \$3,000 per month, and utilities, grossed-up for applicable taxes. The agreement also contains provisions covering Mr. Sabag's contributions to a choice of a pension fund, managers' insurance fund or provident fund.

Mr. Sabag also agreed to a noncompetition covenant during and for 12 months after termination, nondisparagement and nondisclosure covenants and an assignment of inventions.

Erez Vigodman

Effective as of February 11, 2014, we entered into an employment agreement with Mr. Vigodman. The agreement provided that Mr. Vigodman would serve as President and CEO until his death, disability, termination with or without cause or resignation with or without good reason. The agreement provided for an initial annual base salary in the amount of Israeli shekels that is equivalent to \$1,350,000, adjusted according to increases in the consumer price index. Mr. Vigodman was eligible for an annual cash incentive and for equity-based awards under our equity compensation plan as decided by the Compensation Committee and the Board and subject to the applicable framework approved by shareholders. We also agreed to provide certain pension and severance fund contributions required in Israel, medical, dental, group life insurance and other benefits customary for senior executives in Israel. The agreement also contains provisions covering Mr. Vigodman's contributions to a choice of a pension fund, managers' insurance fund or provident fund. We agreed to provide Mr. Vigodman with a company car and grossed-up for applicable taxes.

Mr. Vigodman also agreed to a noncompetition covenant during and for 12 months after the term of the agreement, a nondisparagement covenant for 10 years, a nondisclosure covenant and an assignment of inventions.

Dr. Yitzhak Peterburg

Effective as of February 6, 2017, we entered into an employment agreement with Dr. Peterburg. The agreement provided that Dr. Peterburg would serve as Interim President and CEO until his death, disability, termination with or without cause or resignation with or without good reason. The agreement provided for an initial base monthly salary of 488,250 Israeli shekels (approximately \$135,608 using a 2017 average monthly exchange rate of 3.60 shekels per U.S. dollar), adjusted according to increases in the consumer price index. From the appointment of Dr. Peterburg as Interim President and CEO and for as long as he continued to serve in such position, Dr. Peterburg was not entitled to any payments in his capacity as a member of the Board or any committee thereof. Dr. Peterburg was eligible for a pro-rata annual cash incentive in 2017. Dr. Peterburg

received an equity grant of \$4.5 million, comprised of 1/3 options, 1/3 RSUs and 1/3 PSUs. The options and RSUs will vest in three equal installments on the second, third and fourth anniversaries of the grant date and the PSUs will have a cliff vesting on the third anniversary of the grant date subject to meeting the PSU performance goals and in accordance with the formula approved by the Committee and the Board. We agreed to furnish a car and grossed-up for applicable taxes and to provide certain pension and severance fund contributions required in Israel, medical, dental, group life insurance and other benefits customary for senior executives in Israel. The agreement also contains provisions covering Dr. Peterburg's contributions to a choice of a pension fund, managers' insurance fund or provident fund.

Dr. Peterburg also agreed to a noncompetition covenant during and for 12 months after termination, a nondisparagement covenant for 10 years, a nondisclosure covenant and an assignment of inventions.

Eyal Desheh

Effective as of April 28, 2008, we entered into an employment agreement (as subsequently amended) with Mr. Desheh. The agreement provided that Mr. Desheh will serve as CFO until his death, disability, aged retirement, termination with or without cause or resignation with or without good reason. The agreement provided for an initial base monthly salary of 110,000 Israeli shekels (approximately \$30,552 using a 2017 average monthly exchange rate of 3.60 shekels per U.S. dollar). Mr. Desheh was eligible for an annual cash incentive and for equity-based awards under our equity compensation plan. We agreed to provide Mr. Desheh with a company or leased car and grossed-up for applicable taxes. We also agreed to provide certain pension and severance fund contributions required in Israel, and group life insurance and other benefits customary for executives in Israel. The agreement also contains provisions covering Mr. Desheh's contributions to a choice of a pension fund, managers' insurance fund or provident fund.

Mr. Desheh also agreed to a noncompetition covenant during and for 12 months after termination, nondisclosure and nondisparagement covenants and an assignment of inventions.

Dr. Rob Koremans

Effective as of March 1, 2012, we entered into an employment agreement (as subsequently amended) with Dr. Rob Koremans. The agreement provided that Dr. Koremans would serve as Teva Pharmaceuticals Europe President and CEO for an indefinite period of time, subject to termination by Dr. Koremans or the Company. The agreement provided for an initial fixed gross annual base salary of €550,000 (approximately \$619,896 using a 2017 average monthly exchange rate of 0.89 euro per U.S. dollar). Dr. Koremans was eligible to be considered for an annual cash incentive and for the long term incentive plan. We provided Dr. Koremans with the right to use a Company-leased apartment for which the lease value would not exceed €4,200 per month, until March 31, 2018 (approximately \$4,734 using a 2017 average monthly exchange rate of 0.89 euro per U.S. dollar) and a company car for which the annual all-in costs would not exceed an amount of €33,000 (approximately \$37,194 using a 2017 average monthly exchange rate of 0.89 euro per U.S. dollar). We also agreed to provide certain group medical, life and disability insurance.

Generally, Dr. Koremans also agreed to noncompetition and nonsolicitation covenants during and for 12 months after termination. If he breaches his obligations, he owes us a penalty of €100,000 and €5,000 for each day that such breach continues (approximately \$112,708 and \$5,635, respectively, using a 2017 average monthly exchange rate of 0.89 euro per U.S. dollar).

Dr. Michael Hayden

On May 8, 2012, we entered into an employment agreement with Dr. Michael Hayden which was amended and restated on May 22, 2015. The agreement provided that Dr. Hayden would serve as President of R&D and Chief Scientific Officer and will continue on an at-will basis. The agreement provided for an initial base annual

salary of \$1,050,000. Dr. Hayden was eligible to participate in the Company's annual cash incentive plan and to be considered for equity awards under the long term incentive plan. We also agreed to be responsible for the costs of existing pension coverage of up to \$40,000, grossed-up for taxes, and the balance between such amount and the amount required by Israeli law is contributed to a certain pension fund of his choice. We also agreed to provide certain medical, dental, group life insurance, and other benefits. Dr. Hayden is also entitled to certain benefits associated with his relocation to Israel.

Dr. Hayden also agreed to a noncompetition covenant during and for 12 months after termination, nondisclosure and nondisparagement covenants and an assignment of inventions.

2017 Pay Ratio

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are required to disclose the median of the annual total compensation of our employees, the annual total compensation of our principal executive officer, President and CEO Mr. Kåre Schultz, and the ratio of these two amounts.

We have estimated the median of the 2017 annual total compensation of our employees, excluding Mr. Schultz, to be \$64,081. The annualized total compensation of our President and CEO, who was hired in 2017, was \$19,374,347. The ratio of the annualized total compensation of our President and CEO to the estimated median of the annual total compensation of our employees was 302 to 1. We believe this pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules. We note that a substantial portion of our President and CEO's total compensation for 2017 was the sign-on equity awards he received in accordance with his employment agreement, which had a grant date fair value of approximately \$10.2 million. Excluding the sign-on equity awards, the ratio would have been 143 to 1.

The following paragraphs provide important context related to our employee population and describe the methodology and the material assumptions, adjustments, and estimates that we used to calculate this ratio.

Teva is a global company, with complex operations worldwide and with many of its executive officers and a majority of its employees located outside of Israel, the country in which our headquarters office is located.

As of November 1, 2017, Teva's workforce consisted of approximately 52,419 full-time and part-time employees, including hourly employees, who worked for our parent company and consolidated subsidiaries. Approximately 45% of these employees are located in Europe, approximately 17% are located in the U.S., approximately 12% are located in Israel, and approximately 26% are located throughout the rest of the world. Approximately 50,441 individuals are full-time employees, with the remainder employed on a part-time basis.

In determining the employee population to be used to calculate the compensation of the median employee, we included employees in all countries except for 424 employees in Venezuela, who represented less than 5% of our total employees, as permitted under the applicable SEC de minimis rule. As a result, the employee population that we used for purposes of determining the compensation of our median employee was 51,995 employees.

We selected November 1, 2017, which is within the last three months of 2017, as the date upon which we would identify the "median employee," because it enabled us to make such identification in a reasonably efficient and economical manner, and it was also the date that our new CEO commenced employment.

We included all of our full-time, part-time, and temporary employees globally, but excluded our President and CEO. We annualized the compensation of approximately 2,562 full-time and part-time employees who were

hired in 2017 but did not work for us for the entire fiscal year. Earnings of our employees outside the U.S. were converted to U.S. dollars using the currency exchange rates used for organizational planning purposes, which consider historic and forecasted rates as well as other factors. We did not make any cost of living adjustments.

To identify the “median employee,” we utilized the annualized 2017 base salary and target annual cash incentive for our consistently applied compensation measure because we believe that this measure reasonably reflects the annual compensation of our employees. We do not grant equity to a large percentage of our employee population, so using base salary plus target annual incentive is representative.

Using this measure, we identified a “median employee” who is a full-time, salaried employee located in Israel. Initially, a different employee had been identified, but in the process of determining that employee’s total compensation in accordance with applicable SEC rules, we recognized that there were anomalous elements in that employee’s compensation which we believe did not reasonably reflect the annual compensation of our employees generally. Consequently, we identified an employee whose amount for the consistently applied compensation measure was very close to the initial employee, but who did not have such unusual elements. Once we identified this median employee, we totaled all of the elements of the employee’s compensation for 2017 in accordance with the requirements of the applicable SEC rules and converted the amounts from Israeli shekels to U.S. dollars using the relevant monthly average currency exchange rate of 3.50 to 3.82 shekels per U.S. dollar. This resulted in an annual total compensation of \$64,081, of which \$29,159 is base salary and \$34,922 is comprised of Company contributions to a pension fund, as is required by Israeli law, and other compensation such as overtime pay, travel and other cash allowances, and Company contributions to a study fund, as is common practice for Israel-based employees of the Company.

With respect to the annual total compensation of our President and CEO, we adjusted the amount reported in the “Total” column of our 2017 Summary Compensation Table included in this Annual Report on Form 10-K, by annualizing his base salary and certain components of “all other compensation” to account for the fact that he only commenced employment with us on November 1, 2017, resulting in an adjusted total amount of \$19,374,347. As indicated above, we note that a substantial portion of the total compensation of our newly-hired President and CEO for 2017 was the sign-on equity awards he received in accordance with his employment agreement, which had a grant date fair value of approximately \$10.2 million.

Because the SEC rules for identifying the median of the annual total compensation of our employees and calculating the pay ratio based on that employee’s annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio for our Company, as other companies have headquarters offices in different countries, have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their pay ratios.

2017 Grants of Plan-Based Awards

Name	Approval Date	Grant Date	Award Type	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Share Awards: Number of Shares or Share Units (#) ⁽³⁾	All Other Option Awards: Number of Securities Underlying Options (#) ⁽⁴⁾	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Share and Option Awards (\$)
				Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Kåre Schultz	9/6/2017	11/1/2017	Annual Incentive	0	2,800,000	4,000,000							
	9/6/2017	11/3/2017	PSU ⁽⁵⁾				0	649,914	1,949,742			3,035,098	
	9/6/2017	11/3/2017	PSU ⁽⁵⁾				0	751,504	2,254,512			3,629,764	
	9/6/2017	11/3/2017	RSU ⁽⁵⁾							349,163		3,564,954	
	9/6/2017	11/3/2017	PSU				0	212,314	424,628			1,999,998	
	9/6/2017	11/3/2017	RSU							190,839		1,999,993	
	9/6/2017	11/3/2017	Options							591,719	11.40	2,000,009	
Michael McClellan	7/12/2017	7/12/2017	Annual Incentive	0	219,519	439,038							
	2/28/2017	3/3/2017	RSU							4,197		132,331	
	2/28/2017	3/3/2017	Options							22,505	34.70	132,329	
	9/18/2017	9/18/2017	RSU							4,091		66,929	
	9/18/2017	9/18/2017	Options							12,341	16.99	63,186	
Dr. Carlo de Notaristefani	3/31/2017	3/31/2017	Annual Incentive	0	836,400	1,672,800							
	2/7/2017	2/14/2017	PSU				0	30,941	61,882			866,657	
	2/7/2017	2/14/2017	RSU							27,840		866,659	
	2/7/2017	2/14/2017	Options								147,396	34.90	866,688
	3/31/2017	5/18/2017	RSU							30,875		836,404	
Dr. Hafrun Fridriksdottir	3/31/2017	3/31/2017	Annual Incentive	0	630,577	1,261,154							
	2/7/2017	2/14/2017	PSU				0	17,850	35,700			499,979	
	2/7/2017	2/14/2017	RSU							16,061		499,979	
	2/7/2017	2/14/2017	Options								85,042	34.90	500,047
Mark Sabag	3/31/2017	3/31/2017	Annual Incentive	0	604,637	1,209,274							
	2/7/2017	2/14/2017	PSU				0	19,040	38,080			533,310	
	2/7/2017	2/14/2017	RSU							17,132		533,319	
	2/7/2017	2/14/2017	Options								90,710	34.90	533,375
Dr. Yitzhak Peterburg	3/31/2017	3/31/2017	Annual Incentive	0	1,679,650	2,351,510							
	2/8/2017	2/14/2017	PSU				0	53,552	107,104			1,499,992	
	2/8/2017	2/14/2017	RSU							48,185		1,499,999	
	2/8/2017	2/14/2017	Share Options								255,104	34.90	1,500,009
Eyal Desheh	3/31/2017	3/31/2017	Annual Incentive	0	408,300	816,600							
	2/7/2017	2/14/2017	PSU				0	23,801	47,602			666,666	
	2/7/2017	2/14/2017	RSU							21,415		666,649	
	2/7/2017	2/14/2017	Options								113,382	34.90	666,686
Dr. Rob Koremans	3/31/2017	3/31/2017	Annual Incentive	0	783,215	1,566,430							
	2/7/2017	2/14/2017	PSU				0	29,751	59,502			833,326	
	2/7/2017	2/14/2017	RSU							26,769		833,319	
	2/7/2017	2/14/2017	Options								141,728	34.90	833,361
Dr. Michael Hayden	3/31/2017	3/31/2017	Annual Incentive	0	1,071,000	2,142,000							
	2/7/2017	2/14/2017	PSU				0	23,801	47,602			666,666	
	2/7/2017	2/14/2017	RSU							21,415		666,649	
	2/7/2017	2/14/2017	Options								113,382	34.90	666,686

Mr. Vigodman did not receive any grants of plan-based awards in 2017. In addition, the annual equity award granted to Mr. McClellan was made prior to his appointment as Interim CFO in July 2017 pursuant to our program for non-executive officers.

Annual Incentive Plan

- (1) The amounts disclosed in these columns reflect the target and maximum annual cash incentive opportunities for 2017 under the executive officer annual incentive plan. The amounts of the annual cash incentive opportunities depend on the eligible base salary of the NEO for the year, which, for those NEOs who were appointed during 2017, reflect a partial annual based salary. Because the Company's financial results were significantly below our original financial targets for the year, the Compensation Committee and the Board determined not to make any payouts under the executive officer annual incentive plan for 2017.

Mr. McClellan and Dr. Fridriksdottir were eligible for annual incentive award opportunities under the Company's plan for non-executive officers in respect of pro-rated salary earned prior to being appointed

executive officers. Pursuant to this plan for non-executive officers, Mr. McClellan and Dr. Fridriksdottir had pro-rated target opportunities of \$88,769 and \$52,615, respectively, and maximum pro-rated incentive opportunities of \$177,538 and \$105,230, respectively. Because the Company's financial results were significantly below our original financial targets for the year, no payouts were made for Mr. McClellan and Dr. Fridriksdottir under this incentive plan.

Performance Share Units (PSUs)

- (2) Amounts disclosed in these columns reflect the target and maximum number of PSUs awarded in 2017 to each NEO. The PSUs granted as part of the executive officer annual equity grant have a three-year performance period and vest in full on the third anniversary of the date of grant. The PSUs vest subject to the achievement of two performance measures: Non-GAAP EPS, and Free Cash Flow (adjusted to exclude legal settlements), each of which is weighted an equal 50%. Each performance measure has specified threshold, target and maximum performance levels such that performance below the threshold level results in an earning percentage of 0%, performance at target level results in an earning percentage of 100%, and performance at or above the maximum level results in an earning percentage of 200%. Linear interpolation will be used to determine the applicable earning percentage. In order to determine the total payout for the PSUs, the Compensation Committee and the Board calculate the average of the earning percentages for the two performance measures and multiplies by an 80% to 120% modifier determined based on the percentile rank of the Company's TSR performance for the three year period ending in 2019 relative to its peer group. See "—Compensation Discussion and Analysis—III. Compensation Determination Process— Compensation Peer Group and Peer Selection Process" for a list of the peer group companies used for this purpose. The resulting percentage is multiplied by the target number of PSUs to determine the final number of shares to be earned by each NEO in respect of the applicable performance period, except that the number of shares to be earned may not exceed 200% of the target number of PSUs. Valuations of annual PSUs disclosed in this table were determined based on the fair market value of a Teva share on the grant date, less the net present value of dividends, and then applying a discount factor. Generally, the aggregate grant date fair value is the amount that the Company expects to expense in its financial statements over the award's vesting schedule. Please see footnote (5) below for information regarding Mr. Schultz's sign-on equity grant.

Restricted Share Units (RSUs)

- (3) Amounts disclosed in this column reflect the number of RSUs granted to our NEOs in 2017. The RSUs granted as part of the executive officer annual equity grant vest in equal annual installments on the second, third and fourth anniversaries of the grant date. Valuations of RSUs were determined based on the fair market value of a Teva share on the grant date, less the net present value of dividends. The Company granted Dr. de Notaristefani a one-time grant of RSUs, which will vest in May 2019, due to his significance and key-role during the transition period and the importance of securing his services. In addition, the Company made a one-time grant of RSUs to Mr. McClellan during his service as Interim CFO, which will vest in September 2019, as part of a broader program to secure the services of key employees during a period of uncertainty for our Company. Please see footnote (5) below for information regarding Mr. Schultz's sign-on equity grant.

Share Options

- (4) Amounts disclosed in this column reflect the number of share options granted to our NEOs in 2017. The options granted as part of the executive officer annual equity grant vest in equal installments on the second, third and fourth anniversaries of the grant date. The options generally expire ten years from the date of grant, and have an exercise price of no less than 100% of the fair market value of a Teva share on the date of grant. The grant date fair values were calculated using the Black-Scholes value of each option on the respective grant dates. The Company also granted Mr. McClellan a one-time grant of options during his service as Interim CFO, which will vest in September 2019, as part of a broader program to secure the services of key employees during a period of uncertainty for our Company.

Sign-On Grants to Mr. Schultz of PSUs and RSUs

- (5) Amounts disclosed in these rows reflect sign-on PSUs and RSUs awarded pursuant to the employment agreement with Mr. Schultz. Pursuant to his employment agreement, Mr. Schultz received two PSU grants, one of which has a three-year performance period and the other of which has a five year performance period. Both PSU grants vest if, and to the extent, Teva's stock price exceeds specified thresholds during the performance period. The three-year PSUs and the RSUs generally vest following the conclusion of the three-year performance period on the third, fourth and fifth anniversaries of the grant date and the five-year PSUs vest in full on the fifth anniversary of the grant date. Under the employment agreement, the number of sign-on PSUs awarded for both grants and the number of RSUs were determined based on the fair market value of a Teva share on the date prior to the public announcement of Mr. Schultz's hiring, September 8, 2017. The fair values of the two PSU grants were determined as of the grant date using a Monte Carlo simulation valuation performed by a third party, and the fair value of the RSUs was determined based on the fair market value of a Teva share on the grant date, less the net present value of dividends.

2017 Outstanding Equity Awards at Fiscal Year-End

Name	Award Type	Grant Date	Option Awards				Stock Awards				Vesting Schedule ⁽⁷⁾
			Number of Securities Underlying Unexercised Options (#) Exercisable ⁽¹⁾	Number of Securities Underlying Unexercised Options (#) Unexercisable ⁽²⁾	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Shares That Have Not Vested (#) ⁽³⁾	Market Value of Shares or Units of Shares That Have Not Vested (\$) ⁽⁴⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽⁵⁾	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽⁶⁾	
Kåre Schultz	Options	11/3/2017		591,719	11.40	11/2/2027					33% in 2019, 2020 and 2021
	RSUs	11/3/2017					190,839	3,616,399			33% in 2019, 2020 and 2021
		11/3/2017					349,163	6,616,639			33% in 2020, 2021 and 2022
		11/3/2017									33% in 2020, 2021 and 2022, subject to performance
	PSUs	11/3/2017						649,914	12,315,870		100% in 2022, subject to performance
Michael McClellan	Options	11/5/2015	6,962	6,965	60.92	11/4/2025					25% in 2016, 2017, 2018 and 2019
	RSUs	3/17/2016	3,500	10,503	53.50	3/16/2026					25% in 2017, 2018, 2019 and 2020
		3/3/2017		22,505	34.70	3/2/2027					25% in 2018, 2019, 2020 and 2021
		9/18/2017		12,341	16.99	9/17/2027					100% in 2019
	RSUs	11/5/2015					1,390	26,341			25% in 2016, 2017, 2018 and 2019
		3/17/2016					1,981	37,540			25% in 2017, 2018, 2019 and 2020
		3/3/2017					4,197	79,533			25% in 2018, 2019, 2020 and 2021
		9/18/2017					4,091	77,524			100% in 2019
Dr. Carlo de Notaristefani	Options	8/1/2012	150,003		40.87	7/31/2022					vested
	RSUs	3/12/2014	65,720	32,861	48.76	3/11/2024					33% in 2016, 2017 and 2018
		2/12/2015	29,792	59,584	57.35	2/11/2025					33% in 2017, 2018 and 2019
		2/12/2016		99,904	55.75	2/11/2026					33% in 2018, 2019 and 2020
		5/16/2016		8,346	50.43	5/15/2026					33% in 2018, 2019 and 2020
		2/14/2017		147,396	34.90	2/13/2027					33% in 2019, 2020 and 2021
		2/14/2017					27,840	527,568			33% in 2019, 2020 and 2021
		5/18/2017					30,875	585,081			100% in 2019
		5/16/2016							19,219	364,200	100% in 2019, subject to performance
	PSUs	2/12/2016							1,603	30,377	100% in 2019, subject to performance
2/14/2017								30,941	586,332	100% in 2020, subject to performance	
Dr. Hafrun Fridriksdottir	Options	7/1/2014	7,603	15,206	48.69	6/30/2024					33% in 2017, 2018 and 2019
	RSUs	8/2/2016	3,997	11,993	52.96	8/1/2026					25% in 2017, 2018, 2019 and 2020
		9/9/2016	1,388	4,165	50.21	9/8/2026					25% in 2017, 2018, 2019 and 2020
		11/30/2016		57,167	37.70	11/29/2026					25% in 2018, 75% in 2019
		2/14/2017		85,042	34.90	2/13/2027					33% in 2019, 2020 and 2021
		5/8/2014					3,432	65,036			50% in 2017 and 2018
		7/1/2014					9,280	175,856			33% in 2017, 2018 and 2019
		3/4/2015					2,330	44,154			33% in 2017, 2018 and 2019
	PSUs	8/2/2016					2,242	42,486			25% in 2017, 2018, 2019 and 2020
		9/9/2016					796	15,084			25% in 2017, 2018, 2019 and 2020
		11/30/2016					10,844	205,494			25% in 2018, 75% in 2019
		2/14/2017					16,061	304,356			33% in 2019, 2020 and 2021
		2/14/2017							17,850	338,258	100% in 2020, subject to performance

Name	Award Type	Grant Date	Option Awards				Stock Awards				Vesting Schedule ⁽⁷⁾	
			Number of Securities Underlying Unexercised Options (#) Exercisable ⁽¹⁾	Number of Securities Underlying Unexercised Options (#) Unexercisable ⁽²⁾	Option Exercise Price (\$) ⁽³⁾	Option Expiration Date ⁽⁴⁾	Number of Shares or Units of Shares That Have Not Vested (#) ⁽³⁾	Market Value of Shares or Units of Shares That Have Not Vested (\$) ⁽⁴⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽⁵⁾	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽⁶⁾		
Mark Sabag	Options	11/7/2011	4001		41.72	11/6/2021					vested	
		2/24/2012	3,201		44.59	2/23/2022					vested	
		12/13/2012	4,501		38.84	12/12/2022					vested	
		2/24/2013	4,502		38.08	2/23/2023					vested	
		11/11/2013	100,002		37.26	11/10/2023					vested	
		3/12/2014	49,288	24,644	48.76	3/11/2024					33% in 2016, 2017 and 2018	
		2/12/2015	22,345	44,690	57.35	2/11/2025					33% in 2017, 2018 and 2019	
		2/12/2016		64,940	55.75	2/11/2026					33% in 2018, 2019 and 2020	
		2/14/2017		90,710	34.90	2/13/2027					33% in 2019, 2020 and 2021	
		RSUs	2/14/2017					17,132	324,651			33% in 2019, 2020 and 2021
PSUs	2/12/2016							12,492	236,723	100% in 2019, subject to performance		
	2/14/2017							19,040	360,808	100% in 2020, subject to performance		
Erez Vigodman	Options	1/8/2014	187,134	93,568	41.05	1/7/2024					33% in 2016, 2017 and 2018	
		2/12/2015	54,619	54,619	57.35	2/11/2025					33% in 2017 and 2018 (2019 tranche forfeited)	
		2/12/2016		58,276	55.75	2/11/2026					33% in 2018 (2019 and 2020 tranches forfeited)	
		5/16/2016		18,540	50.43	5/15/2026					33% in 2018 (2019 and 2020 tranches forfeited)	
		RSUs	1/8/2014					5,220	98,919			33% in 2016, 2017 and 2018
Dr. Yitzhak Peterburg	Options	8/31/2010	198,752		50.62	8/30/2020					vested	
		2/14/2017		255,104	34.90	2/13/2027					33% in 2019, 2020 and 2021	
		RSUs	2/14/2017					48,185	913,106			33% in 2019, 2020 and 2021
		PSUs	2/14/2017							53,552	1,014,810	100% in 2020, subject to performance
Eyal Desheh	Options	11/7/2011	198,003		41.72	11/6/2021					vested	
		3/12/2014	65,720	32,861	48.76	3/11/2024					33% in 2016, 2017 and 2018	
		2/12/2015	29,792	59,584	57.35	2/11/2025					33% in 2017, 2018 and 2019	
		2/12/2016		99,904	55.75	2/11/2026					33% in 2018, 2019 and 2020	
		5/16/2016		13,908	50.43	5/15/2026					33% in 2018, 2019 and 2020	
		2/14/2017		113,382	34.90	2/13/2027					33% in 2019, 2020 and 2021	
		RSUs	2/14/2017					21,415	405,814			33% in 2019, 2020 and 2021
		PSUs	2/12/2016							19,219	364,200	100% in 2019, subject to performance
PSUs	5/16/2016							2,672	50,634	100% in 2019, subject to performance		
	2/14/2017							23,801	451,029	100% in 2020, subject to performance		
	2/14/2017									100% in 2020, subject to performance		
Dr. Rob Koremans	Options	3/1/2012	250,001		45.29	2/28/2022					vested	
		3/12/2014	65,720	32,861	48.76	3/11/2024					33% in 2016, 2017 and 2018	
		2/12/2015	31,447	62,896	57.35	2/11/2025					33% in 2017, 2018 and 2019	
		2/12/2016		99,904	55.75	2/11/2026					33% in 2018, 2019 and 2020	
		5/16/2016		8,346	50.43	5/15/2026					33% in 2018, 2019 and 2020	
		2/14/2017		141,728	34.90	2/13/2027					33% in 2019, 2020 and 2021	
		RSUs	2/14/2017					26,769	507,273			33% in 2019, 2020 and 2021
		PSUs	2/12/2016							19,219	364,200	100% in 2019, subject to performance
			5/16/2016							1,603	30,377	100% in 2019, subject to performance
2/14/2017								29,751	563,781	100% in 2020, subject to performance		

Name	Award Type	Grant Date	Option Awards				Stock Awards				Vesting Schedule ⁽⁷⁾
			Number of Securities Underlying Unexercised Options (#) Exercisable ⁽¹⁾	Number of Securities Underlying Unexercised Options (#) Unexercisable ⁽²⁾	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Shares That Have Not Vested (#) ⁽³⁾	Market Value of Shares or Units of Shares That Have Not Vested (\$) ⁽⁴⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽⁵⁾	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽⁶⁾	
Dr. Michael											
Hayden	Options	5/9/2012	275,000		42.19	5/8/2022					vested
		3/12/2014	65,720	32,861	48.76	3/11/2024					33% in 2016, 2017 and 2018
		2/12/2015	31,447	62,896	57.35	2/11/2025					33% in 2017, 2018 and 2019
		2/12/2016		99,904	55.75	2/11/2026					33% in 2018, 2019 and 2020
		5/16/2016		16,687	50.43	5/15/2026					33% in 2018, 2019 and 2020
		2/14/2017		113,382	34.90	2/13/2027					33% in 2019, 2020 and 2021
	RSUs	2/14/2017					21,415	405,814			33% in 2019, 2020 and 2021
	PSUs	2/12/2016							19,219	364,200	100% in 2019, subject to performance
		5/16/2016							3,207	60,773	100% in 2019, subject to performance
		2/14/2017							23,801	451,029	100% in 2020, subject to performance

- (1) Amounts disclosed in this column reflect the number of options granted to our NEOs that were subject to time based vesting and have vested. The options generally expire ten years from the date of grant, and have an exercise price of no less than 100% of the fair market value of a Teva share on the date of grant. See “—2017 Potential Payments Upon Termination or Change in Control” for information on the treatment of options upon retirement, death, disability, termination or change in control.
- (2) Amounts disclosed in this column reflect the number of options granted to our NEOs that were subject to time based vesting that had not vested as of December 31, 2017.
- (3) Amounts disclosed in this column reflect the number of unvested RSUs granted to our NEOs that were subject to time based vesting. See “—2017 Potential Payments Upon Termination or Change in Control” for information on the treatment of RSUs upon retirement, death, disability, termination or change in control.
- (4) Amounts disclosed in this column reflect the market value of the RSUs reported in the preceding column using the closing price of a Teva share as reported on the New York Stock Exchange on December 29, 2017, the last trading day of the year, multiplied by the number of shares underlying each award. This column does not include the value of dividends paid on our ordinary shares during the performance period as no dividends accrue on unvested RSUs.
- (5) Amounts disclosed in this column reflect the number of unvested PSUs held by our NEOs, based on achievement of all applicable performance goals at target level for open performance cycles ending in 2018 and 2019. PSUs vest following completion of the year indicated and following the date on which the Compensation Committee and Board certifies that the performance conditions have been achieved. The actual number of PSUs that will be earned in respect of these unvested awards, if any, will be determined at the end of each performance cycle and might be less or more than the number shown in this column. See footnote (2) to “2017 Grants of Plan-Based Awards” above for information regarding the nature of the performance measures incorporated in the 2017-2019 PSU grant. See “—2017 Potential Payments Upon Termination or Change in Control” for information on the treatment of PSUs upon retirement, death, disability, termination or change in control.
- (6) Amounts disclosed in this column reflect the market value of the unvested PSUs held by our NEOs and reported in the preceding column using the closing price of a Teva share as reported on the New York Stock Exchange on December 29, 2017, the last trading day of the year, multiplied by the target number of shares underlying each award. This column does not include the value of dividends paid on our ordinary shares during the performance period as no dividends accrue on unvested PSUs.
- (7) This column discloses the vesting dates of outstanding awards held by our NEOs at year end. These dates do not include the impact of shares that may be forfeited upon the conclusion of the notice period currently in effect for applicable former NEOs.

2017 Option Exercises and Stock Vested

The table below shows the number of shares each of our NEOs acquired and the values they realized upon the vesting of PSUs and RSUs, during 2017. Values are shown before payment of any applicable withholding taxes or brokerage commissions. There were no share options exercised by the NEOs in 2017.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#) ⁽¹⁾	Value Realized on Vesting (\$) ⁽²⁾
Michael McClellan	1,355	30,827
Dr. Carlo de Notaristefani	22,642	753,979
Dr. Hafrun Fridriksdottir	10,252	270,496
Mark Sabag	23,703	644,405
Erez Vigodman	5,220	177,480
Dr. Yitzhak Peterburg	14,369	237,376
Eyal Desheh	22,642	753,979
Dr. Rob Koremans	22,642	753,979
Dr. Michael Hayden	22,642	753,979

- (1) Amounts disclosed in this column reflect the number of PSUs and RSUs that vested during 2017. This column does not include the value of dividends paid on our ordinary shares during the performance period as no dividends accrue on unvested PSUs or RSUs. The amounts reported for Dr. Peterburg include shares that he received in his capacity as a director prior to 2017 that were accelerated and vested in connection with his resignation from the Board.
- (2) Amounts disclosed in this column reflect the value realized upon vesting of the PSUs and RSUs, as calculated based on the price of a Teva share on the vesting date, multiplied by the number of shares underlying each award.

2017 Pension Benefits

None of our NEOs participate in or have accrued benefits under qualified or non-qualified defined benefit plans sponsored by us.

2017 Nonqualified Deferred Compensation

Name	Plan Name	Executive Contributions in Last FY (\$) ⁽¹⁾	Company Contributions in Last FY (\$) ⁽²⁾	Aggregate Earnings in Last FY (\$) ⁽³⁾	Aggregate Withdrawals/Distributions (\$) ⁽⁴⁾	Aggregate Balance at Last FY (\$) ⁽⁴⁾
Michael McClellan	Supplemental Deferred Compensation Plan	121,476	16,933	26,269	0	228,560
Dr. Carlo de Notaristefani	Supplemental Deferred Compensation Plan	1,059,731	0	162,992	0	1,666,236
	Defined Contribution Supplemental Executive Retirement Plan	0	125,460	80,664	0	582,120
Hafrun Fridriksdottir	Supplemental Deferred Compensation Plan	59,289	24,923	10,087	0	129,381

- (1) Amounts disclosed in this column reflect elective deferrals made by our NEOs and are included in the amounts reported as “Salary” in the Summary Compensation Table above except for Dr. de Notaristefani for whom \$405,332 is reported as “Salary” and \$654,399 is reported as “Non-Equity Incentive Plan Compensation.”

- (2) Amounts disclosed in this column are included within the amount reported in the “All Other Compensation” column of the Summary Compensation Table.
- (3) Amounts disclosed in this column include earnings on the Supplemental Deferred Compensation Plan and the Defined Contribution Supplemental Executive Retirement Plan as well as changes in the values of the underlying accounts. None of the amounts disclosed in this column were reported in the Summary Compensation Table because the Company does not credit above-market or preferential earnings on deferred compensation.
- (4) Amounts disclosed in this column reflect the cumulative value of applicable NEO’s contributions, Company matching contributions and investment earnings thereon. None of the amounts in this column have been disclosed in previous Summary Compensation Table disclosures as this is the Company’s first report to include this table.

Teva’s North American subsidiaries provide a tax qualified defined contribution 401(k) Retirement Savings Plan for the benefit of employees. Under this plan, contribution amounts have been determined based on specified percentages of pay. The Internal Revenue Code limits the benefits that may be contributed into the 401(k) plan. As a complement to this plan, the Company maintains two supplemental retirement plans to bridge the gap between legally mandated limits on qualified plan benefits and the retirement benefits offered at comparable public companies, and to provide participants with supplemental benefits. The two plans include the Supplemental Deferred Compensation Plan, which is a broad-based plan, and the Defined Contribution Supplemental Executive Retirement Plan (“DC SERP”), which is available to grandfathered U.S. executive officers (no new U.S. executive officers are enrolled in this plan). While the Company has formally funded the 401(k) plan match contribution, the Supplemental Deferred Compensation Plan and the DC SERP are not formally funded.

Supplemental Deferred Compensation Plan

The Supplemental Deferred Compensation Plan is a nonqualified, unfunded deferred compensation plan under which certain eligible employees may defer up to 75% of base salary, annual bonuses and sales bonuses. The Company matches 100% of the first 6% of all eligible compensation deferred above the IRS qualified compensation limit, and makes restorative matching contributions to restore the Company match that were lost to the participant under the Retirement Savings Plan. Participants are vested in 100% of Company contributions once three years of service are completed. There are 27 investment options, and participants may change their investment allocations. Contributions plus earnings are paid out of the general assets of the Company. Participants that are age 55 with at least 15 years of service or age 65 with five years of service are retirement eligible, and may receive payment from the Plan in a lump sum or in annual installments for up to 20 years beginning on the first distribution date (January or July) that is at least 13 months after retirement. Participants that terminate employment prior to retirement receive a lump sum beginning on the first distribution date that is at least six months after termination. Participants may change their distribution election at least 12 months prior to the originally scheduled payment date and as long as the change results in the payment date being delayed at least five years.

Defined Contribution Supplemental Executive Retirement Plan

The DC SERP is a nonqualified, unfunded plan in which certain executive officers may participate. Under this plan, the Company establishes an account on behalf of each participant and credits that account on the last day of the year with an amount equal to 15% of the participant’s base salary paid during the year as a future retirement benefit. If the participant has a separation from service after age 65 or dies or becomes disabled, the Company will credit the account with a pro-rata amount in respect of the portion of the year during which the participant qualified as a participant. The participant may direct percentages of the amounts credited to the participant’s account to be notionally invested in notional investment funds, and the account is credited with earnings that mirror the investment results of such investment funds. As of a valuation date, the notional realized and unrealized gains and losses and the notional income are allocated for the benefit of the participant’s account.

Participants vest in their accounts upon either the earliest of five full years as a participant, attaining age 65 while employed by the Company, death, disability, or a change in control as defined under Code Section 409A. If a participant separates from service before they are 100% vested, they will forfeit the entire account balance. If a participant breaches any noncompete or nonsolicit or other covenants under the plan, is terminated for cause or fails to execute a release of claims against the Company upon a termination of employment, they will forfeit their account balance. A participant may receive the vested benefit in the account in a lump sum following their separation from service or, if the participant so elects, in installments. If a participant does not have 10 years of service and is 55 at the time of separation from service, payment will be in the form of a single lump sum. If a participant dies after separation from service and prior to benefits being paid, such benefits will continue to be paid in the same form as elected by the participant. If the participant dies or becomes disabled, the vested value of the account will be distributed in a single lump sum. If installment payments are elected, the installment amounts are determined as the remaining balance divided by the number of years over which the installments will be paid. Payments may be delayed due to certain tax rules or deferral elections made by the executive.

2017 Potential Payments Upon Termination or Change in Control

In connection with any termination of employment, including if there is a termination in connection with a change in control of the Company, our NEO's would be eligible to receive certain payments, benefits and treatment of the various forms of equity that such NEO holds (provided, in some cases, that certain conditions are met).

The amounts that the NEOs would receive are set forth below for the following types of termination of employment: termination for cause, death, disability, retirement, termination without cause, resignation for good reason, resignation without good reason and a change in control of the Company.

In accordance with SEC rules, we have used certain assumptions in determining the amounts shown. We have assumed that the termination of employment or change in control occurred on December 31, 2017, and that the value of a Teva share on that day was \$18.95, the closing price on the NYSE on December 29, 2017, the last trading day of 2017.

Under these SEC rules, the potential payments upon termination do not include certain distributions or benefits which are not enhanced by a qualifying termination of employment or change in control. These payments and benefits are referred to as "vested benefits" and include:

- Amounts payable when employment terminates under programs generally applicable to the Company's salaried employees;
- Vested benefits accrued under the 401(k) and pension plans; and
- Vested benefits under the Supplemental Deferred Compensation Plan and the Defined Contribution Supplemental Executive Retirement Plan provided to the NEOs on the same basis as all other employees eligible for such plans, as previously described in the section entitled "2017 Nonqualified Deferred Compensation."

Current NEOs

Kåre Schultz

Mr. Schultz's employment terms generally require the Company and Mr. Schultz to provide three months' notice of termination of employment, other than in connection with a termination for cause, death or disability. We may waive Mr. Schultz's services during such notice period or any part thereof, on the condition that we pay him his monthly base salary and all additional compensation and benefits in respect of such waived period.

Mr. Schultz's employment terms provide that in connection with his termination of employment, Mr. Schultz will be entitled to receive payments associated with termination as required pursuant to applicable Israeli law and certain accrued obligations. Upon termination by the Company without cause or by Mr. Schultz with good reason, Mr. Schultz will generally be entitled to receive cash severance, together with severance amounts accumulated in his severance account, equal to the product of twelve times his monthly base salary (or the minimum amount required under applicable law, if greater). Mr. Schultz is also entitled to receive an amount equal to twenty-four times his monthly base salary, in consideration for, and conditioned upon, his undertaking not to compete with Teva for two years following termination and other restrictive covenants, and his compliance with such undertaking, which amount would be paid in connection with terminations other than in the event of his termination by the Company for cause or his death. In the event that his employment is terminated without cause within one year following certain mergers and as a result thereof, Mr. Schultz will be entitled to an additional lump sum cash payment equal to his current annual salary.

Upon his termination due to death, disability, termination without cause and resignation with good reason, Mr. Schultz will receive payment of any unvested portion of his sign-on cash award, vesting of his sign-on RSU award on the later of the date of termination and the first anniversary of the grant date, and continued vesting of his sign-on PSU awards (which will ultimately be settled based on actual performance through the end of the applicable three-year and five-year performance periods). In the event of a change in control before the terminations listed above, Mr. Schultz's sign-on PSU awards will be treated as earned based on the price paid per share to shareholders (or if none, then based on the last per share trading price before the change in control). The awards may then either continue as time-vested awards over the remainder of the required vesting period or, if not assumed, settled upon the change in control. If the sign-on PSU awards are assumed and continue as time-vested awards, they will be immediately settled upon termination following the change in control due to death, disability, termination without cause and resignation with good reason.

All termination payments and benefits in excess of those required to be paid pursuant to applicable law are subject to the execution of a release of claims, and shall immediately terminate without further obligation of Teva, in the event that he breaches his restrictive covenants.

Michael McClellan

Mr. McClellan's employment terms generally require the Company and Mr. McClellan to provide three months' notice of termination of employment, other than in connection with a termination for cause, death or disability. We may waive Mr. McClellan's services during such notice period or any part thereof, on the condition that we pay him his monthly base salary and all additional compensation and benefits in respect of such waived period.

Upon termination by the Company without cause or by Mr. McClellan for good reason, Mr. McClellan will generally be entitled to receive cash severance equal to the product of six times his monthly base salary and payment of certain costs associated with continued medical insurance for eighteen months. Mr. McClellan is also entitled to receive an amount equal to twelve times his monthly base salary, in consideration for, and conditioned upon, his undertaking not to compete with Teva for one year following termination and other restrictive covenants. In the event that his employment is terminated without cause within one year following certain mergers and as a result thereof, Mr. McClellan will be entitled to an additional lump sum cash payment of \$1.5 million.

All termination payments and benefits in excess of those required to be paid pursuant to applicable law are subject to the execution of a release of claims, and shall immediately terminate without further obligation of Teva, and Mr. McClellan shall promptly repay Teva any such payments or benefits provided, in the event that he breaches his restrictive covenants.

Dr. Carlo de Notaristefani

Dr. de Notaristefani's employment terms generally require the Company and Dr. de Notaristefani to provide six months' notice of termination of employment, other than in connection with a termination for cause, death or disability. We may waive Dr. de Notaristefani's services during such notice period or any part thereof, on the condition that we pay him his monthly base salary and all additional compensation and benefits in respect of such waived period.

Upon termination by the Company without cause, by Dr. de Notaristefani for good reason, or by Dr. de Notaristefani without good reason on or after July 1, 2020, Dr. de Notaristefani will generally be entitled to receive cash severance equal to the product of twelve times his monthly base salary and payment of certain costs associated with continued medical insurance for eighteen months. Dr. de Notaristefani is also entitled to receive an amount equal to twelve times his monthly base salary, in consideration for, and conditioned upon, his undertaking not to compete with Teva for one year following termination and other restrictive covenants. In the event that his employment is terminated without cause within one year following certain mergers and as a result thereof, Dr. de Notaristefani will be entitled to an additional lump sum cash payment of \$1.5 million.

Dr. de Notaristefani is also entitled to continued vesting in full of equity-based awards following termination without cause and continued vesting in full of equity-based awards following resignation with or without good reason on or after July 1, 2020.

All termination payments and benefits in excess of those required to be paid pursuant to applicable law are subject to the execution of a release of claims, and shall immediately terminate without further obligation of Teva, and Dr. de Notaristefani shall promptly repay Teva any such payments or benefits provided, in the event that he breaches his restrictive covenants.

Dr. Hafrun Fridriksdottir

Dr. Fridriksdottir's employment terms generally require the Company and Dr. Fridriksdottir to provide six months' notice of termination of employment, other than in connection with a termination for cause, death or disability. We may waive Dr. Fridriksdottir's services during such notice period or any part thereof, on the condition that we pay her the monthly base salary and all additional compensation and benefits in respect of such waived period.

Upon termination by the Company without cause or by Dr. Fridriksdottir for good reason, Dr. Fridriksdottir will generally be entitled to receive cash severance equal to the product of twelve times her monthly base salary if terminated before August 3, 2018, and cash severance equal to the product of six times her monthly base salary if terminated on or after August 3, 2018. In addition, Dr. Fridriksdottir will be entitled to payment of certain costs associated with continued medical insurance for eighteen months. Dr. Fridriksdottir is also entitled to receive an amount equal to twelve times her monthly base salary, in consideration for, and conditioned upon, her undertaking not to compete with Teva for one year following termination and other restrictive covenants. In the event that her employment is terminated without cause within one year following certain mergers and as a result thereof, Dr. Fridriksdottir will be entitled to an additional lump sum cash payment of \$1.5 million.

Because Dr. Fridriksdottir meets the requirements for a qualifying retirement and termination under the Company's policy pursuant to its 2015 Long-term Equity-Based Incentive Plan, if she is terminated without cause and current retirement policy is in effect, she will be entitled to continued vesting of her outstanding awards granted by the Company after the acquisition of Actavis Generics. In addition, if she is terminated without cause (or resigns for good reason) before August 3, 2018, she will also be entitled to immediate vesting of unvested equity awards originally granted to her by Allergan plc and converted into Company equity awards at the time she joined the Company following Teva's acquisition of Actavis Generics ("Rollover Awards"). If she resigns without good reason, she will be entitled to continued exercisability of vested options until the earlier of the applicable expiration date or two years after termination for Rollover Awards only due to the legacy Allergan qualifying retirement policy.

All termination payments and benefits in excess of those required to be paid pursuant to applicable law are subject to the execution of a release of claims, and shall immediately terminate without further obligation of Teva, and Dr. Fridriksdottir shall promptly repay Teva any such payments or benefits provided, in the event that she breaches her restrictive covenants.

Mark Sabag

Mr. Sabag's employment terms generally require the Company and Mr. Sabag to provide nine months' notice of termination of employment, other than in connection with a termination for cause, death or disability. We may waive Mr. Sabag's services during such notice period or any part thereof, on the condition that we pay him his monthly base salary and all additional compensation and benefits in respect of such waived period.

Mr. Sabag's employment terms provide that in connection with his termination of employment, Mr. Sabag will be entitled to receive payments associated with termination as required pursuant to applicable Israeli law. In the event of retirement to pension at the statutory age, termination due to death or disability, termination without cause, or resignation for good reason, Mr. Sabag will be entitled to a make-up payment equal to his monthly base salary multiplied by the number of his years of service, that together with severance amounts accumulated in his pension insurance fund account cannot exceed twice his monthly base salary multiplied by the number of his years of service. In the event of a resignation without good reason, the make-up payment will be equal to half his monthly base salary multiplied by the number of his years of service, that together with severance amounts accumulated in his pension insurance fund account cannot exceed 1.5 times his monthly base salary multiplied by the number of his years of service. Mr. Sabag is also entitled to receive an amount equal to twelve times his monthly base salary, in consideration for and conditioned upon his undertaking not to compete with Teva for one year following termination. This amount would not be paid upon termination for cause or death. In the event that his employment is terminated without cause within one year following certain mergers and as a result thereof, Mr. Sabag will be entitled to an additional lump sum payment of \$1.5 million.

Mr. Sabag is also entitled to continued vesting of equity-based awards for twenty-four months following termination without cause. In addition, in the event that his employment is terminated without cause within one year following certain mergers and as a result thereof, Mr. Sabag will be entitled to accelerated vesting of unvested equity upon termination.

The non-compete payment is subject to compliance with the non-compete covenant. In the event of a material breach, payment will cease and the Company will be entitled to reclaim amounts already paid.

Former NEOs

For all of the former NEOs, the employment terms generally require the parties to provide notice of termination of employment (ranging from 6 to 9 months), other than in connection with a termination for cause, death or disability. We may waive services during such notice period or any part thereof, on the condition that we pay the executive the monthly base salary and all additional compensation and benefits in respect of such waived period. We did not waive the notice period for any former NEO. All of the former NEOs received notice during 2017, and with the exception of Mr. Vigodman, who completed the notice period during 2017, all of the former NEOs will complete their notice periods during 2018.

Erez Vigodman

Pursuant to Mr. Vigodman's terms of employment, in connection with his termination of employment, Mr. Vigodman was entitled to receive nine months' notice, payments associated with termination as required pursuant to Israeli law, certain previously accrued obligations, including payout of accrued vacation, and a payment that, together with severance amounts accumulated in his existing pension insurance funds, equals the product of twice his monthly base salary multiplied by the number of his years of service. Mr. Vigodman is also

receiving an amount equal to eighteen times his monthly base salary in consideration for compliance with certain non-competition covenants.

Under his employment agreement, Mr. Vigodman is also entitled to continued vesting of equity-based awards for twelve months following termination.

The severance, other than statutory severance, the non-compete payment and the equity benefits, are subject to compliance with non-compete and other restrictive covenants. In the event of a breach, payment and vesting cease and in the event of a material breach the Company will be entitled to reclaim amounts of the non-compete payment already paid.

Dr. Yitzhak Peterburg

Pursuant to Dr. Peterburg's terms of employment, in connection with his termination of employment, Dr. Peterburg is entitled to receive nine months' notice, payments associated with termination as required pursuant to Israeli law, certain previously accrued obligations, including payout of accrued vacation, and a payment that, together with severance amounts accumulated in his existing pension insurance funds, equals the product of twice his monthly base salary multiplied by the number of his years of service as Interim President and CEO.

Under his employment agreement, Dr. Peterburg will also be entitled to continued vesting in full of all equity based awards granted to him as Interim President and CEO.

The severance, other than statutory severance, and equity benefits are subject to compliance with non-compete and other restrictive covenants. In the event of a breach, payment and vesting cease and in the event of a material breach the Company will be entitled to reclaim any such benefits.

Eyal Desheh

Pursuant to Mr. Desheh's terms of employment, in connection with his termination of employment, Mr. Desheh is entitled to receive nine months' notice, payments associated with termination as required pursuant to Israeli law, certain previously accrued obligations, including payout of accrued vacation, a make-up payment equal to his monthly base salary multiplied by the number of his years of service, that together with severance amounts accumulated in his pension insurance fund account cannot exceed twice his monthly base salary multiplied by the number of his years of service, and eligibility to a pro-rata annual cash incentive for the term active in position. Mr. Desheh is also receiving an amount equal to twelve times his monthly base salary, conditioned upon his undertaking not to compete with Teva for one year following termination.

Mr. Desheh is also entitled to continued vesting in full of equity-based awards due to our qualifying retirement and qualifying termination policy.

The non-compete payment is subject to compliance with the non-compete covenant. In the event of a material breach, payment will cease and the Company will be entitled to reclaim amounts already paid.

Dr. Rob Koremans

Pursuant to Dr. Koremans' terms of employment, in connection with his termination of employment, Dr. Koremans is entitled to receive six months' notice, a severance payment equal to 12 monthly salaries and target annual cash incentive (for a total of 24 monthly salaries).

Dr. Koremans is also entitled to continued vesting of equity-based awards until March 1, 2020.

Dr. Michael Hayden

Pursuant to Dr. Hayden’s terms of employment, in connection with his termination of employment, Dr. Hayden is entitled to receive nine months’ notice, payments associated with termination as required pursuant to Israeli law, certain previously accrued obligations, including payout of accrued vacation, a payment equal to 12 monthly salaries, a payment that, together with severance amounts accumulated in his existing pension insurance funds, equals the product of twice his monthly base salary multiplied by the number of his years of service, a payment equal to the premium for continued health insurance coverage for eighteen months following the termination date, and certain relocation benefits in the event of a move back to Canada within one year following the termination date.

Dr. Hayden is also entitled to continued vesting of certain equity-based awards due to our qualifying retirement and qualifying termination policy.

The severance amount, other than statutory severance, as well as the medical benefits, equity benefits and the relocation benefits are subject to the execution of a release of claims. These payments and benefits (other than the components required to be paid under applicable law) shall immediately terminate, and the Company shall have no further obligations to Dr. Hayden with respect thereto, in the event that he breaches any provisions related to confidentiality or his covenant not to compete.

Potential Payments Upon Termination or Change In Control

The following tables summarize the payments the current NEOs would receive upon termination and completion of the required notice period at December 31, 2017 and the payments the former NEOs are eligible to receive upon termination and completion of the required notice period, as applicable. As the former NEOs have already received notice of termination, amounts for other termination events such as death, disability or change in control are not included. The U.S. dollar amounts in the tables below were converted from local currency, where needed, using the December monthly average exchange rate of 3.50 Israeli shekels per U.S. dollar and 0.84 euros per U.S. dollar, except accrued vacation for Mr. Vigodman since this payment was made in November 2017 (monthly average exchange rate of 3.52 shekels per U.S. dollar).

Current NEOs

Payments Resulting From Termination without Cause or Resignation with Good Reason

<u>Category</u>	<u>Kåre Schultz</u>	<u>Michael McClellan</u>	<u>Dr. Carlo de Notaristefani</u>	<u>Dr. Hafrun Fridriksdottir</u>	<u>Mark Sabag</u>
Severance payments ⁽¹⁾	1,972,120	350,000	836,400	720,000	872,505
Non-compete payments ⁽²⁾	4,000,000	700,000	836,400	720,000	621,262
Accrued vacation	6,364	0	0	0	245,304
Health benefits continuation	0	36,937	27,123	11,254	0
Sign-on cash award ⁽³⁾	20,000,000	0	0	0	0
Post termination equity vesting ⁽⁴⁾⁽⁵⁾	33,173,510	0	2,093,558	1,190,723	344,928
Total amount without merger	\$59,151,994	\$1,086,937	\$3,793,481	\$2,641,977	\$2,083,999
Post-merger termination payment ⁽⁶⁾	2,000,000	1,500,000	1,500,000	1,500,000	1,500,000
Post-merger equity acceleration ⁽⁷⁾	0	0	0	0	922,183
Total amount with merger	\$61,151,994	\$2,586,937	\$5,293,481	\$4,141,977	\$4,506,182

(1) In addition to the amounts reported above, Mr. Schultz would receive \$27,880, and Mr. Sabag would receive \$302,141, which amounts are already held in severance accounts on their behalf. For Mr. Sabag, the severance amount in the table would also be payable upon retirement to pension at the statutory age, or termination due to death or disability. Upon resignation without good reason Mr. Sabag would be entitled to a severance payment amount of \$293,661 in addition to the amount accumulated in his severance accounts.

- (2) For Mr. Schultz, the non-compete payment would be paid, assuming his compliance with the non-compete covenant, in connection with terminations other than his termination by the Company for cause or his death. For Mr. Sabag the non-compete payment is also paid upon retirement to pension at the statutory age, termination due to disability, or resignation without good reason.
- (3) For Mr. Schultz, the sign-on cash award is also paid in the event of death or disability.
- (4) Amounts reported are based on the price of a Teva share on December 29, 2017, the last trading day of 2017 (\$18.95) and, with respect to PSUs, target performance, except for 2015-2017 PSUs, with respect to which no PSUs were earned.
- (5) For Mr. Schultz the equity vesting also applies in the event of death or disability. For Dr. de Notaristefani and Mr. Sabag, the equity vesting does not apply to resignation with good reason. For Dr. Fridriksdottir, only her “Rollover Awards” would vest upon resignation with good reason (\$285,046).
- (6) Assumes merger, followed by a termination without cause on December 31, 2017.
- (7) Mr. Sabag’s employment agreement provides for equity acceleration upon a post-merger involuntary termination without cause. Amounts reported are based on the end of year stock price (\$18.95) and, with respect to PSUs, target performance, except for 2015-2017 PSUs, with respect to which no PSUs were earned.

Accelerated/Continued Equity Vesting Upon Death or Disability

Under our 2015 Long-Term Equity-Based Incentive Plan, upon death or disability, performance awards, such as PSUs, will immediately vest and pay out based on the target level of performance as of the date of termination, RSUs will immediately be vested and settled and options will immediately vest and remain exercisable through the original expiration date. For treatment of Mr. Schultz’s sign-on equity awards upon death or disability, see the summary of his termination terms above.

Under our 2010 Long-Term Equity-Based Incentive Plan, upon death or disability, RSUs, restricted shares and options will continue to vest, as if no termination had occurred, and will remain exercisable through their original expiration date or settle in accordance with the schedule set forth in the applicable award agreement.

<u>Category</u>	<u>Kåre Schultz</u>	<u>Michael McClellan</u>	<u>Dr. Carlo de Notaristefani</u>	<u>Dr. Hafrun Fridriksdottir</u>	<u>Mark Sabag</u>
Value ⁽¹⁾	\$45,280,738	\$245,126	\$2,093,558	\$1,190,723	\$922,183

- (1) Amounts reported are based on the price of a Teva share on December 29, 2017, the last trading day of 2017 (\$18.95) and, with respect to PSUs, target performance, except for 2015-2017 PSUs, with respect to which no PSUs were earned.

Former NEOs

Payments Resulting From Termination without Cause

<u>Category</u>	<u>Erez Vigodman</u>	<u>Dr. Yitzhak Peterburg</u>	<u>Eyal Desheh</u>	<u>Dr. Rob Koremans</u>	<u>Dr. Michael Hayden</u>
Severance payments ⁽¹⁾	528,836	286,549	967,056	1,641,994	1,658,877
Non-compete payments ⁽¹⁾	2,511,139	0	854,289	0	0
Accrued vacation ⁽¹⁾	370,195	174,396	113,416	0	335,523
Health benefits continuation	0	0	0	0	18,666
Post termination equity vesting ⁽²⁾	98,919	1,927,916	1,271,678	1,296,540	560,238
Total	\$3,509,089	\$2,388,861	\$3,206,439	\$2,938,534	\$2,573,304

- (1) Amounts reported as “Termination Payments” in the footnote to All Other Compensation are included in the table above. In addition to the amounts above, the individuals will receive the following amounts already held in severance funds on their behalf: Mr. Vigodman, \$513,597; Dr. Peterburg, \$128,099; Mr. Desheh, \$457,552; and Dr. Hayden, \$539,519.

- (2) Amounts reported are based on the price of a Teva share on December 29, 2017, the last trading day of 2017 (\$18.95) and, with respect to PSUs, target performance, except for 2015-2017 PSUs, with respect to which no PSUs were earned.

Non-Employee Director Compensation

Pursuant to the Israeli Companies Law and regulations promulgated thereunder (the “Regulations”), any arrangement between Teva and a director relating to his or her compensation as a director or other position with Teva must generally be consistent with our Compensation Policy and approved by the Compensation Committee, the Board and by a simple majority of Teva’s shareholders. Shareholder approval is not required in certain instances, for example, for the compensation granted to a director for the period following his or her appointment until the next general meeting of shareholders, provided such compensation is approved by the Compensation Committee and the Board, is consistent with the Compensation Policy and is on similar or less favorable terms than those of such person’s predecessor.

As approved at our 2015 annual general meeting of shareholders, each of our non-employee directors from time to time (other than our Chairman of the Board) is entitled to annual compensation comprised of:

- (i) an annual Board membership fee of \$160,000 paid in cash;
- (ii) additional annual cash fees for service on Board committees (\$20,000 for service on the Audit Committee, \$15,000 for service on the Compensation Committee and \$10,000 for service on each other committee);
- (iii) an annual equity-based award in the form of restricted share units (RSUs) with an approximate aggregate fair market value of \$130,000 as of the date of grant; and
as approved at our 2017 annual general meeting of shareholders,
- (iv) an additional annual cash fee for his or her membership on each special or ad-hoc committee, in an amount equal to \$20,000 per annum.

Our 2017 annual general meeting of shareholders approved an annual fee of \$567,000 for our Chairman of the Board. This fee is in addition to the annual equity-based award in the form of RSUs our Chairman is entitled to with an approximate fair market value of \$378,000 on the date of grant, as approved at our 2015 annual general meeting of shareholders. Our Chairman is also entitled to certain secretarial and other services and benefits.

Fees for Board and committee service are payable over the period of time during which the individual serves as a non-employee director. In the event that a non-employee director serves as a member of the Board during only a portion of the period from one annual meeting to the next, a pro-rated amount of the annual board membership fee, committee fees and equity award will be paid. Upon completion of a non-employee director’s service as a director, other than removal pursuant to a shareholder resolution due to a breach of fiduciary duties, any unvested awards granted to such director in virtue of such position and held by such director will immediately become vested.

In addition, Teva reimburses or covers its directors for expenses (including travel expenses) incurred in connection with meetings of the Board and its committees or performing other services for Teva in their capacity as directors, in accordance with Israeli law and the Compensation Policy. Directors, including the Chairman of the Board, are also entitled to certain perquisites having an aggregate monetary value of no more than \$10,000 per year per director.

VAT, if applicable, is added to the above director compensation, in accordance with applicable law.

No additional compensation is received for attendance at a Board or Committee meeting.

2017 Director Compensation

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$) ⁽¹⁾</u>	<u>Stock Awards (\$) ⁽²⁾</u>	<u>Total (\$)</u>
Dr. Sol J. Barer ⁽³⁾	243,389	454,884	698,273
Roger Abravanel ⁽⁴⁾	104,445	0	104,445
Dr. Arie Belldegrun ⁽⁵⁾	12,110	0	12,110
Rosemary A. Crane	201,681	130,001	331,682
Amir Elstein	190,592	130,001	320,593
Murray A. Goldberg ⁽⁶⁾	85,957	130,001	215,958
Jean-Michel Halfon	198,116	130,001	328,117
Gerald M. Lieberman	208,343	130,001	338,344
Galia Maor	196,417	130,001	326,418
Roberto A. Mignone ⁽⁶⁾	81,712	130,001	211,713
Dr. Perry D. Nisen ⁽⁶⁾	81,712	130,001	211,713
Joseph Nitzani ⁽⁷⁾	163,397	32,500	195,897
Nechemia J. Peres ⁽⁶⁾	83,753	130,001	213,754
Ory Slonim ⁽⁸⁾	106,103	0	106,103
Dan Suesskind ⁽⁹⁾	50,357	103,889	154,246
Gabrielle Sulzberger	196,788	130,001	326,789

- (1) The amounts shown include the cash portion of the annual fee for the Chairman of the Board and Board membership fees and committee service fees for other non-employee directors.
- (2) In August 2017, each non-employee director serving at that time, excluding the Chairman of the Board, was granted 7,956 RSUs, based on the grant date fair value of a share of \$16.34. Non-employee directors that join after the general meeting are eligible for an equity grant value that is pro-rated in an amount equal to the difference between (i) an annual grant and (ii) the product of (x) an annual grant divided by 12 and (y) the number of months (including partial months) in the period between the last annual meeting of shareholders and the date of such appointment. In November 2017, Dan Suesskind was granted 9,575 RSUs based on the grant date fair value of a share of \$10.85. The amounts shown in the Stock Awards column represent the aggregate grant date fair values of RSUs computed in accordance with FASB Accounting Standards Codification Topic 718 (“Topic 718”). Valuations of RSUs were determined based on the fair market value of a Teva share on the grant date, less the net present value of dividends. For information regarding assumptions, factors and methodologies used in our computations pursuant to Topic 718, see note 14c. to our consolidated financial statements for the year ended December 31, 2017. These RSUs vest three years from the grant date. As of December 31, 2017, the aggregate number of unvested RSUs held by each current non-employee director was as follows: Dr. Sol J. Barer: 30,545; Rosemary A. Crane: 12,898; Amir Elstein: 12,898; Murray A. Goldberg: 7,956; Jean-Michel Halfon: 12,898; Gerald M. Lieberman: 12,898; Galia Maor: 12,898; Roberto A. Mignone: 7,956; Dr. Perry D. Nisen: 7,956; Nechemia J. Peres: 7,956; Dan Suesskind: 9,575; and Gabrielle Sulzberger: 12,898. Upon completion of a non-employee director’s service as a director, other than removal pursuant to a shareholder resolution due to a breach of fiduciary duties, any unvested awards granted to such director in virtue of such position and held by such director will immediately become vested. In 2017, Roger Abravanel, Dr. Arie Belldegrun, Joseph Nitzani and Ory Slonim received accelerated vesting of equity in connection with their completion of Board service.
- (3) During his service as Chairman of the Board, Dr. Barer is entitled to an annual fee of \$567,000 and an annual equity-based award with a total value of \$378,000, in accordance with the general framework for equity-awards for our directors approved at our 2015 annual general meeting of shareholders. Upon his appointment as Chairman of the Board on February 6, 2017, Dr. Barer was granted a pro-rata equity-based award with respect to his service as Chairman of the Board from February 6, 2017 until the 2017 annual meeting on July 13, 2017 and a pro-rata amount of the annual cash fee of \$567,000 for his service as Chairman of the Board during such period. Dr. Barer waived \$283,500 of his annual fee as Chairman of the Board payable in 2017.

- (4) Mr. Abravanel stepped down from Board service in July 2017.
- (5) Dr. Beldegrun ceased Board service in February 2017.
- (6) Mr. Goldberg, Mr. Mignone, Dr. Nisen, and Mr. Peres were elected to the Board at the 2017 annual meeting on July 13, 2017.
- (7) Mr. Nitzani's term expired in September 2017.
- (8) Mr. Slonim's term expired in July 2017.
- (9) Mr. Suesskind was appointed to the Board on September 25, 2017.

Mr. Schultz was not and will not be entitled to any compensation in his capacity as a member of the Board or any committee thereof.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee currently consists of Rosemary A. Crane (chair), Jean-Michel Halfon, Gerald M. Lieberman and Nechemia (Chemi) J. Peres. During fiscal year 2017, no member of the Compensation Committee was an employee, officer or former officer of Teva or any of its subsidiaries. During fiscal year 2017, no member of the Compensation Committee had a relationship that must be described under the SEC rules relating to disclosure of related party transactions. During fiscal year 2017, none of our executive officers served on the Board of Directors or compensation committee of any entity that had one or more of its executive officers serving on Teva's Board of Directors or Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership

The following table describes, as of February 8, 2018, the beneficial ownership of Teva ordinary shares (and ADSs representing ordinary shares) by:

- each person we believe beneficially holds more than 5% of the outstanding ordinary shares based solely on our review of SEC filings;
- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

<u>Beneficial Owner</u>	<u>Ordinary Shares Beneficially Owned***</u>	<u>Percent of Ordinary Shares Outstanding ****</u>
Beneficial Owners of More than 5% of Our Ordinary Shares		
Allergan plc ⁽¹⁾	68,741,067	6.33%
Capital Research and Management Company ⁽²⁾	121,617,748	10.68%
Franklin Resources, Inc. ⁽³⁾	70,601,691	6.49%
Named Executive Officers and Directors:		
Dr. Sol J. Barer	—	**
Kåre Schultz	—	**
Rosemary A. Crane	5,850	**
Amir Elstein	1,993,706	**
Murray Goldberg	—	**
Jean-Michel Halfon	—	**
Gerald M. Lieberman	5,400	**
Galia Maor	—	**
Roberto Mignone	750,000 (4)	**
Dr. Perry Nisen	—	**
Nechemia (Chemi) J. Peres	—	**
Dan S. Suesskind	318,836	**
Gabrielle Sulzberger	—	**
Michael McClellan	31,624	**
Dr. Carlo de Notaristefani	344,199	**
Dr. Hafrun Fridrikisdottir	27,324	**
Mark Sabag	303,043	**
Eyal Desheh ⁽⁵⁾	394,799	**
Dr. Michael Hayden ⁽⁵⁾	473,812	**
Dr. Rob Koremans ⁽⁵⁾	477,187	**
Dr. Yitzhak Peterburg ⁽⁵⁾	219,987	**
Erez Vigodman ⁽⁵⁾	464,273	**
All directors and executive officers as a group (23 persons)	4,388,538	**

* The address of each shareholder is c/o Teva Pharmaceutical Industries Limited, 5 Basel Street, Petach Tikva, Israel.

** Represents less than 1%.

*** For purposes of this table, “beneficial ownership” is determined in accordance with Rule 13d-3 under the Exchange Act pursuant to which a person or group of persons is deemed to have “beneficial ownership” of any ordinary shares with respect to which such person has (or has the right to acquire within 60 days) sole or shared voting power or investment power.

****Percentage of beneficial ownership is based on 1.016 billion ordinary shares outstanding at February 8, 2018.

- (1) Based solely on a Schedule 13D/A filed with the SEC on January 12, 2018 by (i) Allergan Holdings B1, Inc. (“Allergan Holdings”), (ii) Allergan W.C. Holding Inc. (“Allergan W.C.”), (iii) Warner Chilcott Limited (“Warner”), (iv) Allergan WC Holdings Ireland Limited (formerly known as Warner Chilcott plc) (“Allergan Ireland”) and (v) Allergan plc (“Allergan” and together with Allergan Holdings, Allergan W.C., Warner and Allergan Ireland, “Allergan Reporting Persons”), (i) Allergan Holdings reported shared voting and dispositive power as to 38,741,067 ordinary shares, (ii) Allergan W.C. reported shared voting and dispositive power as to 30,000,000 ordinary shares and (iii) Warner, Allergan Ireland and Allergan reported shared voting and dispositive power as to 68,741,067 ordinary shares. The Allergan Reporting Persons listed their address as Clonshaugh Business and Technology Park, Coolock, Dublin, D17 E400, Ireland.
- (2) Based solely on a Schedule 13G/A filed with the SEC on February 9, 2018, by Capital Research Global Investors (“Capital Research Investors”), Capital Research Investors beneficially own 121,617,748 ordinary shares. Capital Research Investors listed its address as 333 South Hope Street, Los Angeles, CA 90071.
- (3) Based solely on a Schedule 13G filed with the SEC on February 5, 2018, by Franklin Resources, Inc., Charles B. Johnson and Rupert H. Johnson, Jr. (together, the “Franklin Reporting Persons”), the Franklin Reporting Persons beneficially own 70,601,691 ordinary shares. The Franklin Reporting Persons listed their address as One Franklin Parkway San Mateo, CA 94403 - 1906.
- (4) Held of record by Swiftcurrent Partners, L.P. and Swiftcurrent Offshore Master, Ltd. Bridger Management, LLC is the investment adviser to these funds and Mr. Mignone is the manager of Bridger Management, LLC. Mr. Mignone disclaims beneficial ownership of the 750,000 ordinary shares held of record by these funds, except to the extent of his indirect pecuniary interest therein.
- (5) Based solely on company shareholder information as of: (i) October 31, 2017 for Dr. Peterburg and Dr. Hayden; (ii) October 26, 2017 for Dr. Koremans; and (iii) December 31, 2016 for Mr. Vigodman and Mr. Desheh, and including, company shareholder information with respect to equity compensation and any ordinary shares with respect to which such person has (or has the right to acquire within 60 days from February 8, 2018) sole or shared voting power or investment power.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of December 31, 2017, certain information related to our equity compensation plans:

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column) (a)</u>
Equity compensation plans approved by security holders			
2015 Long-Term Equity-Based Incentive Plan	51,162,412	\$40.09	99,426,185 ⁽¹⁾
2010 Long-Term Equity-Based Incentive Plan	23,760,533	\$49.07	(2)
Equity compensation plans not approved by security holders			
Total	74,922,945	\$44.31	99,426,185 ⁽¹⁾

(1) Includes awards that were cancelled or forfeited under the 2010 Long-Term Equity-Based Incentive Plan.

(2) This plan expired and no future grants are available thereunder.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Party Transactions

In December 2012, we entered into a collaborative development and exclusive worldwide license agreement with Xenon for its compound XEN402. XEN402 (now designated by us as TV-45070) targets sodium channels found in sensory nerve endings that can increase in chronic painful conditions, and is currently in clinical development for neuropathic pain. Dr. Michael Hayden, who was our President of Global R&D and Chief Scientific Officer until November 27, 2017, is a founder, a minority shareholder and a member of the board of directors of Xenon. We paid Xenon an upfront fee of \$41 million and may have been required to pay development, regulatory and sales-based milestones of up to \$335 million. Xenon was also entitled to royalties on sales and had an option to participate in commercialization in the United States. As required by the agreement, in November 2014, we invested an additional \$10 million in Xenon, in connection with its initial public offering. In order to avoid potential conflicts of interest, we have established certain procedures to exclude Dr. Hayden from involvement in Teva's decision-making related to Xenon. The phase 2 proof of concept study for TV-45070 did not meet primary and secondary endpoints in 2017.

The related party transaction described above was reviewed and approved in accordance with the provisions of the Israeli Companies Law, Teva's Articles of Association and Teva policy, as described below.

Approval of Related Party Transactions

The Israeli Companies Law requires that an "office holder" (as defined in the Israeli Companies Law) of a company promptly disclose any personal interest that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction of the company.

Pursuant to the Israeli Companies Law, any transaction with an office holder or in which the office holder has a personal interest (other than with respect to such office holder's Terms of Office and Employment) must be brought before the Audit Committee, in order to determine whether such transaction is an "extraordinary transaction" (defined as a transaction not in the ordinary course of business, not on market terms or likely to have a material impact on the company's profitability, assets or liabilities).

Pursuant to the Israeli Companies Law, the Articles of Association and Teva policy, in the event that the Audit Committee determines that the transaction is not an extraordinary transaction, the transaction will require only Audit Committee approval; if, however, it is determined to be an extraordinary transaction, Board approval is also required and, in some circumstances, shareholder approval may also be required. Such a transaction may only be approved by the Board if it is determined to be in the best interests of Teva.

A person with a personal interest in the matter generally may not be present at meetings of the Board or certain committees where the matter is being considered and, if a member of the Board or a committee, may generally not vote on the matter.

Transactions with Controlling Shareholders

Under Israeli law, extraordinary transactions with a controlling shareholder, or in which the controlling shareholder has a personal interest, and any engagement with a controlling shareholder, or a controlling shareholder's relative, with respect to the provision of services to the company or their Terms of Office and Employment as an office holder or as another employee, generally require the approval of the Audit Committee (or with respect to Terms of Office and Employment, the Compensation Committee), the Board of Directors and the shareholders. If required, shareholder approval must include (i) at least a majority of the shareholders who do not have a personal interest in the transaction and are present and voting at the meeting (abstentions are disregarded), or, alternatively, that (ii) the total shareholdings of the disinterested shareholders who vote against

the transaction do not represent more than two percent of the voting rights in the company. Transactions for a period of more than three years generally need to be brought for approval in accordance with the above procedures every three years.

A shareholder who holds 25% or more of the voting rights in a company is considered a controlling shareholder for these purposes if no other shareholder holds more than 50% of the voting rights. If two or more shareholders are interested parties in the same transaction, their shareholdings are combined for the purposes of calculating percentages.

Director Independence

It is our policy that a majority of the members of the Board of Directors be independent of our management. For a director to be deemed independent, the Board of Directors must affirmatively determine that the director is independent for purposes of NYSE rules as well as other applicable rules and regulations.

The Board of Directors has determined that all of the directors that currently serve on the Board of Directors are, and all of the directors that served on the Board of Directors during 2017 were, independent, except for Kåre Schultz, Erez Vigodman and Dr. Yitzhak Peterburg, each of whom served, or in the case of Mr. Schultz serves, on the Board of Directors while serving as our President and Chief Executive Officer (or as interim President and Chief Executive Officer, in the case of Dr. Peterburg).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Policy on Pre-Approval of Audit and Non-Audit Services of Independent Auditors

Teva's Audit Committee is responsible for overseeing the work of its independent auditors. The Audit Committee's policy is to pre-approve all audit and non-audit services provided by PwC and other members of PricewaterhouseCoopers International Limited. These services may include audit services, audit-related services, tax services and other services, as further described below. The Audit Committee sets forth the basis for its pre-approval in detail, listing the particular services or categories of services which are pre-approved, and setting forth a specific budget for such services. Tax services and other services are approved by the Audit Committee on an individual basis. Once services have been pre-approved, PwC and management then report to the Audit Committee on a periodic basis regarding the extent of services actually provided in accordance with the applicable pre-approval, and regarding the fees for the services performed. Such fees for 2017 and 2016 were pre-approved by the Audit Committee in accordance with these procedures.

Principal Accountant Fees and Services

Teva paid the following fees for professional services rendered by PwC and other members of PricewaterhouseCoopers International Limited, for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	(U.S. \$ in thousands)	
Audit fees	\$16,500	\$18,495
Audit-related fees	482	505
Tax fees	4,025	8,490
All other fees	325	623
Total	<u>\$21,332</u>	<u>\$28,113</u>

The audit fees for the years ended December 31, 2017 and 2016 were for professional services rendered for the integrated audit of Teva's annual consolidated financial statements and its internal control over financial reporting as of December 31, 2017 and 2016, review of consolidated quarterly financial statements, statutory

audits of Teva and its subsidiaries, issuance of comfort letters, consents and assistance with review of documents filed with the SEC, as well as the audit of carve out financial statements prepared in connection with certain divestment activities.

The Audit-related fees for the years ended December 31, 2017 and 2016 were paid for the following services: due diligence related to mergers and acquisitions, accounting consultations and employee benefit plan audits, internal control reviews, attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

Tax fees for the years ended December 31, 2017 and 2016 were paid for the following services: services related to tax compliance, including the preparation of tax returns and claims for refund, tax planning and tax advice, including assistance with tax audits and appeals, advice related to mergers and acquisitions, tax services for employee benefit plans and assistance with respect to requests for rulings from tax authorities.

All other fees for the years ended December 31, 2017 and 2016 were paid mainly for an internal control review associated with the design and implementation plans of an ERP system, as well as for license fees for the use of accounting research tools and training regarding general financial reporting developments.

The Audit Committee believes that the provision of all non-audit services rendered is compatible with maintaining PwC's independence.

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:

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Report of Independent Registered Public Accounting Firm	106
Consolidated Financial Statements:	
Balance sheets	108
Statements of income	109
Statements of comprehensive income (loss)	110
Statements of changes in equity	111
Statements of cash flows	112
Notes to consolidated financial statements	114
Financial Statement Schedule:	
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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 Articles of Association * (3)

- 4.1 Amended and Restated Deposit Agreement, dated as of November 5, 2012, among Teva Pharmaceutical Industries Limited, JPMorgan Chase Bank N.A., as depositary, and the holders from time to time of shares (4)
- 4.2 Amendment No. 1, dated as of February 29, 2016, to the Amended and Restated Deposit Agreement, including form of American Depositary Receipt (5)
- 4.3 Form of share certificate for the 7.00% mandatory convertible preferred shares (6)
- 4.4 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 (7)
- 4.5 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 (8)
- 4.6 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 (9)
- 4.7 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)
- 4.8 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)
- 4.9 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)
- 4.10 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)
- 4.11 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)
- 4.12 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)
- 4.13 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)
- 4.14 Second Supplemental Senior Indenture, dated as of April 4, 2012, 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 2.875% Senior Notes due 2019 (17)
- 4.15 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 (18)
- 4.16 Guarantee, dated as of April 25, 2012, by Teva Pharmaceutical Industries Limited (19)
- 4.17 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 (20)

- 4.18 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 (21)
- 4.19 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 (22)
- 4.20 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 (23)
- 4.21 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 1.400% Senior Notes due 2018, the form of 1.700% Senior Notes due 2019, 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 (24)
- 4.22 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 (25)
- 4.23 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 (26)
- 4.24 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 (27)
- 4.25 Guarantee, dated as of July 28, 2016, by Teva Pharmaceutical Industries Limited (relating to the 2018 Notes) (28)
- 4.26 Guarantee, dated as of July 28, 2016, by Teva Pharmaceutical Industries Limited (relating to the 2022 Notes) (29)
- 4.27 Guarantee, dated as of July 28, 2016, by Teva Pharmaceutical Industries Limited (relating to the 2025 Notes) (30)
- 4.28 Other long-term debt instruments: The registrant hereby undertakes to provide the Securities and Exchange Commission with copies upon request.
- 10.1 Senior Unsecured Fixed Rate Japanese Yen Term Loan Credit Agreement, dated as of March 28, 2012, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings GK, as initial borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, and the lenders party thereto (31)
- 10.2 Senior Unsecured Japanese Yen Term Loan Credit Agreement, dated as of December 17, 2013, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings GK, as initial borrower, Mizuho Bank LTD., as administrative agent, and the lenders party thereto (32)
- 10.3 Term Loan Credit Agreement, dated as of November 16, 2015, by and among Teva Pharmaceutical Industries Limited, as guarantor, Teva Pharmaceuticals USA, Inc., Teva Capital Services Switzerland GmbH, Teva Finance Services B.V., Teva Finance Services II B.V., Teva Pharmaceutical Finance Netherlands III B.V., as borrowers, Citibank, N.A., as administrative agent, and the lenders party thereto (33)

- 10.4 Senior Unsecured Revolving Credit Agreement, dated as of November 16, 2015, by and among Teva Pharmaceutical Industries Limited, as guarantor, Teva Pharmaceuticals USA, Inc., Teva Capital Services Switzerland GmbH, Teva Finance Services B.V., Teva Finance Services II B.V., Teva Pharmaceutical Finance Netherlands III B.V., as borrowers, Citibank, N.A., as administrative agent, and the lenders party thereto (34)
- 10.5 Senior Unsecured Japanese Yen Term Loan Credit Agreement, dated as of March 22, 2017, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K., as borrower, the lenders party thereto, Sumitomo Mitsui Banking Corporation, as administrative agent, Mizuho Bank Ltd. and Sumitomo Mitsui Banking Corporation, Brussels Branch, as mandated lead arrangers and as bookrunners (35)
- 10.6 Amendment, dated as of September 24, 2015, to the Senior Unsecured Fixed Rate Japanese Yen Term Loan Credit Agreement, dated as of March 28, 2012, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K. (f/k/a Teva Holdings GK), as initial borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, and the lenders party thereto *
- 10.7 Amendment, dated as of September 24, 2015, to the Senior Unsecured Japanese Yen Term Loan Credit Agreement, dated as of December 17, 2013, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K., as initial borrower, Mizuho Bank LTD., as administrative agent, and the lenders party thereto *
- 10.8 Amendment, dated as of July 21, 2016, to the Senior Unsecured Revolving Credit Agreement, dated as of November 16, 2015, by and among Teva Pharmaceutical Industries Limited, as guarantor, Teva Pharmaceuticals USA, Inc., Teva Capital Services Switzerland GmbH, Teva Finance Services B.V., Teva Finance Services II B.V., Teva Pharmaceutical Finance Netherlands III B.V., as borrowers, Citibank, N.A., as administrative agent, and the lenders party thereto *
- 10.9 Amendment, dated as of September 18, 2017, to the Senior Unsecured Revolving Credit Agreement, dated as of November 16, 2015, by and among Teva Pharmaceutical Industries Limited, as guarantor, Teva Pharmaceuticals USA, Inc., Teva Capital Services Switzerland GmbH, Teva Finance Services B.V., Teva Finance Services II B.V., Teva Pharmaceutical Finance Netherlands III B.V., as borrowers, Citibank, N.A., as administrative agent, and the lenders party thereto (36)
- 10.10 Amendment, dated as of September 18, 2017, to the Term Loan Credit Agreement, dated as of November 16, 2015, by and among Teva Pharmaceutical Industries Limited, as guarantor, Teva Pharmaceuticals USA, Inc., Teva Capital Services Switzerland GmbH, Teva Finance Services B.V., Teva Finance Services II B.V., Teva Pharmaceutical Finance Netherlands III B.V., as borrowers, Citibank, N.A., as administrative agent, and the lenders party thereto (37)
- 10.11 Amendment, dated as of September 19, 2017, to the Senior Unsecured Fixed Rate Japanese Yen Term Loan Credit Agreement, dated as of March 28, 2012, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K. (f/k/a Teva Holdings GK), as initial borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, and the lenders party thereto (38)
- 10.12 Amendment, dated as of September 19, 2017, to the Senior Unsecured Japanese Yen Term Loan Credit Agreement, dated as of December 17, 2013, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K., as initial borrower, Mizuho Bank LTD., as administrative agent, and the lenders party thereto (39)
- 10.13 Amendment, dated as of September 19, 2017, to the Senior Unsecured Japanese Yen Term Loan Credit Agreement, dated as of March 22, 2017, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K., as borrower, the lenders party thereto and Sumitomo Mitsui Banking Corporation, as administrative agent (40)

- 10.14 Amendment, dated as of February 1, 2018, to the Senior Unsecured Revolving Credit Agreement, dated as of November 16, 2015, by and among Teva Pharmaceutical Industries Limited, as guarantor, Teva Pharmaceuticals USA, Inc., Teva Capital Services Switzerland GmbH, Teva Finance Services B.V., Teva Finance Services II B.V., Teva Pharmaceutical Finance Netherlands III B.V., as borrowers, Citibank, N.A., as administrative agent, and the lenders party thereto (41)
- 10.15 Amendment, dated as of February 1, 2018, to the Term Loan Credit Agreement, dated as of November 16, 2015, by and among Teva Pharmaceutical Industries Limited, as guarantor, Teva Pharmaceuticals USA, Inc., Teva Capital Services Switzerland GmbH, Teva Finance Services B.V., Teva Finance Services II B.V., Teva Pharmaceutical Finance Netherlands III B.V., as borrowers, Citibank, N.A., as administrative agent, and the lenders party thereto (42)
- 10.16 Amendment, dated as of February 1, 2018, to the Senior Unsecured Fixed Rate Japanese Yen Term Loan Credit Agreement, dated as of March 28, 2012, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K. (f/k/a Teva Holdings GK), as initial borrower, Sumitomo Mitsui Banking Corporation, as administrative agent, and the lenders party thereto (43)
- 10.17 Amendment, dated as of February 1, 2018, to the Senior Unsecured Japanese Yen Term Loan Credit Agreement, dated as of December 17, 2013, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K., as initial borrower, Mizuho Bank LTD., as administrative agent, and the lenders party thereto (44)
- 10.18 Amendment, dated as of February 1, 2018, to the Senior Unsecured Japanese Yen Term Loan Credit Agreement, dated as of March 22, 2017, among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings K.K., as borrower, the lenders party thereto and Sumitomo Mitsui Banking Corporation, as administrative agent (45)
- 10.19 Stockholders Agreement, dated August 2, 2016, by and between Allergan plc and Teva Pharmaceutical Industries Limited (46)
- 10.20 Employment Agreement, dated September 7, 2017, between Teva Pharmaceutical Industries Limited and Kåre Schultz *
- 10.21 Employment Agreement, dated January 15, 2014, between Teva Pharmaceutical Industries Limited and Erez Vigodman *
- 10.22 Employment Agreement, dated as of February 6, 2017, between Teva Pharmaceutical Industries Limited and Yitzhak Peterburg *
- 10.23 Employment Agreement, dated as of August 7, 2008, between Teva Pharmaceutical Industries Limited and Eyal Desheh *
- 10.24 Addendum to Employment Agreement between Teva Pharmaceutical Industries Limited and Eyal Desheh, dated as of August 7, 2008 *
- 10.25 Amendment to Employment Agreement between Teva Pharmaceutical Industries Limited and Eyal Desheh, dated as of October 2012 *
- 10.26 Termination Agreement, dated as of January 22, 2018, between Teva Pharmaceutical Industries Limited and Eyal Desheh *
- 10.27 Employment Agreement, dated as of February 8, 2018, between Teva Pharmaceuticals USA, Inc. and Michael McClellan *
- 10.28 Letter Agreement, dated as of July 19, 2017, between Teva Pharmaceuticals USA, Inc. and Michael McClellan *
- 10.29 Letter Agreement, dated as of September 19, 2017, between Teva Pharmaceuticals USA, Inc. and Michael McClellan *

- 10.30 Letter Agreement, dated as of April 26, 2017, between Teva Pharmaceuticals USA, Inc. and Michael McClellan *
- 10.31 Amended and Restated Employment Agreement, dated as of February 7, 2018, between Teva Pharmaceuticals USA, Inc. and Carlo de Notaristefani *
- 10.32 Employment Agreement, dated as of June 18, 2017, between Teva Pharmaceuticals USA, Inc. and Hafrun Fridriksdottir *
- 10.33 Letter Agreement, dated as of February 21, 2016, between Teva Pharmaceuticals USA, Inc. and Hafrun Fridriksdottir *
- 10.34 Letter Agreement, dated as of December 1, 2016, between Teva Pharmaceuticals USA, Inc. and Hafrun Fridriksdottir *
- 10.35 Letter Agreement, dated as of November 7, 2016, between Teva Pharmaceuticals USA, Inc. and Hafrun Fridriksdottir *
- 10.36 Letter Agreement, dated as of July 28, 2015, between Teva Pharmaceutical Industries Limited and Hafrun Fridriksdottir *
- 10.37 Employment Agreement, dated as of December 22, 2013, between Teva Pharmaceutical Industries Limited and Mark Sabag *
- 10.38 Letter Agreement, dated as of June 2017, between Teva Pharmaceutical Industries Limited and Mark Sabag *
- 10.39 Employment Agreement, dated as of December 21, 2011, between Teva Pharmaceuticals Europe B.V. and Rob Koremans *
- 10.40 First Amendment to Employment Agreement between Teva Pharmaceuticals Europe B.V. and Rob Koremans, dated as of October 30, 2012 *
- 10.41 Second Amendment to Employment Agreement between Teva Pharmaceuticals Europe B.V. and Rob Koremans, dated as of January 12, 2015 *
- 10.42 Third Amendment to Employment Agreement between Teva Pharmaceuticals Europe B.V. and Rob Koremans, dated as of September 18, 2017 *
- 10.43 Termination Agreement, dated as of January 25, 2018, between Teva Pharmaceuticals Europe B.V. and Rob Koremans *
- 10.44 Amended and Restated Employment Agreement, dated as of May 22, 2015, between Teva Pharmaceutical Industries Limited and Dr. Michael Hayden *
- 10.45 Letter Agreement, dated as of May 8, 2012, between Teva Pharmaceutical Industries Limited and Dr. Michael Hayden *
- 10.46 2017 Form Bonus Letter Agreement, applicable to Rob Koremans, Dr. Michael Hayden, Hafrun Fridriksdottir, Carlo de Notaristefani, Eyal Desheh and Mark Sabag *
- 10.47 Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan (47)
- 10.48 Teva Pharmaceutical Industries Limited 2017 Executive Incentive Compensation Plan (48)
- 10.49 Teva Pharmaceuticals USA, Inc. Supplemental Deferred Compensation Plan *
- 10.50 Teva Pharmaceuticals USA, Inc. Defined Contribution Supplemental Executive Retirement Plan *
- 10.51 Form of Indemnification and Release Agreement *
- 10.52 Form Director Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2015, 2016 and 2017 grants *

- 10.53 Hafrun Fridriksdottir Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants *
- 10.54 Kåre Schultz Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to November 3, 2017 grant *
- 10.55 Carlo de Notaristefani Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to May 18, 2017 grant *
- 10.56 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 *
- 10.57 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 *
- 10.58 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 *
- 10.59 Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2015 grants made to Michael McClellan *
- 10.60 Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2017 grants made to Mark Sabag, Michael Hayden, Carlo de Notaristefani, Eyal Desheh, Rob Koremans, Hafrun Fridriksdottir, Yitzhak Peterburg and Kåre Schultz *
- 10.61 Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants made to Mark Sabag, Carlo de Notaristefani, Erez Vigodman, Eyal Desheh, Rob Koremans and Michael Hayden *
- 10.62 Form Award Agreement under the Teva Pharmaceutical Industries Limited 2010 Long-Term Equity-Based Incentive Plan applicable to selected 2015 grants made to Mark Sabag, Carlo de Notaristefani, Erez Vigodman, Eyal Desheh, Rob Koremans and Michael Hayden *
- 10.63 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, Mark Sabag, Carlo de Notaristefani and Hafrun Fridriksdottir *
- 10.64 2018 Form Bonus Letter Agreement *
- 10.65 Michael McClellan Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to September 18, 2017 grant *
- 10.66 Settlement Agreement and Mutual Releases Agreement, dated as of January 31, 2018, by and between Teva Pharmaceutical Industries Ltd. and Allergan plc *
- 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 The following financial information from Teva Pharmaceutical Industries Limited's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015; (ii) Consolidated Balance Sheets at December 31, 2017 and 2016; (iii) Consolidated Statements of Changes in Equity for the years ended December 31, 2017, 2016 and 2015; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015; and (v) Notes to Consolidated Financial Statements, tagged as blocks of text.

* 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. English translation or summary from Hebrew original, which is the official version, except as to Exhibit A thereto, the official version of which is in English.
4. Incorporated by reference to Exhibit (a) to Registration Statement on Form F-6 filed on November 30, 2015 (Reg. No. 333-208239).
5. Incorporated by reference to Post-Effective Amendment to Registration Statement on Form F-6 filed on February 29, 2016 (Reg. No. 333-208239).
6. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on December 8, 2015.
7. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on January 31, 2006.
8. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on January 31, 2006.
9. Incorporated by reference to Exhibit 4.3 to Form 6-K filed on January 31, 2006.
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 4.2 to Form 6-K filed on April 4, 2012.
18. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on April 25, 2012.
19. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on April 25, 2012.
20. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on March 31, 2015.
21. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on March 31, 2015.
22. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 25, 2016.
23. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on July 21, 2016.
24. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 21, 2016.
25. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on July 28, 2016.
26. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 28, 2016.
27. Incorporated by reference to Exhibit 4.3 to Form 6-K filed on July 28, 2016.
28. Incorporated by reference to Exhibit 4.4 to Form 6-K filed on July 28, 2016.
29. Incorporated by reference to Exhibit 4.5 to Form 6-K filed on July 28, 2016.
30. Incorporated by reference to Exhibit 4.6 to Form 6-K filed on July 28, 2016.
31. Incorporated by reference to Exhibit 2.1 to Form 6-K filed on May 9, 2012.
32. Incorporated by reference to Exhibit 2.27 to Form 20-F filed on February 9, 2015.
33. Incorporated by reference to Exhibit 99.1 to Form 6-K filed on November 18, 2015.
34. Incorporated by reference to Exhibit 99.2 to Form 6-K filed on November 18, 2015.
35. Incorporated by reference to Exhibit 2.1 to Form 6-K filed on May 11, 2017.
36. Incorporated by reference to Exhibit 99.1 to Form 6-K filed on September 19, 2017.
37. Incorporated by reference to Exhibit 99.2 to Form 6-K filed on September 19, 2017.
38. Incorporated by reference to Exhibit 99.3 to Form 6-K filed on September 19, 2017.
39. Incorporated by reference to Exhibit 99.4 to Form 6-K filed on September 19, 2017.
40. Incorporated by reference to Exhibit 99.5 to Form 6-K filed on September 19, 2017.

41. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on February 1, 2018.
42. Incorporated by reference to Exhibit 10.2 to Form 8-K filed on February 1, 2018.
43. Incorporated by reference to Exhibit 10.3 to Form 8-K filed on February 1, 2018.
44. Incorporated by reference to Exhibit 10.4 to Form 8-K filed on February 1, 2018.
45. Incorporated by reference to Exhibit 10.5 to Form 8-K filed on February 1, 2018.
46. Incorporated by reference to Exhibit 99.2 to Form 6-K filed on July 28, 2015.
47. Incorporated by reference to Exhibit A to Proxy Statement filed on June 8, 2017.
48. Incorporated by reference to Exhibit B to Proxy Statement filed on June 8, 2017.

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 12, 2018

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, Michael McClellan, David Stark and Deborah 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.

	<u>Name</u>	<u>Title</u>	<u>Date</u>
By:	<u>/s/ Dr. Sol J. Barer</u> Dr. Sol J. Barer	Chairman of the Board of Directors	February 12, 2018
By:	<u>/s/ Kåre Schultz</u> Kåre Schultz	President and Chief Executive Officer and Director	February 12, 2018
By:	<u>/s/ Michael McClellan</u> Michael McClellan	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 12, 2018
By:	<u>/s/ Deborah Griffin</u> Deborah Griffin	Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 12, 2018
By:	<u>/s/ Rosemary A. Crane</u> Rosemary A. Crane	Director	February 12, 2018
By:	<u>/s/ Amir Elstein</u> Amir Elstein	Director	February 12, 2018
By:	<u>/s/ Murray A. Goldberg</u> Murray A. Goldberg	Director	February 12, 2018

	<u>Name</u>	<u>Title</u>	<u>Date</u>
By:	<u>/s/ Jean-Michel Halfon</u> Jean-Michel Halfon	Director	February 12, 2018
By:	<u>/s/ Gerald M. Lieberman</u> Gerald M. Lieberman	Director	February 12, 2018
By:	<u>/s/ Galia Maor</u> Galia Maor	Director	February 12, 2018
By:	<u>/s/ Roberto A. Mignone</u> Roberto A. Mignone	Director	February 12, 2018
By:	<u>/s/ Dr. Perry D. Nisen</u> Dr. Perry D. Nisen	Director	February 12, 2018
By:	<u>/s/ Nechemia (Chemi) J. Peres</u> Nechemia (Chemi) J. Peres	Director	February 12, 2018
By:	<u>/s/ Dan S. Suesskind</u> Dan S. Suesskind	Director	February 12, 2018
By:	<u>/s/ Gabrielle Sulzberger</u> Gabrielle Sulzberger	Director	February 12, 2018

AMENDMENT TO MEMORANDUM OF ASSOCIATION

OF

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

(the “Company”)

Following a resolution passed by the Company’s shareholders at its annual general meeting held on July 13, 2017, to reduce the Company’s registered (authorized) share capital to NIS 249,434,338, by canceling 424,247 ordinary A shares and 5,232,377 ordinary shares, Article 4 of the Company’s Memorandum of Association, shall be replaced in its entirety with the following:

“The registered share capital of the Company is NIS 249,434,338 consisting of 2,494,343,376 shares of NIS 0.1 par value each, divided as follows:

2,489,343,316 Ordinary Shares, nominal (par) value NIS 0.1 per share (“**Ordinary Shares**”).

5,000,000 Mandatory Convertible Preferred Shares, nominal (par) value NIS 0.1 per share (“**Preferred Shares**”).

60 Deferred Shares, nominal (par) value NIS 0.1 per share (“**Deferred Shares**”).”

This amendment will enter into effect on July 13, 2017.

ARTICLES OF ASSOCIATION

of

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

A Limited Liability Company

Updated on July 13, 2017

Translated from the Hebrew

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A. INTRODUCTION

Interpretation

1. In these Articles of Association, the words which appear in the first column in the table set forth below shall be interpreted in accordance with the interpretation which is given to them on the same line in the second column thereof. This shall apply as long as the text or context of the matter does not include any statement which contradicts said meaning or which is not consistent therewith.

<u>Words</u>	<u>Interpretations</u>
“the Company”	Teva Pharmaceutical Industries Ltd.
“the Companies Law”	The Companies Law, 5759-1999, and any other law which shall replace or amend it and which shall apply to the Company and be in force at the time in question.
“these Articles”	The Articles of Association of the Company, as they are set forth in this document or as they shall be in force from time to time, including Exhibit A.
“the Directors”	The Directors, or, in the case of fewer than two, the Director of the Company at the time in question.
“the Board of Directors”	The Board of Directors established pursuant to these Articles of Association.
“the Registered Office”	The registered office of the Company at any time.
“the Register”	The register of the shareholders in the Company, which must be maintained pursuant to the provisions of the Companies Law.
“month”	A Gregorian calendar month.
“year”	A Gregorian calendar year.
“CEO”	A General Manager pursuant to the provisions of the Companies Law.
“the Accountant”	An auditing accountant pursuant to the provisions of the Companies Law.
“Officer”	As per its definition in the Companies Law.
“the Securities Law”	The Securities Law, 5728-1968, or any other law which shall replace or amend it and which shall apply to the Company and be in force at the time in question.
“Additional Register”	As defined in Article 51 below.
“Annual Meetings”	As defined in Article 33 below.
“Special Meetings”	As defined in Article 33 below.
“Proposing Shareholder(s)”	As defined in Article 37 below.
“Proposal Request”	As defined in Article 37 below.
“Authorized Person”	As defined in Article 17 below.
“Three-Year Term”	As defined in Article 60 (c) below.
“Removed Director”	As defined in Article 64 (a) below.
<u>Exhibit A</u>	Designations of the Terms of the Mandatory Convertible Preferred Shares attached to these Articles as Exhibit A and which forms an integral part hereof.
<u>Preferred Shares</u>	As defined in Article 6 below.

The Hebrew version of these Articles shall be the sole binding version, provided however, that with respect to Exhibit A, the English version shall be the sole and binding version.

Writing shall be deemed to include printing and lithography and any other means of setting down words in a visible form. Words which are in the singular form shall be deemed to include the plural form, and vice versa. Words which are in the masculine gender shall be deemed to include the feminine gender, and vice versa. Words which apply to individual persons shall be deemed to include incorporated entities, unless specified otherwise.

With the exception of that set forth above, the words and expressions in these Articles shall have the same meaning as that given to them in the Companies Law, unless they conflict with the content or the subject of that set forth in writing.

Objectives and Purpose of the Company

2. The purpose of the Company is to engage in any lawful endeavor.
3. The Company's center of management shall be in Israel, unless the Board of Directors shall otherwise resolve, with a majority of three quarters of the participating votes.
4. The Company is entitled to contribute a reasonable amount to a worthy cause, even if the contribution does not fall within the framework of its business objectives.

Limitation of Liability

5. The liability of the shareholders is limited to the payment of the par value of their shares.

B. CAPITAL OF THE COMPANY

Capital Structure

6. The registered share capital of the Company is NIS 249,434,338 consisting of 2,494,343,376 shares of NIS 0.1 par value each, divided as follows:
 - 2,489,343,316 Ordinary Shares, nominal (par) value NIS 0.1 per share ("**Ordinary Shares**").
 - 5,000,000 Mandatory Convertible Preferred Shares, nominal (par) value NIS 0.1 per share ("**Preferred Shares**").
 - 60 Deferred Shares, nominal (par) value NIS 0.1 per share ("**Deferred Shares**").
7. (a) The Ordinary Shares shall confer upon the holders thereof equal rights with regard to the receipt of dividends, the receipt of bonus shares and the distribution of Company property during liquidation.
 - (b) In addition, the Ordinary Shares shall confer upon the holders thereof equal rights with regard to voting and the right to appoint directors, including pursuant to the provisions of Articles 49 and 60 below.
8. The Deferred Shares shall not confer upon the holders thereof any rights, except for the right to be reimbursed in the amount of the par value thereof upon liquidation.
- 8A. (a) The Preferred Shares shall confer upon the holders thereof equal rights with regard to the receipt of dividends and the distribution of Company property during liquidation and such other rights, preferences and terms, all as set forth in, and subject to the provisions of, Exhibit A.
 - (b) The Preferred Shares shall rank senior to any other class of shares of the Company with respect to dividend rights and distribution rights upon the liquidation, winding up or dissolution of the Company, unless expressly provided otherwise in the terms of any other class of shares of the Company issued following the issuance of the Preferred Shares.
 - (c) The Preferred Shares shall not confer upon the holders thereof any voting rights whatsoever nor the right to appoint directors nor any other right with respect to Annual Meetings and Special Meetings.
 - (d) Outstanding Preferred Shares are convertible into, and shall be converted into, Ordinary Shares as provided for in Exhibit A.
 - (e) Upon the earlier of (x) the conversion into Ordinary Shares of the last of the issued Preferred Shares, by any means whatsoever, however arising, and (y) December 31, 2016, if no Preferred Shares have been issued prior to such date, all registered but unissued Preferred Shares shall automatically be converted into Ordinary Shares on a one-for-one-basis, and these Articles shall be amended accordingly without any further act or approval.
9. Should the share capital, at any time whatsoever, be divided into different types of shares, it shall be permissible to change the rights of any such type (unless otherwise set forth in the terms of issue of the shares of that type) after having obtained the consent, in writing, of all of the shareholders of the shares that have been issued of that type, or following the adoption of a resolution, by a majority of three-quarters of the participating votes, at a meeting of the shareholders of that type. The provisions of these Articles with regard to General Meetings shall also apply, *mutatis mutandis* and subject to Exhibit A, with regard to such a meeting.

10. The Company is entitled, subject to the provisions of the Companies Law and these Articles, to issue redeemable preferred shares or redeemable securities, pursuant to the terms and in the manner which shall be set forth by the Company at a General Meeting, and to redeem said shares or securities. The Company shall be entitled to decide upon the establishment of a fund or funds for the purpose of redemption of redeemable preferred shares or of other redeemable securities, in whole or in part, and to decide upon the amounts which shall be allocated to said fund or funds and the sources from which said amounts shall be allocated.

11. The shares shall be under the supervision of the Board of Directors, which shall be entitled, subject to the provisions of the Companies Law and these Articles, to issue them, to grant option rights for the purchase thereof, or to confer them in any manner to such persons, subject to such reservations and at such times as the Board of Directors shall see fit—provided, however, that no share whatsoever shall be issued at less than its par value, other than pursuant to the provisions of the Companies Law.
12. The Company is entitled, at any time, to pay a commission to any person who shall underwrite, or shall agree to underwrite (whether absolutely or conditionally), shares or bonds of the Company, or who shall obtain the commitment of an underwriter, or shall agree to obtain the commitment of an underwriter (whether absolutely or conditionally), with regard to shares or bonds of the Company.

However, should the commission with regard to the shares be paid, or be payable, out of capital, the legal conditions and requirements concerning such payment shall be preserved and upheld. The commission may be paid in cash, in shares or in bonds of the Company, or by way of any two or of all three of said means.
13. Unless otherwise stipulated in these Articles, the Company shall be entitled to consider the registered holder of any share to be the absolute holder of said share, and accordingly, shall not be obligated to recognize any claim in equity or any claim on any other basis which may be filed by any other person with regard to such a share or with regard to any benefit related to such a share, unless it shall have been instructed to do so by a competent court of law or shall be required to do so by virtue of the provisions of the Companies Law or by virtue of the provisions of any other law.

Share Certificates

14. The share certificates shall be issued by the Company and shall bear the properly affixed signature of two Directors, or of any two of the following: A Director, the CEO, the Chief Financial Officer, the Treasurer or the Company Secretary. Each shareholder shall be entitled to receive, free of charge, one certificate with respect to the shares which are registered in his or her name, or, with the approval of the Board of Directors (against payment of a price which shall be determined by the Board of Directors from time to time), a number of certificates, each of which shall be issued with respect to one or more of the shares which are held by him or her. The Company shall issue the certificates with respect to fully paid-up shares within one month of the date of the issue thereof, or within one month of the date of receipt of the total consideration with respect thereto, or within one month of the date on which the Company shall have been provided, pursuant to the provisions of the Companies Law and of these Articles, with the certificate of transfer of the fully paid-up shares with respect to which the share certificate is requested. Each share certificate shall designate the numbers of the shares with respect to which it was issued.
15. Should any share certificate become mutilated or defaced, then, following the submission of said certificate to the Secretary of the Company, the Board of Directors or the Secretary of the Company shall be entitled to instruct that said certificate shall be canceled and a new certificate shall be issued in its stead. Should a share certificate become lost or destroyed, then, following the submission of evidence to the satisfaction of the Board of Directors or the Secretary of the Company, and following the submission of such guarantee of indemnification and compensation for damages as the Board of Directors or the Secretary of the Company shall see fit to require, another certificate shall be delivered in its stead to the person who is entitled to the certificate which became lost or destroyed, against such payment as shall be determined by the Board of Directors or the Secretary of the Company from time to time.
16. A share certificate which is registered in the names of two or more persons shall be delivered to that person whose name is listed first in the Register or in an Additional Register.

Transfer and Endorsement of Shares

17. The Company shall maintain Registers according to the Companies Law, and in addition, it is entitled to maintain additional registers of shareholders outside Israel (hereinafter: “**Additional Register**”).
18. No transfer of any share shall be registered unless a certificate of transfer shall have been submitted to the Company, in the usual form or in a form which shall be set forth by the Board of Directors or the Secretary of the Company from time to time. Shares of more than one type shall not be included in the same certificate of transfer. A certificate of transfer of any share shall be signed by the transferor and the transferee, or by persons on their behalf. The Board of Directors or the Secretary of the Company, at their sole discretion, is entitled to decide that, in cases of transfer of fully paid-up shares, the certificate of transfer shall be signed by or on behalf of the transferor alone. In addition, the Board of Directors or the Secretary of the Company, at their sole discretion, are entitled to decide that there shall be no need for the signature of a witness in order to validate the signatures which appear on the certificate of transfer.

The transferor shall be deemed to be the holder of a transferred share until the name of the transferee shall have been registered in the Register with regard to said share. With regard to shares which are registered in an Additional Register, a certificate of

transfer may be drawn up in the form, and may be signed in the manner, which shall be permitted or customary, according to the Companies Law or prevailing procedure, in the country in which the Additional Register is maintained.

19. Each certificate of transfer shall be handed in for registration at the Registered Office, or the office where an Additional Register of the Company is maintained (whichever is relevant), or in any other place, as the Board of Directors or the Secretary of the Company shall set forth from time to time. The share certificates with respect to the transferred shares, and any other evidence which the Board of Directors or the Secretary of the Company shall require, in order to prove the transferor's right of ownership or his or her right to transfer the shares, shall be attached to said certificate of transfer.
20. The Board of Directors is entitled to refuse to register or to confirm the transfer of shares, until the shares whose transfer is desired or any thereof shall have been fully paid up. The fact of whether or not the refusal applies to a transferee who is the holder of a share in the Company shall have no relevance.
21. The executors of the will or of the estate of an individual shareholder who has died—or, in cases where there are no executors of a will or of the estate, the persons who have been declared by a competent court of law to hold a right of benefit, in the capacity of the heirs of said individual shareholder who has died—shall be the only persons who shall be recognized by the Company as the holders of a right in any share which is registered in the name of the deceased individual. Should a share be registered in the names of two or more shareholders, the Company shall recognize only the surviving partner or the surviving partners, or the executors of the will or of the estate of the last partner to have died, as the holders of a right in said share, and, should there be no executor of a will or of the estate (of the last deceased partner), the Company shall recognize, as the holders of a right in said share, only the persons who have been declared by a competent court of law to hold a right of benefit, in the capacity of the heirs of the last deceased partner.
22. Any person or entity that has become entitled to a share as the result of the death or bankruptcy of a shareholder shall be entitled—after having provided such evidence as the Board of Directors or the Secretary of the Company shall require of that person or entity from time to time—to be registered as a shareholder with respect to said share, or, instead of being personally registered as a shareholder, to perform any transfer which the deceased or bankrupt shareholder could have performed. However, in any such case, the Board of Directors shall be entitled to refuse or to delay registration, as it would have been entitled to do in the case of transfer of the share by the deceased shareholder prior to his or her death, or by the bankrupt shareholder prior to the occurrence of the bankruptcy.
23. Any person or entity that has become entitled to a share as the result of the death or bankruptcy of a shareholder shall also be entitled to the same dividends and other rights to which said person or entity would have been entitled, had said person or entity been the registered holder of said share. However, prior to being registered as a shareholder, said person or entity shall not be entitled, with respect to said share, to benefit from any right which is granted to shareholders with regard to General Meetings of shareholders in the Company.

Bearer Share Warrants

24. The provisions of the sections that appear in this chapter, hereinafter, shall apply solely and exclusively with regard to bearer share warrants which were issued prior to the year 2001.
25. A bearer share warrant shall entitle the holder thereof to the shares which are registered therein. These shares shall be transferable by way of delivery of the actual share warrant. The provisions of these Articles with regard to the transfer and endorsement of shares shall not apply to shares which are included in these share warrants. The holder of a bearer share warrant who shall return the share warrant to the Company for the purpose of its cancellation, and who shall pay the amount which shall be determined by the Board of Directors for this purpose from time to time, shall be entitled to have his or her name registered in the Register as the holder of the shares which had been included in the share warrant which was returned, in accordance with that which has been set forth above.
26. The holder of a bearer share warrant is entitled to deposit the share warrant in the Registered Office during its business hours, and, as of two business days from the date of deposit and thereafter, as long as said share warrant remains deposited as stated above, the depositor shall be entitled to receive notices from the Company, in the manner in which such notices are given to the holders of registered shares, to sign a demand for the convocation of a General Meeting of the Company, to participate in any General Meeting of the Company, to vote therein, and to exercise the remaining rights which are granted to any shareholder at any General Meeting which is convened, as if his or her name were registered in the Register as the owner of the shares which are included in the deposited share warrant, provided that the shares are of a type which confers such rights upon the registered holder thereof. Only one person shall be recognized as the depositor of any specific share warrant.
27. With the exception of those cases which have been explicitly set forth within the framework of these Articles, no person, by virtue of his or her being the holder of a bearer share warrant, shall be entitled to sign a demand for a convocation of a General Meeting of the Company, and no such person shall be able to appear at a General Meeting or to vote therein, or to make use of any other rights pertaining to a shareholder at a General Meeting of the Company. However, the holder of a bearer share warrant shall be entitled, in all other aspects, to all of the rights as if his or her name were registered in the Register as the owner of the shares which are recorded in the share warrant.

28. The Board of Directors shall be entitled, should it see fit to do so, to establish, from time to time, rules and conditions pursuant to which the holder of a bearer share warrant which became mutilated, lost or defaced shall be registered in the Register as the owner of the shares which had been included in the share warrant which became mutilated, lost or defaced.

Increase and Issue of the Registered Capital

29. (a) The Company shall be entitled, from time to time, pursuant to a resolution to be passed by the General Meeting of shareholders, subject however to the provisions of these Articles, to increase the share capital of the Company, by means of such type and in such amount, which shall be divided into shares of such par value, as shall be determined in the resolution as stated above.
- (b) Without derogating from any special rights or privileges which are granted to any existing shares in the share capital of the Company, the new shares shall be issued pursuant to such terms, subject to such reservations, and in accordance with such advantages and rights as shall apply to those shares, all subject to the provisions of these Articles and as set forth in the resolution concerning the issue thereof. Subject to the provisions of these Articles, the Company shall be entitled to issue shares with preferred rights, deferred rights or limiting rights with regard to dividends, the return of capital, or participation in surplus assets or otherwise with special rights or without special rights, including with or without voting rights.
30. The Company shall not be obligated to offer any new shares whatsoever to the holders of existing shares of any type and kind.
31. Unless otherwise set forth in the terms of issue of the shares, or in the provisions of these Articles, any capital which shall be obtained by means of the creation of new shares shall be deemed to constitute part of the original share capital, and shall be subject to the provisions of these Articles in all matters concerning calls for payment and installments in connection therewith, transfer, endorsement, forfeiture, encumbrance and the like.

Change in the Registered Capital

32. The Company shall be entitled, from time to time, pursuant to a resolution to be passed by the General Meeting of shareholders:
- (a) To consolidate its share capital or any part thereof, and to divide it into shares of par value per share which is higher than that of its existing shares; or
- (b) To subdivide its existing shares, in whole or in part, into shares of par value per share which is lower than that of its existing shares, subject to that set forth in the provisions of the Companies Law; or
- (c) To cancel shares with respect to which, as at the date of said resolution, no obligation including a contingent obligation on the part of the Company to issue such shares exists, and to reduce the share capital by the amount of the shares canceled as set forth above; or
- (d) To reduce the share capital of the Company and any capital fund, by any means which it shall see fit, subject to all of the conditions and approvals which shall be required by any law.

C. GENERAL MEETINGS

33. The Company shall hold two types of General Meetings of its shareholders: “**Annual Meetings**” and “**Special Meetings**”: An Annual Meeting shall be convened once a year, on a date which shall be set by the Chair of the Board of Directors or by the Secretary of the Company, but no later than 15 months after the last Annual Meeting, and in a place which shall be determined by the Chair of the Board of Directors or by the Secretary of the Company. All of the other General Meetings of the Company shall be referred to as “Special Meetings”. All of the General Meetings of the Company shall be convened in Israel, unless the Company’s center of management shall have been transferred to another country in accordance with the provisions of these Articles.
34. Whenever the Board of Directors shall see fit, it shall be entitled to convene a Special Meeting according to its resolution. In addition, the Board of Directors shall convene such a meeting upon the demand of two Directors or one-quarter of the Directors serving in office, and upon the demand of one or more shareholders holding not less than five percent of the issued capital and one percent of the voting rights in the Company, or one or more shareholders holding at least five percent of the voting rights in the Company, provided however, that a demand by a shareholder as aforesaid shall comply with all of the requirements of a “Proposal Request” set forth in Article 37(b) (with the demanding shareholder being considered a “Proposing Shareholder” for this purpose); and, should the Board of Directors fail to do so, the demanding director(s) or shareholder(s) shall be entitled to convene the meeting himself/themselves, pursuant to the provisions of the Companies Law.

35. The Company shall not be required to deliver personal notices (*'Hodaa'*) of a General Meeting or of any adjournment thereof to any shareholder.

36. Without derogating from the provisions of Article 35 above, the Company will publish its decision to convene a General Meeting in any manner reasonably determined by the Company, including, without limitation, by publishing a notice in one or more daily newspapers in Israel or in one or more international wire services and any such publication shall be deemed to have been duly given and delivered on the date of such publication.

Deliberations at General Meetings

37. (a) The function of the Annual Meeting shall be in accordance with that set forth in the Companies Law, and also to receive the Statement of Profit and Loss, the Balance Sheet, the usual reports of the Board of Directors and the Accountant, and to deliberate upon said reports, to appoint Directors pursuant to the provisions of these Articles, to appoint the Accountant, to set the salary of the Directors, and to deal with any other matter which should be dealt with at an Annual Meeting pursuant to these Articles. Any other matter which is discussed at an Annual Meeting, and any matter which is discussed at a Special Meeting, shall be deemed a special matter.

- (b) A shareholder (including two or more shareholders that are acting in concert, “**Proposing Shareholder(s)**”) holding at least one percent of the voting rights in the Company may request, subject to the Companies Law, that the Board of Directors include a proposal on the agenda of a General Meeting to be held in the future, provided that the Proposing Shareholder gives timely notice of such request in writing (a “**Proposal Request**”) to the Secretary of the Company and the Proposal Request complies with all the requirements of these Articles, including this Article 37(b) and any applicable law and stock exchange rules, in Israel or abroad. To be considered timely, a Proposal Request, in respect of any General Meeting, must be delivered, either in person or by certified mail, postage prepaid, and received at the Registered Office no later than 14 days after the date of first publication by the Company of its annual consolidated financial statements, preceding the Annual Meeting at which the shareholders are to receive the consolidated financial statements for such year.

The Proposal Request shall set forth (i) the name, business address, telephone number and fax number or email address of the Proposing Shareholder (or each Proposing Shareholder, as the case may be) and, if an entity, the name(s) of the person (s) that controls or manages such entity, (ii) the number of Ordinary Shares held by the Proposing Shareholder, directly or indirectly, and, if any of such Ordinary Shares are held indirectly, an explanation of how they are held and by whom, and, if such Proposing Shareholder is not the holder of record of any such Ordinary Shares, a written statement from the holder of record or authorized bank, broker, depository or other nominee, as the case may be, indicating the number of Ordinary Shares the Proposing Shareholder is entitled to vote as of a date that is no more than ten (10) days prior to the date of receipt by the Company of the Proposal Request, (iii) any agreements, arrangements, understandings or relationships between the Proposing Shareholder and any other person with respect to any securities of the Company or the subject matter of the Proposal Request, (iv) the Proposing Shareholder’s purpose in making the Proposal Request, (v) the complete text of the resolution that the Proposing Shareholder proposes to be voted upon at the General Meeting and, if the Proposing Shareholder wishes to have a statement in support of the Proposing Shareholder’s proposal included in the Company’s proxy statement, if provided or published, a copy of such statement, which shall not exceed 500 words, (vi) a statement signed by the Proposing Shareholder of whether the Proposing Shareholder has a personal interest in the proposal and, if so, a description in reasonable detail of such personal interest, (vii) if the proposal is to nominate a candidate for election to the Board of Directors at an Annual Meeting, the Proposal Request shall also include (A) a declaration signed by the nominee and any other information required under the Companies Law, (B) to the extent not otherwise provided in the Proposal Request, information in respect of the nominee as would be provided in response to the applicable disclosure requirements in Israel or abroad, including those of Item 6A (*directors and senior management*), Item 6E (*share ownership*) and Item 7B (*related party transactions*) of Form 20-F of the U.S. Securities and Exchange Commission, to the extent applicable, (C) a representation made by the nominee of whether the nominee meets the objective criteria for an independent director and/or external director of the Company under the Companies Law and/or under any applicable law, regulation or stock exchange rules, in Israel or abroad, and if not, then an explanation of why not, (D) details of all relationships and understandings between the Proposing Shareholder and the nominee, and (E) a statement signed by the nominee that he or she consents to be named in the Company’s notices and proxy materials relating to the General Meeting, if provided or published, and, if elected, to serve on the Board of Directors, and (viii) any other information required at the time of submission of the Proposal Request by applicable law, regulations or stock exchange rules, in Israel or abroad. In addition, the Proposing Shareholder shall promptly provide any other information reasonably requested by the Company. The Company shall be entitled to publish any information provided by a Proposing Shareholder pursuant to this Article 37 (b), and the Proposing Shareholder shall be responsible for the accuracy thereof. The parenthetical regulation headings contained in this Article 37 (b) are for convenience only and shall not be deemed a part hereof or used to limit the scope of disclosure required by this Article 37 (b). References in this Article 37 (b) to particular laws, regulations or rules shall be deemed to apply to such amended, successor or other similar laws, regulations or rules as shall apply to the Company and be in effect from time to time.

38. Two shareholders who are present at a General Meeting, in person or by proxy or represented by their Authorized Persons, and who jointly hold twenty-five percent or more of the paid-up share capital of the Company, shall constitute a legal quorum. No matter shall be discussed at any General Meeting unless a legal quorum is present at said meeting at the time of commencement of the deliberations.
39. Should no legal quorum be present half an hour after the time set for the General Meeting whether said meeting is an Annual Meeting or a Special Meeting the meeting shall be adjourned to one week from that day, at the same time and at the same place, or at another date, time and place as shall be set forth by the Board of Directors in a notice to all of those persons who are entitled to receive notice of General Meetings. Should no legal quorum be present at the adjourned meeting as well, half an hour after the time set for said meeting, any two shareholders present, in person or by proxy, who jointly hold twenty percent or more of the paid-up share capital of the Company shall constitute a legal quorum and shall be entitled to deliberate all of the matters for the purpose of which the meeting was convened.
40. The Chair of the Board of Directors, or, in his or her absence, the Vice-Chair of the Board of Directors, or, in his or her absence, any other person who has been appointed for that purpose by the Board of Directors, shall serve as Chair at any General Meeting. Should there be no Chair as stated above, or should he or she not have arrived at the meeting thirty minutes after the time set for said meeting, or should he or she not desire to serve as Chair of the meeting, the shareholders present shall elect another person from among themselves, and that person shall be the Chair.
41. The Chair shall be entitled, with the consent of a General Meeting which is attended by a legal quorum, to adjourn the meeting from time to time and from place to place. However, in the course of the adjourned meeting as stated above, there shall be no deliberation on matters other than those which could have been discussed at the meeting in the course of which it was decided to adjourn. No shareholder shall be entitled to receive any notice with regard to the adjournment or with regard to the matters which are on the agenda of the adjourned meeting.
42. At any General Meeting, resolutions shall be voted upon and adopted by a show of hands, unless a vote by ballot is demanded whether before or after the announcement of the results of the voting by a show of hands by the Chair (if he or she is eligible to vote) or by at least two shareholders who are present, or by one or more shareholders who are present, in person or by proxy, and who hold at least five percent of the paid-up share capital of the Company. Unless a vote by ballot has been demanded as stated above, the announcement by the Chair that the resolution has been adopted, or has been adopted unanimously or by a certain majority, or has been rejected, or has not been adopted by a certain majority, and a comment registered to that effect in the minutes kept by the Company, shall constitute *prima facie* evidence thereof, and there shall be no need to prove the number of votes or the relative quota of votes in favor or against said resolution.
43. Without derogating from that set forth above, resolutions of the General Meeting, on any subject whatsoever, may also be adopted by way of a vote in writing, which shall be expressed in the following form or in any other form which shall be approved by the Board of Directors or which shall be set forth pursuant to the Companies Law:

“TEVA PHARMACEUTICAL INDUSTRIES LIMITED

I, the undersigned, _____ of _____, in my capacity as a shareholder of Teva Pharmaceutical Industries Limited, do hereby vote in writing, with _____ ordinary shares which are registered in my name, at the General Meeting of shareholders in the Company which shall take place on the __ day of the month of _____ in the year _____ and at any adjourned meeting, with regard to the proposed resolutions which are set forth below, as follows:

Signed this day, the __ day of the month of _____ in the year _____.”

44. Should a vote by ballot have been duly demanded, the voting shall be held at such a time and in such a place as the Chair shall instruct, and it shall be permissible to hold the voting immediately, or after recess or an adjournment. The results of the vote by ballot shall be deemed as a resolution of the General Meeting with regard to which the vote by ballot was demanded.
45. The demand for a vote by ballot shall not impede the continuation of the Meeting for the purpose of deliberation of any matter which is on the agenda, with the exception of the matter with regard to which the vote by ballot was demanded.
46. A vote by ballot for the purpose of electing the Chair of the Meeting shall be neither demanded nor conducted. A vote by ballot with regard to the adjournment of the meeting, if demanded, shall be conducted immediately. A vote by ballot which has been demanded with regard to any other matter shall be held at such a time as the Chair of the Meeting shall instruct.

47. Should the votes in favor and against be tied, whether the voting is by a show of hands or by ballot, the Chair of the Meeting shall be entitled to an additional casting vote.
48. Any resolution of the Company which is adopted at a General Meeting shall be deemed a resolution duly adopted if it has been adopted by simple majority of the participating votes, as long as there is a legal quorum at said meeting, unless another majority is required pursuant to the Companies Law or to these Articles.

Votes by the Shareholders

- 49. Subject to, and without derogating from, the existing rights or limitations with regard to any specific type of shares which constitute part of the Company's capital, each shareholder irrespective of whether the voting is by a show of hands or by ballot shall be entitled to one vote with respect to each share held by him or her.
- 50. In the case of joint holders of a share, either of the registered shareholders who is present, in person or by proxy, at a General Meeting is entitled to vote at that Meeting as if he or she were the sole holder of the shares jointly registered as stated above. However, should two or more joint shareholders be present, themselves or by proxy, at any General Meeting, the vote of the partner whose name is listed first in the Register shall be the sole allowable vote, and that partner alone shall be entitled to vote, whether in person or by proxy, with respect to the share jointly registered as stated above.
- 51. The shareholders who are eligible to vote may do so in person or by proxy or by way of a vote in writing, and if the shareholder is a corporation through an empowered person who shall have been duly appointed for the purpose (hereinafter: "**Authorized Person**"). The document of appointment of a proxy shall be drawn up in writing and signed by the appointing person or by that person's agent who shall have been duly appointed in writing for that purpose. If the shareholder is a corporation, the authorization of an Authorized Person shall be drawn up in writing and signed pursuant to the charter documents of the appointing corporation.
- 52. One person may be appointed as proxy for several shareholders.
- 53. A proxy or an Authorized Person may also be a person who is not a shareholder in the Company.
- 54. A document of appointment of a proxy, a power of attorney, a vote in writing, a certificate of ownership or any other document pursuant to which a document of appointment, a vote in writing, or a certificate of ownership is signed, or a copy of any such document, shall be deposited at the Registered Office no less than four (4) days before the date and time set for the convocation of the Meeting at which the person whose name is set forth in the document of appointment shall seek to vote.
Should this not be done, the document as set forth above shall not be valid unless otherwise decided by the Chair of the Meeting.
- 55. Should a proxy or an Authorized Person vote in accordance with the terms of his or her document of appointment, his or her vote shall be valid, even if, prior to the voting, the person who appointed the proxy or the Authorized Person dies or becomes insane, or the appointment is canceled, or the share by virtue of which the proxy or the Authorized Person voted is transferred to another person, unless notice in writing with regard to the death, insanity, cancellation or transfer as set forth above, shall have been given, prior to the voting to the Secretary of the Company or to the Chair of the Meeting at which the voting took place.
- 56. A shareholder who is incompetent, or with regard to whom a court of law which is competent to do so has issued a guardianship order, shall be entitled to vote, whether by a show of hands or by ballot, through his or her guardian or through another person, fulfilling the role of such a guardian, who has been appointed for this purpose by a court of law as stated above, and any such guardian or other person as stated above shall be entitled to vote whether personally or by proxy.
- 57. The document of appointment of a proxy or an Authorized Person shall be drawn up in the following form or in any other form which shall be approved by the Board of Directors or the Secretary of the Company.

"TEVA PHARMACEUTICAL INDUSTRIES LIMITED

I, the undersigned, _____ of _____, in my capacity as a shareholder of Teva Pharmaceutical Industries Limited, do hereby appoint _____ of _____ as my proxy, to vote in my name and in my stead, at the General Meeting of shareholders in the Company which shall take place on the day of the month of _____ in the year and at any adjourned meeting.

Signed this day, the __ day of the month of _____ in the year _____, _____
_____ ”

D. THE BOARD OF DIRECTORS

58. (a) The maximum number of Directors of the Company shall be 18 Directors. Such maximum number includes the two external Directors required to be appointed as of the date of the adoption of this Article pursuant to the Companies Law and the CEO if appointed as a Director in accordance with Article 60 (a). The Board of Directors is entitled, at any time and from time to time, to change the maximum number of Directors as stated above, subject to a majority of three-quarters of the persons voting, as long as the number of the Directors who are voting in favor of said resolution is no fewer than nine, by changing the number of Directors as set forth in Article 60 (b) below to any number that is not less than 15 and whose division by 3 is an integer. Should the Board of Directors have changed the number of Directors as set forth above, the number of members of each of the groups set forth in Articles 60 (c) and 60 (d) below shall be changed accordingly.
- (b) The minimum number of Directors on the Board of Directors shall be 3 (three).
- (c) The appointment of additional external Directors, if appointed, beyond the two that are required to be appointed as of the date of adoption of this Article pursuant to the Companies Law, shall be on account of the number of Directors elected pursuant to Article 60 (b) below; however, such additional external directors shall not be designated into any one of the groups detailed therein.
59. (a) A Director shall not be required to hold any shares whatsoever in the Company.
- (b) A corporation is not qualified to serve as a Director of the Company.
- (c) The majority of the members of the Board of Directors shall be residents of Israel, unless the Company's center of management shall have been transferred to another country in accordance with the provisions of these Articles.

Appointment and Retirement from Office

60. (a) The Board of Directors shall be entitled, at any time and from time to time, to appoint the CEO as a member of the Board of Directors.
- Should the Board of Directors not determine the term of office of the CEO as a Board Member, such CEO shall serve as a member of the Board until the next annual meeting and may be re-appointed.
- (b) The Annual Meeting shall be entitled to elect, in the manner and for the periods of time which are set forth below in this Article, 15 Directors, who shall be divided into three groups. Each of the groups shall be as nearly equal in number as possible. The provisions of this Article set forth below shall not apply to the CEO, who serves as a member of the Board of Directors by virtue of the provisions of subsection (a) above, in the event that he so serves, nor to the two external Directors who are required to be appointed as of the adoption of this Article pursuant to the provisions of the Companies Law.
- (c) At the Annual Meeting, which shall take place in 2002, at which the Directors shall be elected pursuant to the provisions of this Article, in its present wording, the Directors shall be elected and/or shall continue to serve, as relevant, for various periods of time, as follows:
1. The members of the first group of 5 Directors shall be elected to serve in office on a continuous basis, until the third Annual Meeting which shall be held following the date of their election (hereinafter: "**Three-Year Term**").
 2. The members of the second group of 5 Directors who have been elected at the Annual Meeting, which took place in 2001, and whose service is due to conclude at the third Annual Meeting, following the date of their election.
 3. The members of the third group of 5 Directors shall be elected to serve in office on a continuous basis until the first Annual Meeting which shall be held following the date of their election.
- (d) At each Annual Meeting following the Annual Meeting that will take place in 2002, the General Meeting shall be entitled to elect up to 5 Directors, who shall be elected for a Three-Year Term to replace the Directors whose term in office has expired as of that Annual Meeting, and so on *ad infinitum*, so that the Directors who shall be elected as stated above shall serve for Three-Year Terms, and so that, each year, the term in office of one of the groups of Directors shall expire.

- (e) The nomination of candidates for election as Directors may be made by the Board of Directors (in accordance with the recommendations of the Nominating Committee appointed by the Board of Directors). A shareholder interested in proposing the nomination of certain candidate(s) for consideration by the Nominating Committee as aforementioned shall submit his or her proposal in writing to the Registered Office no later than 14 days after the date of first publication by the Company of its annual consolidated financial statements preceding the Annual Meeting at which the shareholders are to receive the consolidated financial statements for such year. Any proposal by a shareholder as set forth above shall include all of the information required by Article 37 (b).

- (f) Should the number of members of any group of such three groups become less than the maximum number of members (as this number shall have been changed by the Board of Directors pursuant to Article 58 (a) above—should it have been so changed), the Board of Directors shall be entitled, at any time and from time to time, to appoint, within the framework of the maximum number as stated, Directors who shall serve until the expiry of the term of office of the members of the group in question.
61. The Directors who are serving in office shall be entitled to act even if a vacancy occurs on the Board of Directors. However, should the number of Directors, at the time in question, become less than the minimum set forth in these Articles, the remaining Directors or the remaining Director shall be entitled to act for the purpose of filling the vacancies which shall have occurred on the Board of Directors or of convening a General Meeting, but not for any other purpose.
62. Any Director who shall have retired from his or her office shall be qualified to be re-appointed—unless a limitation affecting his or her appointment as a Director shall exist pursuant to the provisions of the Companies Law.
63. (a) The office of a Director shall fall vacant, prior to the expiry of his or her term in office, only:
- (1) If he or she has died;
 - (2) If he or she has been declared bankrupt or has ceased to make payments or has come to a compromise arrangement with his or her creditors;
 - (3) If he or she has been declared incompetent or has become mentally ill;
 - (4) If he or she has resigned his or her office by way of notice in writing to the Company;
 - (5) If he or she has been removed from office pursuant to Article 64 below;
 - (6) If he or she has been convicted of an offense which, pursuant to the provisions of the Companies Law, requires the expiry of his or her term in office;
 - (7) In accordance with a decision by a court of law, pursuant to the provisions of the Companies Law; or
 - (8) For any other reason mandated by applicable law.
- (b) The Board of Directors shall be entitled to appoint, as a replacement for a Director whose office has fallen vacant pursuant to subsections (1) to (4), (6) to (8) of subsection (a) above, another Director, who shall serve in office until the date on which the term in office of his or her predecessor would have expired, had said office not fallen vacant as stated.
- (c) Any person or persons who are competent to appoint and/or to elect a Director pursuant to the provisions of these Articles shall be entitled to determine that the said appointment/election shall enter into force at some future date.
64. (a) Should any Director violate a duty of care or a duty of loyalty to the Company, the General Meeting shall be entitled to remove that Director from office prior to the expiry of his or her term in office (hereinafter: the “**Removed Director**”), provided that the Removed Director shall be given a reasonable opportunity to state his or her case before the General Meeting.
- (b) Should a Director have been removed from office as set forth in subsection (a) above, the General Meeting shall be entitled, in the same session, to elect another Director in his or her stead. Should it fail to do so, the Board of Directors shall be entitled to do so, pursuant to the provisions of Article 60 (f) above.
- (c) Any Director who shall have been appointed by way of a resolution as stated in subsection (b) above, shall serve in office for the period remaining of the term in office of the Removed Director and shall be qualified to be re- appointed.

Remuneration of Directors

65. (a) The remuneration of the Directors shall be set in an amount which shall be determined by the General Meeting from time to time, and this remuneration shall be distributed among the Directors pursuant to the instructions of the General Meeting, or, in the absence of said instructions, in equal shares. The Directors shall be entitled to be reimbursed, for board and lodging at a reasonable rate, and for other expenses which they shall expend for the purpose or in the course of performance of their duties as Directors, including travel expenses to and from sessions of the Board of Directors.
- (b) Should any of the Directors, pursuant to a resolution of the Board of Directors, perform special duties or services over and above his or her regular duties as a Director, the Board of Directors shall be entitled to pay said Director a remuneration, and said remuneration shall be paid to said Director in the form of a salary, a fee, or in any other manner which shall be agreed to by the Board of Directors.

- (c) A Director shall be entitled to perform another duty or to hold another office in the Company (except for the office of Accountant, Internal Auditor or attorney for the Company) on a salaried basis, in addition to his or her duties as a Director, pursuant to such terms, with regard to salary and other matters, as shall be determined by the Board of Directors.

Powers and Duties of the Board of Directors

66. The Board of Directors shall formulate Company policy and shall supervise the performance of the duties and operations of the CEO. Any power of the Company which has not been conferred upon another organ pursuant to the Companies Law or to these Articles may be exercised by the Board of Directors. However, this power of the Board of Directors shall be subject to the provisions of these Articles and the provisions of the Companies Law, provided that no provision which shall be enacted by the Company shall revoke the validity of any action which had previously been taken by the Board of Directors and which would have been legal, had it not been for that set forth in this Article.

Operations of the Board of Directors

67. The Board of Directors shall meet for the purpose of conducting its business, and shall be entitled to adjourn its sessions from time to time and to establish the procedure of said sessions as it shall see fit.
68. Any question which shall arise in any of the sessions of the Board of Directors shall be settled by simple majority of all of the Directors who are voting at that session, unless otherwise set forth by another provision of these Articles. Should the votes be tied, the Chair of the Board of Directors shall be entitled to an additional casting vote.
69. The legal quorum which shall be required for a session of the Board of Directors shall be a majority of the members of the Board of Directors then serving in office, but shall not be fewer than three Directors, unless otherwise determined in these Articles.
70. At any session of the Board of Directors at which a legal quorum is present, the participants in that session shall be entitled to exercise all of the powers which are vested in the Board of Directors.
71. The Board of Directors shall be entitled to elect a Chair of the Board of Directors and to determine his or her term in office, provided that the CEO shall not serve as Chair of the Board of Directors other than pursuant to the provisions of the Companies Law, provided that the CEO serves as a Director at the same time and throughout the period he serves as Chairman of the Board. Should the Board of Directors not determine the term in office of the Chair of the Board of Directors, said Chair shall serve until the next Annual Meeting and may be re-elected. Should no Chair of the Board of Directors be elected, or should the Chair not be present at any session within 30 minutes after the time set for said session, the Board of Directors shall select one of its members who shall serve as Chair of the session.
72. The Chair of the Board of Directors shall be entitled to convene a session of the Board of Directors at any time and pursuant to the provisions of the Companies Law, or according to a request by the CEO.
- Should the Chair of the Board of Directors fail to convene a session of the Board of Directors within 21 days of the date on which a demand was presented to him or her by any person entitled to present a demand as stated above (hereinafter: the “**Demanding Party**”), or within 21 days of the date on which he or she shall have been demanded to do so pursuant to the provisions of the Companies Law, any one of the Demanding Parties shall be entitled to convene a session of the Board of Directors pursuant to the provisions of the Companies Law.
73. Notice of sessions of the Board of Directors shall be sent by mail, or shall be delivered by hand or by fax or by telephone or by any other medium of communications to all of the Directors, a reasonable time before the applicable session, unless otherwise provided by the Companies Law. Said notice shall include a reasonable level of detail with regard to the subjects on the agenda.
74. Failure to send notice to any Director with regard to a session of the Board of Directors, due to error, shall not adversely affect the validity of any resolution which shall have been adopted by the session in question.
75. A majority of the sessions of the Board of Directors convened (as opposed to sessions held by use of means of communication) each year, but not less than four convened sessions as aforesaid each year, shall be convened in Israel, unless the Company’s center of management shall have been transferred to another country in accordance with the provisions of these Articles. Without derogating from that set forth in the opening passage of this Article, the Board of Directors shall be entitled: (i) to hold sessions through the use of any means of communication, provided that all the participating Directors can hear each other simultaneously; and (ii) to adopt resolutions without convening a session, provided that this method of adoption without convening a session for this purpose shall be approved by all of the Directors who are eligible to participate in the deliberations and to vote on the matter addressed by the resolutions and that the resolutions themselves shall be adopted by the applicable majority of Directors required by the Companies Law and these Articles. Should resolutions be adopted without convening a session as stated in subsection (ii) above, the Chair of the Board of Directors shall sign the minutes pertaining to the resolutions, and there shall be no need to append the signatures of the remaining Directors to said minutes.

Committees of the Board of Directors

76. (a) The Committees of the Board of Directors shall be composed of one or more Directors. Subject to the provisions of the Companies Law, the Chair of the Board of Directors shall be entitled, from time to time, to join any Committee of the Board of Directors, as a member of said Committee. The Board of Directors shall be entitled, from time to time, to transfer any of its powers to the Committees of the Board of Directors. Notwithstanding, the Board of Directors shall not be entitled to delegate any of its powers to the Committees as stated above, other than for the purpose of recommendation only, with regard to the following topics:
- (1) Determining general Company policy;
 - (2) Distribution, other than by way of purchase, of shares of the Company in accordance with the framework previously set forth by the Board of Directors;
 - (3) Establishing the position of the Board of Directors in a matter which requires the approval of the General Meeting, or stating an opinion with regard to a special purchase offer;
 - (4) The appointment of Directors, if the Board of Directors is entitled to appoint them;
 - (5) The issue of shares or of securities which are convertible to shares or which may be realized as shares, or of a series of bonds, other than the issue of shares following the realization or conversion of Company securities;
 - (6) Approval of financial statements;
 - (7) Approval by the Board of Directors for transactions and operations which require approval by the Board of Directors, pursuant to Sections 255, 268 to 270 and 272 to 275 of the Companies Law.
- To preclude all doubt, the Board of Directors is entitled to transfer its power to authorize a transaction which is not an extraordinary transaction which complies with that set forth in Section 270 (1) of the Companies Law, to a Committee of the Board of Directors.
- (b) Notwithstanding the provisions of subsection (a), above, the Board of Directors shall be entitled to delegate any of its powers to the Committees of the Board of Directors, including those matters set forth in subsection (a) above, to the extent permitted by the Companies Law.
- (c) Any Committee which has been composed as stated above shall be obligated, when making use of the powers vested in it, to comply with all of the rules which shall be set forth by the Board of Directors. The office of a member of a Committee shall fall vacant upon the termination of the member's office as a Director, upon his or her resignation from the Committee or upon his or her removal by the Board of Directors from the Committee for any reason.
77. The Board of Directors shall be entitled to appoint, for each Committee of the Board of Directors, a permanent Chair from among the members of that Committee. Should the Chair not be present within 30 minutes of the time set for a Committee session, or should there be no Chair of the Committee, those present at the session shall be entitled to elect a member from among themselves who shall serve as Chair of the session.
78. The provisions of these Articles with regard to the sessions and procedures of the Board of Directors shall also apply, *mutatis mutandis*, to sessions of any Committee of the Board of Directors, with the exception of the provisions of the closing passage of Article 68 and the opening passage of Article 75, unless otherwise determined in the Companies Law or in these Articles.

Audit Committee

79. (a) The Board of Directors shall appoint an Audit Committee, pursuant to the provisions of the Companies Law.
- (b) The External Directors shall be members of the Audit Committee, pursuant to the provisions of the Companies Law.

Signature and Minutes

80. The Company shall appoint, from time to time, a person whose signature, or persons whose signatures, together with the stamp of the Company or the printed name of the Company, shall bind the Company. This shall apply, whether generally or to a specific matter or specific matters, as shall be determined by the Company.
81. The minutes of the Company shall include the following details:
- (a) The appointment of any Officers who shall have been appointed by the Board of Directors.

- (b) The names of the Directors who are present at any session of the Board of Directors and at any session of a Committee of the Board of Directors.
- (c) The resolutions of the Board of Directors and the main points of the deliberations of the General Meetings and the sessions of the Board of Directors and of all of the Committees of the Board of Directors.

The minutes of any such session, provided that they shall be seen to have been signed by the Chair of that session or by the Chair of the subsequent session of the same entity, shall be deemed to constitute *prima facie* evidence of the correctness of all of the matters set forth therein.

82. All of the operations which are performed in good faith by the Board of Directors or by a Committee of the Board of Directors, or by any person acting as a Director, shall be valid even if it shall subsequently be found that there was a deficiency in the appointment of such an entity or of such a Director, or if any or all thereof shall be deficient, just as if each of said entity or Director had been duly appointed and had been qualified to act, as required by the circumstances of the case at hand.

Director-Emeritus

83. The Board of Directors shall be entitled, from time to time, to appoint a person who does not hold any position in the Company and who has served as a Director of the Company in the past, by way of an honorary appointment, as an advisor to the Board of Directors on such matters as shall be set forth for that purpose, from time to time, by the Board of Directors (hereinafter: “**Director-Emeritus**”). A Director- Emeritus shall not be an Officer and shall not have any powers or duties vis-à-vis the Company, the Board of Directors, or the Company’s shareholders, employees or creditors. Without derogating from the generality of that stated above, a Director- Emeritus shall not be obligated to give advice or to express an opinion in any matter whatsoever, even if he or she shall be asked to do so by the Board of Directors; a recommendation by a Director-Emeritus shall have no binding weight vis-à-vis the Board of Directors in any way; and a Director-Emeritus shall be exempt in advance from any liability which he or she might otherwise have incurred, with regard to damage as a result of the breach of the duty of care vis-à- vis the Company, the Board of Directors, or the Company’s shareholders, employees or creditors.

E. CEO

84. (a) The Board of Directors shall appoint, from time to time, a person who shall serve as the CEO of the Company, for such a duration and pursuant to such terms, including terms with regard to remuneration and/ or benefits, as the Board of Directors shall see fit.
- (b) The Board of Directors is entitled to terminate the term in office of the CEO, at any time and for any reason whatsoever.
- (c) The CEO shall be a resident of Israel throughout the entire duration of his or her term in office, unless the Company’s center of management shall have been transferred to another country in accordance with the provisions of these Articles.
- (d) The CEO shall be responsible for the day to day management of the affairs of the Company, within the framework of the policy that has been set forth by the Board of Directors, subject to its guidelines, and all in accordance with the provisions of the Companies Law.
85. The Board of Directors shall be entitled, from time to time, as it shall see fit, to delegate to the CEO any of the powers which have been vested in the Board of Directors, with the exception of those which have been exclusively conferred upon the Board of Directors and may not be delegated pursuant to the provisions of the Companies Law. Moreover, the Board of Directors shall be entitled, from time to time, to restrict the delegation of powers, both with regard to the duration thereof and with regard to the purposes for which they shall be used, and to limit them to specific areas and to make them contingent upon specific conditions, all as the Board of Directors shall see fit. At the time of delegation of powers, as stated above, to the CEO, the Board of Directors shall be entitled to determine that said delegation shall be parallel to, or shall supplant, the respective operation of the Board of Directors. The Board of Directors shall be entitled, from time to time, to rescind or to modify the delegation of any power which shall have been delegated pursuant to this Article.

F. DIVIDEND, RESERVE FUND AND CAPITALIZATION

Dividend

86. The Company shall be entitled to distribute a dividend pursuant to the provisions of the Companies Law, and no dividend shall bear interest; each dividend shall be determined and settled in consideration of the rights of the shareholders, if any, whose shares shall bear special rights with regard to dividends. Unless the rights are attached to any shares or unless otherwise stated in the terms of issue thereof, shares which have been paid up, in whole or in part, shall entitle the holders thereof to a dividend in a manner proportional to the amount which has been paid up, or credited as having been paid up, on the par value of said shares and to the date of payment thereof (*pro rata temporis*).

87. The Board of Directors shall be entitled to declare, and cause the Company to pay, a dividend to the shareholders. The Board of Directors shall determine the time for payment of such dividend and the record date for determining the shareholders entitled thereto, subject to applicable law.
88. The Board of Directors shall be able to adopt a resolution stating that the dividend in question shall be paid, in whole or in part, by means of the distribution of cash or other assets of the Company, and in particular, by distribution of fully paid-up shares, bonds, or other securities of the Company or of any other company, or in any other manner.
89. The right to a dividend with respect to nominative shares, which has been declared by the Company, shall be determined in accordance with that recorded in the Register or in an Additional Register as of the date of record, according to the declaration.
90. Unless otherwise specified, it shall be permissible to pay any dividend by check or bank transfer or payment order, which shall be sent according to the registered address of the shareholder or the person entitled to the dividend (and in the case of joint registered holders, to the shareholder whose name is first mentioned in the Register or in an Additional Register with regard to the joint ownership), or in any other manner. Any such check shall be drawn up to the order of the person to whom it is sent. The receipt of the dividend by the person who is registered in the Register or in an Additional Register as the holder of any share or, in the case of joint holders, by any of the joint shareholders shall constitute full, final and absolute release with regard to all payments which shall have been made with respect to said share. The Company shall be entitled to withhold tax or any other mandatory payment from any dividend payment pursuant to applicable law. The Company shall be entitled to invest all of the dividends which have not been claimed, or to use them in any other manner, for the benefit of the Company, until said amounts are claimed, and the Company shall not be deemed a trustee or fiduciary in respect thereof.
91. Any dividend unclaimed after a period of seven (7) years from the date of declaration of such dividend shall be forfeited to the benefit of the Company; provided, however, that the Company, at its sole discretion, shall be entitled to pay any such dividend, or any part thereof, to a person who would have been entitled thereto had the same not been forfeited.

Reserve Fund

92. The Board of Directors shall be entitled, from time to time, to allocate amounts out of the profits of the Company which may be distributed in the form of dividends, and to transfer such amounts, as it shall see fit, to an account of a fund or funds as it shall see fit. All of the amounts which shall be so transferred and so credited to the account of such a fund shall serve, at the discretion of the CEO, after having consulted with the CFO, and subject to the approval of the Board of Directors, for special purposes or for the gradual settlement of any debt or obligation of the Company or for the repair or maintenance of any of the Company's assets or for the coverage of losses from the sale of assets or investments or the depreciation in value thereof (whether on a one-time basis or in a general manner), or, at the Board of Directors' sole discretion, for the supplementing or payment of a dividend or for any other purpose which shall be appropriate for use of the Company's profits.
93. All of the amounts which shall have been transferred and credited to the account of any fund or funds may be used, so long as they have not been used for any other purpose pursuant to Article 92 above, for the purpose of investment, together with any other monies of the Company, in the ordinary course of business of the Company, and there shall be no need to distinguish between these investments and the investments of other monies of the Company.

Capitalization

94. (a) The Board of Directors shall be entitled, at any time and from time to time, to adopt a resolution stating that any part of the amounts which are credited at that time to any capital fund or held by the Company as profits which may be distributed, shall be capitalized and shall be released for distribution among the shareholders who would have been entitled to receive them, had they been distributed as a dividend, and in the same proportion, provided that said amounts shall not be paid in cash, but shall be used to fully pay up whether according to their par value or with the addition of any premium which shall be determined by the Board of Directors shares which have not yet been issued or bonds of the Company, which shall be issued and distributed among said shareholders and in such a proportion, as shares or bonds which have been fully paid up.

- (b) (1) In any case in which the Company shall issue bonus shares by way of capitalization of profits or funds, at a time where there shall be in circulation any securities which have been issued by the Company and which confer upon the holders thereof the right to convert said securities to shares in the share capital of the Company or options to purchase shares in the share capital of the Company (the rights of conversion or the options as stated above shall be referred to hereinafter as “**the Rights**”), the Board of Directors shall be entitled (in cases where the Rights, or any part thereof, shall not be adjusted in any other manner in accordance with the terms of issue thereof) to transfer to a special fund (which shall be referred to by whatever designation shall be resolved by the Board of Directors, and which shall be referred to hereinafter as “**the Special Fund**”) an amount which shall be equal to the nominal amount of the share capital which those persons entitled to all or part of the Rights would have received,

as a result of the issue of the bonus shares, had they exploited their Rights prior to the date of record which sets forth the right to receive bonus shares, including the right to fractions of shares, and, in the case of a second or additional distribution of bonus shares including eligibility which results from any prior distribution of bonus shares.

(2) In any case in which the Company shall issue new shares and/or, in lieu of such issue, shall cause its subsidiary to transfer existing shares in the Company which are held by said subsidiary, as a result of the exploitation of said Rights by the persons entitled thereto, in cases where the Board of Directors implemented a transfer to the Special Fund with respect to those Rights pursuant to subsection (1) above, the Company shall issue to any such holder, in addition to the shares to which he or she is entitled as a result of the exploitation of his or her Rights, a number of fully paid-up shares whose total par value shall be equal to the amount which was transferred to the Special Fund in respect of his or her Rights. This shall be done by means of capitalization of an appropriate amount from the Special Fund, and the Board of Directors shall be entitled to decide, at its sole discretion, on the manner of handling the Rights to fractions of shares.

(3) Following any transfer to the Special Fund, should the Rights expire, or should the period set forth for exploitation of the Rights with regard to which the transfer was implemented come to an end, before said Rights have been exploited, any amount which was transferred to the Special Fund with regard to the aforementioned unexploited Rights shall be released from the Special Fund, and the Company shall be entitled to handle any amount which shall be so released in any manner in which it would have been entitled to handle said amount, had it not been transferred to the Special Fund.

95. For the purpose of implementation of any resolution which shall be adopted on the basis of Articles 88 or 94 of these Articles, the Board of Directors shall be entitled, at its sole discretion, to settle, as it shall see fit, any difficulty (if any) which shall arise with regard to the distribution. To this end, the Board of Directors shall be entitled to issue partial certificates, to determine the value of the distribution of certain assets, and to determine that shareholders shall receive payment on the basis of the value which shall have been determined as stated above, or that fractions at a value of less than 0.1 New Israeli Shekel shall not be taken into account, in order to adjust the rights of the parties. In addition, the Board of Directors shall be entitled to place all monies and specific assets in trust, in the hands of trustees, on behalf of those persons who are entitled to receive the dividend or the monies which have been capitalized, all as the Board of Directors shall see fit.

G. AUDITING AND NOTICES

Auditing and Internal Auditor

96. The Annual Meeting shall be entitled to appoint the Accountant, who shall serve for a period which shall not extend beyond the third Annual Meeting after that at which he or she was appointed. At least once a year, the Accountant shall audit the Company's accounts and shall express his or her opinion as to the correctness of the Statement of Profit and Loss and the Balance Sheet. The Board of Directors shall fix the remuneration of the Accountant for auditing services.
- 97.
- (a) The Board of Directors of the Company shall appoint an Internal Auditor, pursuant to the provisions of the Companies Law.
 - (b) The Board of Directors is entitled to terminate the term of office of the Internal Auditor, pursuant to the provisions of the Companies Law.
 - (c) The organizational superiors of the Internal Auditor shall be the CEO jointly with the Chair of the Board of Directors.

Notices

98. Without derogating from Articles 35 and 36 above, the Company shall be entitled to deliver notices to its shareholders by any of the alternative means set forth hereinafter: delivery by hand; dispatch by mail to the address appearing in the Register or in an Additional Register; dispatch by facsimile to the fax number appearing in the Register or in an Additional Register, or to any number which shall have been given to the Company for this purpose by any shareholder; dispatch by e-mail to the e-mail address registered for that purpose in the Register or in an Additional Register; or in any other manner as shall be determined by the Company.
99. Any and all notices which are to be delivered to a shareholder shall be given, with regard to jointly held shares, to the person whose name is first mentioned in the Register, and any notice thus given shall be deemed sufficient notice to the holders of the share.

100. The Company shall be entitled to give notice to persons who are entitled to any share as a result of the death or bankruptcy of the shareholder, by sending said notice by any of the alternative ways set forth in Article 98 above according to the address, fax number or e-mail address (if any) given for that purpose by said persons, or by delivering the notice in the same way in which it would have been delivered (until such details shall have been given), had it not been for the death or bankruptcy as stated above.
101. Any notice or other document which has been sent by mail or in any other manner which is permitted pursuant to these Articles shall be deemed to have been delivered to its destination at the time of its receipt by the addressee, or four business days after the date on which it was sent as stated above (whichever is earlier). A declaration in writing, signed by the person delivering the notice or the document, to the effect that a letter containing said notice or said document was addressed to the correct address and duly delivered to a post office, shall constitute absolute evidence to that effect.
- 101A. Failure to send notice to any shareholder pursuant to any applicable law or these Articles or the failure of any shareholder to receive notice, due to an error or as a result of a mishap beyond the control of the Company, shall not adversely affect the validity of any action, transaction or resolution taken by the Company and/or adopted by the General Meeting in question.

H. EXEMPTION, INSURANCE AND INDEMNIFICATION OF OFFICERS

102. Subject to the provisions of applicable law, the Company shall be entitled to engage in a contract for insurance of the liability of any Officer of the Company, in whole or in part, in respect of any liability or expense imposed on an Officer or expended by him or her as a result of any action which was performed by said Officer in his or her capacity as an Officer of the Company for which insurance may be provided under applicable law, including in respect of any liability imposed on any Officer with respect to any of the following:
 - (a) Breach of a duty of care vis-à-vis the Company or vis-à-vis another person;
 - (b) Breach of a duty of loyalty vis-à-vis the Company, provided that the Officer acted in good faith and had reasonable grounds to believe that the action in question would not adversely affect the Company;
 - (c) Financial liability which shall be imposed upon said Officer in favor of another person as a result of any action which was performed by said Officer in his or her capacity as an Officer of the Company; including
 - (c1) A payment which said Officer is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law and expenses that said Officer incurred 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 attorney fees, or in connection with Article D of Chapter Four of Part Nine of the Companies Law.
103. Subject to the provisions of applicable law, the Company shall be entitled to indemnify *post factum* and/or undertake in advance to indemnify any Officer of the Company, as a result of any liability or an expense imposed on him or her or expended by him or her as a result of any action which was performed by said Officer in his or her capacity as an Officer of the Company, in respect of any liability or expense for which indemnification may be provided under applicable law, including in respect of any liability or an expense imposed on the Officer as follows:
 - (a) Financial liability imposed upon said Officer in favor of another person by virtue of a decision by a court of law, including a decision by way of settlement or a decision in arbitration which has been confirmed by a court of law, provided that the undertaking to indemnify in advance shall be limited to events which, in the opinion of the Board of Directors of the Company, are foreseeable, in light of the Company's activities at the time that the undertaking to indemnify was given, and shall further be limited to amounts or criteria that the Board of Directors has determined to be reasonable under the circumstances, and provided further that in the undertaking to indemnify in advance the events that the Board of Directors believes to be foreseeable in light of the Company's activities at the time that the undertaking to indemnify was given are mentioned, as is the amount or criteria that the Board of Directors determined to be reasonable under the relevant circumstances, including
 - (a1) A payment which said Officer is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law and expenses that said Officer incurred 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 attorney fees, or in connection with Article D of Chapter Four of Part Nine of the Companies Law.

- (b) Reasonable litigation expenses, including attorney fees, expended by the Officer as a result of an inquiry or a proceeding conducted in respect of such Officer by an authority authorized to conduct same, which was concluded without the submission of an indictment against said Officer and without any financial penalty being imposed on said Officer instead of a criminal proceeding (as such term is defined in the Companies Law), or which was concluded without the submission of an indictment against said Officer with a financial penalty being imposed on said Officer instead of a criminal proceeding, in respect of a criminal charge which does not require proof of criminal intent or in connection with a financial sanction.

- (c) Reasonable litigation expenses, including attorney fees, which said Officer shall have expended or shall have been obligated to expend by a court of law, in any proceedings which shall have been filed against said Officer by or on behalf of the Company or by another person, or with regard to any criminal charge of which said Officer was acquitted, or with regard to any criminal charge of which said Officer was convicted which does not require proof of criminal intent.
- 104. Subject to the provisions of applicable law, the Company shall be entitled, in advance, to exempt any Officer of the Company from liability, in whole or in part, with regard to damage incurred as a result of the breach of duty of care vis-à-vis the Company.
- 105. Notwithstanding the foregoing, the Company shall be entitled to insure, indemnify and exempt from liability any Officer of the Company to the fullest extent permitted by applicable law. Accordingly, (i) any amendment to the Companies Law, the Securities Law or any other applicable law expanding the right of any Officer to be insured, indemnified or exempted from liability in comparison to the provisions of these Articles shall, to the extent permitted by applicable law, immediately apply to the fullest extent permitted by applicable law, and (ii) any amendment to the Companies Law, the Securities Law or any other applicable law adversely affecting the right of any Officer to be insured, indemnified or exempted from liability in comparison to the provision of these Articles shall not be in effect *post factum* and shall not affect the Company's obligation or ability to insure, indemnify or exempt from liability an Officer for any act or omission occurring prior to such amendment, unless otherwise provided by applicable law.

I. MISCELLANEOUS

Amendment of the Articles of Association

- 106. (a) The Company shall be entitled to modify any of the provisions of this Article and any of the provisions of Articles 3, 33 (closing passage), 58, 59, 60, 68, 75 (opening passage) and 84 above, by way of a resolution to be adopted at a General Meeting by a majority of eighty-five percent of the votes at that session, unless a lower percentage shall have been established by the Board of Directors, by a majority of three-quarters of those persons voting, at a session of the Board of Directors which shall have taken place prior to that General Meeting.
- (b) The Company shall be entitled to modify the remaining provisions of these Articles (which are not included in the list set forth in subsection (a) above) by way of a resolution to be adopted at a General Meeting by a majority of three-quarters of the votes at that session, unless a lower percentage shall have been established by the Board of Directors, by a majority of three-fourths of the persons voting, at a session of the Board of Directors which shall have taken place prior to that General Meeting.

Special Tender Offer

- 107. Notwithstanding that which has been set forth within the framework of the regulations that have been promulgated by virtue of the Companies Law, a special offer to purchase Company shares shall be governed by the provisions of Sections 328 to 334 of the Companies Law.

**TO THE ARTICLES OF ASSOCIATION OF
TEVA PHARMACEUTICAL INDUSTRIES LIMITED**

Designations of the Terms of the Mandatory Convertible Preferred Shares

SECTION 1. *General.* The purpose of this Exhibit A is to supplement the Company's Articles in defining the rights attached to the Preferred Shares. This Exhibit A forms an integral part of the Articles of Association of Teva Pharmaceutical Industries Ltd. (the "**Company**"), as amended from time to time, including as a result of the amendment embodied in this Exhibit A (the "**Articles of Association**").

References to "Articles" or Article numbers herein shall be deemed as references to sections or articles of the Articles of Association and references to "Sections" or Section numbers shall be deemed as references to sections of this Exhibit A, unless otherwise indicated.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in other provisions of the Articles of Association, including Article 1.

SECTION 2. *Ranking.* Each Preferred Share shall be identical in all respects to every other Preferred Share. The Preferred Shares, with respect to dividend rights and distribution rights upon the liquidation, winding up or dissolution of the Company, rank:

- (a) senior to (i) Ordinary Shares and Deferred Shares and (ii) each class or series of shares established after the Initial Issue Date the terms of which do not expressly provide that such class or series ranks senior to or on a parity with the Preferred Shares as to dividend rights and distribution rights upon any liquidation, winding up or dissolution of the Company (collectively, "**Junior Shares**");
- (b) on parity with each class or series of shares established after the Initial Issue Date the terms of which expressly provide that such class or series will rank on a parity with the Preferred Shares as to dividend rights and distribution rights upon any liquidation, winding up or dissolution of the Company (collectively, "**Parity Shares**"); and
- (c) junior to each class or series of shares established after the Initial Issue Date the terms of which expressly provide that such class or series will rank senior to the Preferred Shares as to dividend rights and distribution rights upon the liquidation, winding up or dissolution of the Company (collectively, "**Senior Shares**").

SECTION 3. *Definitions.* As used in this Exhibit A with respect to the Preferred Shares:

"**\$**" means the coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

"**Accumulated Dividend Amount**" shall mean, with respect to any Fundamental Change, the aggregate amount of undeclared, accumulated and unpaid dividends, if any, on the Preferred Shares for Dividend Periods prior to the relevant Fundamental Change Effective Date, including for the partial Dividend Period, if any, from, and including, the Dividend Payment Date immediately preceding such Fundamental Change Effective Date to, but excluding, such Fundamental Change Effective Date (but excluding any declared dividends for a Dividend Period during which the Fundamental Change Effective Date falls).

"**ADS Depository**" means J.P. Morgan Chase Bank, N.A. or its successor as depository under the Deposit Agreement.

"**Agent Members**" shall have the meaning set forth in Section 22(b).

"**American Depositary Shares**" or "**ADSs**" means the American Depositary Shares issued under the Deposit Agreement representing Deposited Securities.

"**Applicable Market Value**" means the Average VWAP per ADS over the 20 consecutive Trading Day period (the "**Settlement Period**") commencing on and including, the 22nd Scheduled Trading Day immediately preceding the Mandatory Conversion Date (determined without regard to Section 10(f)).

"**Articles of Association**" shall have the meaning set forth in Section 1.

“**Authorized Officer**” means an “Officer” as defined in Article 1 and any Executive, Senior or other Vice President, the Corporate Treasurer, the Head of Corporate Treasury or the Secretary of the Company.

“**Average Price**” shall have the meaning set forth in Section 7(e).

“**Average VWAP**” means the average of the VWAPs for each Trading Day in the relevant period.

“**Beneficial Owner**” means “**beneficial owner**” as defined in Rule 13d-3 under the Exchange Act.

“**Board of Directors**” means, for purposes of this Exhibit A, the Board of Directors of the Company and shall include any authorized committee of such Board of Directors.

“**Business Day**” means any day other than a Saturday or Sunday or other day on which commercial banks in New York City (or, with respect to Sections 9 and 13(d), or Tel Aviv) are authorized or required by law or executive order to close.

“**Change in Tax Law**” means any change in, or amendment to, the laws or regulations of any taxing jurisdiction or any change in the official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Initial Issue Date, other than a change in tax rate.

“**Clause I Distribution**” shall have the meaning set forth in Section 13(a)(iv).

“**Clause II Distribution**” shall have the meaning set forth in Section 13(a)(iv).

“**Clause IV Distribution**” shall have the meaning set forth in Section 13(a)(iv).

“**Company**” shall have the meaning set forth in Section 1.

“**Company Event**” shall have the meaning set forth in Section 10(f).

“**Conversion and Dividend Disbursing Agent**” shall mean the Company’s duly appointed conversion and dividend disbursing agent for the Preferred Shares, and any successor appointed under Section 15.

“**Conversion Date**” shall have the meaning set forth in Section 4(a).

“**Current Market Price**” per ADS (or, in the case of Section 13(a)(iv), per ADS, or per unit of share capital or equity interest, as applicable) on any date means for the purposes of determining an adjustment to the Fixed Conversion Rates:

(i) for purposes of any adjustment pursuant to Section 13(a)(ii), Section 13(a)(iv) (but only in the event of an adjustment thereunder not relating to a Spin-Off), or Section 13(a)(v), the Average VWAP per ADS over the five consecutive Trading Day period ending on the Trading Day immediately preceding the Ex-Date with respect to the issuance or distribution requiring such computation;

(ii) for purposes of any adjustment pursuant to Section 13(a)(iv) in the event of an adjustment thereunder relating to a Spin-Off, the Average VWAP per ADS or per unit of share capital or equity interests of the subsidiary or other business unit being distributed, as applicable, over the first ten consecutive Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution; and

(iii) for purposes of any adjustment pursuant to Section 13(a)(vi), the Average VWAP per ADS over the ten consecutive Trading Day period commencing on and including the Trading Day following the Expiration Date of the relevant tender offer or exchange offer.

“**Deposit Agreement**” means the Amended and Restated Deposit Agreement, dated November 5, 2012, among the Company, the ADS Depositary and the holders from time to time of American Depositary Shares, as the same may be amended from time to time.

“**Depositary**” means DTC or its nominee or any successor.

“**Deposited Securities**” means Ordinary Shares deposited or deemed to be deposited under the Deposit Agreement and any and all other securities, property and cash received by the depositary or the custodian thereunder in respect thereof and at such time held under the Deposit Agreement.

“**Discount Rate**” shall have the meaning set forth in Section 9(d)(i)(A).

“**Dividend Payment Date**” means the quarterly dividend payment dates of each year determined by the Board of Directors on or prior to the Initial Issue Date, commencing on the first such quarterly date on or after the Initial Issue Date, to and including the Mandatory Conversion Date.

“**Dividend Period**” means the period from, and including, a Dividend Payment Date to, but excluding, the next Dividend Payment Date, except that the initial Dividend Period shall commence on, and include, the Initial Issue Date and shall end on, and exclude, the first Dividend Payment Date occurring after the Initial Issue Date.

“**Dividend Rate**” shall have the meaning set forth in Section 4(a).

“**DTC**” means The Depository Trust Company.

“**Early Conversion**” shall have the meaning set forth in Section 8(a).

“**Early Conversion Additional Conversion Amount**” shall have the meaning set forth in Section 8(b).

“**Early Conversion Average Price**” shall have the meaning set forth in Section 8(b).

“**Early Conversion Date**” shall have the meaning set forth in Section 10(b).

“**Early Conversion Settlement Period**” shall have the meaning set forth in Section 8(b).

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“**Exchange Property**” shall have the meaning set forth in Section 13(e).

“**Ex-Date,**” when used with respect to any issuance or distribution, means the first date on which ADSs trade without the right to receive such issuance or distribution.

“**Expiration Date**” shall have the meaning set forth in Section 13(a)(vi).

“**Fair Market Value**” means the fair market value as determined in good faith by the Board of Directors, whose determination shall be final and set forth in a resolution of the Board of Directors.

“**Fixed Conversion Rates**” means the Maximum Conversion Rate and the Minimum Conversion Rate.

“**Floor Price**” means an amount not less than 35% of the Reference Price as determined by the Board of Directors on or prior to the Initial Issue Date, as may be adjusted from time to time in a manner inversely proportional to any anti-dilution adjustment to each Fixed Conversion Rate as set forth in Section 13.

A “**Fundamental Change**” shall be deemed to have occurred, at such time after the Initial Issue Date, upon: (i) the consummation of any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, recapitalization or otherwise) in connection with which 90% or more of the outstanding Ordinary Shares, American Depositary Shares or other securities representing common equity interests are exchanged for, converted into, acquired for or constitute solely the right to receive, consideration 10% or more of which is not common stock or ordinary shares (or depository shares representing common stock or ordinary shares) that are listed on, or immediately after the transaction or event will be listed on, any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market; (ii) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than the Company, any of the Company’s majority-owned subsidiaries or any of the Company’s or the Company’s majority-owned subsidiaries’ employee benefit plans, becoming the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of share capital then outstanding entitled to vote generally in elections of the Company’s directors; or (iii) the ADSs (or, following a Reorganization Event, any Ordinary Shares, ADSs or other securities representing common equity interests into which the Preferred Shares become convertible in connection with such Reorganization Event) cease to be listed for trading on the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or another United States national securities exchange.

“**Fundamental Change Conversion**” shall have the meaning set forth in Section 9(a).

“**Fundamental Change Conversion Date**” shall have the meaning set forth in Section 10(c).

“**Fundamental Change Conversion Period**” shall have the meaning set forth in Section 9(a).

“**Fundamental Change Conversion Rate**” means, for any Fundamental Change Conversion, the conversion rate for the Fundamental Change Effective Date and the Fundamental Change Share Price applicable to such Fundamental Change, as set forth on a table to be determined by the Board of Directors on or prior to the Initial Issue Date, taking into consideration what the Board of Directors considers appropriate compensation to holders of the Preferred Shares if a Fundamental Change occurs as well as market and other factors, in each case as determined by the Board of Directors, with such Fundamental Change Conversion Rates as set forth in the table (i) to depend on the applicable Fundamental Change Effective Date (which shall be no earlier than the Initial Issue Date and no

later than the Mandatory Conversion Date) and Fundamental Change Share Price and (ii) to be no less than 98% of the Minimum Conversion Rate and no greater than the Maximum Conversion Rate. Within the foregoing parameters, if the Fundamental Change Share Price falls between two Fundamental Change Share Prices (as set forth in such table to be established by the Board of Directors), or if the Fundamental Change Effective Date falls between two Fundamental Change Effective Dates (as set forth in such table), the Fundamental Change Conversion Rate shall be determined by straight-line interpolation between the Fundamental Change Conversion Rates as established by the Board of Directors in accordance with the foregoing for the higher and lower Fundamental

Change Share Prices and the two Fundamental Change Effective Dates based on a 365-day year, as applicable. If the Fundamental Change Share Price is greater than the highest Fundamental Change Share Price included in the table (subject to adjustment in the same manner as adjustments are made to the Fundamental Change Share Price in accordance with the provisions of Section 13(c)(iv)), then the Fundamental Change Conversion Rate shall be the Minimum Conversion Rate. If the Fundamental Change Share Price is less than the lowest Fundamental Change Share Price included in the table (subject to adjustment in the same manner as adjustments are made to the Fundamental Change Share Price in accordance with the provisions of Section 13(c)(iv)), then the Fundamental Change Conversion Rate shall be the Maximum Conversion Rate. The Fundamental Change Share Prices are subject to adjustment in accordance with the provisions of Section 13(c)(iv). The Fundamental Change Conversion Rates are subject to adjustment in the same manner as each Fixed Conversion Rate as set forth in Section 13.

“**Fundamental Change Dividend Make-Whole Amount**” shall have the meaning set forth in Section 9(d)(i)(A).

“**Fundamental Change Effective Date**” shall have the meaning set forth in Section 9(a).

“**Fundamental Change Share Price**” means, for any Fundamental Change, (i) if the holders of Ordinary Shares or ADSs receive only cash in such Fundamental Change, the amount of cash paid in such Fundamental Change per Ordinary Share or ADS, and (ii) if the holders of Ordinary Shares or ADSs receive any property other than cash in such Fundamental Change, the Average VWAP per ADS over the 10 consecutive Trading Day period ending on, and including, the Trading Day preceding the Fundamental Change Effective Date.

“**Global Preferred Shares**” shall have the meaning set forth in Section 22.

“**Holder**” means each Person in whose name the Preferred Shares are registered, who shall be treated by the Company and the Registrar as the absolute owner of those Preferred Shares for the purpose of making payment and settling conversions and for all other purposes.

“**Initial Dividend Threshold**” shall have the meaning set forth in Section 13(a)(v).

“**Initial Issue Date**” means the date on which Preferred Shares are first issued by the Company.

“**Junior Shares**” shall have the meaning set forth in Section 2(a).

“**LIBOR**” means, as of any date, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period that appears on Bloomberg, L.P. page US0003M on such date. If the appropriate page is replaced or service ceases to be available, the Board of Directors may select another page or service displaying the appropriate rate.

“**Liquidation Dividend Amount**” shall have the meaning set forth in Section 5(a)(ii).

“**Liquidation Preference**” means, as to the Preferred Shares, \$1,000 per share.

“**Mandatory Conversion**” shall have the meaning set forth in Section 7(a).

“**Mandatory Conversion Additional Conversion Amount**” shall have the meaning set forth in Section 7(c).

“**Mandatory Conversion Date**” means a date approximately three years from the Initial Issue Date as determined by the Board of Directors on or prior to the Initial Issue Date, to be no earlier than 15 days before such three-year anniversary date and no later than 15 days after such three-year anniversary date.

“**Mandatory Conversion Rate**” shall have the meaning set forth in Section 7(b).

“**Maximum Conversion Rate**” shall have the meaning set forth in Section 7(b)(iii).

“**Memorandum of Association**” shall mean the Company’s Memorandum of Association, as amended from time to time.

“**Minimum Conversion Rate**” shall have the meaning set forth in Section 7(b)(i).

“**Officers’ Certificate**” means a certificate of the Company, signed by any two Authorized Officers.

“Ordinary Dividends” shall have the meaning set forth in Section 13(a)(v).

“Ordinary Share Current Market Price” means the Current Market Price per ADS, minus the fair market value per ADS (determined by the Company in good faith) of any property (cash or otherwise) then held by the ADS Depository on behalf of the existing ADS holders, divided by the number of Ordinary Shares represented by each ADS.

“Ordinary Shares” shall have the meaning set forth in Article 6.

“**Parity Shares**” shall have the meaning set forth in Section 2(b).

“**Person**” means any individual, partnership, firm, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

“**Preferred Shares**” shall have the meaning set forth in Article 6.

“**Record Date**” means, with respect to any Dividend Payment Date, the immediately preceding applicable record date established by the Board of Directors on or prior to the Initial Issue Date, which shall be no more than 16 days prior to the applicable Dividend Payment Date. These Record Dates shall apply regardless of whether a particular Record Date is a Business Day.

“**Record Holder**” means, with respect to any Dividend Payment Date, a Holder of record of any Preferred Shares as such Holder appears on the Register at 5:00 p.m., New York City time, on the related Record Date.

“**Reference Price**” shall mean the per share public offering price of Ordinary Shares or ADSs as determined by the Board of Directors in connection with an offering of Ordinary Shares or ADSs to be conducted by the Company on or about the time of the offering of the Preferred Shares, or, if no such offering is conducted, a price no less than 95% of the closing sale price per ADS on the New York Stock Exchange on the Trading Day that the offering of Preferred Shares is priced, as determined by the Board of Directors on or prior to the Initial Issue Date.

“**Registrar**” shall mean the Company’s duly appointed registrar for the Preferred Shares and any successor under Section 15.

“**Reorganization Event**” shall have the meaning set forth in Section 13(e).

“**Scheduled Trading Day**” means any day that is scheduled to be a Trading Day.

“**Senior Shares**” shall have the meaning set forth in Section 2(c).

“**Settlement Period**” shall have the meaning set forth in the definition of “**Applicable Market Value.**”

“**Share Dilution Amount**” shall have the meaning set forth in Section 4(b).

“**Shelf Registration Statement**” shall mean a shelf registration statement filed with the Securities and Exchange Commission in connection with the issuance of or resales of American Depositary Shares issued as payment in respect of the Preferred Shares, including dividends paid in connection with a conversion.

“**Spin-Off**” means a dividend or other distribution by the Company to all holders of Ordinary Shares consisting of share capital of, or similar equity interests in, or relating to a subsidiary or other business unit of the Company.

“**TASE**” shall have the meaning set forth in Section 10(f).

“**Taxing Jurisdiction**” shall have the meaning set forth in Section 14(a).

“**Threshold Appreciation Price**” means an amount not less than 115% of the Reference Price, as determined by the Board of Directors on or prior to the Initial Issue Date, as may be adjusted from time to time in a manner inversely proportional to any anti-dilution adjustment to each Fixed Conversion Rate as set forth in Section 13.

“**Trading Day**” means a day on which the ADSs:

(a) are not suspended from trading, and on which trading in the ADSs is not limited, on any U.S. national or regional securities exchange or association or over-the-counter market during any period or periods aggregating one half-hour or longer; and

(b) have traded at least once on the U.S. national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the ADSs; provided that if the ADSs are not traded on any such U.S. exchange, association or market, “**Trading Day**” means any Business Day.

“**Transfer Agent**” shall mean the Company’s duly appointed transfer agent for the Preferred Shares and any successor appointed under Section 15.

“**Trigger Event**” shall have the meaning set forth in Section 13(a)(iv)(D).

“**Unit of Exchange Property**” shall have the meaning set forth in Section 13(e).

“**U.S. GAAP**” means generally accepted accounting principles in the United States of America.

“VWAP” per ADS on any Trading Day means the per share volume-weighted average price as displayed on Bloomberg page “TEVA US<EQUITY>AQR” (or its equivalent successor as determined by the Board of Directors if such page is not available) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such Trading Day; or, if such price is not available, “VWAP” means the market value per ADS on such Trading Day as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Company for this purpose.

SECTION 4. *Dividends.*

(a) *Rate.* Subject to the rights of holders of any class or series of share capital ranking senior to the Preferred Shares with respect to dividends, Holders shall be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, cumulative dividends at a rate per annum as shall be determined by the Board of Directors on or before the Initial Issue Date and which shall not exceed 8.5% per annum on the Liquidation Preference per Preferred Share (the “**Dividend Rate**”), payable in cash. Declared dividends on the Preferred Shares shall be payable quarterly on each Dividend Payment Date at such annual rate, and dividends shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the Initial Issue Date, whether or not in any Dividend Period or Dividend Periods there have been funds legally available for the payment of such dividends. Declared dividends shall be payable on the relevant Dividend Payment Date to Record Holders at 5:00 p.m., New York City time, on the immediately preceding Record Date, whether or not the Preferred Shares held by such Record Holders on such Record Date are converted after such Record Date and on or prior to the immediately succeeding Dividend Payment Date. If a Dividend Payment Date is not a Business Day, payment shall be made on the next succeeding Business Day, without any interest or other payment in lieu of interest accruing with respect to this delay.

The amount of dividends payable on each Preferred Share for each full Dividend Period (after the initial Dividend Period) shall be computed by dividing the Dividend Rate by four. Dividends payable on the Preferred Shares for the initial Dividend Period and any partial Dividend Period shall be computed based upon the actual number of days elapsed during such period over a 360-day year (consisting of twelve 30-day months). Accumulated dividends shall not bear interest.

No dividend shall be declared or paid upon, or any sum of cash set apart for the payment of dividends upon, any outstanding Preferred Shares with respect to any Dividend Period unless all dividends for all preceding Dividend Periods have been declared and paid upon, or a sufficient sum of cash has been set apart for the payment of such dividends upon, all outstanding Preferred Shares.

Holders shall not be entitled to any dividends on the Preferred Shares, whether payable in cash, property or Ordinary Shares or ADSs, in excess of full cumulative dividends.

Except as described in this Section 4(a), dividends on any Preferred Shares converted to ADSs shall cease to accumulate on the Mandatory Conversion Date, the Fundamental Change Conversion Date or the Early Conversion Date (each, a “**Conversion Date**”), as applicable.

(b) *Priority of Dividends.* So long as any Preferred Share remains outstanding, no dividend or distribution shall be declared or paid on Ordinary Shares, ADSs or any other class or series of Junior Shares, and no Ordinary Shares, ADSs or any other class or series of Junior Shares shall be purchased, redeemed or otherwise acquired for consideration by the Company or any of its subsidiaries unless all accumulated and unpaid dividends for all preceding Dividend Periods have been declared and paid upon, or a sufficient sum of cash has been set apart for the payment of such dividends upon, all outstanding Preferred Shares. The foregoing limitation shall not apply to (i) any dividend or distribution payable in Ordinary Shares, ADSs or other Junior Shares; (ii) redemptions, purchases or other acquisitions of Ordinary Shares, ADSs or other Junior Shares in connection with the administration of any benefit or other incentive plan, including any employment contract, in the ordinary course of business (including purchases to offset the Share Dilution Amount pursuant to a publicly announced repurchase plan); provided that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount; (iii) any dividends or distributions of rights in connection with a shareholders’ rights plan or any redemption or repurchase of rights pursuant to any shareholders’ rights plan; (iv) purchases of Ordinary Shares, ADSs or Junior Shares pursuant to a contractually binding requirement to buy Ordinary Shares, ADSs or Junior Shares existing prior to the preceding Dividend Period, including under a contractually binding share repurchase plan; or (v) the deemed purchase or acquisition of fractional interests in Ordinary Shares, ADSs or Junior Shares pursuant to the conversion or exchange provisions of such shares or the security being converted or exchanged. The phrase “**Share Dilution Amount**” means the increase in the number of diluted shares outstanding (determined in accordance with U.S. GAAP, and as measured from the Initial Issue Date) resulting from the grant, vesting, settlement or exercise of equity-based compensation to directors, employees, agents and others and equitably adjusted for any share split, share dividend, reverse share split, reclassification or similar transaction.

When dividends on the Preferred Shares (i) have not been declared and paid in full on any Dividend Payment Date or (ii) have been declared but a sum of cash sufficient to discharge the Company’s obligations in respect thereof has not been set aside for the benefit of the Record Holders thereof on the applicable Record Date, no dividends may be declared or paid on any Parity Shares unless

dividends are declared on the Preferred Shares such that the respective amounts of such dividends declared on the Preferred Shares and such Parity Shares shall bear the same ratio to each other as all accumulated dividends and all declared and unpaid dividends per share on the Preferred Shares and such Parity Shares bear to each other; provided that any unpaid dividends on the Preferred Shares will continue to accumulate.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors may be declared and paid on any securities, including Ordinary Shares and ADSs, from time to time out of any funds legally available for such payment, and Holders shall not be entitled to participate in any such dividends.

(c) *Method of Payment of Dividends.* Any declared dividend (or any portion of any declared dividend) on the Preferred Shares, whether or not for a current Dividend Period or any prior Dividend Period, shall be paid by the Company in cash.

SECTION 5. *Liquidation, Dissolution or Winding Up.*

(a) In the event of any voluntary or involuntary liquidation, winding up or dissolution of the Company, each Holder shall be entitled to receive: (i) the Liquidation Preference per Preferred Share, plus (ii) an amount (the “**Liquidation Dividend Amount**”) equal to accumulated and unpaid dividends on such Holder’s Preferred Shares to (but excluding) the date fixed for liquidation, winding up or dissolution, to be paid out of the assets of the Company legally available for distribution to its shareholders, after satisfaction of liabilities owed to the Company’s creditors and holders of any Senior Shares, and before any payment or distribution is made to holders of Junior Shares, including Ordinary Shares and ADSs.

(b) Neither the sale of all or substantially all of the Company’s assets nor the merger or consolidation of the Company into or with any other Person or Persons, shall be deemed to be a voluntary or involuntary liquidation, winding-up or dissolution of the Company for the purposes of this Section 5.

(c) If, upon the voluntary or involuntary liquidation, winding up or dissolution of the Company, the amounts payable with respect to (1) the Liquidation Preference plus the Liquidation Dividend Amount of the Preferred Shares and (2) the liquidation preference of, and the amount of accumulated and unpaid dividends to, but excluding, the date fixed for liquidation, dissolution or winding up, on, any Parity Shares are not paid in full, the Holders and all holders of any Parity Shares shall share equally and ratably in any distribution of the Company’s assets in proportion to the respective liquidation preferences and an amount equal to the accumulated and unpaid dividends to which they are entitled.

(d) After the payment to any Holder of the full amount of the Liquidation Preference and the Liquidation Dividend Amount for each of such Holder’s Preferred Shares, such Holder as such shall have no right or claim to any of the remaining assets of the Company.

SECTION 6. *Voting Rights.*

(a) *General.* The Preferred Shares shall not confer upon the Holders thereof any voting rights or any right to appoint directors or any other right with respect to Annual Meetings and Special Meetings, including without limitation, attending, voting at or requesting to convene, such meetings or proposing matters for the agenda of such meetings, except as expressly set forth in this Section 6 or as otherwise specifically provided by Israeli law.

(b) *Other Voting Rights.* So long as any Preferred Shares are outstanding, the provisions of Article 9 and the provisions of this Section 6(b) and of Section 6(c) shall apply, such that the adoption of a resolution, by a majority of at least three-quarters in voting power of the Preferred Shares who are present, entitled to vote thereon (if any) and voting thereon, voting together as a single class, given in person or by proxy or by an Authorized Person, at a meeting of holders of Preferred Shares shall be necessary for effecting or validating:

(i) *Authorization of Senior Shares.* Any amendment or alteration of the Memorandum of Association or Articles of Association so as to authorize or create, or increase the authorized amount of, any class or series of Senior Shares;

(ii) *Amendment of the Preferred Shares.* Any amendment, alteration or repeal of any provision of the Articles of Association so as to adversely affect the special rights, preferences, privileges or voting powers of the Preferred Shares, including without limitation, the majority and quorum requirements set forth in this Section 6(b), the right to payment of additional amounts as described under Section 14 and the terms of the Preferred Shares stipulated in the form of share certificate prepared pursuant to Section 20(a) hereof;

(iii) *Share Exchanges, Reclassifications, Mergers and Consolidations.* Any consummation of a binding share exchange or reclassification involving the Preferred Shares, or of a merger or consolidation of the Company with or into another entity, unless in each case (x) the Preferred Shares remain outstanding or, in the case of any such merger or consolidation with respect to which the Company is not the surviving or resulting entity (or the Preferred Shares are otherwise exchanged or reclassified), are converted or reclassified into or exchanged for preferred shares of the surviving or resulting entity or its ultimate parent, and (y) such Preferred Shares that remain outstanding or such preferred shares, as the case may be, have rights, preferences, privileges and voting powers of the surviving or resulting entity or its ultimate parent that, taken as a whole, are not materially less favorable

to the holders thereof than the rights, preferences, privileges and voting powers, taken as a whole, of the Preferred Shares immediately prior to the consummation of such transaction;

provided, however, that (A) notwithstanding the provisions of Articles 9, 38 and 39, the legal quorum for any such meeting, including any adjourned meeting, of holders of Preferred Shares, shall be holders of Preferred Shares, present in person or by proxy or represented by their Authorized Persons, who jointly hold two-thirds or more of the Preferred Shares outstanding at the time the meeting is held; (B) for all purposes of this Section 6(b), (1) any increase in the amount of the Company's authorized Preferred Shares or the issuance of any additional Preferred Shares or (2) the authorization or creation of any class or series of Parity Shares or Junior Shares, any increase in the amount of authorized but unissued shares of such class or series of Parity Shares or Junior Shares or the issuance of additional shares of such class or series of Parity Shares or Junior Shares will be deemed not to adversely affect (or to otherwise cause to be materially less favorable) the rights, preferences, privileges or voting powers of the Preferred Shares and shall not require the consent or the adoption of a resolution by the holders of the Preferred Shares; (C) in the event of a binding share exchange or reclassification involving the Preferred Shares, or of a merger or consolidation of the Company with or into another entity, as described in Section 6(b)(iii) above in which the provisions of Section 6(b)(iii)(x) and (y) are complied with, the consent or the adoption of a resolution by the holders of the Preferred Shares shall not be required in order to effect, validate or approve such share exchange, reclassification, merger or consolidation; and (D) to the extent that, notwithstanding the provisions of immediately preceding clauses (B) and (C), the consent or approval of the holders of Preferred Shares, voting together as a single class, is nonetheless required by applicable law or the Articles of Association in such circumstances, or such consent or approval is otherwise required by applicable law or the Articles of Association with respect to any matter that is not set forth in the provisions of items (i)-(iii) of this Section 6(b), such approval or consent may be given by the adoption of a resolution, by a simple majority of the voting power of the Preferred Shares who are present, entitled to vote thereon (if any) and voting thereon, voting together as a single class, given in person or by proxy or by an Authorized Person, at a meeting of holders of Preferred Shares and the legal quorum for any such meeting shall be as set forth in Articles 38 and 39.

(c) *Procedures for Voting and Consents.* The rules and procedures for calling and conducting any meeting of the Holders (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other procedural aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Articles of Association (including the provisions of Section 6(b) above), applicable law and, if applicable, the rules of any national securities exchange or other trading facility on which the Preferred Shares are listed or traded at the time.

SECTION 7. *Mandatory Conversion on the Mandatory Conversion Date.*

(a) Each Preferred Share shall automatically convert (unless previously converted at the option of the Holder in accordance with Section 8 or pursuant to an exercise of a Fundamental Change Conversion right pursuant to Section 9) on the Mandatory Conversion Date ("**Mandatory Conversion**"), into a number of ADSs equal to the Mandatory Conversion Rate. With respect to any type of conversion of the Preferred Shares provided for hereunder (including Mandatory Conversion, Early Conversion or Fundamental Change Conversion), a portion of the premium paid for such Preferred Shares (or any other funds or reserves available to the Company at such time for such purposes) will be attributed as payment on account of the nominal (par) value of the Ordinary Shares, to the extent that the then applicable law requires that such shares are issued for no less than their nominal (par) value.

(b) The "**Mandatory Conversion Rate**," which is the number of ADSs issuable upon conversion of each Preferred Share on the Mandatory Conversion Date shall be as follows:

(i) if the Applicable Market Value is greater than the Threshold Appreciation Price, then the Mandatory Conversion Rate shall be equal to \$1,000.00 divided by the Threshold Appreciation Price (the "**Minimum Conversion Rate**");

(ii) if the Applicable Market Value is less than or equal to the Threshold Appreciation Price but equal to or greater than the Reference Price, then the Mandatory Conversion Rate per Preferred Share shall be equal to \$1,000.00 divided by the Applicable Market Value; or

(iii) if the Applicable Market Value is less than the Reference Price, then the Mandatory Conversion Rate shall be equal to \$1,000.00 divided by the Reference Price (the "**Maximum Conversion Rate**");

provided that the Fixed Conversion Rates, the Threshold Appreciation Price, the Reference Price, the Floor Price and the Applicable Market Value are each subject to adjustment in accordance with the provisions of Section 13.

(c) If, prior to the Mandatory Conversion Date, the Company has not declared all or any portion of the accumulated and unpaid dividends on the Preferred Shares, Holders shall receive a payment (the "**Mandatory Conversion Additional Conversion Amount**") equal to and in lieu of such accumulated and unpaid dividends from the Company as a portion of the consideration for the Mandatory Conversion. The Mandatory Conversion Additional Conversion Amount will be delivered, as determined in the Company's sole discretion:

(i) in cash;

(ii) by delivery of ADSs; or

(iii) by delivery of any combination of cash and ADSs.

(d) The Mandatory Conversion Additional Conversion Amount shall be delivered in cash, except to the extent the Company timely elects to make all or any portion of such payment in ADSs. The Company shall give notice to Holders of any such election and the portions of such payment that will be made in cash and in ADSs no later than 10 Scheduled Trading Days prior to the Mandatory Conversion Date; *provided* that if the Company does not provide timely notice of this election, the Company will be deemed to have elected to deliver the Mandatory Conversion Additional Conversion Amount in cash.

(e) If the Company elects to deliver the Mandatory Conversion Additional Conversion Amount, or any portion thereof, in ADSs, such shares shall be valued for such purpose, in the case of any dividend payment or portion thereof, at 97% of the Average VWAP per ADS over the five consecutive Trading Day period beginning on and including the seventh Scheduled Trading Day prior to the applicable Mandatory Conversion Date (the “**Average Price**”).

(f) To the extent that the Company, in its reasonable judgment, determines that a Shelf Registration Statement is required in connection with the issuance of, or for resales of, ADSs issued as payment of a dividend on the Preferred Shares, including dividends paid in connection with a conversion, the Company shall, to the extent such a Shelf Registration Statement is not currently filed and effective, use its commercially reasonable efforts to file and maintain the effectiveness of such a Shelf Registration Statement until the earlier of such time as all such ADSs have been resold thereunder and such time as all such shares would be freely tradable without registration by holders thereof that are not “affiliates” of the Company for purposes of the Securities Act of 1933, as amended.

(g) No fractional ADSs shall be delivered by the Company to Holders in payment or partial payment of the Mandatory Conversion Additional Conversion Amount. The Company shall instead pay a cash adjustment to each Holder that would otherwise be entitled to receive a fraction of an ADS based on the Average Price.

SECTION 8. *Early Conversion at the Option of the Holder.*

(a) Other than during a Fundamental Change Conversion Period, the Holders shall have the right to convert their Preferred Shares, in whole or in part (but in no event less than one Preferred Share), at any time prior to the Mandatory Conversion Date (“**Early Conversion**”), into ADSs at the Minimum Conversion Rate, subject to adjustment as described in Section 13 and to satisfaction of the conversion procedures set forth in Section 10.

(b) If as of any Early Conversion Date, the Company has not declared all or any portion of the accumulated and unpaid dividends for all Dividend Periods ending on a Dividend Payment Date prior to such Early Conversion Date, the Minimum Conversion Rate shall be adjusted, with respect to the relevant Early Conversion, so that the converting Holder receives an additional number of ADSs equal to the amount of undeclared, accumulated and unpaid dividends for such prior Dividend Periods (the “**Early Conversion Additional Conversion Amount**”), divided by the greater of the Floor Price and the Average VWAP per ADS over the 20 consecutive Trading Day period (the “**Early Conversion Settlement Period**”) commencing on, and including, the 22nd Scheduled Trading Day immediately preceding the Early Conversion Date (determined without regard to Section 10(f)) (such average being referred to as the “**Early Conversion Average Price**”). To the extent that the Early Conversion Additional Conversion Amount exceeds the product of the number of additional ADSs and the Early Conversion Average Price, the Company shall not have any obligation to pay the shortfall in cash. Except as described in the first sentence of this Section 8(b), upon any Early Conversion of any Preferred Shares, the Company shall make no payment or allowance for unpaid dividends on such Preferred Shares, unless such Early Conversion occurs after the Record Date for a declared dividend and on or prior to the immediately succeeding Dividend Payment Date, in which case the Company shall pay such dividend on such Dividend Payment Date to the Record Holder of the converted Preferred Shares as of such Record Date, in accordance with Section 4.

SECTION 9. *Fundamental Change Conversion.*

(a) If a Fundamental Change occurs on or prior to the Mandatory Conversion Date, the Holders shall have the right to (i) convert their Preferred Shares, in whole or in part (but in no event less than one Preferred Share) (any such conversion pursuant to this Section 9 (a) being a “**Fundamental Change Conversion**”) at any time during the period (the “**Fundamental Change Conversion Period**”) that begins on the effective date of such Fundamental Change (the “**Fundamental Change Effective Date**”) and ends at 5:00 p.m., New York City time, on the date that is 20 Business Days after the Fundamental Change Effective Date (or, if earlier, the Mandatory Conversion Date) into a number of ADSs equal to the Fundamental Change Conversion Rate per Preferred Share, (ii) with respect to such converted Preferred Shares, receive a Fundamental Change Dividend Make-Whole Amount payable in cash or in ADSs; and (iii) with respect to such converted Preferred Shares, receive the Accumulated Dividend Amount, in the case of clauses (ii) and (iii), subject to the Company’s right to deliver ADSs in lieu of all or part of such amounts as set forth in clause (d) below; *provided* that if such Fundamental Change Effective Date or the relevant Fundamental Change Conversion Date falls after the Record Date for a declared dividend and prior to the next Dividend Payment Date, the Company shall pay such dividend on such Dividend Payment Date to the Record Holders as of such Record Date, in accordance with Section 4, and such dividend shall not be included in the Accumulated Dividend Amount, and the Fundamental Change Dividend Make-Whole Amount shall not include the present value of

such dividend. With respect to any Fundamental Change, Holders who do not submit their Preferred Shares for conversion during the relevant Fundamental Change Conversion Period will not be entitled to convert their non-submitted Preferred Shares at the relevant Fundamental Change Conversion Rate or to receive the relevant Fundamental Change Dividend Make-Whole Amount or the relevant Accumulated Dividend Amount.

(b) On or before the twentieth calendar day prior to the anticipated Fundamental Change Effective Date or, if such prior notice is not practicable, no later than the second Business Day immediately following the actual Fundamental Change Effective Date, a written notice shall be sent by or on behalf of the Company, by first-class mail, postage prepaid, to the Holders. Such notice shall state:

- (i) the event causing the Fundamental Change;
- (ii) the anticipated Fundamental Change Effective Date or actual Fundamental Change Effective Date, as the case may be;
- (iii) that Holders shall have the right to effect a Fundamental Change Conversion in connection with such Fundamental Change during the Fundamental Change Conversion Period;
- (iv) the Fundamental Change Conversion Period; and
- (v) the instructions a Holder must follow to effect a Fundamental Change Conversion in connection with such Fundamental Change.

If the Company notifies Holders of a Fundamental Change later than the twentieth calendar day prior to the Fundamental Change Effective Date, the Fundamental Change Conversion Period shall be extended by a number of days equal to the number of days from, and including, the twentieth calendar day prior to such Fundamental Change Effective Date to, but excluding, the date of such notice; provided that the Fundamental Change Conversion Period shall not be extended beyond the Mandatory Conversion Date.

(c) Not later than the second Business Day following the Fundamental Change Effective Date (or, if the Company provides notice to Holders of the Fundamental Change prior to the anticipated Fundamental Change Effective Date, on the date the Company gives Holders notice of the anticipated Fundamental Change Effective Date), the Company shall notify Holders of:

- (i) the Fundamental Change Conversion Rate;
- (ii) the Fundamental Change Dividend Make-Whole Amount and whether the Company will pay such amount in cash, ADSs or a combination thereof, specifying the combination, if applicable; and
- (iii) the Accumulated Dividend Amount as of the Fundamental Change Effective Date and whether the Company will pay such amount in cash, ADSs or a combination thereof, specifying the combination, if applicable.

(d) (i) For any Preferred Shares that are converted during the Fundamental Change Conversion Period, in addition to the ADSs issued upon conversion at the Fundamental Change Conversion Rate, the Company shall at its option:

(A) pay the Holder in cash, to the extent the Company is legally permitted to do so, the present value, computed using a discount rate no less than LIBOR on the Trading Day that the offering of Preferred Shares is priced, as determined by the Board of Directors on or prior to the Initial Issue Date (the “**Discount Rate**”), of all dividend payments on the Holder’s Preferred Shares for all the remaining Dividend Periods (excluding any Accumulated Dividend Amount and declared dividends for a Dividend Period during which the Fundamental Change Effective Date falls) from and including such Fundamental Change Effective Date to but excluding the Mandatory Conversion Date (the “**Fundamental Change Dividend Make-Whole Amount**”),

(B) increase the number of ADSs to be issued on conversion by a number equal to (x) the Fundamental Change Dividend Make-Whole Amount divided by (y) the greater of the Floor Price and 97% of the Fundamental Change Share Price, or

(C) pay the Fundamental Change Dividend Make-Whole Amount in a combination of cash and ADSs in accordance with the provisions of clauses (A) and (B) immediately above.

(ii) In addition, to the extent that the Accumulated Dividend Amount exists as of the Fundamental Change Effective Date, Holders who convert Preferred Shares within the Fundamental Change Conversion Period will be entitled to receive such Accumulated Dividend Amount upon conversion. The Accumulated Dividend Amount will be payable, at the Company’s election, in:

(A) cash, to the extent the Company is legally permitted to do so,

(B) an additional number of ADSs equal to (x) the Accumulated Dividend Amount divided by (y) the greater of the Floor Price and 97% of the Fundamental Change Share Price, or

(C) a combination of cash and ADSs in accordance with the provisions of clauses (A) and (B) immediately above.

(iii) The Company shall pay the Fundamental Change Dividend Make-Whole Amount and the Accumulated Dividend Amount in cash except to the extent the Company elects on or prior to the second Business Day following the Fundamental Change Effective Date to make all or any portion of such payments in ADSs. If the Company elects to deliver ADSs in respect of

all or any portion of the Fundamental Change Dividend Make-Whole Amount or the Accumulated Dividend Amount, to the extent that the Fundamental Change Dividend Make-Whole Amount or the Accumulated Dividend Amount or any portion thereof paid in ADSs exceeds the product of the number of additional shares the Company delivers in respect thereof and 97% of the Fundamental Change Share Price, the Company shall, if it is legally able to do so, declare and pay such excess amount in cash. No such payment in cash may be made if the payment is not permitted by the Company's then existing debt instruments.

(iv) No fractional ADSs shall be delivered by the Company to converting Holders in respect of the Fundamental Change Dividend Make-Whole Amount or the Accumulated Dividend Amount. A cash adjustment shall be paid by the Company to each Holder that would otherwise be entitled to receive a fraction of an ADS based on the Average VWAP per ADS over the five consecutive Trading Day period beginning on, and including, the seventh Scheduled Trading Day immediately preceding the relevant Conversion Date (determined without regard to Section 10(f)).

SECTION 10. *Conversion Procedures.*

(a) Pursuant to Section 7, on the Mandatory Conversion Date, any outstanding Preferred Shares shall automatically convert into ADSs. The Person or Persons entitled to receive the ADSs issuable upon Mandatory Conversion of the Preferred Shares shall be treated as the record holder(s) of such ADSs as of 5:00 p.m., New York City time, on the Mandatory Conversion Date. Except as provided under Section 13(c)(iii), prior to 5:00 p.m., New York City time, on the Mandatory Conversion Date, the ADSs issuable upon conversion of the Preferred Shares shall not be deemed to be outstanding for any purpose and Holders shall have no rights with respect to such ADSs, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the ADSs, by virtue of holding the Preferred Shares.

(b) To effect an Early Conversion pursuant to Section 8, a Person who:

(i) holds a beneficial interest in a Global Preferred Share must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay all transfer or similar taxes or duties, if any; or

(ii) holds Preferred Shares in definitive, certificated form must:

(A) complete and manually sign the conversion notice on the back of the Preferred Share certificate or a facsimile of such conversion notice;

(B) deliver the completed conversion notice and the certificated Preferred Shares to be converted to the Conversion and Dividend Disbursing Agent;

(C) if required, furnish appropriate endorsements and transfer documents; and

(D) if required, pay all transfer or similar taxes or duties, if any.

The Early Conversion shall be effective on the date on which a Holder has satisfied the foregoing requirements, to the extent applicable ("**Early Conversion Date**"). A Holder shall not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of ADSs if such Holder exercises its conversion rights, but such Holder shall be required to pay any transfer or similar tax or duty that may be payable relating to any transfer involved in the issuance or delivery of ADSs in a name other than the name of such Holder. A certificate representing the ADSs issuable upon conversion shall be issued and delivered to the converting Holder or, if the Preferred Shares being converted are in book-entry form, the ADSs issuable upon conversion shall be delivered to the converting Holder through book-entry transfer through the facilities of the Depositary, in each case together with delivery by the Company to the converting Holder of any cash to which the converting Holder is entitled, on the latest of (i) the third Business Day immediately succeeding the Early Conversion Date, (ii) the third Business Day immediately succeeding the last day of the Early Conversion Settlement Period and (iii) the Business Day after the Holder has paid in full all applicable taxes and duties, if any.

The Person or Persons entitled to receive the ADSs issuable upon Early Conversion shall be treated for all purposes as the record holder(s) of such ADSs as of 5:00 p.m., New York City time, on the applicable Early Conversion Date. Except as set forth in Section 13(c)(iii), prior to 5:00 p.m., New York City time on such applicable Early Conversion Date, the ADSs issuable upon conversion of any Preferred Shares shall not be deemed to be outstanding for any purpose, and Holders shall have no rights with respect to such ADSs (including voting rights, rights to respond to tender offers for the ADSs and rights to receive any dividends or other distributions on the ADSs) by virtue of holding Preferred Shares.

In the event that an Early Conversion is effected with respect to Preferred Shares constituting fewer than all the Preferred Shares held by a Holder, upon such Early Conversion the Company shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Company, a certificate evidencing the Preferred Shares as to which Early Conversion was not effected, or, if the Preferred Shares are held in book-entry form, the Company shall cause the Transfer Agent and Registrar to reduce the number of Preferred Shares represented by the global certificate by making a notation on a schedule attached to the global certificate or otherwise notate such reduction in the register maintained by such Transfer Agent and Registrar.

(c) To effect a Fundamental Change Conversion pursuant to Section 9, a Person who:

(i) holds a beneficial interest in a Global Preferred Share must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay all transfer or similar taxes or duties, if any; or

(ii) holds Preferred Shares in definitive, certificated form must:

(A) complete and manually sign the conversion notice on the back of the Preferred Shares certificate or a facsimile of such conversion notice;

(B) deliver the completed conversion notice and the certificated Preferred Shares to be converted to the Conversion and Dividend Disbursing Agent;

(C) if required, furnish appropriate endorsements and transfer documents; and

(D) if required, pay all transfer or similar taxes or duties, if any.

The Fundamental Change Conversion shall be effective on the date on which a Person has satisfied the foregoing requirements, to the extent applicable (the “**Fundamental Change Conversion Date**”). A Holder shall not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of ADSs if such Holder exercises its conversion rights, but such Holder shall be required to pay any transfer or similar tax or duty that may be payable relating to any transfer involved in the issuance or delivery of ADSs in a name other than the name of such Holder. A certificate representing the ADSs issuable upon conversion shall be issued and delivered to the converting Holder or, if the Preferred Shares being converted are in book-entry form, the ADSs issuable upon conversion shall be delivered to the converting Holder through book-entry transfer through the facilities of the Depository, in each case together with delivery by the Company to the converting Holder of any cash to which the converting Holder is entitled, on the later of the third Business Day immediately succeeding the Fundamental Change Conversion Date and the Business Day after the Holder has paid in full all applicable taxes and duties, if any.

The Person or Persons entitled to receive the ADSs issuable upon such Fundamental Change Conversion shall be treated for all purposes as the record holder(s) of such ADSs as of 5:00 p.m., New York City time, on the applicable Fundamental Change Conversion Date. Except as set forth in Section 13(c)(iii), prior to 5:00 p.m., New York City time on such applicable Fundamental Change Conversion Date, the ADSs issuable upon conversion of any Preferred Shares shall not be deemed to be outstanding for any purpose, and Holders shall have no rights with respect to the ADSs (including voting rights, rights to respond to tender offers for the ADSs and rights to receive any dividends or other distributions on the ADSs) by virtue of holding Preferred Shares.

In the event that a Fundamental Change Conversion is effected with respect to Preferred Shares constituting fewer than all the Preferred Shares held by a Holder, upon such Fundamental Change Conversion the Company shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Company, a certificate evidencing the Preferred Shares as to which Fundamental Change Conversion was not effected, or, if the Preferred Shares are held in book-entry form, the Company shall cause the Transfer Agent and Registrar to reduce the number of Preferred Shares represented by the global certificate by making a notation on a schedule attached to the global certificate or otherwise notate such reduction in the register maintained by such Transfer Agent and Registrar.

(d) In the event that a Holder shall not by written notice designate the name in which ADSs to be issued upon conversion of the Preferred Shares should be registered or, if applicable, the address to which the certificate or certificates representing such ADSs should be sent, the Company shall be entitled to register such shares, and make such payment, in the name of the Holder as shown on the records of the Company and, if applicable, to send the certificate or certificates representing such ADSs to the address of such Holder shown on the records of the Company.

(e) Converted Preferred Shares shall cease to be outstanding on the applicable Conversion Date, subject to the right of Holders of such shares to receive ADSs issuable upon conversion of such Preferred Shares and other amounts and ADSs, if any, to which they are entitled pursuant to Sections 7, 8 or 9, as applicable and, if the applicable Conversion Date occurs after the Record Date for a declared dividend and prior to the immediately succeeding Dividend Payment Date, subject to the right of the Record Holders of such shares on such Record Date to receive payment of such declared dividend on such Dividend Payment Date pursuant to Section 4.

(f) Notwithstanding anything to the contrary set forth in this Exhibit A, in accordance with the regulations of the Tel Aviv Stock Exchange Ltd. (“**TASE**”), if any Conversion Date would otherwise take place on the “record date” (as such term is defined in the TASE’s regulations) for the distribution of dividends or bonus shares, a rights offering, a split or reverse split of the Company’s share capital, or a capital reduction (each of the foregoing a “**Company Event**”), such Conversion Date shall be postponed to the following “trading day” (as such term is defined in the TASE’s regulations). In addition, if the “ex day” (as such term is defined in the TASE’s regulations) in respect of a Company Event occurs prior to the “record date” therefor, any Conversion Date that would otherwise take place on such “ex day” shall be postponed to the following “trading day.”

SECTION 11. *Reservation of Ordinary Shares and ADSs.*

(a) The Company shall at all times reserve and keep available out of its registered (authorized) and unissued Ordinary Shares, solely for issuance of ADSs issuable upon the conversion of Preferred Shares as herein provided, free from any preemptive or other similar rights, a number of Ordinary Shares equal to the product of the Maximum Conversion Rate then in effect and the number of Preferred Shares then outstanding. For purposes of this Section 11(a), the number of ADSs that shall be deliverable upon the conversion

of all outstanding Preferred Shares shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(b) The Company will (i) deposit or cause to be deposited with the ADS Depository in accordance with the terms of the Deposit Agreement Ordinary Shares represented by the ADSs issuable upon conversion of the Preferred Shares, or as otherwise required to be delivered as provided herein and (ii) comply with the applicable terms of the Deposit Agreement so that ADSs representing such Ordinary Shares will be executed by the ADS Depository and delivered to the holders of Preferred Shares as required hereby and the Deposit Agreement.

(c) All Ordinary Shares delivered to the ADS Depository under the Deposit Agreement for the issuance and delivery of ADSs upon conversion of Preferred Shares, or other payments of ADSs as provided herein, shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(d) Prior to the delivery of any securities that the Company shall be obligated to deliver upon conversion of the Preferred Shares, the Company shall use reasonable best efforts to comply with all applicable U.S. federal and state and Israeli laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(e) If at any time the ADSs shall be listed on the New York Stock Exchange or any other U.S. national securities exchange or automated quotation system, the Company shall, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, all ADSs issuable upon conversion of, or issuable in respect of the payment of the Accumulated Dividend Amount or the Fundamental Change Dividend Make-Whole Amount on, the Preferred Shares.

(f) In the event that Ordinary Shares cease to be represented by ADSs issued under the Deposit Agreement or another depository receipt program sponsored by the Company, or the ADSs cease to be listed on the New York Stock Exchange (and are not at that time listed on The NASDAQ Global Select Market or The NASDAQ Global Market or another U.S. national securities exchange), all references herein to ADSs or American Depositary Shares will be deemed to have been replaced by a reference to:

(i) the number of Ordinary Shares corresponding to the ADSs on the last day on which the ADSs were listed on the New York Stock Exchange (or such other U.S. national stock exchange); and

(ii) as adjusted, pursuant to the adjustment provisions contained in Section 13, for any other property the ADSs represented as if the other property has been distributed to holders of Ordinary Shares on that day.

SECTION 12. *Fractional ADSs.*

(a) No fractional Ordinary Shares or ADSs shall be issued as a result of any conversion of Preferred Shares, and the number of Ordinary Shares or ADSs to be issued shall be rounded down to the nearest whole number of Ordinary Shares or ADSs (with payment therefor to be made under Section 12(b)).

(b) In lieu of any fractional ADS otherwise issuable in respect of any mandatory conversion pursuant to Section 7 or a conversion at the option of the Holder pursuant to Section 8 or Section 9, the Company shall pay an amount in cash (computed to the nearest cent) equal to the product of (i) that same fraction and (ii) the Average VWAP of the ADSs over the five consecutive Trading Day period beginning on, and including, the seventh Scheduled Trading Day immediately preceding the Mandatory Conversion Date, Fundamental Change Conversion Date or Early Conversion Date, as applicable (determined without regard to Section 10(f)).

(c) If more than one Preferred Share is surrendered for conversion at one time by or for the same Holder, the number of full ADSs issuable upon conversion thereof shall be computed on the basis of the aggregate number of Preferred Shares so surrendered.

SECTION 13. *Anti-Dilution Adjustments to the Fixed Conversion Rates.*

(a) Each Fixed Conversion Rate shall be subject to the following adjustments:

(i) *Share Dividends and Distributions.* If the Company issues Ordinary Shares to all holders of Ordinary Shares as a dividend or other distribution, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for determination of the holders of Ordinary Shares entitled to receive such dividend or other distribution shall be multiplied by a fraction:

(A) the numerator of which is the sum of the number of Ordinary Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the total number of Ordinary Shares constituting such dividend or other distribution, and

(B) the denominator of which is the number of Ordinary Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination.

Subject to the provisions of Section 13(a)(iv)(E), any adjustment made pursuant to this clause (i) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for such determination. If any dividend or distribution described in this clause (i) is declared but not so paid or made, each Fixed Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay or make such dividend or distribution, to such Fixed Conversion Rate that would be in effect if such dividend or distribution had not been declared. For the purposes of this clause (i), the number of Ordinary Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination shall not include shares that the Company holds in treasury and which do not confer upon the holder thereof any dividend or distribution rights. For so long as any Preferred Shares are outstanding, the Company shall not pay any dividend or make any other distribution on Ordinary Shares that it holds in treasury, except for dividends and distributions on Ordinary Shares held by any of the Company's subsidiaries, which confer upon the holder thereof dividend rights.

(ii) *Issuance of Share Purchase Rights.* If the Company issues to all holders of Ordinary Shares rights or warrants (other than rights or warrants issued pursuant to a dividend reinvestment plan or share purchase plan or other similar plans), entitling such holders, for a period of up to 45 calendar days from the date of issuance of such rights or warrants, to subscribe for or purchase Ordinary Shares at a price per share less than the Ordinary Share Current Market Price, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for determination of the holders of Ordinary Shares entitled to receive such rights or warrants shall be increased by multiplying such Fixed Conversion Rate by a fraction:

(A) the numerator of which is the sum of the number of Ordinary Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the number of Ordinary Shares issuable or deliverable upon the exercise of such rights or warrants, and

(B) the denominator of which shall be the sum of the number of Ordinary Shares outstanding at 5:00 p.m., New York City time, on the date fixed for such determination and the number of Ordinary Shares equal to the quotient of the aggregate offering price payable to exercise such rights or warrants divided by the Ordinary Share Current Market Price.

Subject to the provisions of Section 13(a)(iv)(E), any adjustment made pursuant to this clause (ii) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for such determination. In the event that such rights or warrants described in this clause (ii) are not so issued, each Fixed Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue such rights or warrants, to such Fixed Conversion Rate that would then be in effect if such issuance had not been declared. To the extent that such rights or warrants are not exercised prior to their expiration or Ordinary Shares are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, each Fixed Conversion Rate shall be readjusted to such Fixed Conversion Rate that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of Ordinary Shares actually delivered. In determining whether any rights or warrants entitle the holders thereof to subscribe for or purchase Ordinary Shares at less than the Ordinary Share Current Market Price, and in determining the aggregate offering price payable to exercise such rights or warrants, there shall be taken into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined in good faith by the Board of Directors, which determination shall be final). For the purposes of this clause (ii), the number of Ordinary Shares at the time outstanding shall not include shares that the Company holds in treasury and which do not confer upon the holder thereof any right to participate in the issuance of such rights or warrants. For so long as any Preferred Shares are outstanding, the Company shall not issue any such rights or warrants in respect of Ordinary Shares that the Company holds in treasury, except in respect of Ordinary Shares held by any of the Company's subsidiaries, which confer upon the holder thereof the right to participate in the issuance of such rights or warrants.

(iii) *Subdivisions and Combinations of the Ordinary Shares.* If outstanding Ordinary Shares shall be subdivided into a greater number of Ordinary Shares or combined into a lesser number of Ordinary Shares, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the effective date of such subdivision or combination shall be multiplied by a fraction:

(A) the numerator of which is the number of Ordinary Shares that would be outstanding immediately after, and solely as a result of, such subdivision or combination, and

(B) the denominator of which is the number of Ordinary Shares outstanding immediately prior to such subdivision or combination. Any adjustment made pursuant to this clause (iii) shall become effective immediately after 5:00 p.m., New York City time, on the effective date of such subdivision or combination.

(iv) *Debt or Asset Distribution.*

(A) If the Company distributes to all holders of Ordinary Shares evidences of its indebtedness, shares of its share capital, securities, rights to acquire shares of the Company's share capital, cash (other than Ordinary Dividends) or other assets (excluding (1) any dividend or distribution covered by Section 13(a)(i) or 13(a)(iii), (2) any rights or warrants covered by Section 13(a)(ii), (3) any dividend or distribution covered by Section 13(a)(v) and (4) any Spin-Off to which the provisions set forth in Section 13(a)(iv)(B) apply), each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for the determination of holders of Ordinary Shares entitled to receive such distribution shall be multiplied by a fraction:

(1) the numerator of which is the Ordinary Share Current Market Price, and

(2) the denominator of which is the Ordinary Share Current Market Price minus the Fair Market Value, on such date fixed for determination, of the portion of the evidences of indebtedness, shares of the Company's share capital, securities, rights to acquire shares of the Company's share capital, cash (other than Ordinary Dividends) or other assets so distributed applicable to one Ordinary Share.

(B) In the case of a Spin-Off, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for the determination of holders of Ordinary Shares entitled to receive such distribution shall be multiplied by a fraction:

(1) the numerator of which is the sum of (x) the Ordinary Share Current Market Price and (y) the Fair Market Value of the portion of those shares of share capital or similar equity interests so distributed that is applicable to one Ordinary Share as of the 15th Trading Day after the effective date for such distribution (or, if such shares of share capital or equity interests are listed on a U.S. national or regional securities exchange, the Current Market Price of such securities), and

(2) the denominator of which is the Ordinary Share Current Market Price.

(C) Any adjustment made pursuant to this clause (iv) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for the determination of the holders of Ordinary Shares entitled to receive such distribution. In the event that such distribution described in this clause (iv) is not so made, each Fixed Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such distribution, to such Fixed Conversion Rate that would then be in effect if such distribution had not been declared. If an adjustment to each Fixed Conversion Rate is required under this clause (iv) during any Settlement Period or Early Conversion Settlement Period in respect of Preferred Shares that have been tendered for conversion, delivery of the ADSs issuable upon conversion shall be delayed to the extent necessary in order to complete the calculations provided for in this clause (iv).

(D) For purposes of this clause (iv) (and subject in all respects to clause (ii)), rights, options or warrants distributed by the Company to all holders of its Ordinary Shares entitling them to subscribe for or purchase shares of the Company's share capital, including, but not limited to, Ordinary Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such Ordinary Shares; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Ordinary Shares, shall be deemed not to have been distributed for purposes of this clause (iv) (and no adjustment to the Fixed Conversion Rates under this clause (iv) shall be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Fixed Conversion Rates shall be made under this clause (iv).

If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the Initial Issue Date, is subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and the date fixed for the determination of the holders of Ordinary Shares entitled to receive such distribution with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Fixed Conversion Rates under this clause (iv) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Fixed Conversion Rates shall be readjusted as if such rights, options or warrants had not been issued and (y) the Fixed Conversion Rates shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of Ordinary Shares with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all

holders of Ordinary Shares as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any

holders thereof, the Fixed Conversion Rates shall be readjusted as if such rights, options and warrants had not been issued. For purposes of clause (1) of the immediately preceding sentence, any rights that have become void by reason of the actions or status of the holder(s) thereof shall not be included in determining whether all rights have been redeemed or purchased.

(E) For purposes of clause (i), clause (ii) and this clause (iv), if any dividend or distribution to which this clause (iv) is applicable includes one or both of:

(I) a dividend or distribution of Ordinary Shares to which clause (i) is applicable (the “**Clause I Distribution**”);
or

(II) an issuance of rights or warrants to which clause (ii) is applicable (the “**Clause II Distribution**”),

then (1) such dividend or distribution, other than the Clause I Distribution, if any, and the Clause II Distribution, if any, shall be deemed to be a dividend or distribution to which this clause (iv) is applicable (the “**Clause IV Distribution**”) and any Fixed Conversion Rate adjustment required by this clause (iv) with respect to such Clause IV Distribution shall then be made, and (2) the Clause I Distribution, if any, and Clause II Distribution, if any, shall be deemed to immediately follow the Clause IV Distribution and any Fixed Conversion Rate adjustment required by clause (i) and clause (ii) with respect thereto shall then be made, except that, if determined by the Company (x) the date fixed for determination of the holders of Ordinary Shares entitled to receive any Clause I Distribution or Clause II Distribution shall be deemed to be the date fixed for the determination of holders of Ordinary Shares entitled to receive the Clause IV Distribution and (y) any Ordinary Shares included in any Clause I Distribution or Clause II Distribution shall be deemed not to be “**outstanding at 5:00 p.m., New York City time, on the date fixed for such determination**” within the meaning of clauses (i) and (ii).

(v) *Cash Distributions.* If the Company pays or makes a dividend or other distribution consisting exclusively of cash to all holders of Ordinary Shares other than a regular, quarterly dividend the gross amount of which does not exceed \$0.34 per Ordinary Share (the “**Initial Dividend Threshold**” and any such dividends, “**Ordinary Dividends**”), excluding (1) any cash that is distributed in a Reorganization Event to which Section 13(e) applies, (2) any dividend or other distribution in connection with the voluntary or involuntary liquidation, dissolution or winding up of the Company and (3) any consideration payable as part of a tender or exchange offer by the Company or any subsidiary of the Company covered by Section 13(a)(vi)), each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date fixed for determination of the holders of Ordinary Shares entitled to receive such dividend or other distribution shall be multiplied by a fraction:

(1) the numerator of which is the Ordinary Share Current Market Price minus the Initial Dividend Threshold (provided that if the distribution is not a regular, quarterly cash dividend, the Initial Dividend Threshold will be deemed to be zero), and

(2) the denominator of which is the Ordinary Share Current Market Price minus the amount per Ordinary Share of such dividend or other distribution.

Any adjustment made pursuant to this clause (v) shall become effective immediately after 5:00 p.m., New York City time, on the date fixed for the determination of the holders of Ordinary Shares entitled to receive such dividend or other distribution. In the event that any dividend or other distribution described in this clause (v) is not so paid or made, each Fixed Conversion Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or make such distribution, to such Fixed Conversion Rate which would then be in effect if such dividend or other distribution had not been declared.

The Initial Dividend Threshold is subject to adjustment in a manner inversely proportional to adjustments to the Fixed Conversion Rates; provided that no adjustment will be made to the Initial Dividend Threshold for any adjustment to the Fixed Conversion Rates pursuant to this clause (v).

(vi) *Self Tender Offers and Exchange Offers.* If the Company or any subsidiary of the Company successfully completes a tender or exchange offer pursuant to a Schedule TO or registration statement on Form F-4 for Ordinary Shares or ADSs (excluding any securities convertible or exchangeable for Ordinary Shares or ADSs), where the cash and the value of any other consideration included in the payment per Ordinary Share or ADS exceeds the Ordinary Share Current Market Price, each Fixed Conversion Rate in effect at 5:00 p.m., New York City time, on the date of expiration of the tender or exchange offer (the “**Expiration Date**”) shall be multiplied by a fraction:

(A) the numerator of which shall be equal to the sum of:

(1) the aggregate cash and Fair Market Value on the Expiration Date of any other consideration paid or payable for Ordinary Shares or ADSs purchased in such tender or exchange offer; and

(2) the product of (I) the Ordinary Share Current Market Price and (II) (x) the number of Ordinary Shares outstanding at the time such tender or exchange offer expires less (y) any purchased Ordinary Shares and ADSs; and

(B) the denominator of which shall be equal to the product of (I) the Ordinary Share Current Market Price and (II) the number of Ordinary Shares outstanding at the time such tender or exchange offer expires, including any purchased Ordinary Shares and ADSs.

Any adjustment made pursuant to this clause (vi) shall become effective immediately after 5:00 p.m., New York City time, on the 10th Trading Day immediately following the Expiration Date but will be given effect as of 9:00 a.m., New York City time, on the Expiration Date. In the event that the Company or one of its subsidiaries is obligated to purchase Ordinary Shares or ADSs pursuant to any such tender offer or exchange offer, but the Company or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then each Fixed Conversion Rate shall be readjusted to be such Fixed Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this clause (vi) to any tender offer or exchange offer would result in a decrease in each Fixed Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this clause (vi). If an adjustment to each Fixed Conversion Rate is required pursuant to this clause (vi) during any Settlement Period or Early Conversion Settlement Period in respect of the Preferred Shares that have been tendered for conversion, delivery of the related conversion consideration shall be delayed to the extent necessary in order to complete the calculations provided for in this clause (vi).

(vii) *Fair Market Value in Excess of Ordinary Share Current Market Price.* Except with respect to a Spin-Off, in cases as to which Section 13(a)(iv) or Section 13(a)(v) applies where the Fair Market Value of the evidences of the Company's indebtedness, shares of share capital, securities, rights to acquire shares of the Company's share capital, cash or other assets applicable to one Ordinary Share distributed to holders of Ordinary Shares equals or exceeds the Ordinary Share Current Market Price (as determined for purposes of calculating the conversion rate adjustment pursuant to Section 13(a)(iv) or Section 13(a)(v)), rather than being entitled to an adjustment in each Fixed Conversion Rate, Holders shall be entitled to receive upon conversion, in addition to a number of Ordinary Shares otherwise deliverable on the applicable Conversion Date, the kind and amount of the evidences of the Company's indebtedness, shares of share capital, securities, rights to acquire shares of the Company's share capital, cash or other assets comprising the distribution that such Holder would have received if such Holder had owned immediately prior to the record date for determining the holders of Ordinary Shares entitled to receive the distribution, for each Preferred Share, a number of ADSs equal to the Maximum Conversion Rate in effect on the date of such distribution.

(viii) *Rights Plans.* To the extent that the Company has a rights plan in effect with respect to the Ordinary Shares or ADSs on any Conversion Date, upon conversion of any Preferred Shares, converting Holders shall receive, in addition to the ADSs, the rights under such rights plan, unless, prior to such Conversion Date, the rights have separated from the Ordinary Shares or ADSs, as applicable, in which case each Fixed Conversion Rate shall be adjusted at the time of separation of such rights as if the Company made a distribution to all holders of the Ordinary Shares as described in Section 13(a)(iv), subject to readjustment in the event of the expiration, termination or redemption of such rights. Any distribution of rights or warrants pursuant to a rights plan that would allow Holders to receive upon conversion, in addition to any ADSs, the rights described therein (unless such rights or warrants have separated from the Ordinary Shares or ADSs) shall not constitute a distribution of rights or warrants that would entitle Holders to an adjustment to the Fixed Conversion Rates.

(b) *Adjustment for Tax Reasons.* The Company may make such increases in each Fixed Conversion Rate, in addition to any other increases required by this Section 13, as the Company deems advisable to avoid or diminish any income tax to holders of the Ordinary Shares or ADSs resulting from any dividend or distribution of Ordinary Shares (or issuance of rights or warrants to acquire Ordinary Shares) or from any event treated as such for income tax purposes or for any other reasons; provided that the same proportionate adjustment must be made to each Fixed Conversion Rate.

(c) *Calculation of Adjustments; Adjustments to Threshold Appreciation Price, Reference Price and Fundamental Change Share Price.*

(i) All adjustments to each Fixed Conversion Rate shall be calculated to the nearest 1/10,000th of an ADS. Prior to the Mandatory Conversion Date, no adjustment in a Fixed Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least one percent therein. If any adjustment by reason of this Section 13(c)(i) is not required to be made, such adjustment shall be carried forward and taken into account in any subsequent adjustment; provided, however, that on the earlier of the Mandatory Conversion Date, an Early Conversion Date and a Fundamental Change Effective Date, adjustments to each Fixed Conversion Rate shall be made with respect to any such adjustment carried forward that has not been taken into account before such date.

(ii) If an adjustment is made to the Fixed Conversion Rates pursuant to Sections 13(a) or 13(b), (x) an inversely proportional adjustment shall also be made to the Threshold Appreciation Price and the Reference Price solely for purposes of determining which of clauses (i), (ii) and (iii) of Section 7(b) shall apply on the Mandatory Conversion Date and (y) an inversely proportional adjustment will also be made to the Floor Price. Such adjustment shall be made by multiplying each of the Threshold Appreciation Price and the Reference Price by a fraction, the numerator of which shall be either Fixed Conversion Rate immediately before

such adjustment pursuant to Sections 13(a) or 13(b) and the denominator of which shall be such Fixed Conversion Rate immediately after such adjustment. Whenever any provision of this Exhibit A requires the Company or the

Board of Directors to calculate the VWAP per ADS over a span of multiple days, the Board of Directors shall make appropriate adjustments (including, without limitation, to the Applicable Market Value, the Early Conversion Average Price, the Ordinary Share Current Market Price and the Average Price (as the case may be)) to account for any adjustments to the Reference Price, the Threshold Appreciation Price, the Floor Price and the Fixed Conversion Rates (as the case may be) that become effective, or any event that would require such an adjustment if the Ex-Date, Fundamental Change Effective Date or Expiration Date (as the case may be) of such event occurs, during the relevant period used to calculate such prices or values (as the case may be).

(iii) If:

(A) the record date for a dividend or distribution on Ordinary Shares occurs after the end of the 20 consecutive Trading Day period used for calculating the Applicable Market Value and before the Mandatory Conversion Date; and

(B) such dividend or distribution would have resulted in an adjustment of the number of Ordinary Shares represented by the ADSs issuable to the Holders had such record date occurred on or before the last Trading Day of such 20 consecutive Trading Day period, then the Company shall deem the Holders to be holders of record, for each of their Preferred Shares, of ADSs representing a number of Ordinary Shares equal to the Mandatory Conversion Rate for purposes of that dividend or distribution. In this case, the Holders would receive the dividend or distribution on Ordinary Shares represented by the ADSs together with the number of Ordinary Shares represented by the ADSs issuable upon the Mandatory Conversion Date.

(iv) If an adjustment is made to the Fixed Conversion Rates pursuant to Sections 13(a) or 13(b), a proportional adjustment shall be made to each Fundamental Change Share Price column heading set forth in the table referenced in the definition of “**Fundamental Change Conversion Rate**” as of the day on which the Fixed Conversion Rates are so adjusted. Such adjustment shall be made by multiplying each Fundamental Change Share Price included in such table, applicable immediately prior to such adjustment, by a fraction, the numerator of which is the Minimum Conversion Rate immediately prior to the adjustment giving rise to such Fundamental Change Share Price adjustment, and the denominator of which is the Minimum Conversion Rate as so adjusted.

(v) Notwithstanding anything herein to the contrary, no adjustment to the Fixed Conversion Rates shall be made if Holders may participate, at the same time, upon the same terms and otherwise on the same basis as holders of Ordinary Shares or ADSs and solely as a result of holding Preferred Shares, in the transaction that would otherwise give rise to an adjustment as if they held, for each Preferred Share, ADSs representing a number of Ordinary Shares equal to the Maximum Conversion Rate then in effect. In addition, the Fixed Conversion Rates shall not be adjusted:

(A) upon the issuance of any Ordinary Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company’s securities and the investment of additional optional amounts in Ordinary Shares or ADSs under any plan;

(B) upon the issuance of any Ordinary Shares or ADSs or rights or warrants to purchase those shares pursuant to any present or future benefit or other incentive plan or program of or assumed by the Company or any of its subsidiaries;

(C) upon the issuance of any Ordinary Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the Initial Issue Date;

(D) for a change solely in the nominal (par) value of the Ordinary Shares;

(E) for share repurchases that are not tender offers, including structured or derivative transactions; or

(F) for accumulated and unpaid dividends on the Preferred Shares, except as provided under Sections 7, 8 and 9.

(vi) The Fixed Conversion Rates reflect that as of the date of this Exhibit A, each ADS represents one Ordinary Share. If the number of Ordinary Shares represented by each ADS changes, the Fixed Conversion Rates will be adjusted proportionately.

(d) *Notice of Adjustment.* Whenever the Fixed Conversion Rates and the Fundamental Change Conversion Rates set forth in the table referenced in the definition of “**Fundamental Change Conversion Rate**” are to be adjusted, the Company shall:

(i) compute such adjusted Fixed Conversion Rates and Fundamental Change Conversion Rates and prepare and transmit to the Transfer Agent an Officers’ Certificate setting forth such adjusted Fixed Conversion Rates and Fundamental Change Conversion Rates, the method of calculation thereof in reasonable detail and the facts requiring such adjustment and upon which such adjustment is based;

(ii) within 10 Business Days following the occurrence of an event that requires an adjustment to the Fixed Conversion Rates and the Fundamental Change Conversion Rates, provide, or cause to be provided, a written notice to the Holders of the occurrence of such adjustment; and

(iii) as soon as practicable following the determination of such adjusted Fixed Conversion Rates and Fundamental Change Conversion Rates provide, or cause to be provided, to the Holders a statement setting forth in reasonable detail the method by

which the adjustments to the Fixed Conversion Rates and Fundamental Change Conversion Rates were determined and setting forth such adjusted Fixed Conversion Rates and Fundamental Change Conversion Rates.

(e) *Reorganization Events*. In the event of:

(i) any consolidation or merger of the Company with or into another Person (other than a merger or consolidation in which the Company is the continuing Company and in which the Ordinary Shares outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of the Company or another Person);

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Company;

(iii) any reclassification of Ordinary Shares into securities including securities other than Ordinary Shares; or

(iv) any statutory exchange of securities of the Company with another Person (other than in connection with a merger or acquisition),

in each case, as a result of which the Ordinary Shares would be converted into, or exchanged for, securities, cash or other property (each, a “**Reorganization Event**”), each Preferred Share outstanding immediately prior to such Reorganization Event shall, without the consent of the Holders, become convertible into the kind of securities, cash and other property that such Holder would have been entitled to receive if such Holder had converted its Preferred Shares into ADSs immediately prior to such Reorganization Event (such securities, cash and other property, the “**Exchange Property**,” with each “**Unit of Exchange Property**” meaning the kind and amount of such Exchange Property that a Holder of one Ordinary Share is entitled to receive). For purposes of the foregoing, the type and amount of Exchange Property in the case of any Reorganization Event that causes the Ordinary Shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) shall be deemed to be the weighted average of the types and amounts of consideration received by the holders of Ordinary Shares that affirmatively make such an election (or of all holders of Ordinary Shares if none makes an election). The Company shall notify Holders of the weighted average as soon as practicable after such determination is made. The number of Units of Exchange Property for each Preferred Share converted following the effective date of such Reorganization Event shall be determined as if references in Section 7, Section 8 and Section 9 to Ordinary Shares or ADSs were to Units of Exchange Property (without any interest thereon and without any right to dividends or distributions thereon which have a record date that is prior to such Conversion Date, except as provided in Section 13(c)(iii)). For the purpose of determining which of clauses (i), (ii) and (iii) of Section 7(b) shall apply upon Mandatory Conversion, and for the purpose of calculating the Mandatory Conversion Rate if clause (ii) of Section 7(b) is applicable, the value of a Unit of Exchange Property shall be determined in good faith by the Board of Directors (which determination will be final), except that if a Unit of Exchange Property includes ordinary shares, depositary receipts or other securities representing common equity interests that are traded on a U.S. national securities exchange, the value of such ordinary shares, depositary receipts or other securities representing common equity interests shall be the average over the 20 consecutive Trading Day period beginning on, and including, the 22nd Scheduled Trading Day immediately preceding the Mandatory Conversion Date (determined without regard to Section 10(f)) of the volume weighted average prices for such ordinary shares, depositary receipts or other securities representing common equity interests, as displayed on the applicable Bloomberg screen (as determined in good faith by the Board of Directors (which determination will be final)); or, if such price is not available, the average market value per share of such ordinary shares, depositary receipts or other securities representing common equity interests over such period as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Company for this purpose.

The above provisions of this Section 13(e) shall similarly apply to successive Reorganization Events and the provisions of Section 13 shall apply to any shares of the share capital or depositary receipts of the Company (or any successor thereto) received by the holders of Ordinary Shares in any such Reorganization Event.

The Company (or any successor thereto) shall, as soon as reasonably practicable (but in any event within 20 calendar days) after the occurrence of any Reorganization Event, provide written notice to the Holders of such occurrence and of the kind and amount of the cash, securities or other property that constitute the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 13(e).

SECTION 14. *Payment of Additional Amounts—Change in Tax Law.*

(a) The Company shall make all payments on the Preferred Shares (including but not limited to any payments of dividends and cash in lieu of any fractional ADSs upon conversion) without deduction or withholding for any taxes, assessments or other governmental charges imposed by any jurisdiction where the Company is incorporated or tax resident, as the case may be, or a jurisdiction in which a successor to the Company is incorporated or tax resident (each, a “**Taxing Jurisdiction**”) unless the deduction or withholding is required by law.

(b) If, as a result of a Change in Tax Law, a Taxing Jurisdiction requires that the Company deducts or withholds any taxes, assessments or other governmental charges from payments on or with respect to the Preferred Shares, the Company shall pay any additional amounts necessary to make the net amount paid to a Holder or beneficial owner equal the amount that such Holder or beneficial owner would have received in the absence of such deduction or withholding, provided that such additional amounts shall only be paid in respect of payments to a Holder or beneficial owner that were eligible to be made without deduction or withholding for any taxes, assessment or other governmental changes in the absence of such Change in Tax Law. Notwithstanding the foregoing, in no case shall any additional amounts be paid on account of:

(i) the amount of any tax, assessment or other governmental charge that is payable only because a type of connection exists between the Holder or beneficial owner of the Preferred Share and a Taxing Jurisdiction, other than a connection related solely to purchase or ownership of Preferred Shares;

(ii) the amount of any tax, assessment or other governmental charge that is payable only because the Holder or beneficial owner presented the Preferred Shares for payment more than 30 days after the date on which the relevant payment becomes due or was provided for, whichever is later;

(iii) any estate, inheritance, gift, sale, transfer, excise, personal property or similar tax, duty, assessment or other governmental charge;

(iv) the amount of any tax, assessment or other governmental charge that is imposed or withheld due to the Holder or beneficial owner of the Preferred Shares failing to accurately comply with a request from the Company for any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection of the Holder or beneficial owner of the Preferred Shares with the relevant Taxing Jurisdiction if compliance is required by law, regulation or an applicable income tax treaty, as a precondition to exemption from, or reduction in the rate of, such tax, assessment or other governmental charge;

(v) the amount of any tax, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on or with respect to the Preferred Shares;

(vi) any taxes payable under Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended, as of the Initial Issue Date (or any amended or successor version), any regulations or official interpretations thereof, any intergovernmental agreement entered into in connection therewith, or any law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of such Code;

(vii) any payment to any Holder or beneficial owner of Preferred Shares that is a fiduciary or partnership or a Person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of the Preferred Shares;

(viii) any withholding or deduction that is imposed on a payment to or for the benefit of an individual and required to be made pursuant to the European Council Directive 2014/48/EU (as amended from time to time) or any law implementing or complying with or introduced in order to conform to such Directive; or

(ix) any combination of the withholdings, taxes, assessments or other governmental charges described in clauses (i) through (viii) above.

SECTION 15. *Transfer Agent, Registrar, and Conversion and Dividend Disbursing Agent.* On or prior to the Initial Issue Date, the Company shall appoint a duly appointed Transfer Agent and Registrar for the Preferred Shares and a Conversion and Dividend Disbursing Agent for the Preferred Shares. Upon any removal of the Transfer Agent, Registrar or Conversion and Dividend Disbursing Agent in accordance with the Company's agreements with such Persons, the Company shall appoint a successor transfer agent, registrar or conversion and dividend disbursing agent, as the case may be, who shall accept such appointment prior to the effectiveness of such removal. Upon any such removal or appointment, the Company shall send notice thereof by first-class mail, postage prepaid, to the Holders.

SECTION 16. *Record Holders.* To the fullest extent permitted by applicable law, the Company and the Transfer Agent may deem and treat the Holder of any Preferred Share as the true and lawful owner thereof for all purposes.

SECTION 17. *Notices.* All notices or communications in respect of the Preferred Shares shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in the Articles of Association and by applicable law. Notwithstanding the foregoing, if Preferred Shares are represented by Global Preferred Shares, such notices may also be given to the Holders in any manner permitted by DTC or any similar facility used for the settlement of transactions in the Preferred Shares.

SECTION 18. *No Sinking Fund.* The Preferred Shares shall not be subject to any redemption, sinking fund or other similar provisions.

SECTION 19. *Other Rights.* Without derogating the provisions of Article 8A, the Preferred Shares shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth in the Articles of Association or as provided by applicable law.

SECTION 20. *Share Certificates.*

(a) The Preferred Shares shall initially be represented by share certificates. On or prior to the Initial Issue Date, the Board of Directors shall cause a form of share certificate for the Preferred Shares to be prepared, containing the final terms of the Preferred Shares as contemplated by and in accordance with this Exhibit A, including: Discount Rate, Dividend Payment Dates, Dividend Rate, Floor Price, Fundamental Change Conversion Rate, Mandatory Conversion Date, Maximum Conversion Rate, Record Dates and Threshold Appreciation Price.

(b) Share certificates representing the Preferred Shares shall be signed in accordance with the Articles of Association.

(c) A share certificate representing the Preferred Shares shall not be valid until manually countersigned by an authorized signatory of the Transfer Agent and Registrar. Each share certificate representing the Preferred Shares shall be dated the date of its countersignature.

(d) If any officer of the Company who has signed a share certificate no longer holds that office at the time the Transfer Agent and Registrar countersigns the share certificate, the share certificate shall be valid nonetheless.

(e) Notwithstanding the provisions of Article 14, the Company may at its option issue Preferred Shares without certificates under the circumstances specified in Section 22(d).

SECTION 21. *Replacement Certificates.*

(a) Without derogating from the provisions of Article 15, if physical certificates are issued, and any of the Preferred Shares certificates shall be mutilated, lost, stolen or destroyed, the Company shall, at the expense of the Holder, issue, in exchange and in substitution for and upon cancellation of the mutilated Preferred Shares certificate, or in lieu of and substitution for the Preferred Shares certificate lost, stolen or destroyed, a new Preferred Shares certificate of like tenor and representing an equivalent number of Preferred Shares, but only upon receipt of evidence of such loss, theft or destruction of such Preferred Shares certificate and indemnity, if requested, reasonably satisfactory to the Company and the Transfer Agent.

(b) The Company is not required to issue any certificate representing the Preferred Shares on or after the Mandatory Conversion Date. In lieu of the delivery of a replacement certificate following the Mandatory Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described above, shall deliver the ADSs issuable and any cash deliverable pursuant to the terms of the Preferred Shares formerly evidenced by the certificate.

SECTION 22. *Book Entry Form.*

(a) The Preferred Shares shall be issued in global form (“**Global Preferred Shares**”) eligible for book-entry settlement with the Depository, represented by one or more share certificates in global form registered in the name of the Depository or a nominee of the Depository bearing the form of global securities legend set forth in the form of share certificate prepared pursuant to Section 20(a) hereof. The aggregate number of Preferred Shares represented by each share certificate representing Global Preferred Shares may from time to time be increased or decreased by a notation by the Registrar and Transfer Agent on a schedule attached to the share certificate.

(b) Members of, or participants in, the Depository (“**Agent Members**”) shall have no rights under this Exhibit A, with respect to any Global Preferred Shares, and the Depository shall be treated by the Company, the Registrar and any agent of the Company or the Registrar as the sole Holder of the Preferred Shares held as Global Preferred Shares. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Registrar or any agent of the Company or the Registrar from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of the Depository governing the exercise of the rights of a holder of a beneficial interest in any Preferred Shares. The Holders may grant proxies or otherwise authorize any Person to take any action that a Holder is entitled to take pursuant to the Preferred Shares or the Articles of Association.

(c) Transfers of a Global Preferred Share shall be limited to transfers of such Global Preferred Share in whole, but not in part, to nominees of the Depository or to a successor of the Depository or such successor’s nominee.

(d) If DTC is at any time unwilling or unable to continue as Depositary for the Global Preferred Shares or DTC ceases to be registered as a “**clearing agency**” under the Exchange Act, and in either case a successor Depositary is not appointed by the Company within 90 days, the Company shall issue certificated shares in exchange for the Global Preferred Shares or otherwise provide for alternate book-entry arrangements with respect to the Preferred Shares. In any such case, the Global Preferred Shares shall be exchanged in whole for definitive share certificates in substantially the form of the form of share certificate prepared pursuant to

Section 20(a) hereof representing an equal aggregate number of Preferred Shares or otherwise exchanged pursuant to such alternate book-entry arrangements providing for beneficial interests of an equal aggregate number of Preferred Shares. If definitive share certificates are issued pursuant to this Section 22(d), such definitive share certificates shall be registered in the name or names of the Person or Persons specified by DTC in a written instrument to the Registrar.

SECTION 23. *Miscellaneous.*

(a) The Company shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of Preferred Shares or ADSs or other securities issued on account of Preferred Shares pursuant hereto or certificates representing such shares or securities. The Company shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of ADSs or other securities in a name other than that in which the Preferred Shares with respect to which such shares or other securities are issued or delivered were registered, and shall not be required to make any such issuance or delivery unless and until the Person otherwise entitled to such issuance or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

(b) The Liquidation Preference and the Dividend Rate each shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving the Preferred Shares. Such adjustments shall be determined in good faith by the Board of Directors and submitted by the Board of Directors to the Transfer Agent.

(c) If any difficulties arise with respect to the implementation or application of this Exhibit A, or if any event or contingency occurs as to which the provisions of this Exhibit A are not strictly applicable or if the strict application would not fairly protect the rights of the Holders or the Company, as applicable, in accordance with the essential intent and principles set forth herein, then the Board of Directors shall on or prior to the Initial Issue Date be authorized to take such actions as it may deem reasonably necessary to resolve such difficulties or to implement or apply this Exhibit A (or otherwise interpret this Exhibit A), in accordance with such essential intent and principles.

**ACQUISITION FACILITY AMENDMENT
TO
SENIOR UNSECURED FIXED RATE JAPANESE YEN TERM LOAN CREDIT
AGREEMENT**

This Acquisition Facility Amendment to Senior Unsecured Fixed Rate Japanese Yen Term Loan Credit Agreement (this “**Amendment**”), dated as of 24 September 2015, is made and entered into by and among Teva Pharmaceutical Industries Limited (the “**Parent**”), Teva Holdings K.K. (the “**Borrower**”) and Sumitomo Mitsui Banking Corporation, as Administrative Agent (with the consent of the Required Lenders (as defined in the Credit Agreement (as defined below))) (the “**Administrative Agent**”).

Recitals:

Reference is made to the Senior Unsecured Fixed Rate Japanese Yen Term Loan Credit Agreement dated as of 28 March 2012 (as amended from time to time, the “**Credit Agreement**”), between, amongst others, the Parent, the Borrower, the Lenders named therein and the Administrative Agent.

WHEREAS, the Borrower and the Parent have requested that the Administrative Agent (with the consent of the Required Lenders) amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

- (a) Each capitalized term used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such term in the Credit Agreement.

2. Amendments to the Credit Agreement.

- (a) The Credit Agreement is hereby amended by adding the following definitions to Section 1.01 of the Credit Agreement:

“**Acquisition**” means the acquisition of the Acquired Business.

“**Acquired Business**” means the generic products business and over-the-counter (non-prescription) business of Allergan plc and its affiliates as further described in the Acquisition Agreement.

“**Acquisition Agreement**” means the master purchase agreement dated 26 July 2015 between the Parent and Allergan plc (including the Exhibits and Schedules thereto) as it may be modified, supplemented or amended.

“Acquisition Closing Date” means the closing of the Acquisition in accordance with the terms of the Acquisition Agreement in the manner set forth in the Parent Acquisition Closing Confirmation and the delivery of the Parent Acquisition Closing Confirmation.

“Acquisition Financing Arrangement” means any financing arrangement, whether securities or loans, under which the net proceeds are required to be used to finance all or part of the consideration payable for the Acquisition and which simultaneously reduce amounts available under the Bridge Financings (which may or may not be subject to an escrow arrangement).

“Acquisition Transaction” means the entering into the Bridge Financing (including the issuance of any debt or equity securities of the Parent in lieu thereof) and the use of proceeds therefrom, the consummation of the Acquisition (including the payment of the consideration in respect thereof), the refinancing of certain indebtedness of the Acquired Business to the extent the Cash Consideration (as defined in the Acquisition Agreement) is reduced by such amount or such amount is not material and the payment of fees and expenses related to the foregoing.

“Bridge Financing” means the bridge financing arrangements with respect to the Acquisition of (i) up to \$27,000,000,000 in loans under a senior unsecured bridge loan credit facility and (ii) up to \$6,750,000,000 in loans under an equity bridge loan credit facility, in each of cases (i) and (ii), pursuant to the commitment letters dated 31 July 2015 and/or definitive documentation with respect to the same.

“Cash Acquisition Consideration” means all or a portion of the cash consideration paid as part of the Acquisition.

“Longstop Date” means the earlier of (i) the closing of the Acquisition, (ii) the date 35 days following the Outside Date (as defined in the Acquisition Agreement as in effect on July 31, 2015) as it may be extended as contemplated by (and in accordance with) Section 11.1(b) of the Acquisition Agreement (as in effect on July 31, 2015) or (iii) the date 35 days following the date of termination of the Acquisition Agreement pursuant to the terms thereof when publicly disclosed by the Parent (x) pursuant to a public filing with the SEC or (y) in an official press release issued by the Parent.

“Parent Acquisition Closing Confirmation” means a certificate signed by a Financial Officer of the Parent confirming that (i) the Acquisition has been consummated in accordance with the Acquisition Agreement and the documents associated therewith (as in effect on 26 July 2015) or after giving effect to any alterations, amendments, changes, supplements or waivers thereto other than any of the foregoing that are materially adverse to the Lenders (or with the prior written consent of the Required Lenders, not to be unreasonably withheld or delayed) (provided that (a) a reduction in purchase price in the aggregate Cash Acquisition Consideration of less than 10% below the amount contemplated by the Acquisition Agreement (as in effect on 26 July 2015) shall not be deemed to be materially adverse to the interests of the Lenders and (b) to the extent all or a portion of the Bridge Financing funds on such date, each Lender or Affiliate that is a party to any Bridge Financing shall be automatically deemed to have provided consent hereunder to any alteration, amendment change, supplement or waiver of the Acquisition Agreement and the documents associated therewith (and shall provide written consent to the

same to the extent required)), (ii) the Acquisition has been consummated in accordance with Section 10.1(b) of the Acquisition Agreement (as in effect on 26 July 2015) as it relates to approvals under the HSR Act and the antitrust laws of the European Union (each as defined in the Acquisition Agreement), (iii) since 26 July 2015, no Effects (as defined in the Acquisition Agreement as in effect on 26 July 2015) have occurred which, individually or in the aggregate, have had (and have continued to have) or would reasonably be expected to have, a Seller Material Adverse Effect (as defined in the Acquisition Agreement as in effect on 26 July 2015) and (iv) the Parent designates the Parent Acquisition Closing Confirmation as a Loan Document and that the Lenders can rely on foregoing confirmations as representations and warranties under such Loan Document.

- (b) The Credit Agreement is hereby amended by deleting the definition of “Consolidated Cash and Cash Equivalents” set forth in Section 1.01 of the Credit Agreement in its entirety and replacing it with the following:

“**Consolidated Cash and Cash Equivalents**” means, with respect to any Person, the:

- (a) cash on hand or on deposit with any bank of such Person; plus
(b) all other assets held by such Person that should be classified as “cash equivalents” in accordance with GAAP,

included in the cash and cash equivalents accounts listed on the consolidated balance sheet of Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP (excluding any such cash or cash equivalents subject to an Encumbrance, other than non-consensual Permitted Encumbrances); plus

(c) to the extent not otherwise included in (a) or (b) above, any cash or cash equivalents held by the Parent and its Subsidiaries which are proceeds from any Acquisition Financing Arrangement and which would otherwise not be included in the definition of Consolidated Cash and Cash Equivalents.”

- (c) The Credit Agreement is hereby amended by deleting the definition of “Material Indebtedness” set forth in Section 1.01 of the Credit Agreement in its entirety and replacing it with the following:

“**Material Indebtedness**” means, Indebtedness (other than the Loans), of any one or more of Parent and its Subsidiaries in an aggregate principal amount exceeding US\$200,000,000 (or its equivalent in another currency or currencies).

- (d) The Credit Agreement is hereby amended by deleting the definition of “Interest Payable” set forth in Section 1.01 of the Credit Agreement in its entirety and replacing it with the following:

“**Interest Payable**” means all interest, acceptance commission and any other continuing, regular or periodic costs and expenses in the nature of interest and amortization of debt discount (whether paid, payable or capitalized), incurred by Parent and its consolidated Subsidiaries in effecting, servicing or maintaining Total Consolidated Debt (excluding, prior to the Longstop

Date, any Indebtedness incurred under an Acquisition Financing Arrangement but including, for the avoidance of doubt, such Indebtedness for the entirety of any relevant Test Period ending after the Longstop Date but only with respect to Indebtedness under an Acquisition Financing Arrangement that remains outstanding after the Longstop Date) during a Test Period but excluding exchange differentials; provided, that, with respect to any period during which a Subject Transaction has occurred, for purposes of determining the Interest Cover Ratio, Interest Payable shall be calculated with respect to such period on a pro forma basis using the consolidated financial statements of the Parent and its Subsidiaries which shall be reformulated as if such Subject Transaction, and any Indebtedness incurred or repaid in connection therewith, had been consummated or incurred or repaid at the beginning of such period.

- (e) The Credit Agreement is hereby amended by deleting the definition of “Transactions” set forth in Section 1.01 of the Credit Agreement in its entirety and replacing it with the following:

“**Transactions**” means the execution, delivery and performance by the Borrowers of this Agreement, the borrowing of Loans and the Acquisition Transactions.

- (f) The Credit Agreement is hereby amended by deleting Section 3.11 of the Credit Agreement in its entirety and replacing it with the following:

“Section 3.11 Margin Securities”

Such Loan Party is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System of the United States of America), and no part of the proceeds of any Loan will be used to purchase or carry any margin stock in violation of said Regulations T, U or X or to extend credit to others for the purpose of purchasing or carrying margin stock in violation of said Regulations T, U or X. Not more than 25% of the value of the assets (either of any Loan Party only or of any Loan Party and its Subsidiaries on a consolidated basis) subject to any limitation on sale, pledge or other restriction under this Agreement or subject to any restriction contained in any agreement or instrument, between any Loan Party and any Lender or any Affiliate of any Lender, relating to Indebtedness and within the scope of Section 7.01(f) of this Agreement, will be margin stock (within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System of the United States of America).”

- (g) The Credit Agreement is hereby amended by deleting Section 6.01(ii) of the Credit Agreement in its entirety and replacing it with the following:

“any Subsidiary may merge, consolidate or amalgamate (or engage in a substantially similar transaction) with any other Person in a transaction in which the surviving entity is a wholly-owned Subsidiary (in the case of a Loan Party, subject to preceding clause (i)),”

- (h) The Credit Agreement is hereby amended by deleting Section 6.01(xi) of the Credit Agreement in its entirety and replacing it with the following:

“the Parent or any Subsidiary may sell Receivable Assets to a Securitization Entity in a Qualified Securitization Transaction for the fair market value thereof; provided that at no time shall more than US\$2,500,000,000 (or its equivalent in another currency or currencies) in fair market value of assets be subject to such Qualified Securitization Transaction,”

- (i) The Credit Agreement is hereby amended by adding a new sub-clause (xv) after Section 6.01(xiv) of the Credit Agreement as follows:

“(xv) the Parent or any Subsidiary may consummate the Acquisition Transaction in accordance with the Acquisition Agreement.”

- (j) The Credit Agreement is hereby amended by adding a new sub-clause (xvi) after Section 6.01(xv) of the Credit Agreement as follows:

“(xvi) the Parent or any Subsidiary may dispose of any shares of Mylan B.V. or its successors held by any of them as of July 31, 2015 and any other shares issued thereon.”

- (k) The Credit Agreement is hereby amended by deleting Section 6.03(p) of the Credit Agreement in its entirety and replacing it with the following:

“(p) any other Encumbrances securing obligations and other Financing Arrangements; provided that the aggregate amount of obligations or Financing Arrangements secured in accordance with this subclause (p) shall not exceed US\$2,000,000,000 (or its equivalent in another currency or currencies) at any time outstanding;”

- (l) The Credit Agreement is hereby amended by deleting Section 6.03(r) of the Credit Agreement in its entirety and replacing it with the following:

“(r) Encumbrances over any Receivable Assets subject to a Qualified Securitization Transaction; provided that the aggregate fair market value of all Receivable Assets secured in accordance with this subclause (r) shall not exceed US\$2,500,000,000 (or its equivalent in another currency or currencies) at any one time outstanding.”

- (m) The Credit Agreement is hereby amended by adding a new sub-clause (s) after Section 6.03(r) of the Credit Agreement as follows:

“(s) Encumbrances over any escrow arrangements in connection with any Acquisition Financing Arrangement.”

- (n) The Credit Agreement is hereby amended by adding a new sub-clause (t) after Section 6.03(s) of the Credit Agreement as follows:

“(t) Encumbrances over any shares of Mylan B.V. or its successors held by any of the Parent or its Subsidiaries as of July 31, 2015 and any other shares issued thereon.”

- (o) The Credit Agreement is hereby amended by deleting clause (a) in the table under Section 6.04 of the Credit Agreement in its entirety and replacing it with the following:

(a) Total Consolidated Net Debt to EBITDA	Four-quarter Test Period ending with the quarters below (Q1 being the first full fiscal quarter after the Acquisition Closing Date occurs)	Leverage Ratio
		Q1
	Q2	No greater than 5.25x
	Q3	No greater than 5.00x
	Q4	No greater than 5.00x
	Q5	No greater than 4.25x
	Q6	No greater than 4.25x
	Q7	No greater than 4.00x
	Q8	No greater than 4.00x
	Q9 and thereafter	No greater than 3.50x

(p) The Credit Agreement is hereby amended by deleting Section 7.01(j) of the Credit Agreement in their entirety and replacing it with the following:

“(j) one or more judgments for the payment of money in an aggregate uninsured amount equal to or greater than US\$200,000,000 (or its equivalent in another currency or currencies) in excess of the amount of insurance coverage shall be rendered against any Loan Party or any Material Subsidiary or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, vacated or bonded pending appeal or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Loan Party or any such Material Subsidiary to enforce any such judgment for the payment of money in an aggregate uninsured amount in excess of US\$200,000,000 (or its equivalent in another currency or currencies);”

(q) The Credit Agreement is hereby amended by deleting Section 7.01(k) of the Credit Agreement in their entirety and replacing it with the following:

“(k) one or more ERISA Events shall have occurred, which individually or in the aggregate results in liability of any Loan Party, any of its subsidiaries, or any of their respective ERISA Affiliates in excess of US\$200,000,000 (or its equivalent in another currency or currencies) during the term hereof;”

(r) The Credit Agreement is hereby amended by deleting Section 7.01(l) of the Credit Agreement in their entirety and replacing it with the following:

“(l) this Agreement shall at any time and for any reason be declared by a court of competent jurisdiction to be null and void, or a proceeding shall be commenced by any Loan Party, or by any Governmental Authority, seeking to establish the invalidity or unenforceability thereof (exclusive of questions or interpretation of any provision thereof), or any Loan Party shall repudiate or deny any portion of its financial obligation under this Agreement;”

3. Representations and Warranties. Each Loan Party hereby represents and warrants to the Administrative Agent and each Lender as follows on each of (i) the Pre-Acquisition Closing Effective Date (as defined below), (ii) the Acquisition Closing Date (as such term is defined in Section 2(a) above) and (iii) the date of any incurrence of Indebtedness subject to an Acquisition Financing Arrangement (as such term is defined in Section 2(a) above):

- (a) immediately before and after giving effect to this Amendment and the Transactions (to the extent consummated on or around the date referred to in (i), (ii) or (iii) above, as applicable, and giving effect to the amendments herein that are effective on such date), all of the representations and warranties set forth in the Credit Agreement are true and correct on and as of such date, as if made on such date, except to the extent that such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such earlier date (it being understood that references therein to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended by this Amendment and after giving effect to the amendments set forth herein and the Transactions);
- (b) the execution, delivery and performance by each Loan Party of this Amendment have been duly authorized by all necessary corporate or other organizational action, as applicable, of such Loan Party;
- (c) this Amendment has been duly executed and delivered by such Loan Party; and
- (d) no Default or Event of Default has occurred, is continuing or would exist after giving effect to this Amendment and the Transactions.

4. Effect of this Amendment. Except as modified pursuant hereto, no other changes or modifications to the Credit Agreement or Loan Documents are intended or implied and in all other respects the Credit Agreement and Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof. To the extent of conflict between the terms of this Amendment and the Loan Documents, the terms of this Amendment shall control. The Credit Agreement and this Amendment shall be read and construed as one agreement.

5. Effectiveness.

- (a) On the date on which the Administrative Agent shall have received executed signature pages hereof delivered by facsimile transmission or electronic mail (in “.pdf” or similar format) from each of the Parent, the Borrowers and the Administrative Agent (following the consent of the Required Lenders) (the “**Pre-Acquisition Closing Effective Date**”), Section 2(a), Section 2(b), Section 2(d), Section 2(e), Section 2(f), Section 2(g), Section 2(i), Section 2(j), Section 2(m), Section 2(n) and Section 2(r) of this Amendment shall become effective.
- (b) On the Acquisition Closing Date, provided the Pre-Acquisition Closing Effective Date has occurred, this Amendment shall become effective in full.

6. **Further Assurances.** The parties hereto shall execute and deliver such additional documents and take such additional action as may be reasonably necessary or desirable to effectuate the provisions and purposes of this Amendment.

7. **Binding Effect.** This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

8. **Severability.** Any provisions of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9. **Reference to the Effect on the Loan Documents.** Upon the effectiveness of this Amendment, (a) each reference in the Credit Agreement to this “Agreement,” “hereunder,” “hereof,” “herein” or words of similar import and (b) each reference in any other Loan Document to “the Credit Agreement”, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

10. **Headings.** The headings listed herein are for convenience only and do not constitute matters to be construed in interpreting this Amendment.

11. **Counterparts; Electronic Signatures.** This Amendment may be executed by one or more parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail (in “.pdf” or similar format) shall be effective as delivery of a manually executed counterpart hereof.

12. **Governing Law; Jurisdiction; Consent to Service of Process.**

- (a) This Amendment and any non-contractual obligations arising out of or in connection with it shall be construed in accordance with and governed by Japanese law (without regard to conflicts of laws principles).
- (b) Each party hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of (i) the Supreme Court of the State of New York sitting in New York County, (ii) the United States District Court of the Southern District of New York, (iii) the Tokyo District Court, (iv) the courts of England and (v) any appellate court from any thereof, in any suit, action or proceeding arising out of or relating to this Amendment (including any non-contractual obligations arising out of or relating to this Amendment) and each of the parties hereto hereby irrevocably and unconditionally agrees that any such suit, action or proceeding (“**Proceedings**”) may be heard and determined in such courts. Each party hereto hereby further irrevocably waives any claim that any such courts lack personal jurisdiction over it and agrees not to plead or claim in any Proceedings that any such courts lack personal jurisdiction over it. To the extent that any Loan Party in any jurisdiction has, may claim or hereafter may acquire any immunity from jurisdiction, suit, enforcement, execution, attachment (whether through prior to judgment, in aid of execution, or otherwise) or any other legal process with respect to

itself or its property, such Loan Party hereby agrees not to claim and irrevocably waives such immunity to the full extent permitted by law. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amendment shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Amendment against any Borrower or the Guarantor or any of their respective properties in the courts of any jurisdiction to enforce a judgment obtained in accordance with this Section. Each Loan Party agrees that, if the Administrative Agent or any Lender has brought or initiated Proceedings in any jurisdiction referred to in this paragraph (the “**Original Proceedings**”), no Loan Party may bring Proceedings which relate to the Original Proceedings or concern dispute (s) which are the same as or related to any dispute(s) which are the subject of the Original Proceedings in any other jurisdiction, including, for the avoidance of doubt, any other jurisdiction referred to in this paragraph. Nothing in this Section shall (or shall be construed so as to) limit the right of the Administrative Agent or any Lender to take Proceedings in any of the courts referred to in this paragraph, nor shall the taking of Proceedings in any such jurisdiction by any Loan Party preclude the taking of Proceedings by the Administrative Agent or any Lender in any other such jurisdiction (whether concurrently or not) if and to the extent permitted by law.

- (c) Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any Proceedings in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of any Proceedings in any such court, including, without limitation, with respect to enforcement and/or proceedings for breach claims, and agrees not to plead that any such action or proceeding brought in any such court has been brought in an inconvenient forum.
- (d) Subject to paragraph (e) of this Section, each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Section 11.01 of the Credit Agreement. Such service may be made by mailing (by registered or certified mail, postage prepaid or any other method which generates a receipt or proof of delivery) or delivering a copy of such process to such Person at the address provided in Section 11.01 of the Credit Agreement (and in the case of service to be delivered to any Loan Party, each Loan Party hereby acknowledges that, to the extent required, the address for delivery of a copy of such service to counsel for such Loan Party shall be: Office of the General Counsel, Teva Pharmaceutical Industries Limited, 5 Basel Street Petah Tiqva 49131, Israel, Attention: General Counsel); each party hereto hereby irrevocably waives any objection to such service of process and agrees not to plead or claim in any Proceedings that any such service was in any way invalid or ineffective. Nothing in this Amendment will affect the right of any party to this Amendment to serve process in any other manner permitted by applicable relevant law.
- (e) Each Loan Party agrees that, with respect to any Proceedings which are commenced in England pursuant to paragraph (b) of this Section, TEVA UK Limited, a company

organized under the laws of England and Wales (“**TEVA UK Limited**”) is hereby appointed as its agent for service process, and process may be served on any Loan Party by being delivery of such process or a copy thereof to TEVA UK Limited at Ridings Point, Whistler Drive, Castleford, West Yorkshire, WF10 5HX, England, United Kingdom, or, if different, TEVA UK Limited’s place of business in England from time to time as notified to the Administrative Agent in accordance with this paragraph. If TEVA UK Limited ceases to have a place of business at Ridings Point, Whistler Drive, Castleford, West Yorkshire, WF10 5HX, England, United Kingdom, each Loan Party shall immediately provide the Administrative Agent with notice of the address of TEVA UK Limited’s current place of business in England where service may be effected. If TEVA UK Limited ceases to exist, is not or ceases to be effectively appointed to accept service of process on behalf of any Loan Party or ceases to have a place of business in England where service may be validly effected or there is a failure to notify the Administrative Agent of a such address in accordance with this paragraph, each Loan Party shall promptly notify the Administrative Agent thereof and shall appoint a further replacement Person in England to accept service of process on its behalf and, failing such appointment within 14 days, the Administrative Agent shall be entitled to appoint such a replacement Person by written notice to such Loan Party. Nothing in this paragraph shall affect the rights of the Administrative Agent and/or the Lenders to serve process in any other manner permitted by law.

- (f) The parties hereto understand and agree that a Japanese language version of this Amendment and/or any related document may be prepared and any such version shall be for informational purposes only. In the event of any ambiguity, conflict or inconsistency between any of the terms of the English language version of this Amendment (or such related document, as the case shall be) and any translation thereof (Japanese or otherwise), the English language version shall apply and prevail and be conclusive and binding.

[Remainder of this page left intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

TEVA PHARMACEUTICAL INDUSTRIES
LIMITED

By: /s/ Eran Ezra
Name: Eran Ezra
Title: SVP, Head of Global Treasury Risk
Management & Insurance

By: /s/ Eyal Rubin
Name: Eyal Rubin
Title: VP, Head of Corporate Treasury

TEVA HOLDINGS K.K.

By: /s/ Itzhak Krinsky
Name: Itzhak Krinsky
Title: Representative Director

By: /s/ Kimio Nishimura
Name: Kimio Nishimura
Title: Representative Director

[Signature page to Fixed Rate Japanese Yen Credit Agreement Amendment Agreement]

SUMITOMO MITSUI BANKING CORPORATION,
as Administrative Agent

東京都千代田区丸の内一丁目1番2号
株式会社三井住友銀行
代表取締役 國部 毅



By: _____

Name:

Title:

[Signature page to Fixed Rate Japanese Yen Credit Agreement Amendment Agreement]

**ACQUISITION FACILITY AMENDMENT
TO
SENIOR UNSECURED JAPANESE YEN TERM LOAN CREDIT AGREEMENT**

This Acquisition Facility Amendment to Senior Unsecured Japanese Yen Term Loan Credit Agreement (this “**Amendment**”), dated as of 24 September 2015, is made and entered into by and among Teva Pharmaceutical Industries Limited (the “**Parent**”), Teva Holdings K.K. (the “**Borrower**”) and Mizuho Bank, Ltd., as Administrative Agent (with the consent of the Required Lenders (as defined in the Credit Agreement (as defined below))) (the “**Administrative Agent**”).

Recitals:

Reference is made to the Senior Unsecured Japanese Yen Term Loan Credit Agreement dated as of 17 December 2013 (as amended from time to time, the “**Credit Agreement**”), between, amongst others, the Parent, the Borrower, the Lenders named therein and the Administrative Agent.

WHEREAS, the Borrower and the Parent have requested that the Administrative Agent (with the consent of the Required Lenders) amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

Each capitalized term used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such term in the Credit Agreement.

2. Amendments to the Credit Agreement.

(a) The Credit Agreement is hereby amended by adding the following definitions to Section 1.01 of the Credit Agreement:

“**Acquisition**” means the acquisition of the Acquired Business.

“**Acquired Business**” means the generic products business and over-the-counter (nonprescription) business of Allergan plc and its affiliates as further described in the Acquisition Agreement.

“**Acquisition Agreement**” means the master purchase agreement dated 26 July 2015 between the Parent and Allergan plc (including the Exhibits and Schedules thereto) as it may be modified, supplemented or amended.

“**Acquisition Closing Date**” means the closing of the Acquisition in accordance with the terms of the Acquisition Agreement in the manner set forth in the Parent Acquisition Closing Confirmation and the delivery of the Parent Acquisition Closing Confirmation.

“Acquisition Financing Arrangement” means any financing arrangement, whether securities or loans, under which the net proceeds are required to be used to finance all or part of the consideration payable for the Acquisition and which simultaneously reduce amounts available under the Bridge Financings (which may or may not subject to an escrow arrangement).

“Acquisition Transaction” means the entering into the Bridge Financing (including the issuance of any debt or equity securities of the Parent in lieu thereof) and the use of proceeds therefrom, the consummation of the Acquisition (including the payment of the consideration in respect thereof), the refinancing of certain indebtedness of the Acquired Business to the extent the Cash Consideration (as defined in the Acquisition Agreement) is reduced by such amount or such amount is not material and the payment of fees and expenses related to the foregoing.

“Bridge Financing” means the bridge financing arrangements with respect to the Acquisition of (i) up to US\$27,000,000,000 in loans under a senior unsecured bridge loan credit facility and (ii) up to US\$6,750,000,000 in loans under an equity bridge loan credit facility, in each of cases (i) and (ii), pursuant to the commitment letters dated 31 July 2015 and/or definitive documentation with respect to the same.

“Cash Acquisition Consideration” means all or a portion of the cash consideration paid as part of the Acquisition.

“Longstop Date” means the earlier of (i) the closing of the Acquisition, (ii) the date 35 days following the Outside Date (as defined in the Acquisition Agreement as in effect on 31 July 2015) as it may be extended as contemplated by (and in accordance with) Section 11.1(b) of the Acquisition Agreement (as in effect on 31 July 2015) or (iii) the date 35 days following the date of termination of the Acquisition Agreement pursuant to the terms thereof when publicly disclosed by the Parent (x) pursuant to a public filing with the SEC or (y) in an official press release issued by the Parent.

“Parent Acquisition Closing Confirmation” means a certificate signed by a Financial Officer of the Parent confirming that (i) the Acquisition has been consummated in accordance with the Acquisition Agreement and the documents associated therewith (as in effect on 26 July 2015) or after giving effect to any alterations, amendments, changes, supplements or waivers thereto other than any of the foregoing that are materially adverse to the Lenders (or with the prior written consent of the Required Lenders, not to be unreasonably withheld or delayed) (provided that (a) a reduction in purchase price in the aggregate Cash Acquisition Consideration of less than 10% below the amount contemplated by the Acquisition Agreement (as in effect on 26 July 2015) shall not be deemed to be materially adverse to the interests of the Lenders and (b) to the extent all or a portion of the Bridge Financing funds on such date, each Lender or Affiliate that is a party to any Bridge Financing shall be automatically deemed to have provided consent hereunder to any alteration, amendment change, supplement or waiver of the Acquisition Agreement and the documents associated therewith (and shall provide written consent to the same to the extent required)), (ii) the Acquisition has been consummated in accordance with Section 10.1 (b) of the Acquisition Agreement (as in effect on 26 July 2015) as it relates to approvals under the HSR Act and the antitrust laws of the European Union (each as defined in the Acquisition Agreement), (iii) since 26 July 2015, no Effects (as defined in the Acquisition

Agreement as in effect on 26 July 2015) have occurred which, individually or in the aggregate, have had (and have continued to have) or would reasonably be expected to have, a Seller Material Adverse Effect (as defined in the Acquisition Agreement as in effect on 26 July 2015) and (iv) the Parent designates the Parent Acquisition Closing Confirmation as a Loan Document and that the Lenders can rely on foregoing confirmations as representations and warranties under such Loan Document.

- (b) The Credit Agreement is hereby amended by deleting the definition of “Consolidated Cash and Cash Equivalents” set forth in Section 1.01 of the Credit Agreement in its entirety and replacing it with the following:

“**Consolidated Cash and Cash Equivalents**” means, with respect to any Person, the:

- (a) cash on hand or on deposit with any bank of such Person; plus
- (b) all other assets held by such Person that should be classified as “cash equivalents” in accordance with GAAP,

included in the cash and cash equivalents accounts listed on the consolidated balance sheet of Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP (excluding any such cash or cash equivalents subject to an Encumbrance, other than non-consensual Permitted Encumbrances); plus

- (c) any cash or cash equivalents held by the Parent and its Subsidiaries which are proceeds from any Acquisition Financing Arrangement and which would otherwise not be included in the definition of Consolidated Cash and Cash Equivalents.”

- (c) The Credit Agreement is hereby amended by deleting the definition of “Material Indebtedness” set forth in Section 1.01 of the Credit Agreement in its entirety and replacing it with the following:

“**Material Indebtedness**” means, Indebtedness (other than the Loans), of any one or more of Parent and its Subsidiaries in an aggregate principal amount exceeding US\$200,000,000 (or its equivalent in another currency or currencies).

- (d) The Credit Agreement is hereby amended by deleting the definition of “Interest Payable” set forth in Section 1.01 of the Credit Agreement in its entirety and replacing it with the following:

“**Interest Payable**” means all interest, acceptance commission and any other continuing, regular or periodic costs and expenses in the nature of interest and amortization of debt discount (whether paid, payable or capitalized), incurred by Parent and its consolidated Subsidiaries in effecting, servicing or maintaining Total Consolidated Debt (excluding, prior to the Longstop Date, any Indebtedness incurred under an Acquisition Financing Arrangement but including, for the avoidance of doubt, such Indebtedness for the entirety of any relevant Test Period ending after the Longstop Date but only with respect to Indebtedness under an Acquisition Financing Arrangement that remains outstanding after the Longstop Date) during a Test Period but excluding exchange differentials; provided, that, with respect to any period during which a

Subject Transaction has occurred, for purposes of determining the Interest Cover Ratio, Interest Payable shall be calculated with respect to such period on a pro forma basis using the consolidated financial statements of the Parent and its Subsidiaries which shall be reformulated as if such Subject Transaction, and any Indebtedness incurred or repaid in connection therewith, had been consummated or incurred or repaid at the beginning of such period.”

- (e) The Credit Agreement is hereby amended by deleting the definition of “Transactions” set forth in Section 1.01 of the Credit Agreement in its entirety and replacing it with the following:

“**Transactions**” means the execution, delivery and performance by the Borrower of this Agreement, the borrowing of Loans and the Acquisition Transactions.

- (f) The Credit Agreement is hereby amended by deleting Section 3.11 of the Credit Agreement in its entirety and replacing it with the following:

“Section 3.11 Margin Securities. Such Loan Party is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System of the United States of America), and no part of the proceeds of any Loan will be used to purchase or carry any margin stock in violation of said Regulations T, U or X or to extend credit to others for the purpose of purchasing or carrying margin stock in violation of said Regulations T, U or X. Not more than 25% of the value of the assets (either of any Loan Party only or of any Loan Party and its Subsidiaries on a consolidated basis) subject to any limitation on sale, pledge or other restriction under this Agreement or subject to any restriction contained in any agreement or instrument, between any Loan Party and any Lender or any Affiliate of any Lender, relating to Indebtedness and within the scope of Section 7.01(f) of this Agreement, will be margin stock (within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System of the United States of America).”

- (g) The Credit Agreement is hereby amended by deleting Section 6.01(ii) of the Credit Agreement in its entirety and replacing it with the following:

“any Subsidiary may merge, consolidate or amalgamate (or engage in a substantially similar transaction) with any other Person in a transaction in which the surviving entity is a wholly owned Subsidiary (in the case of a Loan Party, subject to preceding clause (i)),”

- (h) The Credit Agreement is hereby amended by deleting Section 6.01(xi) of the Credit Agreement in its entirety and replacing it with the following:

“the Parent or any Subsidiary may sell Receivable Assets to a Securitization Entity in a Qualified Securitization Transaction for the fair market value thereof; provided that at no time shall more than US\$2,500,000,000 (or its equivalent in another currency or currencies) in fair market value of assets be subject to such Qualified Securitization Transaction,”

- (i) The Credit Agreement is hereby amended by adding a new sub-clause (xv) after Section 6.01(xiv) of the Credit Agreement as follows:

“(xv) the Parent or any Subsidiary may consummate the Acquisition Transaction in accordance with the Acquisition Agreement.”

- (j) The Credit Agreement is hereby amended by adding a new sub-clause (xvi) after Section 6.01(xv) of the Credit Agreement as follows:

“(xvi) the Parent or any Subsidiary may dispose of any shares of Mylan N.V. or its successors held by any of them as of 31 July 2015 and any other shares issued thereon.”

- (k) The Credit Agreement is hereby amended by deleting Section 6.03(p) of the Credit Agreement in its entirety and replacing it with the following:

“(p) any other Encumbrances securing obligations and other Financing Arrangements; provided that the aggregate amount of obligations or Financing Arrangements secured in accordance with this subclause (p) shall not exceed US\$2,000,000,000 (or its equivalent in another currency or currencies) at any time outstanding;”

- (l) The Credit Agreement is hereby amended by deleting Section 6.03(r) of the Credit Agreement in its entirety and replacing it with the following:

“(r) Encumbrances over any Receivable Assets subject to a Qualified Securitization Transaction; provided that the aggregate fair market value of all Receivable Assets secured in accordance with this subclause (r) shall not exceed US\$2,500,000,000 (or its equivalent in another currency or currencies) at any one time outstanding.”

- (m) The Credit Agreement is hereby amended by adding a new sub-clause (s) after Section 6.03(r) of the Credit Agreement as follows:

“(s) Encumbrances over any escrow arrangements in connection with any Acquisition Financing Arrangement.”

- (n) The Credit Agreement is hereby amended by adding a new sub-clause (t) after Section 6.03(s) of the Credit Agreement as follows:

“(t) Encumbrances over any shares of Mylan N.V. or its successors held by any of the Parent or its Subsidiaries as of 31 July 2015 and any other shares issued thereon.”

- (o) The Credit Agreement is hereby amended by deleting clause (a) in the table under Section 6.04 of the Credit Agreement in its entirety and replacing it with the following:

(a) Total Consolidated Net Debt to EBITDA	Four-quarter Test Period ending with the quarters below (Q1 being the first full fiscal quarter after the Acquisition Closing Date occurs)	Leverage Ratio
	Q1	No greater than 5.25x
	Q2 (the quarter after Q1)	No greater than 5.25x
	Q3 (the quarter after Q2)	No greater than 5.00x
	Q4 (the quarter after Q3)	No greater than 5.00x
	Q5 (the quarter after Q4)	No greater than 4.25x
	Q6 (the quarter after Q5)	No greater than 4.25x
	Q7 (the quarter after Q6)	No greater than 4.00x
	Q8 (the quarter after Q7)	No greater than 4.00x
	Q9 (the quarter after Q8) and thereafter	No greater than 3.50x

(p) The Credit Agreement is hereby amended by deleting Section 7.01(j) of the Credit Agreement in their entirety and replacing it with the following:

“(j) one or more judgments for the payment of money in an aggregate uninsured amount equal to or greater than US\$200,000,000 (or its equivalent in another currency or currencies) in excess of the amount of insurance coverage shall be rendered against any Loan Party or any Material Subsidiary or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, vacated or bonded pending appeal or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Loan Party or any such Material Subsidiary to enforce any such judgment for the payment of money in an aggregate uninsured amount in excess of US\$200,000,000 (or its equivalent in another currency or currencies);”

(q) The Credit Agreement is hereby amended by deleting Section 7.01(k) of the Credit Agreement in their entirety and replacing it with the following:

“(k) one or more ERISA Events shall have occurred, which individually or in the aggregate results in liability of any Loan Party, any of its subsidiaries, or any of their respective ERISA Affiliates in excess of US\$200,000,000 (or its equivalent in another currency or currencies) during the term hereof;”

(r) The Credit Agreement is hereby amended by deleting Section 7.01(l) of the Credit Agreement in their entirety and replacing it with the following:

“(l) this Agreement shall at any time and for any reason be declared by a court of competent jurisdiction to be null and void, or a proceeding shall be commenced by any Loan Party, or by any Governmental Authority, seeking to establish the invalidity or unenforceability thereof (exclusive of questions or interpretation of any provision thereof), or any Loan Party shall repudiate or deny any portion of its financial obligation under this Agreement;”

3. Representations and Warranties. Each Loan Party hereby represents and warrants to the Administrative Agent and each Lender as follows on each of (i) the Pre-Acquisition Closing Effective Date (as defined below), (ii) the Acquisition Closing Date (as such term is defined in Section 2(a) above) and (iii) the date of any incurrence of Indebtedness subject to an Acquisition Financing Arrangement (as such term is defined in Section 2(a) above):

- (a) immediately before and after giving effect to this Amendment and the Transactions (to the extent consummated on or around the date referred to in (i), (ii) or (iii) above, as applicable, and giving effect to the amendments herein that are effective on such date), all of the representations and warranties set forth in the Credit Agreement are true and correct on and as of such date, as if made on such date, except to the extent that such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such earlier date (it being understood that references therein to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended by this Amendment and after giving effect to the amendments set forth herein and the Transactions);
- (b) the execution, delivery and performance by each Loan Party of this Amendment have been duly authorized by all necessary corporate or other organizational action, as applicable, of such Loan Party;
- (c) this Amendment has been duly executed and delivered by such Loan Party; and
- (d) no Default or Event of Default has occurred, is continuing or would exist after giving effect to this Amendment and the Transactions.

4. Effect of this Amendment. Except as modified pursuant hereto, no other changes or modifications to the Credit Agreement or Loan Documents are intended or implied and in all other respects the Credit Agreement and Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof. To the extent of conflict between the terms of this Amendment and the Loan Documents, the terms of this Amendment shall control. The Credit Agreement and this Amendment shall be read and construed as one agreement.

5. Effectiveness.

- (a) On the date on which the Administrative Agent shall have received executed signature pages hereof delivered by facsimile transmission or electronic mail (in “.pdf” or similar format) from each of the Parent, the Borrowers and the Administrative Agent (following the consent of the Required Lenders) (the “**Pre-Acquisition Closing Effective Date**”), Section 2(a), Section 2(b), Section 2(d), Section 2(e), Section 2(f), Section 2(g), Section 2(i), Section 2(j), Section 2(m), Section 2(n) and Section 2(r) of this Amendment shall become effective.
- (b) On the Acquisition Closing Date, provided the Pre-Acquisition Closing Effective Date has occurred, this Amendment shall become effective in full.

6. **Further Assurances.** The parties hereto shall execute and deliver such additional documents and take such additional action as may be reasonably necessary or desirable to effectuate the provisions and purposes of this Amendment.

7. **Binding Effect.** This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

8. **Severability.** Any provisions of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9. **Reference to the Effect on the Loan Documents.** Upon the effectiveness of this Amendment, (a) each reference in the Credit Agreement to this “Agreement,” “hereunder,” “hereof,” “herein” or words of similar import and (b) each reference in any other Loan Document to “the Credit Agreement”, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

10. **Headings.** The headings listed herein are for convenience only and do not constitute matters to be construed in interpreting this Amendment.

11. **Counterparts; Electronic Signatures.** This Amendment may be executed by one or more parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail (in “.pdf” or similar format) shall be effective as delivery of a manually executed counterpart hereof.

12. **Governing Law; Jurisdiction; Consent to Service of Process.**

- (a) This Amendment and any non-contractual obligations arising out of or in connection with it shall be construed in accordance with and governed by Japanese law (without regard to conflicts of laws principles).
- (b) Each party hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of (i) the Supreme Court of the State of New York sitting in New York County, (ii) the United States District Court of the Southern District of New York, (iii) the Tokyo District Court and (iv) any appellate court from any thereof, in any suit, action or proceeding arising out of or relating to this Amendment (including any non-contractual obligations arising out of or relating to this Amendment) and each of the parties hereto hereby irrevocably and unconditionally agrees that any such suit, action or proceeding (“**Proceedings**”) may be heard and determined in such courts. Each party hereto hereby further irrevocably waives any claim that any such courts lack personal jurisdiction over it and agrees not to plead or claim in any Proceedings that any such courts lack personal jurisdiction over it. To the extent that any Loan Party in any jurisdiction has, may claim or hereafter may acquire any immunity from jurisdiction, suit, enforcement, execution, attachment (whether through prior to judgment, in aid of execution, or otherwise) or any other legal process with respect to itself or its property, such Loan Party hereby agrees

not to claim and irrevocably waives such immunity to the full extent permitted by law. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amendment shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Amendment against the Borrower or the Guarantor or any of their respective properties in the courts of any jurisdiction to enforce a judgment obtained in accordance with this Section. Each Loan Party agrees that, if the Administrative Agent or any Lender has brought or initiated Proceedings in any jurisdiction referred to in this paragraph (the “**Original Proceedings**”), no Loan Party may bring Proceedings which relate to the Original Proceedings or concern dispute(s) which are the same as or related to any dispute(s) which are the subject of the Original Proceedings in any other jurisdiction, including, for the avoidance of doubt, any other jurisdiction referred to in this paragraph. Nothing in this Section shall (or shall be construed so as to) limit the right of the Administrative Agent or any Lender to take Proceedings in any of the courts referred to in this paragraph, nor shall the taking of Proceedings in any such jurisdiction by any Loan Party preclude the taking of Proceedings by the Administrative Agent or any Lender in any other such jurisdiction (whether concurrently or not) if and to the extent permitted by law.

- (c) Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any Proceedings in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of any Proceedings in any such court, including, without limitation, with respect to enforcement and/or proceedings for breach claims, and agrees not to plead that any such action or proceeding brought in any such court has been brought in an inconvenient forum.
- (d) Each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Section 11.01 of the Credit Agreement. Such service may be made by mailing (by registered or certified mail, postage prepaid or any other method which generates a receipt or proof of delivery) or delivering a copy of such process to such Person at the address provided in Section 11.01 of the Credit Agreement (and in the case of service to be delivered to any Loan Party, each Loan Party hereby acknowledges that, to the extent required, the address for delivery of a copy of such service to counsel for such Loan Party shall be: Office of the General Counsel, Teva Pharmaceutical Industries Limited, 5 Basel Street Petah Tiqva 49131, Israel, Attention: General Counsel); each party hereto hereby irrevocably waives any objection to such service of process and agrees not to plead or claim in any Proceedings that any such service was in any way invalid or ineffective. Nothing in this Amendment will affect the right of any party to this Amendment to serve process in any other manner permitted by applicable relevant law.

[Remainder of this page left intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

TEVA PHARMACEUTICAL INDUSTRIES
LIMITED

By: /s/ Eran Ezra

Name: Eran Ezra

Title: SVP, Head of Global Treasury Risk
Management & Insurance

By: /s/ Eyal Rubin

Name: Eyal Rubin

Title: VP, Head of Corporate Treasury

[Signature page to Japanese Yen Credit Agreement Amendment Agreement]

TEVA HOLDINGS K.K.

By: /s/ Itzhak Krinsky

Name: Itzhak Krinsky

Title: Representative Director

By: /s/ Kimio Nishimura

Name: Kimio Nishimura

Title: Representative Director

[Signature page to Japanese Yen Credit Agreement Amendment Agreement]

MIZUHO BANK, LTD.,
as Administrative Agent

By: _____

Name: 東京都千代田区大手町一丁目5番5号

Title: 株式会社みずほ銀行

代表取締役 林 信秀



[Signature page to Japanese Yen Credit Agreement Amendment Agreement]

**AMENDMENT
TO
SENIOR UNSECURED REVOLVING CREDIT AGREEMENT**

This Amendment to Senior Unsecured Revolving Credit Agreement (this “**Amendment**”), dated as of July 21, 2016, is made and entered into by and among Teva Pharmaceutical Industries Limited (the “**Parent**”), Teva Pharmaceuticals USA, Inc., Teva Pharmaceutical Finance Netherlands III B.V., Teva Finance Services B.V., Teva Finance Services II B.V. and Teva Capital Services Switzerland GmbH (collectively, the “**Borrowers**”) and Citibank, N.A., as Administrative Agent (with the consent of the Required Lenders (as defined in the Credit Agreement (as defined below))) (the “**Administrative Agent**”).

Recitals:

Reference is made to the Senior Unsecured Revolving Credit Agreement dated as of 16 November 2015 (as amended from time to time, the “**Credit Agreement**”), between, amongst others, the Parent, the Borrowers, the Lenders named therein and the Administrative Agent.

WHEREAS, the Borrowers and the Parent have requested that the Administrative Agent (with the consent of the Required Lenders) amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Each capitalized term used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such term in the Credit Agreement.

2. Amendments to the Credit Agreement. (a) The Credit Agreement is hereby amended by adding the underlined words below to the first sentence of the first paragraph of Section 2.03 of the Credit Agreement:

To request a Loan (other than a Swingline Loan), the applicable Borrower shall notify the Administrative Agent of such request in writing (a) in the case of a Eurocurrency Loan denominated in Dollars, not later than 12:00 noon, New York City time, three Business Days before the date of the proposed Loan, (b) in the case of a Eurocurrency Loan denominated in Euro, not later than 12:00 noon, New York City time, four Business Days before the date of the proposed Loan, or (c) in the case of an ABR Loan, not later than 12:00 noon, New York City time, one Business Day before the date of the proposed Loan; provided that in relation to any Eurocurrency Loan denominated in Dollars being drawn to finance a portion of the Cash Acquisition Consideration, the applicable Borrower may notify the Administrative Agent of such request in writing not later than 9:00 a.m., London time, two Business Days before the date of the proposed Eurocurrency Loan; provided that in the case of this proviso, attached to such request shall be a copy of the duly submitted drawdown request under the DCM Bridge Facility and the Term Loan Credit Agreement among et al. the Parent, and Citibank N.A., as administrative agent, dated November 16, 2015 (as the same may be amended from time to time), to the extent such facilities are being drawn to finance a portion of the Cash Acquisition Consideration.

(b) The Credit Agreement is hereby amended by adding a new Section 11.03(e) to the Credit Agreement as follows:

“(e) Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender Party that is an EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(i) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender Party hereto that is an EEA Financial Institution; and

(ii) the effects of any Bail-in Action on any such liability, including, if applicable:

(A) a reduction in full or in part or cancellation of any such liability;

(B) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(C) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.”

(c) The Credit Agreement is hereby amended by adding the following definitions to Section 1.01 of the Credit Agreement:

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“**Bail-In Legislation**” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“**EEA Financial Institution**” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any of the member states of the European Union, the United Kingdom, Iceland, Liechtenstein, and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**EU Bail-In Legislation Schedule**” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“**Write-Down and Conversion Powers**” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(d) The Credit Agreement is hereby amended by adding the underlined words below to the definition of “**Defaulting Lender**” set forth in Section 1.01 of the Credit Agreement:

“**Defaulting Lender**” means, subject to Section 2.20(e), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the applicable Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable failure, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any Issuing Bank, the Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including with respect of its participation in Letters of Credit or Swingline Loans) within two Business Days of the date when due, (b) has notified the applicable Borrower or the Administrative Agent or any Issuing Bank or the Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable failure, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the applicable Borrower, to confirm in writing to the Administrative Agent and the applicable Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the applicable Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from

the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.20(e)) upon delivery of written notice of such determination to the applicable Borrower, any Issuing Bank, the Swingline Lender and each Lender.

(e) The Credit Agreement is hereby amended adding the underlined words below to paragraph (b) of Section 2.20 of the Credit Agreement

“(b) With respect to any Defaulting Lender, if any Swingline Exposure or LC Exposure exists at the time such Lender becomes a Defaulting Lender, all or any part of such Swingline Exposure and LC Exposure shall be reallocated among the Lenders that are Non-Defaulting Revolving Credit Lenders in accordance with their respective Applicable Percentages but only to the extent that (w) the sum of the Credit Exposures of all Non-Defaulting Lenders plus such Defaulting Lender’s Swingline Exposure and LC Exposure does not exceed the aggregate amount of all Non-Defaulting Lenders’ Commitments, (x) immediately following the reallocation to a Non-Defaulting Lender, the Credit Exposure of such Lender does not exceed its Revolving Commitment, (y) the conditions set forth in Section 4.02 are satisfied at such time (and, unless the Parent shall have otherwise notified the Administrative Agent at such time, the Borrowers are deemed to have hereby represented and warranted that such conditions are satisfied as of such time); and (z) no Default exists. Subject to Section 11.03(e), no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender’s increased exposure following such reallocation.”

3. Representations and Warranties. Each Loan Party hereby represents and warrants to the Administrative Agent and each Lender as follows on each of (i) the Effective Date (as defined below) and (ii) the date of any incurrence of Indebtedness subject to an Acquisition Financing Arrangement:

- (a) immediately before and after giving effect to this Amendment and the Transactions (to the extent consummated on or around the date referred to in (i) or (ii) above, as applicable, and giving effect to the amendments herein that are effective on such date), all of the representations and warranties set forth in the Credit Agreement are true and correct on and as of such date, as if made on such date, except to the extent that such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such earlier date (it being understood that references therein to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended by this Amendment and after giving effect to the amendments set forth herein and the Transactions);

- (b) the execution, delivery and performance by each Loan Party of this Amendment have been duly authorized by all necessary corporate or other organizational action, as applicable, of such Loan Party;
- (c) this Amendment has been duly executed and delivered by such Loan Party;
- (d) no Default or Event of Default has occurred, is continuing or would exist after giving effect to this Amendment and the Transactions; and
- (e) it is not a EEA Financial Institution (as defined in this Amendment).

4. Effect of this Amendment. Except as modified pursuant hereto, no other changes or modifications to the Credit Agreement or the other Loan Documents are intended or implied and in all other respects the Credit Agreement and the other Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof. To the extent of conflict between the terms of this Amendment and the other Loan Documents, the terms of this Amendment shall control. The Credit Agreement and this Amendment shall be read and construed as one agreement.

5. Effectiveness. On the date on which the Administrative Agent shall have received executed signature pages hereof delivered by facsimile transmission or electronic mail (in “.pdf” or similar format) from each of the Parent, the Borrowers and the Administrative Agent (following the consent of the Required Lenders) (the “**Effective Date**”), this Amendment shall become effective.

6. Further Assurances. The parties hereto shall execute and deliver such additional documents and take such additional action as may be reasonably necessary or desirable to effectuate the provisions and purposes of this Amendment.

7. Loan document. This Amendment shall be a Loan Document.

8. Binding Effect. This Amendment shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

9. Severability. Any provisions of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10. Reference to the Effect on the Loan Documents. Upon the effectiveness of this Amendment, (a) each reference in the Credit Agreement to this “Agreement,” “hereunder,” “hereof,” “herein” or words of similar import and (b) each reference in any other Loan Document to “the Credit Agreement”, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

11. Headings. The headings listed herein are for convenience only and do not constitute matters to be construed in interpreting this Amendment.

12. Counterparts; Electronic Signatures. This Amendment may be executed by one or more parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail (in “.pdf” or similar format) shall be effective as delivery of a manually executed counterpart hereof.

13. Governing Law; Jurisdiction; Consent to Service of Process.

- (a) This Amendment and the rights and obligations of the parties under this Amendment shall be governed by, and construed and interpreted in accordance with, the law of the State of New York without regard to conflict of law principles that would result in the application of any law other than the law of the State of New York.
- (b) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amendment, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such federal court. To the extent that any Loan Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Loan Party hereby irrevocably waives such immunity in respect of its obligations under this Amendment. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amendment shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Amendment against any Borrower or the Guarantor or any of their respective properties in the courts of any jurisdiction to enforce a judgment obtained in accordance with this Section 13.
- (c) Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Amendment in any court referred to in paragraph (b) of this Section 13. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.
- (d) Each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Section 11.01 of the Credit Agreement. In addition, each Loan Party (other than Teva USA) hereby irrevocably designates, appoints and empowers **TEVA PHARMACEUTICALS USA, INC.**, a Delaware corporation, the principal office of which is at 1090 Horsham Road, North Wales, Pennsylvania, United States of

America (the “**Process Agent**”), in the case of any suit, action or proceeding brought in the United States as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any kind and all legal process, summons, notices and documents that may be served in any action or proceeding arising out of or in connection with this Amendment or any other Loan Document. By executing this Amendment, Teva USA hereby irrevocably accepts such designation, appointment and agency, which shall remain in full force and effect until such time as Teva USA ceases to be a Borrower under the Credit Agreement (at which time each Loan Party shall designate a replacement Process Agent satisfactory to the Administrative Agent (and deliver the appropriate documentation in respect thereof as reasonably requested by the Administrative Agent)). Such service may be made by mailing (by registered or certified mail, postage prepaid) or delivering a copy of such process to such Person in care of the Process Agent at the Process Agent’s above address, and such Person hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, each Loan Party irrevocably consents to the service of any and all process in any such action or proceeding by the mailing (by registered or certified mail, postage prepaid) of copies of such process to the Process Agent or such Person at its address specified in Section 11.01 of the Credit Agreement. Nothing in this Amendment will affect the right of any party to this Amendment to serve process in any other manner permitted by law.

[Remainder of this page left intentionally blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

TEVA PHARMACEUTICAL INDUSTRIES
LIMITED

By: /s/ Eyal Desheh

Name: Eyal Desheh

Title: Executive Vice President and
Chief Financial Officer

By: /s/ Eyal Rubin

Name: Eyal Rubin

Title: VP, Corporate Treasurer

[Signature page to Revolving Credit Agreement Amendment Agreement]

TEVA PHARMACEUTICALS USA, INC.

By: /s/ Deborah Griffin

Name: Deborah A. Griffin

Title: Senior Vice President,
Finance and Chief Financial Officer

By: /s/ Frank V. Kimick

Name: Frank V. Kimick

Title: Vice President, Finance
and North American Treasurer

[Signature page to Revolving Credit Agreement Amendment Agreement]

TEVA PHARMACEUTICAL FINANCE
NETHERLANDS III B.V.

By: /s/ R. Koremans

Name: R. Koremans
Title: CEO & Director

By: /s/ G. Nazzi

Name: G. Nazzi
Title: Director

[Signature page to Revolving Credit Agreement Amendment Agreement]

TEVA FINANCE SERVICES II B.V.

By: /s/ Paul Whitty

Name: Paul Whitty

Title: General Manager

By: /s/ David Koch

Name: David Koch

Title: Managing Director

[Signature page to Revolving Credit Agreement Amendment Agreement]

TEVA CAPITAL SERVICES SWITZERLAND
GMBH

By: /s/ Paul Whitty

Name: Paul Whitty

Title: General Manager

By: /s/ David Koch

Name: David Koch

Title: President of the Managing Officers

[Signature page to Revolving Credit Agreement Amendment Agreement]

CITIBANK, N.A., as Administrative Agent

By: _____
Name:
Title:

[Signature page to Revolving Credit Agreement Amendment Agreement]

EMPLOYMENT AGREEMENT

This Employment Agreement (this “**Agreement**”) is entered on this 7th day of September 2017, 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**”), and Kåre Schultz (“**Executive**”).

WHEREAS, the Company wishes to employ Executive as its President and Chief Executive Officer (“**President and CEO**”), and Executive wishes to be so employed; and

WHEREAS, the parties have agreed on the terms pursuant to which Executive shall serve as President and CEO, 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 a date to be mutually agreed between the Company and Executive but in no event later than 1 October 2018 (the date Executive’s service to the Company commences, “**Effective Date**”) and ending on the fifth (5th) anniversary of the Effective Date (the “**Term**”). Executive shall use his best endeavors to obtain an early release from the notice period/restrictive covenant from his employer on the date of this Agreement in order to commence employment with the Company as soon as possible following the date of this Agreement. Thereafter, unless previously terminated, the Term shall be automatically extended for consecutive periods of one (1) year unless either party provides written notice to the other party of non-renewal in accordance with Section 26 not less than one (1) year prior to the end of the Term as then in effect. Notwithstanding the foregoing, (a) upon a “Change in Control” (as defined in the Company’s 2015 Long-Term Equity-Based Incentive Plan (the “**2015 Plan**”)), the Term shall automatically be extended until the second (2nd) anniversary of the date such Change in Control is consummated (unless the Term would otherwise expire after such date); and (b) the Term shall immediately terminate upon any termination of Executive’s employment with the Company and its subsidiaries pursuant to Section 9. Further, either party may terminate Executive’s employment in accordance with Section 9.
- 1.2 Executive shall report directly to the Board of Directors of the Company (the “**Board**”). All executive officers of the Company shall report directly to Executive (unless otherwise determined by Executive, or as required by Law (as defined below) or the principles of good corporate governance). In addition, Executive shall serve as President and CEO and have all of the duties, authorities and responsibilities customarily exercised by an individual serving as the president and chief executive officer of a

company the size and nature of the Company, and such other duties, authorities and responsibilities, consistent with the foregoing, as may reasonably be assigned to him from time to time by the Board.

- 1.3 During the Term, Executive shall devote his full business time, energy, business judgment, knowledge and skill to the performance of his duties with the Company; provided that the foregoing shall not prevent Executive from (a) reasonably participating in charitable, civic, educational, professional, community or industry affairs, and (b) managing his own personal investments, in each case, so long as such activities in the aggregate do not interfere or conflict with Executive's duties hereunder or create a potential business or fiduciary conflict. Executive shall not serve on the board of directors or similar body of a for-profit entity without the express written consent of the Chairman of the Board.
- 1.4 During the Term, Executive may be required to serve as a director, officer or committee member of the Company and/or another entity of any type in which the Company holds, directly or indirectly, at least 25% of the "means of control" (as such term is defined in the Securities Law, 1968) (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 receive any additional compensation for serving in such additional position other than those amounts expressly set forth herein; provided that the Company's D&O insurance shall cover Executive and the Indemnification and Release Agreement attached hereto as **Exhibit D** shall fully cover Executive in all such positions. Executive's principal place of employment during the Term 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.
- 1.5 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.
- 1.6 This Agreement and all compensation and benefits payable hereunder are subject to the Company's compensation policies applicable to senior officers in effect on the Effective Date and the terms and conditions of this Agreement, including the Company's Compensation Policy for Executive Officers and Directors adopted by the shareholders at the 2016 annual general meeting of shareholders, held on April 18, 2016 (collectively, the "**Compensation Policy**"). The Company acknowledges and agrees that the terms of this Agreement are consistent with the Compensation Policy.

2. Base Salary

- 2.1 During the Term, Executive's gross annual base salary shall be not less than \$2,000,000 (Two Million United States Dollars) (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 subject to review, at least annually, by the Human Resources & Compensation Committee of the Board (the "**Compensation Committee**") of the Board for possible increase, subject to the requirements of applicable Law including any requirement of shareholder approval.
- 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, 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 Severance Contribution and Pension Contribution) 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.

3. Cash Awards

- 3.1 Sign-on Cash Award. Executive shall be granted a cash award of \$20,000,000 (Twenty Million United States Dollars) (the "**Sign-on Cash Award**"), which shall vest and be paid (a) in two equal installments, (i) with the first installment to be paid on the first business day falling three (3) months after the Effective Date and (ii) the second installment to be paid on the first business day falling six (6) months after the Effective Date, in each case, subject to Executive's continued employment with the Company through the applicable vesting date identified in clauses (i) and (ii) above or (b) upon such earlier vesting date as may be provided for, if at all, under Section 9.
- 3.2 Annual Bonus. During the Term, for each fiscal year of the Company commencing with the fiscal year in which the Effective Date occurs, Executive shall be considered for an annual bonus (the "**Annual Bonus**") pursuant to the terms set forth on Exhibit A. Executive shall have a target Annual Bonus opportunity of 140% of Annual Salary and a maximum Annual Bonus opportunity of 200% of Annual Salary, the actual amount

of which shall be determined by the Compensation Committee and the Board, based on their determination of the attainment of performance measures established by the Compensation Committee and the Board, as follows:

- 3.2.1 **Threshold.** No Annual Bonus shall be payable if performance goals are achieved at less than 90%.
- 3.2.2 **Target.** The Annual Bonus shall be payable at the target level if performance goals are achieved at 100%.
- 3.2.3 **Maximum.** The maximum Annual Bonus shall be payable if performance goals are achieved at 120% or greater.

Straight line interpolation shall be applied to performance between such levels.

The Annual Bonus shall be paid in a lump sum in cash not later than March 15th of the year immediately following the year to which such Annual Bonus relates. The Annual Bonus shall not be prorated in respect of the fiscal year in which the Effective Date occurs, and Executive shall be eligible for a full year's Annual Bonus in respect of such fiscal year.

4. Equity Awards

- 4.1 **Sign-on Awards.** 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), Executive shall be granted awards (the "**Sign-on Awards**") in respect of ordinary shares of the Company ("**Shares**") pursuant to the Company's 2015 Plan and award agreements thereunder, which shall be allocated, and have terms and conditions, as follows:
 - 4.1.1 **Sign-on RSU Award.** Executive shall be granted a restricted share unit award (the "**Sign-on RSU Award**"), the number of Shares subject to which shall be determined assuming the Sign-on RSU Award grant were made on the last day prior to the public announcement of Executive's hire (using the per Share closing price on that date) and had a grant date fair value of \$5,000,000 (Five Million United States Dollars). The Sign-on RSU Award shall vest and settle in equal installments on the third (3rd), fourth (4th) and fifth (5th) anniversaries of the Effective Date, subject, except as provided in Section 9, to Executive's continued employment with the Company through the applicable vesting date. The Sign-on RSU Award shall include other terms and conditions described in this Agreement and other terms and conditions consistent with restricted share unit ("**RSU**") awards granted by the Company generally.
 - 4.1.2 **Sign-on PSU Award.** Executive shall be granted two performance share unit ("**PSU**") awards (each, a "**Sign-on PSU Award**"), the

target number of Shares subject to each of which shall be determined assuming each Sign-on PSU Award grant were made on the last day prior to the public announcement of Executive's hire (using the per Share closing price on that date) and each grant had a grant date fair value of \$7,500,000 (Seven Million Five Hundred Thousand United States Dollars) (or \$15,000,000 (Fifteen Million United States Dollars) in the aggregate). Each Sign-on PSU Award shall provide that the number of Shares earned thereunder shall be determined based on the percentage increase in the per Share price, beginning with the average per Share closing price on the Effective Date (or, if the Effective Date occurs on 1 February 2018 or earlier, the per Share closing price on the last day prior to the public announcement of Executive's hire shall apply instead) (the "**Beginning Price**") and ending with the average per Share closing price during the six (6) months ending on (a) in the case of the first Sign-on PSU Award (the "**Three-Year PSU Award**"), the third (3rd) anniversary of the Effective Date or (b) in the case of the second Sign-on PSU Award (the "**Five-Year PSU Award**"), the fifth (5th) anniversary of the Effective Date (such applicable average per Share closing price, the "**End Price**," and the period from the Effective Date through the third (3rd) anniversary or fifth (5th) anniversary, as applicable, of the Effective Date, the "**Performance Period**"), as follows:

a. Three-Year PSU Award.

- i. **Threshold.** PSUs with respect to 50% of the target number of Shares shall vest if the End Price is 16% higher than the Beginning Price.
- ii. **Target.** PSUs with respect to 100% of the target number of Shares shall vest if the End Price is 29% higher than the Beginning Price.
- iii. **Outperform.** PSUs with respect to 150% of the target number of Shares shall vest if the End Price is 42% higher than the Beginning Price.
- iv. **Superperform.** PSUs with respect to 200% of the target number of Shares shall vest if the End Price is 94% higher than the Beginning Price.
- v. **Maximum.** PSUs with respect to 300% of the target number of Shares shall vest if the End Price is at least 158% higher than the Beginning Price.

- b. Five-Year PSU Award.
- i. **Threshold.** PSUs with respect to 50% of the target number of Shares shall vest if the End Price is 28% higher than the Beginning Price.
 - ii. **Target.** PSUs with respect to 100% of the target number of Shares shall vest if the End Price is 53% higher than the Beginning Price.
 - iii. **Outperform.** PSUs with respect to 150% of the target number of Shares shall vest if the End Price is 79% higher than the Beginning Price.
 - iv. **Superperform.** PSUs with respect to 200% of the target number of Shares shall vest if the End Price is 202% higher than the Beginning Price.
 - v. **Maximum.** PSUs with respect to 300% of the target number of Shares shall vest if the End Price is at least 385% higher than the Beginning Price.
- c. Additional Terms. Each Sign-on PSU Award shall also provide that:
- i. No portion of a Sign-on PSU Award shall be eligible to vest if the End Price is less than the applicable threshold target price set forth above;
 - ii. Straight line interpolation shall be applied to determine the portion of the applicable Sign-on PSU Award that vests upon a Share price increase between the levels above;
 - iii. Any portion of a Sign-on PSU Award that is not earned at the end of the applicable Performance Period shall be automatically forfeited and canceled for no consideration;
 - iv. Upon a Change in Control during a Performance Period, the applicable Performance Period shall end immediately and the number of Shares earned under a Sign-on PSU Award shall be fixed based on the price paid per Share in connection with the Change in Control (or, if no price is paid for Shares in connection with the Change in Control, the per Share closing price for the last complete trading session immediately preceding the Change in Control), and the applicable Sign-on PSU Award shall vest and be settled upon the Change in Control; provided that, if a Sign-on PSU Award remains outstanding or is assumed by the Company's successor following the Change in Control, the applicable Sign-on PSU Award shall remain subject to service-based vesting over the remainder of the originally scheduled vesting period, except as provided in Section 9;

- v. Except as provided in Section 9, Shares underlying the Sign-on PSU Award that are earned at the end of the applicable Performance Period shall vest and settle (A) in the case of the Three-Year PSU Award, in equal installments on the third (3rd), fourth (4th) and fifth (5th) anniversaries of the Effective Date, or (B) in the case of the Five-Year PSU Award, on the fifth (5th) anniversary of the Effective Date, in each case, subject to Executive's continued employment with the Company through the applicable vesting date; and
- vi. The Beginning Price and End Price shall be equitably adjusted in the event of any corporate transaction impacting the capitalization of the Company.

Each Sign-on PSU Award shall include other terms and conditions described in this Agreement and other terms and conditions consistent with PSU awards granted by the Company generally.

- 4.2 Annual Equity Awards. For each fiscal year of the Term, Executive shall be granted equity awards with a target grant date fair value of \$6,000,000 (Six Million United States Dollars), subject to the terms of the 2015 Plan (or any successor thereto) and **Exhibit B**. Such awards shall be subject to the same vesting terms as the corresponding Share awards granted to other senior executives of the Company generally. For the avoidance of doubt, the foregoing provision shall only be applicable to 2017 if the Effective Date occurs in fiscal year 2017, in which case Executive shall be eligible for an annual target equity incentive award opportunity in respect of fiscal year 2017, which opportunity shall be allocated equally across Share options, time-vested RSUs and PSUs, and the performance goals for such PSUs shall be identical to those for the PSUs granted on February 14, 2017 to other senior executives of the Company.

5. Executive Benefits

- 5.1 Generally. 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, pension, 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**"), such participation in each case to be on terms and conditions that are commensurate with Executive's position and responsibilities at the Company and that are no less favorable to Executive than those that apply to similarly situated senior executives of the Company generally.

- 5.2 Relocation. During the Term, Executive shall be provided relocation benefits as set forth in the Company's Long Term International Assignment Policy (including reimbursement of reasonable tax advice and legal assistance) and reimbursement for housing and utilities in Israel of up to 40,000 New Israeli Shekels per month (pro-rated for partial calendar months), subject to Executive's presentation of appropriate supporting documentation. In addition, the Company shall reimburse up to \$100,000 in the aggregate per year for personal travel expenses of Executive and/or his spouse, subject to Executive's presentation of appropriate supporting documentation.

6. Reimbursement for Certain Costs and Expenses

- 6.1 Business Expenses. The Company shall pay or reimburse Executive for all out-of-pocket business expenses incurred by Executive during the Term in performing his duties under this Agreement, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.
- 6.2 Business Equipment. During the Term, the Company shall provide, and pay or reimburse Executive for all expenses incurred in connection with acquiring, maintaining and using, in each such case a land-line telephone in his residence, a laptop, a cellular telephone or other similar hand-held device, and a car benefit suitable for the chief executive officer of a company of the size and nature of the Company, in each case, to the extent applicable, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.

7. Vacation; Sick Leave; Recreation Pay

- 7.1 Vacation. Executive shall be entitled to twenty (20) 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 days every calendar year, and may accumulate the remaining vacation days in accordance with the Company's policy. The dates of Executive's annual vacation shall be coordinated in advance with the Chairman of the Board. Executive shall be entitled to redeem the aforesaid accumulated vacation days upon termination of Executive's employment.
- 7.2 Sick Leave. Executive shall be entitled to thirty (30) 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. 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 if requested by the Chairman of the Board. The parties hereto hereby acknowledge and agree that the payments to Executive set forth in this Section 7.2 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, 1976.

- 7.3 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.

8. Pension Insurance

- 8.1 The Company shall pay Executive on a monthly basis an amount equal to 7.5% of Executive's Monthly Salary as a defined pension contribution to a pension provider in Denmark designated by the Executive (the "**Pension Contribution**"). By signing this Agreement Executive declares that he is covered by a sufficient loss of ability to work insurance in Denmark. For the avoidance of doubt, the Pension Contribution shall not be grossed up and shall be subject to all applicable taxes.

It is hereby acknowledged and agreed that the Pension Contribution payment shall not be deemed part of the Executive's Monthly Salary for any purpose, including without derogating from the foregoing, for the purpose of payment of severance and any other entitlement calculated as a percentage of Executive's Monthly Salary, and this Section 8.1 shall not impose on the Company any additional current or future cost or expense, directly or indirectly.

- 8.2 In addition, the Company shall contribute and deposit, on a monthly basis, 8.33% of the Monthly Salary on account of pension contribution to an interest bearing bank account in Israel that shall be opened for such purpose, in accordance with applicable Law (such contributions and all earnings thereon, the "**Severance Contribution**"). The Severance Contribution is to be paid out along with the last salary payment. For the avoidance, the Severance Payment and any severance entitlements payable under applicable Law (whether arising during or after the Term) shall be reduced (but not below \$0) by the amount of the Severance Contribution.

- 8.3 Executive declares and warrants that the Pension Contribution pursuant to this Section 8 is in lieu of the Company's obligation under applicable Law to insure the Executive under a pension plan.
- 8.4 Since the Pension Contribution payment as aforementioned is done pursuant to Executive's request, and for his benefit, neither Executive nor his successors, heirs and assigns shall have a cause of action with respect to any matter regarding the Company's obligation to insure Executive under a pension plan.

9. Termination of Employment

- 9.1 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 9.1 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.
- 9.2 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 9.9.4), such termination to be effective upon Executive's receipt of written notice of such termination. 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:
- 9.2.1 The Accrued Obligations, including the Severance Contribution;
- 9.2.2 Any portion of the Severance Payment required to be paid pursuant to applicable Law, which shall be paid in accordance with the requirements of applicable Law; provided, however, that such payment shall be reduced (but not below \$0) by the amount of the Severance Contribution;

- 9.2.3 Any portion of the Sign-on Cash Award that is unvested as of the Date of Termination shall vest and be paid in a lump sum on the next regular payroll date immediately following the seventy-fifth (75th) day after the Date of Termination if not payable earlier according to Section 3.1;
- 9.2.4 The Equity Benefits;
- 9.2.5 If the Date of Termination occurs on or following the first (1st) anniversary of the Effective Date, the Prorated Annual Bonus, which shall be payable at the same time bonuses are paid to other senior executives of the Company; and
- 9.2.6 Solely in the case of Executive's termination due to his Disability, the Non-Compete Payment.

Notwithstanding the foregoing provisions of this Section 9.2, the payments and benefits described in this Section 9.2 (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 execution and non-revocation of the Release of Claims in accordance with Section 9.7 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 11, 12, 13 or 14.

9.3 Termination by the Company for Cause.

- 9.3.1 The Company may terminate Executive's employment at any time for Cause. In the event that the Company terminates Executive's employment for Cause, he shall be entitled only to those components of the Accrued Obligations required to be paid by applicable Law, which payments shall be made in accordance with applicable Law. Following such termination of Executive's employment by the Company for Cause, except as set forth in this Section 9.3, Executive shall have no further rights to any compensation or any benefits under this Agreement.
- 9.3.2 No termination of Executive's employment for Cause shall be effective unless the Company shall have complied with the provisions of this Section 9.3.2 and applicable Law. Executive shall be given written notice by the Company (the "**Cause Notice**") of its intention to terminate Executive's employment for Cause. The Cause Notice shall state in detail the particular circumstances that constitute the grounds on which the proposed termination for Cause is based and all relevant documentation, and Executive shall be summoned to a hearing before the Board (with

Executive being given the opportunity to have his counsel attend). The hearing shall be held within thirty (30) days following Executive's receipt of the original Cause Notice. If, within twenty (20) business days following such hearing, the Board gives written notice to Executive confirming that Cause for terminating Executive's employment on the basis set forth in the original Cause Notice exists, then Executive's employment shall thereupon be terminated for Cause retroactively to the date set forth in the Cause Notice. A failure by Executive to attend the hearing shall be deemed to be a waiver by Executive of his right to such hearing.

- 9.4 Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective ninety (90) days following the date of Executive's receipt of written notice of such termination (the "**Company Notice Period**"); provided, however, that the Company and Executive may mutually agree to reduce the Company Notice Period. In the event that such notice is given by the Company, any intervening termination for any reason (other than a termination of Executive's employment by the Company for Cause), including death or Disability, prior to the expiration of the Company Notice Period shall not alter the Company's obligations under this Section 9.4. The Company may, in its sole and absolute discretion and by written notice, place Executive on leave during the Company Notice Period on the condition that the Company pays Executive the Monthly Salary and any other compensation and benefits to which Executive would have been entitled had he remained actively employed by the Company during the Company Notice Period (including continued vesting of equity awards). If the Company and Executive mutually agree to reduce the Company Notice Period to less than ninety (90) days, the Company may provide, in its sole and absolute discretion, that outstanding equity awards continue to vest for up to the ninety (90)-day period following Executive's receipt of written notice of termination. 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:
- 9.4.1 The Accrued Obligations, including Severance Contribution;
 - 9.4.2 The Severance Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy-fifth (75th) day after the Date of Termination, other than those components of the Severance Payment required by Law to be paid earlier, which components shall be paid in accordance with the requirements of applicable Law; provided, however, that the amount of the Severance Payment shall be reduced (but not below \$0) by the amount of the Severance Contribution;
 - 9.4.3 Any portion of the Sign-on Cash Award that is unvested as of the Date of Termination shall vest and be paid in a lump sum on the

next regular payroll date immediately following the seventy-fifth (75th) day after the Date of Termination if not payable earlier according to Section 3.1;

9.4.4 The Equity Benefits;

9.4.5 If the Date of Termination occurs on or following the first (1st) anniversary of the Effective Date, the Prorated Annual Bonus, which shall be payable at the same time bonuses are paid to other senior executives of the Company;

9.4.6 The Non-Compete Payment; and

9.4.7 If Executive's employment is terminated by the Company without Cause within one (1) year following the consummation of a "merger" (as such term is used in the Company's Compensation Policy as in effect on the date hereof), the Merger Amount, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy-fifth (75th) day after the Date of Termination.

Notwithstanding the foregoing, the payments and benefits described in this Section 9.4 (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 9.7 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 Section 11, 12, 13 or 14.

9.5 Termination by Executive with or without Good Reason. Executive may terminate his employment with or without Good Reason by providing the Company ninety (90) days' prior written notice of such termination (the "**Executive Notice Period**"); provided, however, that the Company and Executive may mutually agree to reduce the Executive Notice Period. In the event that such notice is given by Executive, any intervening termination for any reason (other than a termination of Executive's employment by the Company for Cause), including death or Disability, prior to the expiration of the Executive Notice Period shall not alter the Company's obligations under this Section 9.5. The Company may, in its sole and absolute discretion and by written notice, place Executive on leave during the Executive Notice Period or accelerate the effective date of such termination of employment; provided that the Company shall continue to pay Executive the Monthly Salary and any other compensation and benefits to which Executive would have been entitled had he remained actively employed by the Company during the Executive Notice Period (including continued vesting of equity awards). If the Company and Executive mutually agree to reduce the Company Notice Period to less than ninety (90) days, the Company may provide, in its sole and absolute

discretion, that outstanding equity awards continue to vest for up to the ninety (90)-day period following the Company's receipt of written notice of termination.

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 Section 9.4 for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 9.4 (including execution and non-revocation of the Release of Claims in accordance with Section 9.7 and compliance with Sections 11, 12, 13 and 14). Notwithstanding the above, the Company may terminate the employment of Executive without Cause in accordance with Section 9.4 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 (a) the Accrued Obligations and (b) subject to the same conditions on payment and benefits as described in Section 9.4 (including execution and non-revocation of the Release of Claims in accordance with Section 9.7 and compliance with Sections 11, 12, 13 and 14), the Non-Compete Payment.

- 9.6 Termination Upon Non-Renewal. In the event that Executive's employment terminates in connection with the non-renewal of this Agreement by either the Company or Executive pursuant to the second sentence of Section 1.1, Executive shall be entitled to only those components of the Accrued Obligations required to be paid by applicable Law.
- 9.7 Release. Notwithstanding any provision in this Agreement to the contrary, the payment of any amount or provision of any benefit pursuant to Section 9.2 through 9.5 (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 sixty (60) 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.
- 9.8 Full Settlement. The payments and benefits provided under this Section 9 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 9.

9.9 Definitions. For purposes of this Agreement, the following terms have the following meanings:

- 9.9.1 “**Accrued Obligations**” means (a) any unpaid Monthly Salary earned through the Date of Termination, and any unused vacation days and recreation days accrued through the Date of Termination, which amounts shall be paid on the next regular payroll date immediately following the Date of Termination, (b) any earned and unpaid Annual Bonus for the fiscal year immediately preceding the Date of Termination, which shall be paid at the time that annual bonuses for such fiscal year are paid to other senior executives of the Company, and (c) 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 and Company-provided officers’ liability insurance as set forth in Section 10.
- 9.9.2 “**Beneficiaries**” means, subject to applicable Law, the executors of Executive’s estate or Executive’s legal heirs.
- 9.9.3 “**Cause**” means (a) the willful and continued failure by Executive to substantially perform his duties with the Company (other than any such failure resulting from Executive’s incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a notice of termination for Good Reason by Executive) for a period of at least thirty (30) consecutive days after a written demand for substantial performance is delivered to Executive by the Board, which demand specifically identifies the manner in which the Board believes that Executive has not substantially performed his duties (provided that, within one hundred twenty (120) days following the Company’s written demand for substantial performance, the Company provides notice of its intent to terminate Executive’s employment), (b) Executive’s material breach of trust or other material breach of this Agreement by Executive, (c) Executive is convicted of, or has entered a plea of *nolo contendere* to, a felony, or (d) a willful and material breach by Executive of the provisions of Section 11, 12, 13 or 14. For purposes of clause (a) of this definition, no act, or failure to act, on Executive’s part shall be deemed “willful” unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that his act, or failure to act, was in the best interest of the

Company. Any act or failure to act by Executive that is based upon the advice of counsel to the Company or the direction of the Board shall not constitute Cause. For the avoidance of doubt, the termination of Executive's employment for any reason other than as contemplated by this Section 9.9.3 shall not constitute "Cause."

Notwithstanding the foregoing, in the event that the Board reasonably believes that Executive may have engaged in conduct that constitutes Cause, the Board may, subject to applicable Law, suspend Executive from performing his duties hereunder for a period of up to sixty (60) days, and in no event shall any such suspension constitute an event pursuant to which Executive may terminate employment for Good Reason; provided that no such suspension shall alter the Company's obligations under this Agreement (including its obligations to provide Employee compensation and benefits) during such period of suspension.

- 9.9.4 "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.
- 9.9.5 "Equity Benefits" means vesting in the Sign-on Awards as follows:
- a. **Sign-on RSU Award.** Any portion of the Sign-on RSU Award that is unvested as of the Date of Termination shall vest and be settled on the later of (i) the Date of Termination and (ii) the first (1st) anniversary of the grant date of the Sign-on RSU Award;
- b. **Sign-on PSU Award.**
- i. If the Date of Termination is during a Performance Period, then the applicable Sign-on PSU Award shall be eligible for full vesting and settlement, at the end of the applicable Performance Period based on actual performance through the entire Performance Period;
 - ii. If the Date of Termination occurs following the expiration of an applicable Performance Period, then the portion of the applicable Sign-On PSU Award earned based on actual performance during the Performance Period shall immediately vest and be settled;
 - iii. If the Date of Termination occurs following a Change in Control, then each Sign-On PSU Award shall immediately vest in full (to the extent earned in accordance with Section 4.1.2.c.iv) and be settled.

- 9.9.6 “**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: (i) any failure to continue Executive as the President and CEO after the Effective Date (other than by reason of a termination of Executive’s employment by the Company with or without Cause or due to death, Disability or by Executive without Good Reason); (ii) a material diminution in Executive’s duties, responsibilities or authorities; (iii) any material diminution of Executive’s Annual Salary, Annual Bonus opportunity or annual equity incentive opportunity; (iv) any change in the reporting structure so that Executive is required to report to anyone other than the Board or (v) any material breach by the Company or any of its affiliates of any obligation under this Agreement.
- 9.9.7 “**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.
- 9.9.8 “**Merger Amount**” means an amount equal to the Annual Salary in effect immediately prior to the Date of Termination (without taking into account any reduction in Annual Salary that gives rise to, or could have given rise to, a claim for Good Reason).
- 9.9.9 “**Prorated Annual Bonus**” means an Annual Bonus for the fiscal year of the Company in which the Date of Termination occurs, prorated based on the number of days elapsed in the fiscal year as of the Date of Termination, and determined based on actual performance as of the end of the fiscal year.
- 9.9.10 “**Release of Claims**” means the release of claims in favor of the Company and its affiliates substantially in the form attached hereto as **Exhibit C**.
- 9.9.11 “**Severance Payment**” means an amount equal to the greater of (a) the Annual Salary in effect immediately prior to the Date of Termination (without taking into account any reduction in Annual Salary that gives rise to, or could have given rise to, a claim for Good Reason) and (b) the minimum amount required under applicable Law.

10. Indemnification

- 10.1 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 D**, the terms of which shall be incorporated by reference herein.
- 10.2 An officers' liability insurance policy (or policies) shall be kept in place, during the Term and thereafter until the seventh (7th) anniversary of the Date of Termination, providing coverage to Executive that is no less favorable to Executive in any respect than the coverage then being provided to any other present or former senior executive of the Company.

11. Confidentiality and Disclosure of Information

Executive shall execute the Confidentiality, Disclosure of Information and Assignment of Inventions Agreement attached hereto as **Exhibit E** concurrently with the execution of this Agreement and agrees to abide by the terms thereof, which shall be deemed incorporated into this Section 11.

12. Non-Competition

Executive hereby agrees, during the Restriction Period (as defined below), not to engage, directly or indirectly, anywhere in the world, in any activity, business or any other engagement in the pharmaceutical industry or any other industry that the Company Group enters under Executive's authority or direction, in each case, 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), including as a consultant or as a director, except with the Company's prior written approval. Notwithstanding anything to the contrary contained in this Section 12, 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. For purposes of this Agreement, the term "**Restriction Period**" means the Term and a period of twenty-four (24) months following the Date of Termination.

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 and the payment to which Executive is entitled pursuant to Section 15, which is being made in consideration, *inter alia*, for such undertaking. For the avoidance of doubt, this Section 12 shall not apply to Executive following a termination of employment that occurs following the expiration of the Term.

13. Non-Solicitation

Executive hereby agrees, during the Restriction Period, not to, directly or indirectly, entice, solicit or encourage any employee, consultant, customer, vendor or supplier of the

Company Group and/or its affiliates (or any prospective employee consultant, customer, vendor or supplier with whom the Company Group has had material contact or taken material steps to engage or retain) to cease doing business with the Company Group, reduce its relationship with the Company Group or refrain from establishing or expanding a relationship with the Company Group or in any other way interfere with the Company Group's relationships with its employees, consultants, customers, vendors or suppliers. Executive further agrees and undertakes that during the Restriction Period, Executive shall not, directly or indirectly, including personally or in any business in which he is an officer, director or shareholder, for any purpose or in any place, hire or engage any key-employee (Executive Committee member or direct report of an Executive Committee member) employed by the Company Group on the date of such termination or during the preceding six (6) months. Executive shall not violate this provision by making a general solicitation that is not directed at employees or consultants of the Company Group or by providing a reference for an employee or consultant 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 and the payment to which Executive is entitled pursuant to Section 15, which is being made in consideration, *inter alia*, for such undertaking.

14. No Disparagement

Neither the Company Group nor Executive shall make disparaging or otherwise detrimental comments to any person or entity concerning the other, or the circumstances surrounding Executive's engagement and/or separation of engagement from the Company, unless such party can demonstrate that the comments were made in private circumstances and that it or he intended that the comments not be published. In addition, Executive shall not make disparaging or otherwise detrimental comments to any person or entity concerning the Company Group's officers, directors or employees; the products, services or programs provided or to be provided by the Company Group; the business affairs, operation, management or the financial condition of the Company Group, unless Executive can demonstrate that the comments were made in private circumstances and that he intended that the comments not be published. The obligations set forth in this Section 14 shall apply both during and ten (10) years after the Term. Nothing herein shall prevent Executive or the Company Group 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 and the payment to which Executive is entitled pursuant to Section 15, which is being made in consideration, *inter alia*, for such undertaking.

15. Non-Competition/Non-Solicitation/Non-Disparagement Payment

In consideration for Executive's undertaking set forth in Sections 11, 12, 13 and 14 and subject to compliance therewith, following the Date of Termination Executive shall receive an amount equal to twenty-four (24) times the Monthly Salary in effect

immediately prior to the Date of Termination (without taking into account any reduction in Monthly Salary that gives rise to, or could have given rise to, a claim for Good Reason), to be paid in twenty-four (24) equal monthly installments (the “**Non-Compete Payment**”). The Non-Compete Payment shall not be subject to offset by any income Executive derives from non-competitive employment or self-employment.

Notwithstanding the foregoing, in the event that Executive’s employment is terminated by the Company for Cause, Executive shall remain subject to Sections 11, 12, 13 and 14 and any other non-compete obligations, but the Company shall not be required to pay the Non-Compete Payment and the entire compensation paid to the Executive pursuant to this Agreement shall constitute as consideration for the Executive’s undertaking set forth in Sections 11, 12, 13 and 14. In the event of Executive’s death, the undertakings set forth in Sections 11, 12, 13 and 14 shall not apply and consequently the Company shall not be required to pay the Non-Compete Payment.

16. 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 out-of-pocket expenses (including travel expenses) incurred in connection with providing such assistance, provided that the reimbursement of fees related to any legal counsel retained by Executive in connection with such assistance shall be subject to the terms of the Indemnification and Release Agreement

17. 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.

18. Return of Car, Equipment and Documents

As of no later than the Date of Termination, 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, defense of claims under this Agreement, 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 Board (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.

19. No Other Post-Employment Restrictions

There shall be no contractual, or similar, restrictions on Executive's right to terminate his employment with the Company, or on his post-employment activities, other than as expressly set forth in this Agreement.

20. 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.

21. Tax Payments; Clawback

- 21.1 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 by applicable Law, and further represents that, except as specifically set forth in this Agreement or the Company's Long Term International Assignment Policy, 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. For the avoidance of doubt, the Company Group shall be responsible for the employer portion of all social security taxes or contributions payable in respect of compensation or benefits paid to Executive by the Company Group.
- 21.2 Clawback. Notwithstanding anything to the contrary herein, in the event of a restatement of the Company's financial statements as a result of erroneous statements, Executive shall reimburse payments that have already been paid to him on the basis of such erroneous financial results that were followed by a restatement, all in accordance with the Compensation Policy and subject to applicable Law. 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.

22. Residence and Work Permit

The Company Group shall assist Executive in obtaining a residency permit and work permit in Israel and shall pay all fees incurred by Executive in obtaining such permits and all fees incurred by Executive's spouse in obtaining a residency permit in Israel. If, through no fault of Executive, he has not obtained a work permit in Israel as of the date he is released by his current employer to commence employment with the Company Group and he is otherwise willing and able to commence employment with the Company Group, and as a result the Effective Date is delayed until (a) 1 January 2018 or later, he shall be treated as though the Effective Date occurred in 2017 for purposes of Sections 3.2 and 4.2 or (b) 2 February 2018 or later, he shall be treated as though the Effective Date occurred prior to such date for purposes of determining the Beginning Price pursuant to Section 4.1.2.

23. 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 23 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.

24. Dispute Resolution

Subject to applicable Law, any claim arising out of or relating to this Agreement, any other agreement between the Company and Executive, or any termination thereof shall be resolved by binding confidential arbitration, to be held in Israel. The arbitration shall be conducted before a mutually appointed arbitrator and, if necessary, an appeal-arbitrator, and if the parties in dispute shall fail to agree upon the identity of the arbitrator(s) within fifteen (15) days of written demand, the identity of the arbitrator(s) shall be determined

by the chairman of the Bar Association. The arbitrator's ruling shall be subject to an appeal to an appeal-arbitrator, in accordance with Section 21A to the Arbitration Law, 1968. The arbitrator and the appeal-arbitrator shall not be bound by the rules of procedure, but shall be bound by rules of the applicable substantive law and be required to give written grounds for his decision. This Agreement shall be deemed to be a valid Arbitration Agreement for the purpose of the Arbitration Law, 1968. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, any claim by the Company Group for injunctive relief in accordance with Section 25 may be sought before any court of competent jurisdiction. The Company shall reimburse Executive for all reasonable legal fees and expenses incurred by Executive in seeking to obtain or enforce any right or benefit provided under this Agreement, provided that Executive substantially prevails on at least one material issue in any such dispute. Further the Company Group shall pay the costs of the arbitrator and if necessary the appeal-arbitrator.

25. Remedies and Injunctive Relief

Executive acknowledges that his breach of any of the provisions of Sections 11, 12, 13 or 14 would cause irreparable damage to the Company Group in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, Executive agrees that, notwithstanding any provision of this Agreement to the contrary, in addition to any other damages it is able to show, in the event of a willful and continued violation by Executive of any of the covenants contained in Sections 11, 12, 13 or 14, the Company Group shall be entitled (without the necessity of showing economic loss or other actual damage) to (a) cease payment of the compensation and benefits contemplated by Sections 9 or 15 to the extent not previously paid or provided (including ceasing vesting of outstanding equity awards), (b) the prompt return by Executive of any portion of such compensation and the value of such benefits previously paid or provided (including forfeiture of any equity awards that vested pursuant to Section 9 or the repayment of the value of any equity incentive awards that vested pursuant to Section 9 that have been settled) and (c) injunctive relief (including temporary restraining orders, preliminary injunctions and permanent injunctions), without posting a bond, in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth in Sections 11, 12, 13 or 14 in addition to any other legal or equitable remedies it may have. The preceding sentence shall not be construed as a waiver of the rights that may have for damages under this Agreement or otherwise, and all such rights shall be unrestricted. The Restriction Period shall be tolled during (and shall be deemed automatically extended by) any period during which Executive is in violation of the provisions of Section 12 or 13, as applicable. In the event that a court of competent jurisdiction determines that any provision of Sections 11, 12, 13 or 14 is invalid or more restrictive than permitted under the governing law of such jurisdiction, then, only as to enforcement of such provision within the jurisdiction of such court, such provision shall be interpreted and enforced as if it provided for the maximum restriction permitted under such governing law.

26. 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: Chairman of the Board;

With a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 W 52nd Street
New York, NY 10019
Facsimile: +1-212-403-2000
Attn: Adam O. Emmerich, Esq.

and to

Tulchinsky, Stern, Marciano, Cohen, Levitski & Co. Law Offices
4 Berkowitz Street
Tel Aviv 64238
Facsimile: +972 (3) 6075050
Attn: Menachem Tulchinsky, Adv.

If to Executive: to the last address on file with the Company; and

With a copy (which shall not constitute notice) to:

Mette Klingsten
August Bournonvilles Passage 1 (Kgs. Nytorv)
DK-1055 Copenhagen
T +45 3144 0100
Attn: Mette Klingsten, Supreme Court Attorney

27. Miscellaneous

- 27.1 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.

- 27.2 Amendment or Waiver. No provision in this Agreement may be amended unless such amendment is set forth in a 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.
- 27.3 Inconsistencies. Subject to applicable Law and Section 1.6, 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.
- 27.4 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.”
- 27.5 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 9, 10, 11, 12, 13, 14, 24 and 25) shall survive such termination in accordance with their applicable terms.
- 27.6 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.
- 27.7 No Mitigation/No Offset. Executive shall be under no obligation to seek other employment or to otherwise mitigate the obligations of the Company

under this Agreement, and there shall be no offset against amounts or benefits due to Executive under this Agreement or otherwise on account of any claim (other than any preexisting debts then due in accordance with their terms) the Company or its affiliates may have against him or any remuneration or other benefit earned or received by Executive after such termination.

- 27.8 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.
- 27.9 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.
- 27.10 Legal and Accounting Fee Reimbursement. The Company shall reimburse or pay directly any legal or accounting fees incurred by Executive in connection with the negotiation and execution of this Agreement, up to a maximum amount of \$125,000.
- 27.11 Execution of this Agreement. This Agreement shall be signed by the Company following the necessary Board approvals and shall immediately thereafter be signed by Executive.

— 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/ Sol J. Barer

By: Sol J. Barer

Title: Chairman of the Board

[Signature Page to Employment Agreement]

EXECUTIVE

/s/ Kåre Schultz

Kåre Schultz

[Signature Page to Employment Agreement]

Exhibit A

Annual Bonus Framework

The Annual Bonus shall be determined based on the achievement of quantitative and qualitative performance goals during the calendar year in which Executive serves as President and CEO.

Except as expressly provided in Section 9 of the Agreement, Executive shall not be entitled to an Annual Bonus in respect of a fiscal year if he is not employed by the Company Group on the payment date.

The Annual Bonus objectives and payout terms shall be as follows:

- i. between 70%-85% of Executive's Annual Bonus for each fiscal year shall be based on overall Company performance measures, similar to those determined for other executive officers, using key performance indicators as determined by the Compensation Committee and the Board; and
- ii. subject to the limitations set in the Compensation Policy and applicable Law, between 15% and 30% of Executive's Annual Bonus for each fiscal year shall be based on an evaluation of Executive's overall performance based on the discretion of the Compensation Committee and the Board of Directors and/or on quantitative and qualitative performance measures, such as implementing the Company's strategy and risk management as well as demonstrating internal and external leadership.

The Compensation Committee and the Board may, in special circumstances (*e.g.*, regulatory changes and significant changes in the Company's business environment), following their determination of the objectives and the respective weightings, modify the above measures, consistent with the Compensation Policy.

Following the end of the relevant fiscal year, the Compensation Committee and the Board shall determine, whether and to what extent the objectives have been met.

This framework may be amended from time to time by the Board or the Compensation Committee in their sole discretion, subject to any approvals required under applicable Law and the Company's governing documents.

Exhibit B

Annual Equity Award Framework

Executive's annual equity award shall be comprised of at least two of the following equity-based vehicles: options to purchase Shares, performance share units and restricted share units ("**Options**," "**PSUs**" and "**RSUs**," respectively). The Compensation Committee and the Board may, however, add one other equity-based vehicle to the above list in their sole discretion.

Options and/or PSUs, if granted, are required to comprise in the aggregate no less than 50% of the value of the annual equity grant; RSUs and any additional equity-based vehicle, if granted, may not comprise more than 50% of the value of the annual equity grant.

Subject to the terms of the Agreement, Options and RSUs, if granted, shall vest, subject to Executive's continued employment as President and CEO, in three equal installments, on the second, third and fourth anniversaries of the grant date. PSUs, if granted, shall vest on the third anniversary of the grant date, subject to Executive's continued employment as President and CEO, and subject to his meeting performance objectives, which shall be determined by the Compensation Committee and the Board. The Compensation Committee and the Board may, however, determine different vesting periods, subject to the limitations of the Compensation Policy and the relevant equity incentive plan.

For the avoidance of doubt, the terms of this framework are not applicable to the Sign-on Awards.

This framework may be amended from time to time by the Board or the Compensation Committee in their sole discretion, subject to any approvals required under applicable Law and the Company's governing documents.

Exhibit C

Form of Release Agreement

This Release Agreement (this “**Release Agreement**”) is dated as of [] and is entered into by [] (“**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 9 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 Releasers have released the Releasees under this Release Agreement. Further, the Releasers 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 Releasers 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 Releasers prevail in such legal action, then the Releasees shall reimburse such sum to Me or the Releasers. The Releasers 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) Revocation. I may revoke this Release Agreement within seven (7) days after the date on which I sign this Release Agreement. I understand that this Release Agreement is not binding or enforceable until such seven (7) day period has expired. Any such revocation must be made in a signed letter executed by Me and received by the Company at its headquarters no later than 5:00 p.m., Tel Aviv time, on the seventh day after I have executed this Release Agreement. I understand that if I revoke this Release Agreement, I shall not be entitled to any severance benefits under my employment agreement with the Company.

(d) 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 D

Indemnification Agreement

Indemnification and Release Agreement

This Indemnification and Release Agreement (this "Indemnification Agreement") is being entered into effective as of , 2017, 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 (v) 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.

Kindly sign and return the enclosed copy of this Indemnification Agreement to acknowledge your agreement to the contents hereof.

[Signature Page to Follow]

Sincerely yours,

Teva Pharmaceutical Industries Ltd.

Name:

Title:

Accepted and agreed

as of the first date written above:

Name:

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 E

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 September 7, 2017 (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 24 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 the day of [●] 2017.

EMPLOYEE

ACCEPTED AND AGREED:

TEVA PHARMACEUTICAL INDUSTRIES LTD

Name:
Title:

Name:
Title:

Employment Agreement

This Employment Agreement (this “**Agreement**”) is entered into in Petach Tikwa on this 15 day of January 2014, to be effective as of the 11 day of February, 2014 (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**”), and Mr. Erez Vigodman, ID No. 056094477, of Sderot HaShoshanim 7, Tel Aviv (“**Employee**”).

WHEREAS, the Employee is currently a member of the Board of Directors of the Company (the “**Board**”); and

WHEREAS, the Company wishes to employ Employee as its President and Chief Executive Officer (“**President and CEO**”), and Employee wishes to be so employed; and

WHEREAS, the parties have agreed on the terms pursuant to which Employee shall serve as President and CEO, 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 Employee’s employment with the Company as the Company’s President and CEO shall commence on the Effective Date and shall continue thereafter until the Date of Termination, as defined below (the “**Term**”).
- 1.2 Employee shall report directly to the Board. All senior officers of the Company shall report directly to Employee (unless otherwise determined by Employee, or as required by Law (as defined below) or the principles of good corporate governance). In addition, Employee shall (a) have all of the duties, authorities and responsibilities customarily exercised by an individual serving as the president and chief executive officer of a company the size and nature of the Company, (b) be assigned no duties that are inconsistent with, or materially impair his ability to discharge, the foregoing, and (c) have such other duties, authorities and responsibilities, consistent with the foregoing, as may reasonably be assigned to him from time to time by the Board.
- 1.3 During the Term, Employee shall devote substantially all of his business time, energy, business judgment, knowledge and skill to the performance of his duties with the Company; provided, that the foregoing shall not prevent Employee from (a) serving on the Advisory Board to the Israel Economic Council and, with the prior written approval of the Board, any additional similar organizations, (b) reasonably participating in charitable, civic, educational, professional, community or industry affairs, and (c) managing his own personal investments, in each case, so long as such activities in the aggregate do not interfere or conflict with Employee’s duties hereunder or create a potential business or fiduciary conflict.
- 1.4 Employee shall promptly inform the Company of any issue or matter relating to, or transaction with, any member of the Company Group (defined as the Company

and any entity of any type in which the Company holds, directly or indirectly, at least 25% of the “means of control” (as such term is defined in the Securities Law, 1968)) in which Employee has a personal interest and/or which may cause Employee to be in a position of a conflict of interest with the Company (except with respect to Employee’s private dealings in the equity of Employee’s former employers held by Employee, or Employee’s investments in any public-traded corporation as long as such investment does not represent more than 1% of the outstanding voting securities of such corporation).

- 1.5 During the Term, Employee may be required to serve as a director, officer or committee member of another company which is part of the Company Group, and the fulfillment of such position shall not constitute an employer-employee relationship between Employee and any such company, and notwithstanding any such position, Employee shall only be considered to be an employee of the Company and shall not receive any additional compensation for serving in such additional position other than those amounts expressly set forth herein, provided that the Company’s D&O insurance shall cover Employee and the Indemnification Agreement shall fully cover Employee in all such positions.
- 1.6 Employee’s principal place of employment during the Term shall be at the Company’s principal offices. However, Employee acknowledges and agrees that he will be required to travel abroad extensively on Company business.
- 1.7 Employee acknowledges and agrees that no collective and/or special bargaining agreement that might apply to the Company’s employees shall apply to Employee in his capacity as an employee of the Company.
- 1.8 This Agreement shall be subject to the Company’s compensation policies applicable to senior officers as shall be in effect from time to time, including without limitation, the Company’s Compensation Policy for Executive Officers and Directors adopted by the shareholders at the 2013 annual general meeting of shareholders, held on August 27, 2013, as shall be amended from time to time (collectively, the “**Compensation Policy**”) and nothing herein shall derogate in any way from the Company’s rights thereunder.
- 1.9 The Company represents and the Employee acknowledges that the Human Resources and Compensation Committee of the Board (the “**Compensation Committee**”) and the Board, approved this Agreement, including the compensation terms included herein, however, the compensation terms in this Agreement are further subject to the receipt of the Company’s corporate approvals required by Law, and understands the consequences of the failure to secure such approvals. If, and to the extent, the terms hereof are approved by the Company’s corporate approvals required by Law, the Employee shall receive the full compensation specified herein retroactively as of the Effective Date. For avoidance of doubt it is clarified that, to the extent applicable pursuant to the Law, the Board shall not be under any obligation to approve the Employee’s employment terms as specified herein (or any other employment terms) to the extent that same are not approved by the Company’s shareholders.

Subject to the receipt of the Company's corporate approvals required by Law with respect to the compensation terms in this Agreement, the Employee hereby waives any and all payments and benefits he is or may be entitled to in his capacity as a member of the Board during the Term and submits his resignation from all committees of the Board, all effective as of the Effective Date.

2. **Base Salary**

2.1 During the Term, Employee's gross annual base salary shall be the amount in New Israeli Shekels that is equivalent to USD\$1,350,000 (One Million Three Hundred and Fifty Thousand United States Dollars), calculated according to the last official NIS-US Dollar rate of exchange published by the Bank of Israel (the "**Exchange Rate**") immediately prior to the Effective Date (the "**Annual Salary**"). The Annual Salary shall be divided by 12, and each such 1/12 shall constitute Employee's monthly salary (the "**Monthly Salary**").

The Monthly Salary shall be adjusted according to increases in the Consumer Price Index ("**CPI**") after January 1, 2014 (in such a manner that the original amount stated in this Section 2.1 above is based on the index for December 2013, published on January 15, 2014, and every calendar quarter the Monthly Salary shall be updated, as of such date, according to the increased CPI rate compared to the aforesaid base index).

2.2 At the end of every calendar year during the Term, the Compensation Committee shall examine Employee's accomplishments from the past year, and shall determine in its discretion whether Employee's Annual Salary should be updated. In the event that the Compensation Committee decides to increase Employee's Annual Salary, the Monthly Salary shall be updated as of the date and in the amount so decided, all subject to the receipt of any approvals required by Law.

2.3 Employee 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, 1951, shall not apply to his employment.

2.4 It is hereby agreed that only the Monthly Salary payable to Employee pursuant to Section 2.1 shall constitute the basis for the calculation of all social benefits granted to Employee pursuant to this Agreement, including, without limitation, contributions and deductions to the pension fund, managers insurance, provident fund and the Study Fund (as defined below), and for any other purpose for which deductions are calculated based on a percentage of Employee's salary.

2.5 The parties hereby confirm that the compensation terms set forth in this Agreement constitute fair consideration to the Employee, given, *inter alia*, his managerial responsibilities.

3. **Bonus**

For each calendar year during the Term, including 2014 (pro-rata), the Employee shall be entitled to receive, subject to additional terms and conditions that may be determined by

the Compensation Committee from time to time and notified to Employee, and subject to the Compensation Policy and the Company's corporate approvals required by Law, an annual cash incentive bonus (each, an "**Incentive Bonus**"), which shall be calculated in accordance with the following formula: if less than 85% of the Performance Targets (as defined below) are achieved with respect to the relevant calendar year, Employee shall not be entitled to any Incentive Bonus for such calendar year. If between 85% and 100% (inclusive) of the Performance Targets are achieved with respect to the relevant calendar year, the Incentive Bonus shall be determined linearly according to a straight line extending from 8.75% to 140% of the Annual Salary (i.e., for each 1% of the Performance Targets achieved that is over 85%, there shall be an 8.75% increase in the Incentive Bonus from 8.75% of the Annual Salary). If between 100% and 125% (inclusive) of the Performance Targets are achieved with respect to the relevant calendar year, the Incentive Bonus shall be determined linearly according to a straight line extending from 140% to 200% of the Annual Salary (i.e., for each 1% of the Performance Targets achieved that is over 100%, there shall be a 4% increase in the Incentive Bonus from 140% of the Annual Salary), and if 125% or more of the Performance Targets are achieved with respect to the relevant calendar year, the Incentive Bonus shall be 200% of the Annual Salary. The Employee acknowledges that notwithstanding anything to the contrary herein, (i) in any event the Incentive Bonus shall not exceed 200% of the Annual Salary, and (ii) the Compensation Committee may, at its sole discretion, establish super-measures and/or a budget that may reduce (including to zero) the amount of the Incentive Bonus to which Employee is entitled to hereunder. For purposes of this Agreement, "**Performance Targets**" in respect of any calendar year means the qualitative and quantitative goals for the Company Group and such other performance objectives that are established by the Compensation Committee, after consultation with Employee, in respect of such calendar year. Following the completion of each calendar year, the Compensation Committee shall evaluate in its reasonable, good faith judgment whether, and to what extent, the Performance Targets have been met, and such judgment shall be binding upon Employee.

It is hereby clarified that in the event that Employee's employment is terminated for any reason other than by the Company with Cause, during the course of any calendar year ("**Incomplete Year**"), Employee's entitlement to an Incentive Bonus in respect of such Incomplete Year shall be calculated on a pro-rata basis, in accordance with the actual number of days under the Term that fall during such Incomplete Year, and shall be evaluated following the completion of such Incomplete Year based on the results for the full calendar year.

4. **Equity Grant**

For Employee's service in respect of the year 2014, as soon as reasonably practicable after the receipt of the Company's corporate approvals required by Law, Employee shall be granted an option to purchase 280,702 Company shares and 15,660 restricted share units, pursuant to the Company's "2010 Long-Term Equity-Based Incentive Plan" (the "**2014 Equity Awards**" and the "**2010 Plan**", respectively). The 2014 Equity Awards shall vest, subject to Employee's continued employment with the Company, in three equal installments, on the second, third and fourth anniversaries of the Effective Date, respectively, and, with respect to the options to purchase Company shares, shall have an exercise price equal to the closing price reported on the New York Stock Exchange on

January 8, 2014. Commencing with calendar year 2015 and each calendar year thereafter, Employee shall be entitled to participate in and receive, on an annual basis, grants of additional equity under the 2010 Plan and/or any other long-term incentive plan(s) that the Company may adopt in the future, as shall be determined by the Compensation Committee, and subject to the receipt of the Company's corporate approvals required by Law.

5. Employee Benefits

During the Term, Employee (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, without limitation, life insurance), welfare, pension, fringe benefits, perquisites and other employee benefit plans, programs and arrangements that are generally available from time to time to senior executives of the Company and their dependents and Beneficiaries (the "**Employee Benefits**"), such participation in each case to be on terms and conditions that are commensurate with Employee's position and responsibilities at the Company and that are no less favorable to Employee than those that apply to other senior executives of the Company generally.

6. Reimbursement for Certain Costs and Expenses

- 6.1 The Company shall pay or reimburse Employee for all out-of-pocket business expenses incurred by Employee during the Term in performing his duties under this Agreement, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.
- 6.2 The Company shall provide, and pay or reimburse Employee for all expenses incurred in connection with acquiring, maintaining and using, a land-line telephone in his residence, a laptop, a cellular telephone or other similar hand-held device, and a car suitable for the chief executive officer of a company of the size and nature of the Company, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company. The Company shall bear the taxes associated with the use of car and cellular telephone or similar hand-held device.

7. Vacation; Sick Leave; Recreation Pay

- 7.1 Employee shall be entitled to 26 paid vacation working days per calendar year during the Term, which shall accrue in accordance with Company policy. Employee shall be required to utilize such five consecutive days every calendar year, and may accumulate the remaining vacation days in accordance with the Company's policy. The dates of Employee's annual vacation shall be coordinated in advance with the Chairman of the Board. The Employee shall be entitled to redeem the aforesaid accumulated vacation days upon termination of Employee's employment.
- 7.2 Employee shall be entitled to 30 paid sick working days per calendar year during the Term, which may accumulate during the Term up to a maximum of one years' paid sick leave. The sick pay shall include the Monthly Salary and all other

amounts and benefits to which Employee is entitled under this Agreement, as if Employee 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 Employee is entitled to receive with respect to the aforementioned period of his illness, including from any pension fund and/or provident fund and/or managers insurance, and all provided that Employee provides the Company with medical confirmation of his illness. The parties hereto hereby acknowledge and agree that the payments to Employee set forth in this Section 7.2 and Employee's insurance in the pension fund and/or managers insurance are meant to also cover the Company's obligations under the Sick Pay Law, 1976.

- 7.3 Employee shall be entitled to 15 paid recreation days per calendar year during the Term. The amount of recreation pay per recreation day, the payment conditions and any other conditions governing recreation pay shall be in accordance with the Law and the Company's policy in effect at the applicable time with respect to its employees generally.

8. Pension Fund, Managers Insurance, Provident Fund

- 8.1 It is hereby declared and agreed that the rights of the Employee to pension allowance (*kitzba*), severance payment and remuneration will be insured according to Employee's choice, as set forth herein below.
- 8.2 The Employee's Monthly Salary will be insured in a pension fund, managers insurance, provident fund and/or any combination of the foregoing, according to the Employee's choice and as detailed below.

The Employee will specify, in a notice to the Company, which portion of the Monthly Salary shall be insured in each of the programs specified below (the "**Insurance Arrangement**"). To the extent the Employee does not notify the Company of his choice, the Employee'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.

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:

- 8.2.1 Should the Employee elect that the contributions be made to a pension fund, the following percentages shall be contributed:

The Company shall contribute towards the pension fund an amount equal to 19.83% of the part of the Monthly Salary according to the Insurance Arrangement, out of which 14.33% shall constitute payment by the Company (of which: 6% shall constitute payment for remuneration and 8.33% shall constitute the payment for severance payment) and 5.5% shall constitute the payment by the Employee.

If the Employee is a member of an old deficit pension fund, and he elects to continue to contribute to such fund, then the Company shall contribute to the old deficit pension fund an amount equal to 20.5% of the part of the Monthly Salary according to the Insurance Arrangement, out of which 13.5% shall constitute payment by the Company (of which 7.5% shall constitute payment for remuneration and 6% shall constitute the payment for severance payment) and 7% shall constitute the payment by the Employee. In addition, the Company shall contribute to a personal provident fund for severance an amount equal to 2.33% of the part of the Monthly Salary according to the Insurance Arrangement, and this amount constitutes a completion of the Company's severance payment obligation.

8.2.2 Should the Employee elect that contributions be made to a managers insurance, the following percentages shall be contributed:

The Company shall contribute an amount equal to 20.83% of the part of the Monthly Salary according to the Insurance Arrangement, out of which 15.83% shall constitute the payment by the Company (of which 7.5% shall constitute payment for remuneration and 8.33% shall constitute the payment for severance payment), and 5% shall constitute the payment by the Employee.

In the event that according to the terms of the managers insurance, the loss of ability to work insurance component is not contributed from the remuneration, then the Company shall contribute 5% for remuneration contributions and up to 2.5% for loss of ability to work insurance.

8.2.3 Should the Employee elect contributions be made to provident funds, the following percentages shall be contributed:

The Company shall contribute to the provident funds an amount equal to 20.83% of the part of the Monthly Salary according to the Insurance Arrangement, out of which 15.83% shall constitute payment by the Company (of which: 7.5% shall constitute the payment for remuneration and 8.33% shall constitute payment for severance payment) and 5% shall constitute the payment by the Employee.

8.3 In the event of an increase in the Employee's Monthly Salary, the Employee shall be entitled to choose (in accordance with the provident funds' and/or pension funds' Articles of Association and the Law) the Insurance Arrangement which will apply to the increase in the Monthly Salary. The Employee shall notify the Company with respect to such choice in accordance with the Company's policies regarding this matter. The provisions of Section 8.2 above shall apply to the Insurance Arrangement, which the Employee chose for the increase in the Monthly Salary.

It is hereby declared and agreed that in the event of an increase in the Employee'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.

- 8.4 Pursuant to Employee's request to limit the part of his Monthly Salary from which the Company's and the Employee's contributions for remuneration are made to the pension fund and/or managers insurance and/or the provident funds in accordance with section 8.2, to the maximum amount set forth in Section 3(e3) of the Income Tax Ordinance [New Version], 1961 (the "**Tax Ordinance**") as shall be in effect from time to time, the Company has agreed to pay the Employee on a monthly basis, the difference between the contribution rates for remuneration set forth in section 8.2 above and the contribution rates of the maximum amount according to section 3(e3) of the Tax Ordinance, as a special supplement to the salary (hereinafter "**Supplement in lieu of Providence**").

It is hereby acknowledged and agreed that the Supplement in lieu of Providence shall not be deemed part of the Employee's Monthly 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 Employee's Monthly Salary, and this Section 8.4 shall not impose on the Company any additional current or future cost or expense, directly or indirectly.

The Employee hereby represents that (i) Employee has considered the above, received pension advice, and is aware of the consequences of his request with respect to the diminution of the scope of the pension insurance coverage to which he shall be entitled to, and (ii) since the Company's and the Employee's contributions as aforementioned are being done pursuant to his request, and for his benefit, he does not and shall not have a cause of action with respect to the scope of the pension insurance coverage to which he shall be entitled to.

Without derogating from the foregoing, the Employee hereby explicitly waives any and all claim and/or demand and/or lawsuit of any kind with respect to the scope of the pension insurance coverage. The Employee 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.

For the avoidance of doubt it is hereby clarified that the Company's contributions for severance pay to the pension fund and/or managers insurance and/or the provident funds shall be made from the Employee's full Monthly Salary.

The Employee shall be entitled to cancel the arrangement specified in this Section 8.4 and the Company shall accept such request.

- 8.5 By signing this Agreement, the Employee allows the Company to deduct from his Monthly Salary the aforementioned deductions from 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 8.2 and 8.3 above.

9. **Study Fund**

For every month that Employee is employed by the Company, the Company shall make contributions on Employee's behalf to an advanced study fund (*Keren Hishtalmut*) (the "**Study Fund**"), in an amount equal to 7.5% of the Monthly Salary, and shall deduct Employee's contribution of 2.5% of the Monthly Salary from the Monthly Salary, and transfer this sum to the Study Fund. By signing this Agreement, the Employee allows the Company to deduct from his Monthly Salary the aforementioned deductions from the Monthly Salary, and to transfer such amounts to the Study Fund.

10. **Termination of Employment**

10.1 **General**. Employee's employment with the Company shall terminate upon the earliest to occur of (a) Employee'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 Employee with or without Good Reason (including, for the avoidance of doubt, due to aged retirement). 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 on the part of the Company of Employee's services during the Notice Period and payment to Employee of the entire amounts the Employee is entitled to in respect of the Notice Period) shall be referred to in this Agreement as the "**Date of Termination**". Upon any termination of Employee's employment for any reason, (i) except as may otherwise be requested by the Company in writing and agreed upon in writing by Employee, Employee shall be deemed to have resigned, effective immediately, from any and all directorships, committee memberships, and any other positions Employee holds with any member of the Company Group, and (ii) the Company shall provide Employee with letters addressed to the pension fund, managers insurance, provident fund and Study Fund that will enable Employee to receive the Broad-Based Retirement Plan Benefits (or, in the event that Employee's employment was terminated by the Company for Cause, only (A) the retirement savings component thereof, and (B) Employee's contributions to the Study Fund) promptly following the Date of Termination.

10.2 **Termination Due to Death or Disability**. Employee's employment shall terminate automatically upon his death. The Company may terminate Employee's employment immediately upon the occurrence of a Disability, such termination to be effective upon Employee's receipt of written notice of such termination. Upon Employee's death or in the event that Employee's employment is terminated due to his Disability, Employee or his estate or his Beneficiaries, as the case may be, shall be entitled to:

10.2.1 The Accrued Obligations; and

10.2.2 The Severance Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 10.7), other than those components of the Severance Payment required by Law to be paid earlier, which components shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7).

Notwithstanding the foregoing provisions of this Section 10.2, the payments and benefits described in this Section 10.2 (other than the components of the Accrued Obligations and the Severance Payment required to be paid pursuant to the Law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 12, 13, 14 or 15 hereof. Following Employee's death or a termination of Employee's employment by reason of a Disability, except as set forth in this Section 10.2, Employee shall have no further rights to any compensation or any benefits under this Agreement.

10.3 Termination by the Company with Cause.

10.3.1 The Company may terminate Employee's employment at any time with Cause, effective upon Employee's receipt of written notice of such termination. In the event that the Company terminates Employee's employment with Cause, he shall be entitled only to those components of the Accrued Obligations required to be paid by Law, and subject to the Law. Following such termination of Employee's employment by the Company with Cause, except as set forth in this Section 10.3, Employee shall have no further rights to any compensation or any benefits under this Agreement.

10.3.2 No termination of Employee's employment for Cause shall be effective unless the Company shall first have complied with the provisions of this Section 10.3.2 and the Law. Employee shall be given written notice by the Company (the "**Cause Notice**") of its intention to terminate Employee's employment for Cause. The Cause Notice shall state in detail the particular circumstances that constitute the grounds on which the proposed termination for Cause is based and all relevant documentation and summon to a hearing before the Board. The hearing shall be held 30 days following Employee's receipt of the original Cause Notice. If, within 20 business days following such hearing, the Board gives written notice to Employee confirming that Cause for terminating Employee's employment on the basis set forth in the original Cause Notice exists, then Employee's employment shall thereupon be terminated for Cause. A failure by Employee to attend the hearing as aforesaid shall be deemed to be a waiver by Employee of his right to such hearing.

10.4 Termination by the Company without Cause. The Company may terminate Employee's employment at any time without Cause, effective nine (9) months following the date of Employee's receipt of written notice of such termination (in this Section, the "**Notice Period**"). In the event that such notice is given by the Company, any intervening termination for any reason (other than a termination of Employee's employment by the Company for Cause) including death or Disability shall not alter the Company's obligations under this Section 10.4. The

Company may, in its sole and absolute discretion and by written notice, waive the services of Employee during the Notice Period or in respect of any part of such period, and thus accelerate termination of employee-employer relationship (such accelerated date shall constitute the Date of Termination), all on condition that the Company pay Employee the Monthly Salary and all additional compensation and benefits to which Employee is entitled in respect of the Notice Period without regard to any such Company waiver (which shall be paid in one lump sum on the next regular payment date immediately following the Date of Termination (subject to Section 10.7), other than the Monthly Salary required to be paid pursuant to the Law, which shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7)).

In the event that Employee's employment is terminated by the Company without Cause (other than due to death or Disability), Employee shall be entitled to:

10.4.1 The Accrued Obligations;

10.4.2 The Severance Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 10.7), other than those components of the Severance Payment required by Law to be paid earlier, which components shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7);

10.4.3 The Equity Benefits (subject to Section 10.7); and

10.4.4 If the Employee's employment is terminated by the Company without Cause (or by Employee with Good Reason), one year or less following a merger of the Company with another entity pursuant to which merger the Company is not the surviving entity, and as a result of such merger, Employee shall be entitled to the Change of Control Amount, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 10.7).

Notwithstanding the foregoing, the payments and benefits described in this Section 10.4 (other than the components of the Accrued Obligations and the Severance Payment required to be paid pursuant to the Law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 12, 13, 14 or 15 hereof. Following such termination of Employee's employment by the Company without Cause, except as set forth in this Section 10.4, Employee shall have no further rights to any compensation or any benefits under this Agreement. For the avoidance of doubt, Employee's sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the payments and benefits specified in Sections 10.4.1 through 10.4.3, or Sections 10.4.1 through 10.4.4, as applicable.

10.5 Termination by Employee with Good Reason. Employee may terminate his employment with Good Reason and Employee shall be entitled to the same

payments and benefits as provided in Section 10.4 for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 10.4. Following such termination of Employee's employment by Employee with Good Reason, except as set forth in this Section 10.5, Employee shall have no further rights to any compensation or any benefits under this Agreement. For the avoidance of doubt, Employee's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the payments and benefits specified in this Section 10.5.

- 10.6 Termination by Employee without Good Reason or Due to Aged Retirement. Employee may terminate his employment without Good Reason or due to aged retirement, by providing the Company nine (9) months' written notice of such termination (in this Section, the "**Notice Period**"). In the event that such notice is given by Employee, any intervening termination for any reason (other than a termination of Employee's employment by the Company for Cause) including death or Disability shall not alter the Company's obligations under this Section 10.6. The Company may, in its sole and absolute discretion and by written notice, waive the services of Employee during the Notice Period or in respect of any part of such period, and thus accelerate such termination of employee-employer relationship (such accelerated date shall constitute the Date of Termination), all on condition that the Company pay Employee the Monthly Salary and all additional compensation and benefits to which Employee is entitled in respect of the Notice Period without regard to any such Company waiver (which shall be paid in one lump sum on the next regular payment date immediately following the Date of Termination (subject to Section 10.7), other than the Monthly Salary required to be paid pursuant to the Law, which shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7)).

In the event of a termination of employment by Employee under this Section 10.6, Employee shall be entitled to:

10.6.1 The Accrued Obligations;

10.6.2 The Severance Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 10.7), other than those components of the Severance Payment required by Law to be paid earlier, which components shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7); and

10.6.3 The Equity Benefits (subject to Section 10.7);

Notwithstanding the foregoing, the payments and benefits described in this Section 10.6 (other than the components of the Accrued Obligations and the Severance Payment required to be paid pursuant to the Law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 12, 13, 14 or 15. Following such termination of Employee's employment by Employee without Good Reason, except as set forth in this Section 10.6, Employee shall have no further rights to any compensation or any benefits under this Agreement.

10.7 Release. Notwithstanding any provision in this Agreement to the contrary, the payment of any amount or provision of any benefit pursuant to subsections 10.2 through 10.6 (other than the components of the Accrued Obligations and those components of the Severance Payment required to be paid pursuant to the Law) (collectively, the “**Severance Benefits**”) shall be conditioned upon Employee’s execution, delivery to the Company, and non-revocation of the Release of Claims within sixty (60) days following the Date of Termination. If Employee fails to execute the Release of Claims in such a timely manner or revokes the Release of Claims, Employee shall not be entitled to any of the Severance Benefits. For the avoidance of doubt, in the event of a termination due to Employee’s death or Disability, Employee’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.

10.8 Definitions. For purposes of this Agreement, the following terms have the following meanings:

- 10.8.1 “**Accrued Obligations**” means (a) any unpaid Monthly Salary earned through the Date of Termination, any earned and unpaid Incentive Bonus for the calendar year immediately preceding the Date of Termination (subject to Section 10.7), and any unused vacation days and recreation days accrued through the Date of Termination, which amounts (other than the Incentive Bonus) shall be paid on the next regular payroll date immediately following the Date of Termination, and (b) any other payment to which Employee is entitled under the applicable terms of any applicable plan, program, agreement, corporate governance document or arrangement of the Company or its affiliates, including without limitation, Company reimbursement of any unreimbursed business expenses, and rights to any Company indemnification and Company-provided officers’ liability insurance as set forth in Section 11.
- 10.8.2 “**Applicable Percentage**” means (a) following termination of Employee’s employment by Employee without Good Reason or due to aged retirement, one hundred and fifty percent (150%), or (b) following any other termination of Employee’s employment (other than by the Company for Cause), two hundred percent (200%).
- 10.8.3 “**Beneficiaries**” means, subject to Law, those beneficiaries whom Employee identifies in writing to the pension fund, managers insurance and provident fund or, if such identification was not made, the executors of Employee’s estate or Employee’s legal heirs.
- 10.8.4 “**Broad-Based Retirement Plan Benefits**” means the amounts and benefits that Employee is entitled to receive from the pension fund, managers insurance, provident fund and Study Fund, following any termination of Employee’s employment, other than by the Company for Cause (including all retirement savings and severance amounts accumulated in such funds).

10.8.5 “**Cause**” means (a) the willful and continued failure by Employee to substantially perform his duties with the Company (other than any such failure resulting from Employee’s incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a notice of termination for Good Reason by Employee) for a period of at least 30 consecutive days after a written demand for substantial performance is delivered to Employee by the Board, which demand specifically identifies the manner in which the Board believes that Employee has not substantially performed his duties, (b) Employee’s breach of trust or other material breach of this Agreement by the Employee, (c) Employee is convicted of, or has entered a plea of *nolo contendere* to, a felony, or (d) a breach by Employee of the provisions of Sections 12, 13, 14 or 15 hereof. For purposes of clauses (a) and (b) of this definition, no act, or failure to act, on Employee’s part shall be deemed “willful” unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his act, or failure to act, was in the best interest of the Company.

Notwithstanding the foregoing, in the event that the Board reasonably believes that Employee may have engaged in conduct that constitutes Cause, the Board may, subject to a due hearing process, suspend Employee from performing his duties hereunder for a period of up to sixty (60) days, and in no event shall any such suspension constitute an event pursuant to which Employee may terminate employment with Good Reason; provided, that no such suspension shall alter the Company’s obligations under this Agreement (including, without limitation, its obligations to provide Employee compensation and benefits) during such period of suspension, unless it is later discovered that Employee’s conduct indeed constituted Cause.

10.8.6 “**Change of Control Amount**” means an amount equal to twelve (12) times the Monthly Salary in effect immediately prior to the Date of Termination (without taking into account any reduction in Monthly Salary that gives rise to, or could have given rise to, a claim for Good Reason).

10.8.7 “**Disability**” means that Employee, due to a physical or mental disability, has been substantially unable to perform his duties under this Agreement for a continuous period of 90 days or longer.

10.8.8 “**Equity Benefits**” means (a) the right to continue to vest in any and all outstanding options and restricted share units, during the period commencing on the Date of Termination and ending on the Outside Date, subject to Employee’s continued compliance with Sections 12, 13, 14 and 15 through the applicable vesting dates, and (B) an extension of the period during which Employee may exercise his vested and outstanding options until the Final Date, subject to Employee’s continued compliance with Sections 12, 13, 14 and 15 through the applicable exercise dates.

- 10.8.9 “**Final Date**” means (a) if the termination of Employee’s employment is effected by the Company without Cause or by Employee for Good Reason, the day that is 90 days following the Outside Date; (b) if the termination of Employee’s employment is effected by the Employee without Good Reason or by the Employee due to his retirement, the day that is 60 days following the Outside Date.
- 10.8.10 “**Good Reason**” means a termination by Employee if (a) any of the following events occurs without Employee’s express prior written consent, (b) Employee notifies the Company in writing that such event has occurred, describing such event in reasonable detail and demanding cure, within 90 days after Employee learns of the occurrence of such event, (c) such event is not substantially cured within 30 days after Employee so notifies the Company, and (d) the Date of Termination occurs within 90 days after the failure of the Company to so cure: (i) any failure to continue Employee as the President and CEO after the Effective Date (other than by reason of a termination of Employee’s employment by the Company with or without Cause, or Disability, or retirement of Employee); (ii) a material diminution in Employee’s duties, responsibilities or authorities; (iii) any diminution of Employee’s Annual Salary, or compensation according to the Agreement or other material diminution of Employee’s compensation terms as a direct result of a change in the Compensation Policy; (iv) any change in the reporting structure so that Employee is required to report to anyone other than the Board; or (v) any material breach by the Company or any of its affiliates of any obligation under this Agreement, including, without limitation, by failing to provide Employee with indemnification protections at least as favorable as the indemnification protections as may be approved by the Company’s shareholders from time to time.
- 10.8.11 “**Law**” means any applicable 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.
- 10.8.12 “**Outside Date**” means (a) if the termination of Employee’s employment is effected by the Company without Cause or by Employee for Good Reason, the day that is 12 months following the Date of Termination; (b) if the termination of Employee’s employment is effected by the Employee without Good Reason or by the Employee due to his retirement, the day that is 9 months following the Date of Termination.
- 10.8.13 “**Release of Claims**” means the release of claims in favor of the Company and its affiliates substantially in the form attached hereto as **Annex A**.
- 10.8.14 “**Severance Payment**” means an amount equal to the positive difference, if any, between (a) the product of (x) the Applicable Percentage, (y) the

Monthly Salary in effect immediately prior to the Date of Termination (without taking into account any reduction in Monthly Salary that gives rise to, or could have given rise to, a claim for Good Reason), and (z) the number of full and partial years (treating a partial year as a fraction whose numerator is the number of months in the partial year in which Employee worked, and whose denominator is 12) of the Term, and (b) the severance components of the Broad-Based Retirement Plan Benefits.

11. Indemnification

- 11.1 In accordance with and subject to the provisions of the Law and the applicable provisions of the Company's Articles of Association and the Compensation Policy then in effect, Employee shall be indemnified and released by the Company in accordance with the provisions of the Indemnification and Release Agreement attached hereto as **Annex B**, the terms of which shall be incorporated by reference herein. The Company hereby represents that (i) the grant of the above indemnification and release has been approved by its shareholders with the adoption of the Compensation Policy for Executive Officers and Directors at the 2013 annual general meeting of shareholders, held on August 27, 2013, (ii) Notwithstanding Sec. 1.9 above, the grant of the above indemnification and release shall apply and cover the Employee in full in his capacity as the Company's CEO and President as of the Effective Date, and (iii) it is aware that the Employee is willing to assume his responsibilities as of the Effective Date based on the representations set forth in this Section 11.1.
- 11.2 An officers' liability insurance policy (or policies) shall be kept in place, during the Term and thereafter until the seventh anniversary of the Date of Termination, providing coverage to Employee that is no less favorable to Employee in any respect than the coverage then being provided to any other present or former senior executive of the Company.

12. Confidentiality and Disclosure of Information

Employee hereby undertakes to execute the Confidentiality, Disclosure of Information and Assignment of Inventions undertaking attached hereto as **Annex C** concurrently with the execution of this Agreement.

13. Non-Competition

Employee hereby agrees that, during the Term and for a period of 12 months following the Date of Termination for any reason, not to engage, directly or indirectly, anywhere in the world, in any activity, business or any other engagement which competes with the business of any member of the Company Group, including as a consultant, except with the Company's prior written approval. Notwithstanding anything to the contrary contained in this Section 13, the foregoing shall not prevent Employee 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 payment to which Employee is entitled pursuant to Section 16, which is being made in consideration, *inter alia*, for such undertaking.

14. Non-Solicitation.

Employee hereby agrees that, during the Term and for a period of 12 months following the Date of Termination for any reason, not to entice, solicit or encourage any employee, consultant, customer, vendor, supplier or prospective employee, consultant, customer, vendor or supplier of Company Group and/or its affiliates to cease doing business with the Company Group and/or its affiliates, reduce its relationship with the Company Group and/or its affiliates or refrain from establishing or expanding a relationship with the Company Group and/or its affiliates or in any other way interfere with the Company Group's and/or its affiliates' relationships with its employees, consultants, customers, vendors or suppliers. Employee further agrees and undertakes that during the Term and for a period of 12 months following the Date of Termination for any reason, Employee will not, directly or indirectly, including personally or in any business in which he is an officer, director or shareholder, for any purpose or in any place, hire or engage with any key-employee employed by the Company Group and/or its affiliates on the date of such termination or during the preceding twelve months.

It is hereby agreed and clarified that, when determining the above non-solicitation undertaking, the parties took into account the payment to which Employee is entitled pursuant to Section 16, which is being made in consideration, *inter alia*, for such undertaking.

15. No Disparagement.

Neither the Company Group nor the Employee shall make disparaging or otherwise detrimental comments to any person or entity concerning the other, or the circumstances surrounding Employee's engagement and/or separation of engagement from the Company, unless such party can demonstrate that the comments were made in private circumstances and that it or he intended the comments will not be published. In addition, the Employee shall not make disparaging or otherwise detrimental comments to any person or entity concerning the Company Group's officers, directors or employees; the products, services or programs provided or to be provided by the Company Group; the business affairs, operation, management or the financial condition of the Company Group, unless the Employee can demonstrate that the comments were made in private circumstances and that he intended the comments will not be published. The obligations set forth in this Section 15 shall apply both during and 10 years after the Term.

It is hereby agreed and clarified that, when determining the above non-disparagement undertaking, the parties took into account the payment to which Employee is entitled pursuant to Section 16, which is being made in consideration, *inter alia*, for such undertaking.

16. Non-Competition/Non-Solicitation/Non-Disparagement Payment

In consideration for the Employee's undertaking set forth in Sections 12, 13, 14 and 15 and any other non-compete obligations undertaken by the Employee, and subject to compliance therewith, following the Date of Termination (except pursuant to the Employee's death) the Employee shall receive an amount equal to eighteen (18) times the Employee's then current Monthly Salary, to be paid in eighteen (18) equal monthly installments (the "**Non-Compete Payment**").

Notwithstanding the foregoing, in the event that the Employee's employment is terminated by the Company for Cause in accordance with the provisions of Section 10.3, the Company shall have sole discretion to determine whether or not the Employee shall receive the Non-Compete Payment.

Notwithstanding the foregoing, in the event that the Employee materially breaches any provision of Sections 12, 13, 14 or 15 hereof, the Non-Compete Payment shall immediately cease, and the Company shall be entitled to reclaim any amounts of the Non-Compete Payment already paid in accordance herewith, and the Company shall have no further obligations to the Employee with respect to the Non-Compete Payment, without derogating from any other rights or remedies available to the Company pursuant to the Agreement or Law in respect of such breach.

17. Return of Car, Equipment and Documents

Upon termination of Employee's employment, Employee shall promptly 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 Employee, and any other confidential or proprietary information of the Company that remains in Employee's possession; provided, however, that nothing in this Agreement or elsewhere shall prevent Employee 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 Board (such approval not to be unreasonably withheld or delayed). Employee shall confirm such return in writing to the Company promptly upon Company's written request, together with confirmation that the Employee no longer has any Company property or confidential or proprietary information of the Company in his possession or control.

18. No Other Post-Employment Restrictions

There shall be no contractual, or similar, restrictions on Employee's right to terminate his employment with the Company, or on his post-employment activities, other than as expressly set forth in this Agreement.

19. 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 Employee'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.

20. Tax Payments; Clawback

20.1 Tax Payments. Employee 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 by 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 Employee due to any payment or benefit, other than the Company's undertaking to pay for the taxes related to the use of a car and phone as set forth in Section 6.2 above.

20.2 Clawback. Notwithstanding anything to the contrary herein, in the event of a restatement of the Company's financial statements as a result of erroneous statements, the Employee will reimburse payments that have already been paid to him on the basis of such erroneous financial results that were followed by a restatement, all in accordance with the Compensation Policy and subject to Law. By signing this Employment Agreement, Employee grants the Company a power of attorney to deduct from the Monthly Salary and/or any payments due to the Employee by the Company, any amounts owed by him under this section, in accordance with Law.

Notwithstanding anything to the contrary herein, in the event that it is discovered that the Employee engaged in conduct that resulted in a material inaccuracy in the Company's financial statements or caused severe financial or reputational damage to the Company, or in the event that it is discovered that the Employee breached his confidentiality and/or non-compete obligations to the Company, the Company may, without limitation and in its sole discretion, (i) terminate Employee's employment and/or (ii) request that the Employee reimburse any performance-based or incentive compensation paid or awarded to the Employee and Employee hereby undertakes to reimburse the Company promptly upon its request.

21. Representations

Each party represents and warrants (a) that such party is not subject to any contract, arrangement, agreement, policy or understanding, or to any statute, governmental rule or regulation, that in any way limits such party's ability to enter into and fully perform such party's obligations under this Agreement; provided that the Employee acknowledges and confirms that he is aware that the terms hereof require certain corporate approvals pursuant to Law and understands the consequences of the failure to secure such approvals; (b) that such party is not otherwise unable to enter into and fully perform such party's obligations under this Agreement; and (c) 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. The Company represents and warrants that it is fully authorized to enter into this Agreement (including, without limitation, the agreements attached hereto as Annexes) and to perform its obligations under it.

22. Dispute Resolution

Subject to the Law, any Claim arising out of or relating to this Agreement, any other agreement between the Company and Employee, or any termination thereof shall be resolved by binding confidential arbitration, to be held in Israel. The arbitration shall be conducted before a mutually appointed arbitrator and, if necessary, an appeal-arbitrator, and if the parties in dispute shall fail to agree upon the identity of the arbitrator(s) within 15 days of written demand, the identity of the arbitrator(s) shall be determined by the chairman of the Bar Association. The arbitrator's ruling shall be subject to an appeal to an appeal-arbitrator, in accordance with Section 21A to the Arbitration Law, 1968. The arbitrator and the appeal-arbitrator shall not be bound by the rules of procedure, but shall be bound by rules of the applicable substantive law and be required to give written grounds for his decision. This Agreement shall be deemed to be a valid Arbitration Agreement for the purpose of the Arbitration Law, 1968. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

23. Notices

Any notice or other communication required or permitted to be delivered under this Agreement shall be (a) in writing; (b) delivered personally, 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: Chairman of the Board;

With a copy (which shall not constitute notice) to:

Tulchinsky, Stern, Marciano, Cohen, Levitski & Co. Law Offices
4 Berkowitz Street
Tel Aviv 64238
Facsimile: +972 (3) 6075050
Attn: Menachem Tulchinsky, Adv.

If to Employee: to the last address on file with the Company; and

With a copy (which shall not constitute notice) to:

24. Miscellaneous

24.1 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, without limitation, the agreements attached hereto as Annexes) 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.

- 24.2 Amendment or Waiver. No provision in this Agreement may be amended unless such amendment is set forth in a writing that expressly refers to the provision of this Agreement that is being amended and that is signed by Employee 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.
- 24.3 Inconsistencies. Subject to the Law and Section 1.8, 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 Employee and the Company otherwise agree in a writing that expressly refers to the provision of this Agreement whose control they are waiving.
- 24.4 Headings. 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.
- 24.5 Survivorship. The provisions of this Agreement that are intended to survive the termination of this Agreement shall survive such termination in accordance with their applicable terms.
- 24.6 Governing Law; Severability. This Agreement will 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 will 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.
- 24.7 No Mitigation/No Offset. Employee shall be under no obligation to seek other employment or to otherwise mitigate the obligations of the Company under this Agreement, and there shall be no offset against amounts or benefits due to Employee under this Agreement or otherwise on account of any claim (other than any preexisting debts then due in accordance with their terms) the Company or its affiliates may have against him or any remuneration or other benefit earned or received by Employee after such termination.

- 24.8 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.
- 24.9 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/ Dr. Phil Frost

By: Dr. Phil Frost

Title: Chairman of the Board

/s/ Amir Elstein

By: Amir Elstein

Title: Vice-Chairman of the Board

EMPLOYEE

/s/ Erez Vigodman

Name: Erez Vigodman

Annex A

Form of Release Agreement

This Release Agreement (this “**Release Agreement**”) is dated as of [] and is entered into by [] (“**Employee**”, “**Me**” or “**I**”) and **TEVA PHARMACEUTICAL INDUSTRIES LTD.** (the “**Company**”) in connection with the termination of Employee’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, or that otherwise may exist or may arise 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 managers 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 Me by any of the Releasees, as well as any claims arising under any applicable laws of Israel, 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.

(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 will 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 will 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 will not in any way be affected or impaired thereby.

(c) Revocation. I may revoke this Release Agreement within seven (7) days after the date on which I sign this Release Agreement. I understand that this Release Agreement is not binding or enforceable until such seven (7) day period has expired. Any such revocation must be made in a signed letter executed by Me and received by the Company at its headquarters no later than 5:00 p.m., Tel Aviv time, on the seventh day after I have executed this Release Agreement. I understand that if you revoke this Release Agreement, I will not be entitled to any severance benefits under my employment agreement with the Company.

(d) 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,

EMPLOYEE

Name: _____

Dated: _____

ACCEPTED AND AGREED:

TEVA PHARMACEUTICAL INDUSTRIES LTD

By:
Title:

By:
Title:

Annex B

Indemnification Agreement

[Attached hereto]

Annex C

Confidentiality, Disclosure of Information and Assignment of Inventions Agreement

To: Teva Pharmaceutical Industries Ltd. (the “**Company**”)

Re: Proprietary Information, Non-Disclosure and Assignment of Inventions Agreement

The undersigned (“**Employee**”) 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 Employee’s employment under the Employment Agreement entered into between the Company and Employee dated January 15, 2014 (hereinafter, the “**Employment Agreement**”). In relation to such confidential information Employee 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. Employee 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 Employee 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 Employee prior to his association with the Company and can be so proven by Employee 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 Employee; or (iii) shall have been received by Employee 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 Employee by the Company under the Agreement to which this **Annex C** is attached.

- 1.2. Employee 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 Employee will keep in strict confidence and trust all Proprietary Information, and Employee 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 Employee’s duties in his engagement with the Company and in the best interests of the Company, and except as otherwise expressly permitted by Section 12 of the Employment Agreement.
- 1.3. Employee 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, Employee 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 Employee of the Company and consistent with the Company’s agreement with such third party.

2. Assignment of Inventions

- 2.1. Employee 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, Employee 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. Employee 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. Employee 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 Employee's employment or earlier at the request of the Company.
- 2.5. Employee 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 the Employee (other than the Employee'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. Employee 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. Employee 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. Employee 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. Employee 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. Employee'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 Employee'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 Employee's obligations towards third parties. Employee 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 Employee's unavailability, mental or physical incapacity, or for any other reason, to secure Employee'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 Employee'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 Employee.

- 2.8. The Employee 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 Employee'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 the Employee, 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 the Employee hereby unconditionally and irrevocably waives any right that he may have to receive any additional payment or other consideration whatsoever to which the Employee 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, the Employee hereby assigns and transfers to the Company any such right the Employee 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. Employee 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 by the competent courts of Tel Aviv-Jaffa, and each of the parties hereby irrevocably agree to the jurisdiction of such venue
- 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 Employee. 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, Employee has signed this Proprietary Information, Non-Disclosure and Assignment of Inventions Agreement as of the day of January 2014.

EMPLOYEE

/s/ Erez Vigodman

ACCEPTED AND AGREED:

TEVA PHARMACEUTICAL INDUSTRIES LTD

/s/ Dr. Phil Frost

Name: Dr. Phil Frost

Title: Chairman of the Board

/s/ Amir Elstein

Name: Amir Elstein

Title: Vice Chairman of the Board

Employment Agreement

This Employment Agreement (this “**Agreement**”) is entered into in Petach Tikwa on this day of February 2017, to be effective as of the 6 day of February, 2017 (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**”), and **Prof. Yitzhak Peterburg**, ID No. 5051067/6, of 92 Nehar Hayarden St., Tal Shahar (“**Employee**”).

WHEREAS, the Employee is currently a member of the Board of Directors of the Company (the “**Board**”); and

WHEREAS, the Company wishes to employ Employee as its Interim President and Chief Executive Officer (“**Interim President and CEO**”), and Employee wishes to be so employed; and

WHEREAS, the parties have agreed on the terms pursuant to which Employee shall serve as Interim President and CEO, and on the Consideration (as defined below) which shall be in effect from the Effective Date and ending on the next general meeting of shareholders of the Company (the “**Initial Term**”) and wish to set forth such terms in this Agreement.

NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

1. Term; Positions and Duties; Location

Employee’s employment with the Company as the Company’s Interim President and CEO shall commence on the Effective Date and shall continue thereafter until the Date of Termination, as defined below (the “**Term**”).

- 1.2 Employee shall report directly to the Board. All senior officers of the Company shall report directly to Employee (unless otherwise determined by Employee, or as required by Law (as defined below) or the principles of good corporate governance). In addition, Employee shall (a) have all of the duties, authorities and responsibilities customarily exercised by an individual serving as the president and chief executive officer of a company the size and nature of the Company, (b) be assigned no duties that are inconsistent with, or materially impair his ability to discharge, the foregoing, and (c) have such other duties, authorities and responsibilities, consistent with the foregoing, as may reasonably be assigned to him from time to time by the Board.
- 1.3 During the Term, Employee shall devote substantially all of his business time, energy, business judgment, knowledge and skill to the performance of his duties with the Company; provided, that the foregoing shall not prevent Employee from (a) serving on the board of directors of Regenera Pharma Ltd.; (b) reasonably participating in charitable, civic, educational, professional, community or industry affairs, and (c) managing his own personal investments, in each case, so long as such activities in the aggregate do not interfere or conflict with Employee’s duties hereunder or create a potential business or fiduciary conflict.

- I.4 Employee shall promptly inform the Company of any issue or matter relating to, or transaction with, any member of the Company Group (defined as the Company and any entity of any type in which the Company holds, directly or indirectly, at least 25% of the “means of control” (as such term is defined in the Securities Law, 1968)) in which Employee has a personal interest and/or which may cause Employee to be in a position of a conflict of interest with the Company (except with respect to Employee’s private dealings in the equity of Employee’s former employers held by Employee, or Employee’s investments in any public-traded corporation as long as such investment does not represent more than 1% of the outstanding voting securities of such corporation).
- 1.5 During the Term, Employee may be required to serve as a director, officer or committee member of another company which is part of the Company Group, and the fulfillment of such position shall not constitute an employer-employee relationship between Employee and any such company, and notwithstanding any such position, Employee shall only be considered to be an employee of the Company and shall not receive any additional compensation for serving in such additional position other than those amounts expressly set forth herein, provided that the Company’s D&O insurance shall cover Employee and the Indemnification Agreement shall fully cover Employee in all such positions.
- 1.6 Employee’s principal place of employment during the Term shall be at the Company’s principal offices. However, Employee acknowledges and agrees that he will be required to travel abroad extensively on Company business.
- 1.7 Employee acknowledges and agrees that no collective and/or special bargaining agreement that might apply to the Company’s employees shall apply to Employee in his capacity as an employee of the Company.
- 1.8 This Agreement shall be subject to the Company’s compensation policies applicable to senior officers as shall be in effect from time to time, including without limitation, the Company’s Compensation Policy for Executive Officers and Directors adopted by the shareholders at the 2016 annual general meeting of shareholders, held on April 18, 2016, as shall be amended from time to time (collectively, the “Compensation Policy”) and nothing herein shall derogate in any way from the Company’s rights thereunder.
- 1.9 Any remuneration to be paid to Employee for his services as Interim President and CEO following termination of the Initial Term shall be subject to the receipt of the Company’s corporate approvals required by Law, including the approvals of the Human Resources and Compensation Committee of the Board (the “Compensation Committee”), the Board and shareholders.

The Employee hereby waives any and all future payments and benefits he is or may be entitled to in his capacity as a member of the Board during the Term and submits his resignation from all committees of the Board, all effective as of the Effective Date.

2. Base Salary

- 2.1 During the Term, Employee's gross Monthly base salary shall be the amount of NIS 488,520 (the "Monthly Salary"). The Monthly Salary shall be adjusted for quarterly increases in the Israeli Consumer Price Index ("CPI") subsequent to April 18, 2016.
- 2.2 Employee 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, 1951, shall not apply to his employment.
- 2.3 It is hereby agreed that only the Monthly Salary payable to Employee pursuant to Section 2.1 shall constitute the basis for the calculation of all social benefits granted to Employee pursuant to this Agreement, including, without limitation, contributions and deductions to the pension fund, managers' insurance, provident fund and the Study Fund (as defined below), and for any other purpose for which deductions are calculated based on a percentage of Employee's salary.
- 2.4 The parties hereby confirm that the compensation terms set forth in this Agreement constitute fair consideration to the Employee, given, *inter cilia*, his managerial responsibilities.

3. Bonus

During 2017, Employee shall be entitled to receive a pro-rata amount of an annual cash bonus (the "incentive Bonus"). Such pro-rata amount shall be calculated in accordance with the actual number of days during which Employee served as Interim President & CEO out of the total number of days in the fiscal year 2017, and shall be evaluated following the completion of the fiscal year 2017 based on the results for the full calendar year and to be paid on the date paid to other senior executives of the Company. The annual cash bonus for 2017 (assuming a full year of service) will equal to a percentage of Employee's annual base salary (up to a maximum of 200%) based on achievement of qualitative and quantitative performance goals and objectives and subject to certain payout terms, all to be set by the Compensation Committee and the Board subject to the Compensation Policy and the resolution of the shareholders of the Company at the 2016 annual meeting of shareholders under Item 6(b) of the agenda in connection with the former President & CEO annual cash bonus, a copy of which is attached hereto as Annex A, which bonus structure shall be no more favorable than that provided to the former President & CEO of the Company with respect to fiscal year 2016. 80% of the performance goals shall be Company KPIs and 20% will be based on an evaluation of Employee's overall performance based on the discretion of the Compensation Committee and the Board and/or on quantitative and qualitative performance measures.

4. Equity Grant

During 2017, Employee will be entitled to an equity grant award in an aggregate value of \$4.5 million comprised of 1/3 in options to purchase Company shares, 1/3 in restricted share units (RSUs) and 1/3 in performance share awards (PSUs) (calculated in accordance with Company practice) under the Company's 2015 Long Term Equity

Based Incentive Plan (“2015 Plan”), similar to other executive officers of the Company, and subject to terms determined by the Committee and the Board and no more favorable than the terms approved by the shareholders at the 2016 annual meeting of shareholders under Item 6(c) of the agenda in connection with the former President & CEO annual equity awards, a copy of which is attached hereto as Annex B.

The options and RSUs will vest in three equal installments on the second, third and fourth anniversaries of the grant date and the PSUs will have a cliff vesting on the third anniversary of the grant date subject to meeting the PSU performance goals and in accordance with the formula approved by the Compensation Committee and the Board.

5. Employee Benefits

Employee (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, without limitation, life insurance), welfare, pension, fringe benefits, perquisites and other employee benefit plans, programs and arrangements that are generally available from time to time to senior executives of the Company and their dependents and Beneficiaries (the “Employee Benefits”), such participation in each case to be on terms and conditions that are commensurate with Employee’s position and responsibilities at the Company and that are no less favorable to Employee than those that apply to other senior executives of the Company generally.

6. Reimbursement for Certain Costs and Expenses

6.1 The Company shall pay or reimburse Employee for all out-of-pocket business expenses incurred by Employee in performing his duties under this Agreement, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.

6.2 The Company shall provide, and pay or reimburse Employee for all expenses incurred in connection with acquiring, maintaining and using, a land-line telephone in his residence, a laptop, a cellular telephone or other similar handheld device, and a car suitable for the chief executive officer of a company of the size and nature of the Company, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company. The Company shall bear the taxes associated with the use of car and cellular telephone or similar hand-held device.

7. Vacation; Sick Leave; Recreation Pay

7.1 Employee shall be entitled to 26 paid vacation working days per calendar year, which shall accrue in accordance with Company policy. Employee shall be required to utilize five consecutive days every calendar year, and may accumulate the remaining vacation days in accordance with the Company’s policy. The dates of Employee’s annual vacation shall be coordinated in advance with the Chairman of the Board. The Employee shall be entitled to redeem the aforesaid accumulated vacation days upon termination of Employee’s employment.

- 7.2 Employee shall be entitled to 30 paid sick working days per calendar year, which may accumulate up to a maximum of one years' paid sick leave. The sick pay shall include the Monthly Salary and all other amounts and benefits to which Employee is entitled under this Agreement, as if Employee 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 Employee is entitled to receive with respect to the aforementioned period of his illness, including from any pension fund and/or provident fund and/or managers insurance, and all provided that Employee provides the Company with medical confirmation of his illness. The parties hereto hereby acknowledge and agree that the payments to Employee set forth in this Section 7.2 and Employee's insurance in the pension fund and/or managers insurance are meant to also cover the Company's obligations under the Sick Pay Law, 1976.
- 7.3 Employee shall be entitled to 15 paid recreation days per calendar year provided Employee is entitled to recreation pay under law. The amount of recreation pay per recreation day, the payment conditions and any other conditions governing recreation pay shall be in accordance with the Law and the Company's policy in effect at the applicable time with respect to its employees generally.

8. Pension Fund, Managers Insurance, Provident Fund

- 8.1 It is hereby declared and agreed that the rights of the Employee to pension allowance (*kitzba*), severance payment and remuneration will be insured according to Employee's choice, as set forth herein below.
- 8.2 The Employee's Monthly Salary will be insured in a pension fund, managers' insurance, provident fund and/or any combination of the foregoing, according to the Employee's choice and as detailed below.

The Employee will specify, in a notice to the Company, which portion of the Monthly Salary shall be insured in each of the programs specified below (the "Insurance Arrangement"). To the extent the Employee does not notify the Company of his choice, the Employee'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.

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:

Remunerations — Out of the Monthly Salary, the following percentages shall be contributed to the remuneration component:
The Company shall contribute 6.5% to the remuneration component, provided the Employee contributes 6% 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. Notwithstanding, in the event that in order to acquire the aforementioned loss of ability to work insurance, the Company shall be required to increase the percentage of its contributions, in such case the Company's contributions shall be increased up to 7.5% of the Monthly Salary. For the avoidance of any doubt, 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 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.

Severance Pay — The Company shall contribute each month an amount equal to 8.33% of the Monthly Salary to the component of severance.

In the event of an increase in the Employee's Monthly Salary, the Employee shall be entitled to choose (in accordance with the provident funds' and/or pension funds' Articles of Association and the Law) the Insurance Arrangement which will apply to the increase in the Monthly Salary. The Employee shall notify the Company with respect to such choice in accordance with the Company's policies regarding this matter. The provisions of Section 8.2 above shall apply to the Insurance Arrangement, which the Employee chose for the increase in the Monthly Salary.

- 8.3 Employee may request to limit the part of his Monthly Salary from which the Company's and the Employee's contributions for remuneration are made to the pension fund and/or managers insurance and/or the provident funds in accordance with section 8.2, to the maximum amount set forth in Section 3(e3) of the Income Tax Ordinance [New Version], 1961 (the "**Tax Ordinance**") as shall be in effect from time to time. In such event, the Company shall pay the Employee on a monthly basis, the difference between the contribution rates for remuneration set forth in section 8.2 above and the contribution rates of the maximum amount according to section 3(e3) of the Tax Ordinance, as a special supplement to the salary (hereinafter "**Supplement in lieu of Providence**").

It is hereby acknowledged and agreed that the Supplement in lieu of Providence shall not be deemed part of the Employee's Monthly 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 Employee's Monthly Salary, and this Section 8.4 shall not impose on the Company any additional current or future cost or expense, directly or indirectly.

The Employee shall submit such request only after (i) Employee has considered the above, received pension advice, and is aware of the consequences of his request with respect to the diminution of the scope of the pension insurance coverage to which he shall be entitled to, and (ii) since the Company's and the Employee's contributions as aforementioned shall be done pursuant to his request, and for his benefit, he shall not have a cause of action with respect to the scope of the pension insurance coverage to which he shall be entitled to.

Without derogating from the foregoing, the Employee shall explicitly waive any and all claim and/or demand and/or lawsuit of any kind with respect to the scope of the pension insurance coverage. The Employee shall undertake 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.

For the avoidance of doubt it is hereby clarified that the Company's contributions for severance pay to the pension fund and/or managers insurance and/or the provident funds shall be made from the Employee's full Monthly Salary.

- 8.4 By signing this Agreement, the Employee allows the Company to deduct from his Monthly Salary the aforementioned deductions from 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 8.2 and 8.3 above.

9. Study Fund

For every month that Employee is employed by the Company, the Company shall make contributions on Employee's behalf to an advanced study fund (*Keren Hiskalmuo* (the "Study Fund"), in an amount equal to 7.5% of the Monthly Salary, and shall deduct Employee's contribution of 2.5% of the Monthly Salary from the Monthly Salary, and transfer this sum to the Study Fund. By signing this Agreement, the Employee allows the Company to deduct from his Monthly Salary the aforementioned deductions from the Monthly Salary, and to transfer such amounts to the Study Fund.

10. Termination of Employment

- 10.I General. Employee's employment with the Company shall terminate upon the earliest to occur of (a) Employee'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 Employee with or without Good Reason (including, for the avoidance of doubt, due to aged retirement). 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 on the part of the Company of Employee's services during the Notice Period and payment to Employee of the entire amounts the Employee is entitled to in respect of the Notice Period) shall be referred to in this Agreement as the "Date of Termination". Upon any termination of Employee's employment for any reason, (i) except as may otherwise be requested by the Company in writing and agreed upon in writing by Employee, Employee shall be deemed to have resigned, effective immediately, from any and all directorships, committee memberships, and any other positions Employee holds with any member of the Company Group, and (ii) the Company shall provide Employee with letters addressed to the pension fund, managers insurance, provident fund and Study Fund that will enable Employee to receive the Broad-Based Retirement Plan Benefits (or, in the event that Employee's employment was terminated by the Company for Cause, only (A) the retirement savings component thereof, and (B) Employee's contributions to the Study Fund) promptly following the Date of Termination.

10.2 Termination Due to Death or Disability. Employee's employment shall terminate automatically upon his death. The Company may terminate Employee's employment immediately upon the occurrence of a Disability, such termination to be effective upon Employee's receipt of written notice of such termination. Upon Employee's death or in the event that Employee's employment is terminated due to his Disability, Employee or his estate or his Beneficiaries, as the case may be, shall be entitled to:

10.2.1 The Accrued Obligations; and

10.2.2 The Severance Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 10.7), other than those components of the Severance Payment required by Law to be paid earlier, which components shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7).

Notwithstanding the foregoing provisions of this Section 10.2, the payments and benefits described in this Section 10.2 (other than the components of the Accrued Obligations and the Severance Payment required to be paid pursuant to the Law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 12, 13, 14 or 15 hereof. Following Employee's death or a termination of Employee's employment by reason of a Disability, except as set forth in this Section 10.2, Employee shall have no further rights to any compensation or any benefits under this Agreement.

10.3 Termination by the Company with Cause.

10.3.1 The Company may terminate Employee's employment at any time with Cause, effective upon Employee's receipt of written notice of such termination. In the event that the Company terminates Employee's employment with Cause, he shall be entitled only to those components of the Accrued Obligations required to be paid by Law, and subject to the Law. Following such termination of Employee's employment by the Company with Cause, except as set forth in this Section 10.3, Employee shall have no further rights to any compensation or any benefits under this Agreement.

10.3.2 No termination of Employee's employment for Cause shall be effective unless the Company shall first have complied with the provisions of this Section 10.3.2 and the Law. Employee shall be given written notice by the Company (the "Cause Notice") of its intention to terminate Employee's employment for Cause. The Cause Notice shall state in detail the particular circumstances that constitute the grounds on which the proposed termination for Cause is based and all relevant documentation and summon to a hearing before the Board. The hearing shall be held 30 days

following Employee's receipt of the original Cause Notice. If, within 20 business days following such hearing, the Board gives written notice to Employee confirming that Cause for terminating Employee's employment on the basis set forth in the original Cause Notice exists, then Employee's employment shall thereupon be terminated for Cause. A failure by Employee to attend the hearing as aforesaid shall be deemed to be a waiver by Employee of his right to such hearing.

10.4 Termination by the Company without Cause. The Company may terminate Employee's employment at any time without Cause including in the event of appointment of a permanent President and CEO, effective nine (9) months following the date of Employee's receipt of written notice of such termination (in this Section, the "Notice Period"). In the event that such notice is given by the Company, any intervening termination for any reason (other than a termination of Employee's employment by the Company for Cause) including death or Disability shall not alter the Company's obligations under this Section 10.4. The Company may, in its sole and absolute discretion and by written notice, waive the services of Employee during the Notice Period or in respect of any part of such period, and thus accelerate termination of employee-employer relationship (such accelerated date shall constitute the Date of Termination), all on condition that the Company pay Employee the Monthly Salary and all additional compensation and benefits to which Employee is entitled in respect of the Notice Period without regard to any such Company waiver (which shall be paid in one lump sum on the next regular payment date immediately following the Date of Termination (subject to Section 10.7), other than the Monthly Salary required to be paid pursuant to the Law, which shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7)).

In the event that Employee's employment is terminated by the Company without Cause (other than due to death or Disability), Employee shall be entitled to:

10.4.1 The Accrued Obligations;

10.4.2 The Severance Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 10.7), other than those components of the Severance Payment required by Law to be paid earlier, which components shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7);

10.4.3 The Equity Benefits (subject to Section 10.7); and

10.4.4 If the Employee's employment is terminated by the Company without Cause (or by Employee with Good Reason), one year or less following a merger of the Company with another entity pursuant to which merger the Company is not the surviving entity, and as a result of such merger, Employee shall be entitled to the Change of Control Amount, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 10.7).

Notwithstanding the foregoing, the payments and benefits described in this Section 10.4 (other than the components of the Accrued Obligations and the Severance Payment required to be paid pursuant to the Law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 12, 13, 14 or 15 hereof. Following such termination of Employee's employment by the Company without Cause, except as set forth in this Section 10.4, Employee shall have no further rights to any compensation or any benefits under this Agreement. For the avoidance of doubt, Employee's sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the payments and benefits specified in Sections 10.4.1 through 10.4.3, or Sections 10.4.1 through 10.4.4, as applicable.

- 10.5 Termination by Employee with Good Reason. Employee may terminate his employment with Good Reason and Employee shall be entitled to the same payments and benefits as provided in Section 10.4 for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 10.4. Following such termination of Employee's employment by Employee with Good Reason, except as set forth in this Section 10.5, Employee shall have no further rights to any compensation or any benefits under this Agreement. For the avoidance of doubt, Employee's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the payments and benefits specified in this Section 10.5.
- 10.6 Termination by Employee without Good Reason or Due to Aged Retirement. Employee may terminate his employment without Good Reason or due to aged retirement, by providing the Company nine (9) months' written notice of such termination (in this Section, the "Notice Period"). In the event that such notice is given by Employee, any intervening termination for any reason (other than a termination of Employee's employment by the Company for Cause) including death or Disability shall not alter the Company's obligations under this Section 10.6. The Company may, in its sole and absolute discretion and by written notice, waive the services of Employee during the Notice Period or in respect of any part of such period, and thus accelerate such termination of employee-employer relationship (such accelerated date shall constitute the Date of Termination), all on condition that the Company pay Employee the Monthly Salary and all additional compensation and benefits to which Employee is entitled in respect of the Notice Period without regard to any such Company waiver (which shall be paid in one lump sum on the next regular payment date immediately following the Date of Termination (subject to Section 10.7), other than the Monthly Salary required to be paid pursuant to the Law, which shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7)).

In the event of a termination of employment by Employee under this Section 10.6, Employee shall be entitled to:

10.6.1 The Accrued Obligations;

10.6.2 The Severance Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 10.7), other than those components of the Severance Payment required by Law to be paid earlier, which components shall be paid in accordance with the requirements of the Law (which payment shall not be subject to Section 10.7); and

10.6.3 The Equity Benefits (subject to Section 10.7);

Notwithstanding the foregoing, the payments and benefits described in this Section 10.6 (other than the components of the Accrued Obligations and the Severance Payment required to be paid pursuant to the Law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 12, 13, 14 or 15. Following such termination of Employee's employment by Employee without Good Reason, except as set forth in this Section 10.6, Employee shall have no further rights to any compensation or any benefits under this Agreement.

10.7 Release. Notwithstanding any provision in this Agreement to the contrary, the payment of any amount or provision of any benefit pursuant to subsections 10.2 through 10.6 (other than the components of the Accrued Obligations and those components of the Severance Payment required to be paid pursuant to the Law) (collectively, the "Severance Benefits") shall be conditioned upon Employee's execution, delivery to the Company, and non-revocation of the Release of Claims within sixty (60) days following the Date of Termination. If Employee fails to execute the Release of Claims in such a timely manner or revokes the Release of Claims, Employee shall not be entitled to any of the Severance Benefits. For the avoidance of doubt, in the event of a termination due to Employee's death or Disability, Employee'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.

10.8 Definitions. For purposes of this Agreement, the following terms have the following meanings:

10.8.1 "Accrued Obligations" means (a) any unpaid Monthly Salary earned through the Date of Termination, any earned and unpaid Incentive Bonus (subject to Section 10.7), and any unused vacation days and recreation days accrued through the Date of Termination, which amounts (other than the Incentive Bonus) shall be paid on the next regular payroll date immediately following the Date of Termination, and (b) any other payment to which Employee is entitled under the applicable terms of any applicable plan, program, agreement, corporate governance document or arrangement of the Company or its affiliates, including without limitation, Company reimbursement of any unreimbursed business expenses, and rights to any Company indemnification and Company-provided officers' liability insurance as set forth in Section 11.

- 10.8.2 **“Applicable Percentage”** means (a) following termination of Employee’s employment by Employee without Good Reason or due to aged retirement, one hundred and fifty percent (150%), or (b) following any other termination of Employee’s employment (other than by the Company for Cause), two hundred percent (200%).
- 10.8.3 **“Beneficiaries”** means, subject to Law, those beneficiaries whom Employee identifies in writing to the pension fund, managers’ insurance and provident fund or, if such identification was not made, the executors of Employee’s estate or Employee’s legal heirs.
- 10.8.4 **“Broad-Based Retirement Plan Benefits”** means the amounts and benefits that Employee is entitled to receive from the pension fund, managers’ insurance, provident fund and Study Fund, following any termination of Employee’s employment, other than by the Company for Cause (including all retirement savings and severance amounts accumulated in such funds).
- 10.8.5 **“Cause”** means (a) the willful and continued failure by Employee to substantially perform his duties with the Company (other than any such failure resulting from Employee’s incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a notice of termination for Good Reason by Employee) for a period of at least 30 consecutive days after a written demand for substantial performance is delivered to Employee by the Board, which demand specifically identifies the manner in which the Board believes that Employee has not substantially performed his duties, (b) Employee’s breach of trust or other material breach of this Agreement by the Employee, (c) Employee is convicted of, or has entered a plea of *nolo contendere* to, a felony, or (d) a breach by Employee of the provisions of Sections 12, 13, 14 or 15 hereof. For purposes of clauses (a) and (b) of this definition, no act, or failure to act, on Employee’s part shall be deemed “willful” unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his act, or failure to act, was in the best interest of the Company.

Notwithstanding the foregoing, in the event that the Board reasonably believes that Employee may have engaged in conduct that constitutes Cause, the Board may, subject to a due hearing process, suspend Employee from performing his duties hereunder for a period of up to sixty (60) days, and in no event shall any such suspension constitute an event pursuant to which Employee may terminate employment with Good Reason; provided, that no such suspension shall alter the Company’s obligations under this Agreement (including, without limitation, its obligations to provide Employee compensation and benefits) during such period of suspension, unless it is later discovered that Employee’s conduct indeed constituted Cause.

- 10.8.6 **“Change of Control Amount”** means an amount equal to twelve (12) times the Monthly Salary in effect immediately prior to the Date of Termination (without taking into account any reduction in Monthly Salary that gives rise to, or could have given rise to, a claim for Good Reason).
- 10.8.7 **“Consideration”** means the Employees entitlements according to sections 2, 3, 4, 5, 6, 7, 8, 9 and 10 to this Agreement.
- 10.8.8 **“Disability”** means that Employee, due to a physical or mental disability, has been substantially unable to perform his duties under this Agreement for a continuous period of 90 days or longer.
- 10.8.9 **“Equity Benefits”** means (a) the right to continue to vest in any and all outstanding options and restricted share units, during the period commencing on the Date of Termination and ending on the Outside Date, subject to Employee’s continued compliance with Sections 12, 13, 14 and 15 through the applicable vesting dates, and (B) an extension of the period during which Employee may exercise his vested and outstanding options until the Final Date, subject to Employee’s continued compliance with Sections 12, 13, 14 and 15 through the applicable exercise dates.
- 10.8.10 **“Final Date”** means (a) if the termination of Employee’s employment is effected by the Company without Cause or by Employee for Good Reason, the day that is 90 days following the Outside Date; (b) if the termination of Employee’s employment is effected by the Employee without Good Reason or by the Employee due to his retirement, the day that is 60 days following the Outside Date.
- 10.8.11 **“Good Reason”** means a termination by Employee if (a) any of the following events occurs without Employee’s express prior written consent, (b) Employee notifies the Company in writing that such event has occurred, describing such event in reasonable detail and demanding cure, within 90 days after Employee learns of the occurrence of such event, (c) such event is not substantially cured within 30 days after Employee so notifies the Company, and (d) the Date of Termination occurs within 90 days after the failure of the Company to so cure: (i) any failure to continue Employee as the Interim President and CEO after the Effective Date (other than by reason of a termination of Employee’s employment by the Company with or without Cause, or Disability, or retirement of Employee); (ii) a material diminution in Employee’s duties, responsibilities or authorities; (iii) any diminution of Employee’s Monthly Salary, or compensation according to the Agreement or other material diminution of Employee’s compensation terms as a direct result of a change in the Compensation Policy; (iv) any change in the reporting structure so that Employee is required to report to anyone other than the Board; or (v) any material breach by the Company or any of its affiliates of any obligation under this Agreement, including, without limitation, by failing to provide Employee with indemnification protections at least as favorable as the indemnification protections as may be approved by the Company’s shareholders from time to time.

- 10.8.12 “Law” means any applicable 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.
- 10.8.13 “**Outside Date**” means (a) if the termination of Employee’s employment is effected by the Company without Cause or by Employee for Good Reason, the day that is 12 months following the Date of Termination; (b) if the termination of Employee’s employment is effected by the Employee without Good Reason or by the Employee due to his retirement, the day that is 9 months following the Date of Termination.
- 10.8.14 “**Release of Claims**” means the release of claims in favor of the Company and its affiliates substantially in the form attached hereto as **Annex C**.
- 10.8.15 “**Severance Payment**” means an amount equal to the positive difference, if any, between (a) the product of (x) the Applicable Percentage, (y) the Monthly Salary in effect immediately prior to the Date of Termination (without taking into account any reduction in Monthly Salary that gives rise to, or could have given rise to, a claim for Good Reason), and (z) the Term of employment in years (treating a partial year as a fraction whose numerator is the number of months in the partial year in which Employee worked, and whose denominator is 12), and (b) the severance components of the Broad-Based Retirement Plan Benefits, provided that such amount shall be no more than 12 Monthly Salaries.

11. Indemnification

- 11.1 In accordance with and subject to the provisions of the Law and the applicable provisions of the Company’s Articles of Association and the Compensation Policy then in effect, Employee shall be indemnified and released by the Company in accordance with the provisions of the Indemnification and Release Agreement attached hereto as **Annex D**, the terms of which shall be incorporated by reference herein. The Company hereby represents that (i) the grant of the above indemnification and release has been approved by its shareholders with the adoption of the Compensation Policy for Executive Officers and Directors at the 2013 annual general meeting of shareholders, held on August 27, 2013, (ii) Notwithstanding Sec. 1.9 above, the grant of the above indemnification and release shall apply and cover the Employee in full in his capacity as the Company’s Interim CEO and President as of the Effective Date, and (iii) it is aware that the Employee is willing to assume his responsibilities as of the Effective Date based on the representations set forth in this Section 11.1.
- 11.2 An officers’ liability insurance policy (or policies) shall be kept in place, during the Term and thereafter until the seventh anniversary of the Date of Termination, providing coverage to Employee that is no less favorable to Employee in any respect than the coverage then being provided to any other present or former senior executive of the Company.

12. Confidentiality and Disclosure of Information

Employee hereby undertakes to execute the Confidentiality, Disclosure of Information and Assignment of Inventions undertaking attached hereto as **Annex E** concurrently with the execution of this Agreement.

For avoidance of any doubt, Employees' undertakings under Annex E shall not derogate from any similar undertaking provided by the Employee prior to the Effective.

13. Non-Competition

Employee hereby agrees that, during the Term and for a period of 12 months following the Date of Termination for any reason, not to engage, directly or indirectly, anywhere in the world, in any activity, business or any other engagement which competes with the business of any member of the Company Group, including as a consultant, except with the Company's prior written approval. Notwithstanding anything to the contrary contained in this Section 13, the foregoing shall not prevent Employee 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 payment to which Employee is entitled pursuant to Section 16, which is being made in consideration, *inter alga*, for such undertaking.

14. Non-Solicitation.

Employee hereby agrees that, during the Term and for a period of 12 months following the Date of Termination for any reason, not to entice, solicit or encourage any employee, consultant, customer, vendor, supplier or prospective employee, consultant, customer, vendor or supplier of Company Group and/or its affiliates to cease doing business with the Company Group and/or its affiliates, reduce its relationship with the Company Group and/or its affiliates or refrain from establishing or expanding a relationship with the Company Group and/or its affiliates or in any other way interfere with the Company Group's and/or its affiliates' relationships with its employees, consultants, customers, vendors or suppliers. Employee further agrees and undertakes that during the Term and for a period of 12 months following the Date of Termination for any reason, Employee will not, directly or indirectly, including personally or in any business in which he is an officer, director or shareholder, for any purpose or in any place, hire or engage with any key-employee employed by the Company Group and/or its affiliates on the date of such termination or during the preceding twelve months.

It is hereby agreed and clarified that, when determining the above non-solicitation undertaking, the parties took into account the payment to which Employee is entitled pursuant to Section 16, which is being made in consideration, *inter alio*, for such undertaking.

15. No Disparagement.

Neither the Company Group nor the Employee shall make disparaging or otherwise detrimental comments to any person or entity concerning the other, or the circumstances surrounding Employee's engagement and/or separation of engagement from the Company, unless such party can demonstrate that the comments were made in private circumstances and that it or he intended the comments will not be published. In addition, the Employee shall not make disparaging or otherwise detrimental comments to any person or entity concerning the Company Group's officers, directors or employees; the products, services or programs provided or to be provided by the Company Group; the business affairs, operation, management or the financial condition of the Company Group, unless the Employee can demonstrate that the comments were made in private circumstances and that he intended the comments will not be published. The obligations set forth in this Section 15 shall apply both during and 10 years after the Term.

It is hereby agreed and clarified that, when determining the above non-disparagement undertaking, the parties took into account the payment to which Employee is entitled pursuant to Section 16, which is being made in consideration, *inter alia*, for such undertaking.

16. Non-Competition/Non-Solicitation/Non-Disparagement Payment

The entire compensation paid to the Employee pursuant to this Agreement constitute as consideration for the Employee's undertaking set forth in Sections 12, 13, 14 and 15 and any other non-compete obligations undertaken by the Employee. Notwithstanding the foregoing, in the event that the Employee materially breaches any provision of Sections 12, 13, 14 or 15 hereof, the Severance Benefits shall immediately cease, and the Company shall be entitled to reclaim any such benefits already paid in accordance herewith, and the Company shall have no further obligations to the Employee with respect to the Severance Benefits, without derogating from any other rights or remedies available to the Company pursuant to the Agreement or Law in respect of such breach.

17. Return of Car, Equipment and Documents

Upon termination of Employee's employment, Employee shall promptly 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 Employee, and any other confidential or proprietary information of the Company that remains in Employee's possession; provided, however, that nothing in this Agreement or elsewhere shall prevent Employee 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 Board (such approval not to be unreasonably withheld or delayed). Employee shall confirm such return in writing to the Company promptly upon Company's written request, together with confirmation that the Employee no longer has any Company property or confidential or proprietary information of the Company in his possession or control.

18. No Other Post-Employment Restrictions

There shall be no contractual, or similar, restrictions on Employee's right to terminate his employment with the Company, or on his post-employment activities, other than as expressly set forth in this Agreement.

19. 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 Employee'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.

20. Tax Payments; Clawback

20.1 Tax Payments. Employee 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 by 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 Employee due to any payment or benefit, other than the Company's undertaking to pay for the taxes related to the use of a car and phone as set forth in Section 6.2 above.

20.2 Clawback. Notwithstanding anything to the contrary herein, in the event of a restatement of the Company's financial statements as a result of erroneous statements, the Employee will reimburse payments that have already been paid to him on the basis of such erroneous financial results that were followed by a restatement, all in accordance with the Compensation Policy and subject to Law. By signing this Employment Agreement, Employee grants the Company a power of attorney to deduct from the Monthly Salary and/or any payments due to the Employee by the Company, any amounts owed by him under this section, in accordance with Law.

Notwithstanding anything to the contrary herein, in the event that it is discovered that the Employee engaged in conduct that resulted in a material inaccuracy in the Company's financial statements or caused severe financial or reputational damage to the Company, or in the event that it is discovered that the Employee breached his confidentiality and/or non-compete obligations to the Company, the Company may, without limitation and in its sole discretion, (i) terminate Employee's employment and/or (ii) request that the Employee reimburse any performance-based or incentive compensation paid or awarded to the Employee and Employee hereby undertakes to reimburse the Company promptly upon its request.

21. Representations

Each party represents and warrants (a) that such party is not subject to any contract, arrangement, agreement, policy or understanding, or to any statute, governmental rule or regulation, that in any way limits such party's ability to enter into and fully perform such party's obligations under this Agreement; provided that the Employee acknowledges and confirms that he is aware that the terms hereof require certain corporate approvals pursuant to Law and understands the consequences of the failure to secure such approvals; (b) that such party is not otherwise unable to enter into and fully perform such party's obligations under this Agreement; and (c) 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. The Company represents and warrants that it is fully authorized to enter into this Agreement (including, without limitation, the agreements attached hereto as Annexes) and to perform its obligations under it.

22. Dispute Resolution

Subject to the Law, any Claim arising out of or relating to this Agreement, any other agreement between the Company and Employee, or any termination thereof shall be resolved by binding confidential arbitration, to be held in Israel. The arbitration shall be conducted before a mutually appointed arbitrator and, if necessary, an appeal-arbitrator, and if the parties in dispute shall fail to agree upon the identity of the arbitrator(s) within 15 days of written demand, the identity of the arbitrator(s) shall be determined by the chairman of the Bar Association. The arbitrator's ruling shall be subject to an appeal to an appeal-arbitrator, in accordance with Section 21 A to the Arbitration Law, 1968. The arbitrator and the appeal-arbitrator shall not be bound by the rules of procedure, but shall be bound by rules of the applicable substantive law and be required to give written grounds for his decision. This Agreement shall be deemed to be a valid Arbitration Agreement for the purpose of the Arbitration Law, 1968. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof

23. Notices

Any notice or other communication required or permitted to be delivered under this Agreement shall be (a) in writing; (b) delivered personally, 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: Chairman of the Board;

With a copy (which shall not constitute notice) to:

Tulchinsky, Stern, Marciano, Cohen, Levitski & Co. Law Offices
4 Berkowitz Street
Tel Aviv 64238
Facsimile: +972 (3) 6075050
Attn: Menachem Tulchinsky, Adv.

If to Employee: to the last address on file with the Company.

24. Miscellaneous

- 24.1 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, without limitation, the agreements attached hereto as Annexes) 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
- 24.2 Amendment or Waiver. No provision in this Agreement may be amended unless such amendment is set forth in a writing that expressly refers to the provision of this Agreement that is being amended and that is signed by Employee 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.
- 24.3 Inconsistencies. Subject to the Law and Section 1.8, 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 Employee and the Company otherwise agree in a writing that expressly refers to the provision of this Agreement whose control they are waiving.
- 24.4 Headings. 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.
- 24.5 Survivorship. The provisions of this Agreement that are intended to survive the termination of this Agreement shall survive such termination in accordance with their applicable terms.
- 24.6 Governing Law; Severability. This Agreement will 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 will 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.

- 24.7 No Mitigation/No Offset. Employee shall be under no obligation to seek other employment or to otherwise mitigate the obligations of the Company under this Agreement, and there shall be no offset against amounts or benefits due to Employee under this Agreement or otherwise on account of any claim (other than any preexisting debts then due in accordance with their terms) the Company or its affiliates may have against him or any remuneration or other benefit earned or received by Employee after such termination.
- 24.8 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.
- 24.9 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/ Dr. Sol J. Barer

By: Dr. Sol J. Barer

Title: Chairman of the Board

/s/ Jean-Michel Halfon

By: Jean-Michel Halfon

Title: Chairman of the Compensation Committee

EMPLOYEE

/s/ Prof. Yitzhak Peterburg

Name: Prof. Yitzhak Peterburg

Translation from the Hebrew

Personal Employment Agreement

This personal employment agreement (this “**Agreement**”), entered into in Petach Tikwa, on this 7 day of August, 2008

by and among

TEVA PHARMACEUTICAL INDUSTRIES LTD, an Israeli corporation at 5 Basel St., Petach Tikwa, Israel (the “**Company**”/“**Teva**”)

and

Eyal Desheh, holder of I.D. no. 051220309 of 49 Zamir Street, Mevasseret Zion (the “**Employee**”).

WHEREAS, the Employee has been employed by the Company since April 28, 2008 (hereinafter the “**Effective Date**”) in the capacity of Chief Financial Officer; and

WHEREAS, the parties wish to set forth the Employee’s terms of employment by Teva in this Personal Employment Agreement, which contains all of the mutual rights and obligations of the parties, towards each other, during the term of this Agreement, all as set forth herein;

NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

1. General

- 1.1 This Agreement exclusively sets forth the terms and conditions which apply with respect to the employment of the Employee by Teva, as they are on the date on which this Agreement is signed; in the event that the parties agree, following the execution of this Agreement, to amend the Employee’s employment terms, the terms of this Agreement shall be subject to such agreed amendments; the parties hereby confirm that the compensation terms set forth in this Agreement constitute fair consideration to the Employee given, (inter alia), his managerial responsibilities.
- 1.2 It is hereby declared and agreed that no collective and/or branch and/or special bargaining agreements, which apply to the employees engaged by Teva, shall apply to the Employee’s employment with Teva.

2. Position and Term of Agreement

- 2.1 The Employee shall be employed as the Chief Financial Officer (CFO) of the Company, reporting to the Chief Executive Officer of the Company. Teva shall be entitled, at its sole discretion, to delegate to the Employee an additional position or additional duties, or following consultation and coordination with the Employee, employ him in a different position in Teva or in one of the companies in the Teva Group (for the purposes of this Agreement, the “**Teva Group**” shall be defined as Teva and any corporation of any type in which Teva holds, directly or indirectly, at least 25% of the “means of control” (as such term is defined in the Securities Law, 5728-1968)). It is hereby declared and agreed that if the Employee does not agree to have another position delegated to him as aforesaid, then the Employee shall be entitled to resign from his employment at Teva by providing Teva

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with prior notice as specified in Section 14.1.1 below, and in such case the Employee's resignation shall be deemed as termination of employment by the Company and the provisions of Section 16 below shall apply. In the event that the Employee agrees to be employed in a different position, then the provisions of this Agreement shall continue to apply, and the Employee shall be entitled to all of his rights under this Agreement, unchanged (subject to the aforesaid change in his position).

- 2.2 The appointment of the Employee to the position aforementioned in subsection 2.1, is effective as of the Effective Date and until the Agreement is terminated in accordance with Section 14 below (the "**Term**").

3. Undertakings of Employee

The Employee hereby undertakes as follows:

- 3.1 To carry out his duties and responsibilities in the framework of his employment with Teva responsibly, dedicatedly and faithfully as required from his position in Teva, all subject to Teva's policy, and to dedicate and devote his full time, effort and attention, for the performance of the aforesaid duties and responsibilities, in order to perform them in an efficient, skillful and responsible manner and pursuant to the terms of this Agreement;
- 3.2 Not to engage, during his employment with Teva, whether or not for consideration, in any business, position, employment or engagement of any kind, which is not part of his employment with Teva, without the prior written consent of the CEO of Teva (it is hereby clarified that in the event that a determination or decision pursuant to this Agreement is referred to the CEO of Teva, such determination or decision can be made by any person authorized by the CEO of Teva for such purpose, subject to the provisions of applicable law). Teva shall not withhold its consent for the Employee to hold a public position or other position unless the CEO of Teva believes that such position shall adversely affect the Employee's ability to carry out his duties at Teva, or that such other position will create a conflict of interest between the Employee's position at Teva and his public position or other position;
- 3.3 To inform Teva immediately regarding any issue or subject relating to Teva or the Teva Group in which the Employee has a personal interest and/or which may cause the Employee to be in a position of a conflict of interests with Teva.

4. Salary

- 4.1 The Employee's (gross) monthly salary is NIS 110,000, as of the date of this Agreement, which amount includes all of the tosefet yoker amounts [costs of living allowance increases and salary increases paid to employees in Israel until and inclusive of the Effective Date (hereinafter the "**Monthly Salary**")].
- 4.2 The Monthly Salary shall be adjusted:
- (a) according to the [tosefet yoker] living allowance rates which shall apply, from time to time, after the Effective Date to all (economy) employees pursuant to expansion orders. The aforesaid shall apply to the Monthly Salary as it shall be at the time of the adjustment, and

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- (b) according to the periodical wage increases, which shall be paid, from time to time, to all employees after the Effective Date pursuant to expansion orders. The aforesaid shall apply to the Monthly Salary as it shall be at the time of the adjustment.
 - (c) At the end of each year, the CEO of Teva shall review the evolvement of the Employee's salary and the Employee's achievements during such year and shall, determine in the CEO's discretion, if the Employee's salary should be updated. If the CEO decides that the Employee is so entitled, the Monthly Salary will be updated at the date and rate determined by the CEO, in the CEO's discretion, all subject to approvals required by law.
- 4.3 The Employee hereby represents that he acknowledges and agrees that in light of his position and duties, he shall not be deemed part of those employees with respect to which the Hours of Work and Rest Law 5711-1951 applies, and accordingly, the provisions of such law shall not apply to his employment.
- 4.4 It is hereby clarified that the Employee 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, other than options or other incentive based shares, including restricted stock units, unless otherwise agreed between Teva and the Employee in writing.
- 4.5 The Monthly Salary payable to the Employee pursuant to Section 4.1, as adjusted pursuant to Section 4.2, alone shall constitute the basis for the calculation of all deductions and contributions for various social benefits, including, without limitation, contributions and deductions to the Pension Fund, Managers Insurance, Provident Fund for Remuneration, Provident Fund for Allowance and Personal Provident Fund for Severance (as such terms are defined in Section 13 below), Advanced Study Fund (as defined in Section 8.1 below) and any other purpose for which the deductions are calculated based on a percentage of the salary.
- 4.6 It is hereby clarified that any grants, participation amounts, reimbursement of expenses and other benefits granted to the Employee by virtue of this Agreement or derived therefrom, shall not constitute a component of the Monthly Salary and shall not be taken into consideration with respect to the calculation of any contributions or other benefits granted to the Employee by virtue of this Agreement or derived therefrom and calculated based on the percentage from the salary.

5. One Time Grant (Bonus)

At the beginning of each year, Teva's CEO shall determine quantitative and/or qualitative objectives for the Employee, based on the work plan for such year of the unit or units of the Teva Group that are under the Employee's responsibility. Teva's CEO shall examine, in the first quarter following the end of the work year, the profitability of the Teva Group and of the aforementioned unit or units in the previous year, and shall also examine if over such year some or all of the aforementioned objectives were achieved, and shall decide based on the results and in the CEO's discretion, if the Employee should be granted a one-time grant (bonus). In the event that the CEO shall decide to grant to the Employee a bonus as aforesaid, then the

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CEO shall, in his discretion, determine the date and rate of such bonus, all subject to receipt of all approvals necessary according to any law. In any event, the entitlement to such bonus and its rate shall be determined at the CEO's discretion.

5A. Options

The Employee shall be entitled, from time to time, to receive options to purchase shares of the Company and/or restricted shares and/or other reward mechanism which shall be determined in the framework of option plans which shall be adopted by the Company (to the extent adopted). The entitlement of the Employee to receive options and participate in the option plan, the number of options granted to the Employee and their terms shall be subject to the discretion of the CEO and the receipt of the approvals for the grant, as required by law.

6. Car

According to the requirements of the Employee's position, Teva shall provide the Employee with a car owned or leased by Teva, and which the Employee shall use during the term of his employment with Teva. Subject to the provisions of any law, the Company shall bear all costs relating to the use and maintenance of the car; The Employee undertakes to use the car in a reasonable and proper manner as an owner takes care of its property.

7. Phone and Cellular Phone

7.1 Teva shall reimburse the Employee for all expenses relating to the maintenance of a telephone at his residence and the use of such phone, provided, that the Employee uses the phone in a reasonable manner. Teva shall reimburse the foregoing amounts according to the service provider invoices provided to Teva by the Employee.

7.2 Teva shall provide the Employee with a cellular phone and shall bear all expenses with respect to the maintenance and use of such cellular phone, provided, that the Employee uses such cellular phone in a reasonable manner.

8. Advanced Study Fund, Vocational Study and Membership in Vocational Unions

8.1 For every month in which the Employee is employed, Teva shall make contributions on the Employee's behalf to an advanced 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 this amount to the Study Fund. By signing this Agreement, the Employee hereby irrevocably grants Teva power-of attorney to exercise the aforementioned deduction from the Employee's Monthly Salary.

8.2 Subject to approval by Teva and Teva's policies, the Employee shall be entitled to receive from Teva full or partial participation with respect to vocational studies and/or membership in vocational unions.

9. Group Life Insurance

For as long as Teva insures its senior employees, at its expense, with a group policy life insurance (risks only), Teva shall also insure the Employee in said policy, in an amount to be determined from time to time (if at all) by Teva, at its discretion. In the event of the Employee's passing (God forbid) during the term of his employment with

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Teva, Teva shall pay the insurance amount it receives from the insurance company to the beneficiaries that the Employee has specified in a notice to Teva (and if the Employee did not specify beneficiaries, or if the beneficiaries passed away (God forbid) prior to the Employee, to the Employee's legal successors pursuant to law- subject to the terms of the policy), provided that the aforementioned beneficiaries (or legal successors, as applicable) provided Teva with a signed written confirmation, in the form to be determined by Teva, pursuant to which they waive any claims and demands against Teva.

10. Vacation

10.1 The Employee shall be entitled to annual vacation of 26 workdays for each year of employment. The dates of the Employee's annual vacation shall be coordinated with Teva's CEO. The Employee may utilize only 7 vacation days per year, and accumulate the remaining vacation days only up to 52 vacation days, unless Teva's CEO approves in writing the accumulation of a higher number of vacation days. Upon the termination of Employee's employment, the Employee shall be entitled to redeem the aforesaid accumulated vacation days.

10.2 Sick days, which occur during the annual vacation, shall not be counted as vacation days but as sick days.

11. Sick Leave

11.1 The Employee shall be entitled to paid sick days for a period, which shall not exceed an aggregate of up to one month per year of employment, which shall accumulate during the Term, up to a maximum of 12 months' sick leave. The sick pay shall include the Employee's Monthly Salary and the rest of the amounts and benefits to which the Employee would have been entitled under this Agreement if the Employee would have worked in Teva during his illness for which he is entitled to receive payment as aforesaid, less any amount that the Employee is entitled to receive with respect to the aforementioned illness period from the Pension Fund and/or Managers Insurance (as defined in Section 13 below), and all provided that the Employee provides Teva with medical confirmation as to his illness.

11.2 In the framework of the Employee's forgoing entitlement to sick leave and subject to such terms, the Employee shall be entitled to be absent from work in order to care for an illness of a family member in accordance with the law, without the right to accumulate. This absence shall be deemed as sick days of the Employee.

11.3 It is hereby declared and agreed that the payments to the Employee set forth in Section 11.1 above and his insurance in the Pension Fund and Managers Insurance as set forth in Section 13 below, are meant to also cover Teva's obligations according to the Sick Pay Law, 5736-1976.

11A Reserve Duty

In the event the Employee is summoned for reserve duty, Teva shall pay the Employee the Monthly Salary and the other amounts and benefits that would have been paid to the Employee under this Agreement if he would have worked during said reserve duty, provided that the Employee reimburse Teva for any amounts he receives in consideration for said reserve duty from the National Security Institute or any other official authority.

12. Recreation Pay

Employee shall be entitled, after every year of employment, for payment of 12 recreation days (subject to the increase of the aforementioned number of days by Teva (if at all), at Teva's sole discretion). The daily rate of the recreation pay, the payment conditions and other conditions with respect to recreation pay shall be in accordance with Teva's practice at such time and as it shall be from time to time with respect to the rest of its employees.

12A. Clothing Allowance

The Employee shall be entitled to a clothing allowance in accordance with the Company's common practice in this regard, as shall be from time to time.

13. Employee's rights to Pension, Severance and Remuneration

13.1 For the purpose of this Agreement, the following terms shall have the meanings set forth besides them:

"Statutory Arrangements" – Income Tax Regulations (Terms for Approving and Managing Provident Funds), 5725-1964 (the **"Income Tax Regulations"**), Supervision of Insurance Affairs Law, 5741-1981 (the **"Supervision Law (Insurance)"**), Supervision of Financial Services (Provident Funds) Law, 5765-2005 (the **"Supervision Law (Provident Funds)"**) as shall be in effect from time to time and any law, regulation, decree or any statutory provisions that shall replace them and/or supplement them.

"Pension Fund" – Old Deficit Pension Fund, Old Non-Deficit Pension Fund, New Pension Fund and New General Fund, as defined in the Statutory Arrangements.

"Comprehensive Pension Plan" – pension plan that includes old-age allowance, disability allowance and dependents' allowance.

"Provident Fund" – fund or insurance plan that were authorized to be a provident fund in accordance with the Supervision Law (Provident Funds).

"Personal Provident Fund for Severance" – Provident Fund designated for severance managed in personal accounts in the name of the employees.

"Provident Fund for Remuneration" – Provident Fund designated for payment of remuneration, not as part of a Pension Fund or a Managers Insurance.

"Provident Fund for Allowance" – Provident Fund designated for payment of allowance not as part of a Pension Fund or a Managers Insurance.

"Managers Insurance" – insurance policy that includes a program for remuneration insurance, severance and/or allowance for hired employees which is an insurance fund, as defined in the Income Tax Regulations and in accordance with the Supervision Law (Provident Funds).

"Insured Salary" – the Monthly Salary.

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“Disability Insurance” – insurance for that portion of the Insured Salary which is not insured under the Comprehensive Pension Plan and not insured under the new general fund (basic plan), which guarantees the Employee a monthly compensation from the insurance company in the event the Employee’s total or partial, permanent or temporary, loss of ability to work in the profession or business in which the Employee worked prior to the loss of ability to work.

“Aggregate Severance Payment Amounts in Funds” – the aggregate amounts accumulated, in favor of the Employee in the Pension Fund, Managers Insurance, Provident Fund and Personal Provident Fund for Severance from the Company’s contributions to severance pay together with linkage differentials and earnings of these amounts.

“Index” – consumer price index.

- 13.2 It is hereby declared and agreed that the rights of the Employee to, allowance, severance payment and remuneration will be insured according to the Employee’s choice, as set forth in this Section.
- 13.3 The Employee’s salary will be insured in one or more of the following: a Pension Fund, Managers Insurance, Provident Fund for Remuneration, Provident Fund for Allowance, Personal Provident Fund for Severance, and/or any combination of the foregoing, according to the Employee’s choice. The Employee will specify, in a notice to Teva, which part of the salary shall be insured in each of the programs specified below (the **“Insurance Arrangement”**).

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, in an amount exceeding the Insured Salary.

The rate of compensation in each of the Provident Funds, subject to the Insurance Arrangement, shall be as follows:

- 13.3.1 Should the Employee elect the contributions be made to a Pension Fund, the following percentages shall be contributed:

The Company shall contribute towards the Pension Fund an amount equal to 17.5% of the part of the salary according to the Insurance Arrangement, out of which 12% shall constitute payment by the Company (of which: 6% shall constitute payment for remuneration and 6% shall constitute the payment for severance payment) and 5.5% shall constitute the payment by the Employee.

If the Employee is a member of an Old Deficit Pension Fund, and he elects to continue to contribute to such fund, then the Company shall contribute to the Old Deficit Pension Fund an amount equal to 20.5% of the part of the salary according to the Insurance Arrangement, out of which 13.5% shall constitute payment by the Company (of which 7.5% shall constitute payment for remuneration and 6% shall constitute the payment for severance payment) and 7% shall constitute the payment by the Employee.

In addition, the Company shall contribute to a Personal Provident Fund for Severance an amount equal to 2.33% of the part of the

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salary according to the Insurance Arrangement. This amount constitutes a completion of the Company's severance payment obligation.

- 13.3.2 Should the Employee elect contributions to a Managers Insurance, the following percentages shall be contributed:

The Company shall contribute an amount equal to 20.83% of the part of the salary according to the Insurance Arrangement, out of which 15.83% shall constitute the payment by the Company (of which 7.5% shall constitute payment for remuneration and 8.33% shall constitute the payment for severance payment), and 5% shall constitute the payment by the Employee.

In the event that according to the terms of the Managers Insurance, the Disability Insurance component is not allocated from the remuneration, then the Company shall contribute 5% for remuneration and up to 2.5% for Disability Insurance.

- 13.3.3 Should the Employee elect contributions to a Provident Fund for Remuneration and/or Provident Fund for Allowance and/or Personal Provident Fund for Severance, the following percentages shall be contributed:

The Company shall contribute to the Provident Funds an amount equal to 20.83% of the part of the salary according to the Insurance Arrangement, out of which 15.83% shall constitute payment by the Company (of which: 7.5% shall constitute the payment for remuneration and 8.33% shall constitute payment for severance payment) and 5% shall constitute the payment by the Employee.

- 13.4 In the event of an increase in the Employee's Insured Salary, the Employee shall be entitled to choose (in accordance with the Pension Fund Articles of Association and the Statutory Arrangements) the Insurance Arrangement, which will apply to the increase in the Insured Salary. The Employee shall notify the Company with respect to such choice in accordance with the Company's policies regarding this matter. The provisions of Section 13.3 above shall apply to the Insurance Arrangement, which the Employee chose for the increase in the Insured Salary.

It is agreed and declared that in case of an increase in the Monthly Salary of the Employee, the Company shall not be obligated towards the Employee to contribute to any of the Provident Funds its indebtedness for severance payment, which derives (if at all) from the aforementioned increase, with respect to the employment term prior to the salary increase.

- 13.5 By signing this Agreement including all annexes, the Employee grants the Company an irrevocable power of attorney to deduct from his salary the contributions relating to the Insured Salary, and to transfer such amounts to any of the Provident Funds included in the Insurance Arrangement, which he chose, all as set forth in this Section 13.3 above.
- 13.6 It is hereby agreed and declared that the managers insurance policies are and shall continue to be owned by Teva until the termination of the Employee's employment with Teva.

14. Termination of Employment in Teva and Prior Notice

- 14.1 The Employee's employment with Teva shall terminate upon the occurrence of one of the following events:
- 14.1.1 Resignation of the Employee from Teva, by providing the Company with prior notice as set forth herein. It is hereby agreed and declared that the Employee may terminate this Agreement (resignation) at any time by giving Teva nine months prior notice;
 - 14.1.2 It is hereby declared and agreed that Teva may, by the decision of Teva's CEO, terminate this Agreement at any time (dismissal), by giving the Employee nine months prior notice, without derogating from Teva's right to immediately terminate the employment of the Employee with no prior notice as specified in Section 14.2 below;
 - 14.1.3 Upon the retirement of the Employee to pension at the age of 67, or upon mutual consent at any other time;
 - 14.1.4 Upon the passing (God forbid) of the Employee;
 - 14.1.5 In the event that the Pension Fund and/or Managers Insurance policy provider recognizes the Employee as permanently and completely disabled (God forbid);
 - 14.1.6 In the event that either party provides the other party with prior notice as set forth in Sections 14.1.1 or 14.1.2 above, the following shall apply:
 - (a) Following the prior notice period, other than in the event that the Employee is not entitled to such period as set forth in Section 14.2 below, this Agreement shall terminate and the Employee's employment by Teva shall terminate. For the avoidance of doubt, it is hereby clarified that during the prior notice period, the employer-employee relationship between the parties shall continue to exist, and the Employee shall be entitled to receive each month the Monthly Salary together with all additional benefits, including the car, to which he would be entitled had such notice not been provided, except for an annual bonus and grant of options.
 - (b) Teva shall be entitled to waive the services of the Employee as CFO of the Company during the prior notice period or any part thereof. For the avoidance of doubt, it is hereby clarified that such waiver of the Employee's services shall not be deemed a waiver of his employment during the prior notice period for purposes of an orderly transfer of his position and any other assistance that may be required by the Company in connection with the Employee's duties and responsibilities.
 - (c) It is hereby clarified that in the event that Teva waives the Employee's services as CFO during the prior notice period or any part thereof in accordance with section (b) above, the employer-employee relationship between Teva and the Employee shall continue to exist and the Employee shall be

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entitled to receive, each month, his Monthly Salary and all the additional benefits, including the car, to which he would be entitled if Teva had not waived his services, except for an annual bonus and grant of options.

- 14.2 Notwithstanding Section 14.1.2 above, Teva (by the decision of the CEO of Teva and any other authorization required) shall be entitled to terminate the Employee's employment immediately and without prior notice, in the event of the Employee's breach of trust or other material breach of this Agreement by the Employee, or if the Employee has committed a flagrant offense.

15. Termination of Employment Due to Retirement to Pension, Disability or Passing (God forbid) or Dismissal

- 15.1 In the event that the Employee shall no longer be an employee of Teva due to retirement to pension as set forth in Section 14.1.3 or due to disability (God forbid) as set forth in Section 14.1.5 or due to passing (God forbid) as set forth in Section 14.1.4, the Employee (or his Beneficiaries, as applicable, as defined in Section 19 below) shall be entitled to the following:
- 15.1.1 To receive from Teva the appropriate letters addressed to the Pension Fund, Provident Fund, to the insurer of the Managers Insurance and the Study Fund regarding the termination of employment with Teva in a manner that will enable the Employee to receive from the Pension Fund, Provident Fund, the aforementioned insurer and from the Study Fund, the amounts and/or rights which he is entitled to receive from them following the termination of his employment with Teva under the aforementioned circumstances (including the remuneration components and the Aggregate Severance Payment Amounts in the Funds).
- 15.1.2 In addition to Section 15.1.1 above and the increment of the Aggregate Severance Payment Amounts in the Funds to the extent performed pursuant to Section 19.1 below, the Employee shall be entitled to a special retirement grant for the time he was employed with the Company in his current position as set forth in this Agreement, in an amount equal to the product of his most recent Monthly Salary and the number of years the Employee was employed by Teva during the period as of the Effective Date and ending on the date of termination of employment (with a proportional calculation for part of a year); provided, however, that in no event shall the Employee (or, if applicable, his Beneficiaries, as defined in Section 19.2 below) be entitled to receive from Teva an amount which, together with the accumulated Aggregate Severance Payment Amounts in the Funds with respect to contributions made during the period as of the Effective Date and ending on the date of termination of employment, shall exceed the amount equal to the product of 200% of the Employee's most recent Monthly Salary and the number of years the Employee was employed by Teva during the period as of the Effective Date and ending on the date of termination of employment (with a proportional calculation for part of a year).
- 15.2 In the event that the Employee shall no longer be an employee of Teva due to dismissal as set forth in Section 14.1.2 above, other than dismissal pursuant to the circumstances set forth in Section 14.2 above, then on the employment

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termination date as specified in Section 14 above, the Employee shall be entitled to receive what is set forth in Sections 14.1.6, and 15.1.1 as well as the grant set forth in Section 15.1.2 above.

- 15.3 In the event that the Employee retired by reason of his reaching the retirement age (pension), and it turns out that the rate at which his Monthly Salary increased over the three years preceding his retirement to pension is less than the rate of the increase of the Index during the same preceding three years, then for the purposes of the calculation of the retirement grant which the Employee is entitled to pursuant to Section 15.1.2, and for such purpose only, the last Monthly Salary of the Employee shall be deemed to have been adjusted at the full rate of the increase in the Index during the aforementioned 3-year period.

16. Resignation Which is Deemed As Dismissal According to Law

In the event that the Employee shall no longer be an employee of Teva due to resignation which is deemed according to the Severance Pay Law, 5723-1963 as dismissal, or due to the circumstances specified in Section 2.1 above with prior notice in accordance with Section 14.1.1 above, the Employee shall be entitled to receive what is set forth in Sections 14.1.6 and 15.1.1 as well as the grant set forth in Section 15.1.2 above.

17. Other Resignation

In the event that the Employee shall no longer be an employee of Teva due to resignation not under the circumstances specified in Section 16 above, then the Employee shall be entitled to receive what is set forth in Section 14.1.6, the letters set forth in 15.1.1 and in addition, the Employee (or his Beneficiaries, as applicable, as defined in Section 19 below) shall be entitled to receive from Teva a retirement grant in the amount equal to the product of 50% of his most recent Monthly Salary and the number of years the Employee was employed by Teva during the period as of the Effective Date and ending on the date of termination of employment (with a proportional calculation for part of a year); provided, however, that in no event shall the Employee (or, if applicable, his Beneficiaries, as defined in Section 19.2 below) be entitled to receive from Teva an amount which, together with the accumulated Aggregate Severance Payment Amounts in the Funds with respect to contributions made during the period as of the Effective Date and ending on the date of termination of employment, shall exceed an amount equal to the product of 150% of the Employee's most recent Monthly Salary and the number of years the Employee was employed by Teva during the period as of the Effective Date and ending on the date of termination of employment (with a proportional calculation for part of a year).

18. Dismissal Under the Circumstances Set Forth in Section 14.2 Above

- 18.1 The provisions set forth in Sections 15, 16 and 17 above and the end of Section 19.1 below shall not apply to the Employee in the event that the Employee shall no longer be an employee of Teva under the circumstances detailed in Section 14.2 above. In such an event, the Employee shall be entitled to receive from Teva the appropriate letters regarding his termination of employment with Teva, addressed to the Pension Fund, Provident Fund, and the insurer of the Managers Insurance, pursuant to which the Employee shall be entitled to receive from the Pension Fund, Provident Fund and aforementioned insurer, the amounts accumulated in such funds to the Employee's benefit from the contributions of the parties to remuneration together with linkage differentials and earnings on such contributions, and

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Teva shall be entitled to the amounts accumulated in such funds that constitute the Aggregate Severance Payment Amounts in the Funds. In the event that the Employee has paid Teva an amount equal to the Aggregate Severance Payment Amounts in the Funds, then the Employee shall be entitled to receive from Teva letters as specified in Section 15.1.1 above without any reservations and in a manner which will allow him to receive from the addressees of the letters all the amounts and rights which he is entitled to receive from them following the termination of his employment, as if such termination of employment was performed under the circumstances set forth in Section 15.1.1. In addition, the Employee shall be entitled to receive a letter addressed to the Study Fund according to which he will be entitled to receive only part of the contributions accumulated in the Study Fund that were contributed by the Employee, and Teva shall be entitled to the employer contributions made by Teva to the Study Fund.

18.2 For the removal of doubt, it is hereby declared and agreed that the dismissal of the Employee under the circumstances set forth in Section 14.2 above constitute dismissal under circumstances which justify depriving Employee of severance pay and of the retirement grant as specified in Sections 15.1.2 and 17 above, and also the right to receive prior notice with respect to his dismissal.

19. Teva Payments on Account of Severance Pay to the Pension Fund, Approved Fund and Managers Insurance Shall Be In Lieu of Teva's Obligation to Pay Severance Payment

19.1 It is hereby declared and agreed that the contributions made by Teva on account of severance pay, to the Pension Fund, Provident Fund and Managers Insurance as specified in Section 13 above, shall be lieu of any payment of severance pay to the Employee (or to the dependents of the Employee pursuant to law, to the extent applicable), and by paying these aforementioned payments, Teva shall be deemed to have fulfilled its obligation pursuant to law to pay the Employee (or to the dependents of the Employee pursuant to law, to the extent applicable) severance pay; provided, however, that in the event that the Aggregate Severance Payment Amounts in the Funds are less than the amount of severance payment to which the Employee is entitled to under law, then Teva shall pay the Employee (or to the Beneficiaries, as defined in Section 19.2 below) the difference.

19.2 In this Agreement the term "Beneficiaries" shall mean: those beneficiaries whom the Employee determined in a written notice to the Pension Fund, approved fund and the insurer of the Managers Insurance, and in the absence of such determination, the executors of Employee's estate or Employee's legal heirs; provided however, that if the Employee left dependents who are legally entitled to severance payment in the event of his passing (God Forbid), then the term "Beneficiaries" shall apply to such dependents for the purpose of the entitlement to receive the Aggregate Severance Payment Amounts in the Funds (or, depending on the circumstances, the portion of same equal to the amount of severance payment to which the Employee's dependents are entitled under applicable law). In the event that the Aggregate Severance Payment Amounts in the Funds are lower than the severance payment amounts the Employee's dependents are entitled to under applicable law, then the term "Beneficiaries" shall also apply to the dependents with respect to the right to receive from Teva a portion of the retirement grant paid in accordance with the aforementioned Sections 15.1.2 and 17, as applicable, in

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an amount equal to the increment between the severance payment they are entitled to in accordance with applicable law and the Aggregate Severance Payment Amounts in the Funds.

20. Confidentiality and Disclosure of Information

The Employee hereby undertakes:

20.1 To maintain in confidence and not to disclose, reveal or deliver, whether during his term of employment by Teva or thereafter, to any person or entity, any trade secrets or other confidential information of Teva or the Teva Group, or which relate, directly or indirectly to Teva or the Teva Group or their property, business, affairs, clients, suppliers, people or entities affiliated with them or who come into contact with them, including, without limitation, information relating to the methods, research or manufacturing processes, formulas, compounds, inventions, developments, discoveries, improvements, machinery, modals, devices, magnetic films, software, information contained in computers, preservation of information methods, disks, diskettes, drawings, plans, communications, specifications, reports, prices, calculations, fees, work conditions in Teva and the Teva Group or terms of other agreements which relate to Teva or the Teva Group and documents of Teva or the Teva Group, whether the Employee became aware of the secrets, information, magnetic films, software, preservation of information methods, diskettes, drawings, plans, communications, specifications, reports, prices, calculations and other documents, as a result of his employment with Teva or whether they became known to him in any other manner; The Employee hereby confirms that all of the secrets, information, magnetic films, software, preservation of information methods, diskettes, drawings, plans, communications, specifications, reports and other documents, as aforementioned, are the sole property of Teva and that he does not and will not have any claims of any kind with respect thereto or arising therefrom, and that he will not make any use of the aforementioned, whether for himself or for others, during his employment term and any time thereafter, other than as needed for his work and during his term of employment.

In this Section 20.1, the term “secrets” shall include information regarding salaries, bonuses and benefits paid or granted to the Employee by Teva under this Agreement.

20.2 To disclose to Teva any information of any kind that may benefit Teva, which came to his attention during his employment with Teva, and not to make use of any such information other than for the benefit of Teva and in the framework of his employment with Teva.

21. Non-Competition

The Employee hereby undertakes, for a period of 12 months after the termination of his employment by Teva (i.e. from the date on which the employer-employee relationship with Teva ends), not to engage, directly or indirectly, in any business, position, work or any other engagement that competes with the business of Teva or any company in the Teva Group, including as consultant, unless he receives Teva’s prior written approval.

22. Intellectual Property

The Employee undertakes to promptly disclose to Teva's management, all inventions, developments, modifications, formulae, processes, materials, software programs, know-how, discoveries and ideas, whether or not patentable or copyrightable, invented, conceived, made or reduced to practice by the Employee, either alone or jointly with others, during the Employee's employment with Teva and/or the Teva Group, and due to his employment with Teva and/or the Teva Group as aforesaid, and to provide Teva as soon as possible with full details regarding same. The Employee declares and agrees that all inventions, developments, modifications, formulae, processes, materials, software programs, know-how, discoveries and ideas are the sole property of Teva, and Employee undertakes to execute any document which requires his signature by Teva in order to register the aforementioned intellectual property in the name of Teva and to ensure Teva's ownership of same, and to act with respect to such intellectual property in accordance with Teva's policies regarding this matter.

23. Taxes and Mandatory Payments

The Employee hereby represents that he is aware of, and agrees, that the payments and benefits of any kind granted to him under this Agreement or derived therefrom, shall be subject to income tax deductions and other mandatory deductions which Teva is required to deduct by law, as shall be in effect from time to time, and further represents that nothing in this Agreement shall be construed as imposing on Teva the obligation to pay taxes or any other obligatory payment imposed on the Employee due to any payment or benefit as aforesaid, other than Teva's undertaking to pay for the taxes related to the use of a car and phone as set forth in Sections 6 and 7 above, respectively, in the amount of tax imposed on the Employee with respect to the payment of such expenses to the Employee.

24. Return of Car, Equipment and Documents

- 24.1 Upon the termination of Employee's employment with Teva (or immediately prior to the termination of the employment with Teva, as applicable) the Employee shall be obligated to:
- 24.1.1 Return to Teva the car and cell phone provided to him by Teva.
 - 24.1.2 Return to Teva and/or company in the Teva Group, as applicable, immediately prior to the termination of his employment with Teva all of the specifications, plans, drawings, formulae, correspondence, diskettes, reports and other documents of any kind, whether in original form or pictures, printed or photocopied versions which belong to Teva, including any objects which belong to Teva and may be in the Employee's possession or under his control at such time.
- 24.2 In the event that the Employee breaches any of his obligations under Sections 20, 21, 22 or this Section 24, the Employee shall be obligated to compensate Teva for the damages caused to and/or expenses incurred by Teva as a result of such breach, including legal fees, attorney fees and VAT according to law, without derogating from any other or additional relief and/or remedy to which Teva is entitled pursuant to the terms of this Agreement or any law, as a result of the aforementioned breach, and without derogating from Teva's right to compensation and any other or additional relief and/or remedy to which Teva shall be entitled, pursuant to the terms of this Agreement or any law in connection with the breach of any of the Employee's obligations or undertakings according to other provisions of this Agreement.

Translation from the Hebrew

25. Notices

25.1 Any notice that a party wishes to send to the other party, relating to this Agreement or resulting therefrom, shall be sent by registered mail, and shall be deemed delivered to its recipient 72 hours after being mailed by registered mail, or shall be hand delivered to the other party. For the purpose of this Section 25.1, hand delivery to Teva shall mean the delivery to the CEO of Teva.

25.2 The addresses of the parties for the purposes of this Agreement shall be as follows:

Teva- of 5 Basel St., Petach Tikwa

Employee- 49 Zamir St. Mevasseret Zion POB 84056, 90805

IN WITNESS WHEREOF, the parties have executed this Agreement:

/s/ Teva Pharmaceutical Industries Ltd.
Teva Pharmaceutical Industries Ltd.

/s/ Eyal Desheh
Eyal Desheh

Translation from the Hebrew

To
Eyal Desheh

Date: August 7, 2008

Addendum to Personal Employment Agreement

Further to your employment agreement with Teva as Chief Financial Officer dated August 7, 2008 (hereinafter the “**Employment Agreement**”) and as agreed between yourself and Teva’s CEO, we hereby confirm the following:

- 1 With respect to the annual bonus referenced in section 5 of the Employment Agreement:
 - 1.1. Achievement of all of the targets, as shall be determined by the Company’s CEO, shall entitle you to an annual bonus of up to 8 monthly salaries.
 - 1.2. It is hereby agreed that to the extent that the targets are not determined in a particular year, then the Employee will be entitled to a bonus based on the Company’s performance and his contribution to such performance, in the CEO’s discretion.
 - 1.3. To the extent that your employment with the Company is terminated, other than under circumstances specified in section 14.2 of the Employment Agreement, your entitlement to the annual bonus shall be proportionate to the actual time of employment during the calendar year with respect to which the bonus is granted.
- 2 You will be granted 200,000 options, subject to receipt of all the necessary Company approvals.
- 3 It is hereby agreed that to the extent the Company shall act to apply the capital gain route included in section 102 of the Income Tax Ordinance [New Version] to the options that will be granted to the Company’s employees, then the Company shall try to have the foregoing apply to the options granted to you as well, even if they were granted prior to the date of such new arrangement and have not yet been exercised.
- 4 It is hereby agreed that when the grant of a benefit specified in the Employment Agreement is subject by law to the approval of the Board of Directors or the Compensation Committee or any other organ of the Company, obtaining such approvals is a condition to the grant of the benefit.

/s/ Teva Pharmaceutical Industries Ltd.
Teva Pharmaceutical Industries Ltd.

/s/ Eyal Desheh
Eyal Desheh

Translation from the Hebrew

Amendment

to the Employment Agreement dated August 7th, 2008

by and between

Teva Pharmaceutical Industries Ltd. and Eyal Desheh

This Amendment (this "Amendment") is made this ___ day of October, 2012, by and among Teva Pharmaceutical Industries Ltd. (the "Company") and Eyal Desheh, bearer of Israeli ID number 051220309 (the "Executive") to the Employment Agreement entered into between the Company and Executive dated August 7th, 2008, as amended on August 7th, 2008 (the "Agreement").

Whereas, the Company and Executive have entered into the Agreement; and

Whereas, the Parties wish to amend certain terms of the Agreement as set forth below.

Now therefore, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Except as expressly set-forth in this Amendment, all terms and conditions of the Agreement shall continue in full force and effect.
2. A new Section 21A shall be inserted into the Agreement immediately following section 21 and shall provide as follows:

"In consideration for the Executive's undertaking set forth in Section 21 and any other non-compete obligations undertaken by the Executive, and subject to compliance therewith, following the termination of the Executive's employment with the Company (except pursuant to the Executive's death) the Executive shall receive an amount equal to twelve (12) times the Executive's then current Gross Salary (משכורת כוללת), to be paid in twelve (12) equal monthly installments.

Notwithstanding the foregoing, in the event that the Executive's employment is terminated by the Company for Cause in accordance with the provisions of Section 14(b), the Company shall have sole discretion to determine whether or not the Executive shall receive the aforesaid payment described in this Section 21A above.

Notwithstanding the foregoing, in the event that the Executive materially breaches any provision of Section 21 hereof, the payment described in this Section 21A above shall immediately cease, and the Company shall be entitled to reclaim any amounts already paid in accordance therewith, and the Company shall have no further obligations to the Executive with respect thereto, without derogating from any other rights or remedies available to the Company pursuant to the Agreement or applicable law in respect of such breach.

It is hereby agreed and clarified that, when determining the Executive's non-competition undertaking, the parties took into account the payment to which the Executive is entitled pursuant hereto, which is being made in consideration for such undertaking and subject to compliance therewith."

3. A new Section 21B shall be inserted into the Agreement immediately following section 21A and shall provide as follows:

"Change of Control"

If the Executive's employment is terminated by the Company without cause within one (1) year following a merger of the Company with another entity.

Translation from the Hebrew

pursuant to which merger the Company is not the surviving entity. and such termination is as a result of such merger, the Company shall pay the Executive an additional severance payment [in addition to any severance amounts to which the Executive is entitled pursuant to the terms of this Agreement] in an amount equal to one and one-half million dollars (\$1,500,000) (the "Change of Control Severance Payment"). The Change of Control Severance Payment shall be paid to the Executive in NIS calculated according to the NIS-US Dollar rate of exchange last published by the Bank of Israel, in a lump sum on the next regular payroll date immediately following the sixtieth (60th) day after the date of termination."

4. This Amendment may be executed in multiple counterparts, each of which will be deemed to be an original and all of which will be deemed to be a single agreement

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

/s/ Teva Pharmaceutical Industries Ltd.

Teva Pharmaceutical Industries Ltd.

/s/ Eyal Desheh

Eyal Desheh

Translation from the Hebrew

Termination Agreement

This termination agreement (this “**Agreement**”), entered into _____, on this 22 day of January, 2018.

by and among

TEVA PHARMACEUTICAL INDUSTRIES LTD, an Israeli corporation at 5 Basel St., Petach Tikwa, Israel (the “**Company**”/“**Teva**”).

and

Eyal Desheh, holder of I.D. no. 051220309 of 49 Zamir Street, Mevasseret Zion (the “**Employee**”).

WHEREAS, the Employee has been employed by the Company since April 28, 2008 in the position of Chief Financial Officer (the “**Position**”); and

WHEREAS, the Parties have reached an understanding and agreement as to the termination of the Employee’s employment with the Company, and have decided to set forth the terms of such termination with the Company as detailed in this Termination Agreement;

NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

Preamble and Headings

1. The preamble to this Agreement constitutes an integral part hereof.
2. The headings in this Agreement are for convenience and orientation purposes only and shall have no interpretational value.

Termination of the Employee’s Employment with the Company

3. The Employee shall cease fulfilling the Position as of July 1, 2017 (the “**Position Termination Date**”).

Prior Notice

4. The prior notice period has commenced on April 26, 2017 and shall end on January 25, 2018 (the “**Prior Notice Period**”). During the Prior Notice Period, as of the Position Termination Date, the Employee shall not be required to attend work, but shall be available to assist the Company, in accordance with its needs, as required from time to time. For avoidance of any doubt it is hereby clarified that in the event the Employee shall be required to assist the Company as stated above, he shall do so without receiving any additional compensation.
5. During the Prior Notice Period, the Company shall pay the Employee the prior notice pay (i.e. the monthly salary) and all other benefits and payments to which he

Translation from the Hebrew

is entitled during such period under law and in accordance with the Employment Agreement dated August 7, 2008, its addendum, and as amended in October 2012 (the “**Employment Agreement**”), as follows. During the Prior Notice Period, the Employee will be entitled to accrual of vacation days, clothing allowance, recreation pay, social benefit contributions, telephone expenses, including mobile phone, use of a car and the coverage of any and all expenses associated therewith, all in accordance with the Employment Agreement and the terms of Employee’s employment during his employment with the Company, excluding a one-time bonus pursuant to Section 5 of the Employment Agreement, and excluding the grant of any equity compensation, to which the Employee shall not be entitled (the “**Benefits**”).

Vacation

6. On January 26, 2018, upon the conclusion of the Prior Notice Period, the Employee shall go on a paid vacation leave until April 30, 2018, on account of his accumulated annual vacation days. The remaining accumulated vacation days shall be redeemed according to Section 8.2 hereinafter. During such vacation leave, the Employee will be entitled to receive vacation pay, in an amount equal to his monthly salary and the Benefits. For avoidance of doubt, it is hereby clarified that the Company’s consent to the utilization of such accumulated vacation days, with all which that entails, exceeds the letter of the law and is being granted without the Company being under any obligation to do so.

Termination of Employee-Employer Relationship

7. Upon the conclusion of Employee’s vacation, on April 30, 2018, the employer-employee relationship between the Employee and the Company shall come to an end (the “**Termination Date**”).

Company’s Undertakings

8. On the Termination Date or in proximity thereto, the Company shall make the following payments to the Employee:
 - 8.1. Proportionate payment of recreation pay for the period as of the last date the Employee received recreation pay and until the Termination Date.
 - 8.2. Redemption of 34.86 vacation days which shall be accumulated until the Termination Date.
 - 8.3. A supplement payment of severance pay in an amount equal to the difference, if any, between (i) the sum of the of Employee’s last monthly salary multiplied by the years of employment with the Company and (ii) the severance pay amounts accumulated to the Employee’s benefit in the managers’ insurance and/or pension funds and/or provident funds.

Translation from the Hebrew

- 8.4. A special termination grant in an amount equal to the product of the Employee's last monthly salary and the term of his employment with the Company (in years); provided that the amount of such special termination grant, together with the severance amounts accumulated to the Employee's benefit during the Employee's employment by the Company in the managers' insurance and/or pension funds and/or provident funds shall not exceed the product of 200% of the Employee's last monthly salary and the number of years of Employee's employment with the Company.
9. On the Termination Date or in proximity thereto, the Company shall provide the Employee with letters of release of the amounts accumulated to the Employee's benefit under the managers' insurance and/or the pension funds and/or the provident funds and in the study fund (the employee's contributions and the employer's contributions including the yield thereon). The Employee shall sign a "Form 161" and any other form or document required by law.

Annual Bonus For 2017

10. The Employee acknowledges that the Company's Board has decided not to pay its office holders an annual bonus for the year 2017.
11. For avoidance of doubt, it is hereby clarified that the Employee shall not be entitled to receive any annual bonus for the year 2018.

Equity Compensation

12. The options, RSUs and PSUs granted to the Employee that shall not vest by the Termination Date shall continue to vest in accordance with the schedule determined in the relevant award agreements, as well as with the retirement policy applicable to the Employee according to the relevant equity incentive plans, all in accordance with and subject to the Company's policy; the PSUs shall be earned based on actual performance during the performance period; all subject to the relevant award agreements, the relevant equity incentive plans and the Company's compensation policy. The Employee shall be entitled to exercise his options, including those that shall vest after the Termination Date, according to the relevant award agreements. For avoidance of doubt, the options may not be exercised after the 'expiration date' as determined in the relevant award agreements.

Non-Competition

13. In consideration for the Employee's undertaking not to compete with the Company in accordance with the provisions of Section 21 of the Employment Agreement and all other similar undertakings, and subject to his fulfilment of such undertakings, as of the Termination Date, the Employee shall be entitled to receive an amount equal to twelve (12) times his last monthly salary (without Benefits) (the "**Non-Compete Consideration**").

Translation from the Hebrew

14. It is hereby agreed that the Non-Compete Consideration shall be paid to the Employee in twelve (12) equal monthly installments, the first of which shall be paid one month after the Termination Date. The payment of the Non-Compete Consideration and withholding of applicable tax shall be performed in one of the following ways, in accordance with the Employee's notification to the Company by no later than March 30, 2018:
 - 14.1. The Non-Compete Consideration shall be included in the Employee's "161 Form" for the relevant fiscal years (i.e. 2018 and 2019) (the "Forms"), and the Company shall deduct from the Non-Compete Consideration the tax amounts it is required to deduct under law, or in accordance with a tax authority approval presented by the Employee; this shortly after inclusion of the Non-Compete Consideration in each of the Forms and with respect to all the remuneration the Employee is expected to receive in respect of the Non-Compete Consideration in each relevant fiscal year, as applicable.
 - 14.2. The Non-Compete Consideration shall be paid (a) together with VAT, against receipt of a duly issued tax invoice from the Employee, and subject to presentation of all approvals required by law, or (b) against the issuance of a self-invoice of the Company, provided that the Employee shall provide the Company with a written statement that the majority of his income is from salary, allowance or pension, as required by law. In the event the Employee shall select the payment described in this Section 14.2, the Company shall deduct the tax amount required by law from the Non-Compete Consideration, as well as from any payment paid to Employee in respect of the Non-Compete Consideration. To the extent the Employee shall present an approval in respect of the rate of the withholding at source amount up to 15 days prior to the first payment of the Non-Compete Consideration with respect to each year included in the approval, then the Company shall act in accordance with such approval.
15. For avoidance of any doubt, it is hereby clarified that, to the extent the Employee shall materially breach his aforementioned non-competition undertakings, the Company shall be entitled to immediately cease the aforementioned payments and shall be entitled to reimbursement of the Non-Compete Consideration paid to the Employee, this without derogating from any right, claim and/or remedy available to the Company in relation to this matter.
16. For the avoidance of doubt, it is clarified that the Employee shall bear all tax obligations, as required by law, in respect of the Non-Compete Consideration, including VAT to the extent applicable.

Tax Withholding

17. For the avoidance of doubt, it is clarified that the Employee will bear the entire tax liability, pursuant to any law, in respect of any and all payments and benefits

Translation from the Hebrew

specified in this Agreement, and the said tax amounts will be withheld by the Company from the payments that it is required to make to the Employee according to this Agreement and pursuant to the provisions of the law.

Insurance Policies, Exemption and Indemnification

18. As long as the Company insures its office holders, it undertakes to preserve, handle and maintain for the Employee an office holders' professional liability insurance policy, in the scope, as shall be customary in the Company from time to time that, in respect of the period the Employee was employed by the Company and until the end of the statute of limitations period under law (the "**Insurance**").
19. As long as the Company insures its office holders, it undertakes not to take any action that might adversely affect the validity of the insurance coverage. In addition, the Company undertakes to cooperate with the Employee, to the extent required, in order to maintain and exercise the Employee's rights in accordance with the insurance, including notifying the insurer upon the occurrence of an event that may serve as the basis for a suit against the Employee, according to the insurance, all in accordance with the terms of the insurance policy and subject to the Employee's compliance with the terms of the policy.
20. For avoidance of any doubt, it is hereby clarified that nothing contained in Sections 18 and 19 above shall derogate from any of the provisions of the Company's Indemnification and Release Agreement signed between the Company and the Employee on September 12, 2012.

The Employee's Undertakings

21. No later than the Termination Date, the Employee shall return to the Company all property and equipment belonging to the Company, including car, mobile phone, laptop and any other equipment in his possession, in working condition with the exception of wear and tear due to reasonable use, as well as all documents and any other material that has come to his possession and/or been prepared by him in connection with his work and/or any property and/or document that has come to his possession during his employment with the Company and which are in his possession.
22. In accordance with the Company's policy, after the Termination Date, the Company shall have access to, and shall be entitled to review, in accordance with its needs, all documents relating to the Employee's fulfillment of the Position, including correspondence in the Teva email account, and files saved on the computer provided to the Employee by the Company. In order to prevent possible exposure of personal information, the Employee shall delete all such personal information from the Company's computer (including in his Teva email account) prior to the Termination Date.

Translation from the Hebrew

23. The Employee hereby declares, confirms and undertakes that also after the Termination Date, he will cooperate with the Company in regards to any investigation and/or inquiry and/or demand letter, lawsuit or any other issues relating to the period of his employment with the Company and/or any affiliated companies, and he will be reasonably available, as requested by the Company, including for the purpose of providing information, and/or affidavits and/or interviews that will be conducted by the Company and/or external counsel and/or other professional consultants, as necessary. The Company shall reimburse the Employee for reasonable expenses and pay compensation if customary by the Company under such circumstances. In addition, the Employee agrees to consider in good faith, in consultation with his counsel provided to him by Teva, requests from competent authorities and entities in Israel and abroad and/or external counsels of the Company, to cooperate with governmental investigations regarding activities of the Teva Group, in a manner and scope required in the framework of such investigations, and throughout the entire duration thereof.

Employee's Waiver of Claims and Demands Against the Company

24. After the Employee has inquired regarding his rights and has had an opportunity to consult with an attorney, the Employee hereby declares, confirms and undertakes towards the Company as follows:
- 24.1. That the terms, including, without limitation, the amounts and rights specified in this Agreement, constitute the full obligations of the Company or anyone on its behalf with respect to his employment and/or the termination thereof by the Company and the proceedings relating thereto, including, without derogating from the generality of the foregoing, salary, overtime pay, vacation pay, recreation pay, sick leave pay, payments in respect of social benefits due to him according to law or agreement, severance pay, equity compensation, payments in respect of benefits, bonuses and grants, etc.
- 24.2. That he acknowledges and agrees that the payment of the amounts and the grant of the rights, which are in excess of the rights under law, including, without limitation, rights in respect of the equity compensation, are all subject to his executing, prior to the Termination Date, a waiver in the form attached hereto as **Annex A**.
- 24.3. Employee represents that upon fulfillment of the Company's undertakings towards him in accordance with this Agreement, all of his accounts and claims from the Company, concerning his employment and/or termination of his employment with the Company, shall have been satisfied, and that the Employee neither has nor shall have any suits, demands and/or claims against the Company on any grounds whatsoever, without exception, involving and/or relating to salary and/or any matter pertaining to his employment and/or termination of his employment with the Company.

Translation from the Hebrew

24.4. For the avoidance of doubt, the Employee explicitly waives any suit, demand or claim of any kind whatsoever in connection with the aforesaid against the Company and/or any manager and/or employee and/or director and/or a representative of any of them. This declaration also constitutes a notice of discharge and settlement of the Employee for purposes of Section 29 of the Severance Pay Law, 5723-1963, to the extent the Employee would be entitled to severance pay.

Miscellaneous

25. For the avoidance of doubt, it is hereby clarified that with the exception of the provisions that were added or modified in this Agreement, all of the provisions of the Employment Agreement shall remain in effect, including the Employee's undertakings with respect to maintaining confidentiality, non-competition and intellectual property rights, whether according to the Employment Agreement or according to any other agreement.
26. Any modification of this Agreement shall not be valid unless made in writing and signed by the Parties.
27. The Parties' addresses for purposes of this Agreement shall be as specified in the preamble to this Agreement, and any notice that is sent by one Party to the other shall be deemed as having reached its destination within 72 hours from the time of delivery, if sent by registered mail, within 24 working hours if sent via facsimile or immediately upon personal delivery thereof.

In witness whereof, the Parties have hereto set their hands:

/s/ Eyal Desheh

Teva Pharmaceutical Industries Ltd.

Eyal Desheh

Translation from the Hebrew

Annex A

Waiver and Release

I, the undersigned, Eyal Desheh, holder of I.D. number 051220309, hereby represent and confirm as follows:

1. My employment with Teva Pharmaceutical Industries Ltd. (the “**Company**”) ends on April 30, 2018 (the “**Termination Date**”).
2. On the Termination Date, or in proximity thereto, I shall receive from the Company the amounts and documents specified in the settlement of accounts attached to this waiver (the “**Settlement of Accounts**”).
3. Subject to receipt of the full amounts, benefits and the documents specified in the Settlement of Accounts, I confirm that I have received from the Company all of the amounts, benefits and documents which I am entitled to receive from the Company, including, without derogating from the generality of the foregoing, payment for my employment and/or termination of my employment with the Company, salary, overtime pay, payment in respect of work on weekly day of rest, prior notice pay, vacation pay and redemption of vacation, premiums, recreation pay, bonuses, grants, pension payments and/or pension rights of any kind, equity compensation, payments in respect of social benefits due to me according to law or agreement, payments to study fund, reimbursement of expenses, severance pay, payments in respect of perquisites, payments according to any expansion orders, etc.

I hereby warrant and confirm that the excess rights and payments that were granted to me by the Company, without it being under any obligation to do so, as detailed in the termination agreement signed between the Company and myself on _____, are on account of, *inter alia*, any payment due to me by the Company in relation to my employment and/or termination of my employment, according to any agreement and/or expansion order and/or law that were not paid to me for any reason whatsoever.
4. Without derogating from the generality of the foregoing, I hereby confirm that subject to receipt of the amounts, benefits and documents specified in the Settlement of Accounts, all of my accounts and claims from the Company and/or any office holder and/or manager and/or employee and/or director and/or representative of any of them, including with respect to the terms of my employment and/or termination of my employment with the Company, have been fully and completely settled, exhausted and removed.
5. I hereby confirm that subject to receipt of the amounts, benefits and documents specified in the Settlement of Accounts, neither I, nor anyone acting on my behalf, has or shall have in the future any claims and/or demands and/or suits in relation to my employment and/or termination of my employment, including claims and/or demands in connection with salary, wages, payments for overtime hours, vacation pay and redemption of vacation, recreation pay, bonuses, equity compensation, social benefits, contributions to a pension arrangement and/or any providence fund, study fund, prior notice, other salary supplements and severance pay, all in accordance with any agreement, law, regulation, expansion order, custom etc.
6. For the avoidance of doubt, I hereby release the Company and/or any officer holder and/or manager and/or employee and/or director and/or representative of any of them from any claim, demand, liability, damage, causes of action, actions and suits of any kind in relation

Translation from the Hebrew

with my employment with the Company and/or termination of my employment, including, without limitation, in relation to the payments and rights specified above, in whole or in part. This waiver and release also constitutes a notice of discharge and settlement for purposes of Section 29 of the Severance Pay Law, 5723-1963, to the extent I am entitled to severance pay.

In witness whereof, I have hereto affixed my signature on this day of 2018

/s/ Eyal Desheh

Eyal Desheh

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), dated as of February 8, 2018 (the "Execution Date"), is entered into by and between **TEVA PHARMACEUTICALS USA, INC.**, a Delaware corporation ("Teva USA"), and **MICHAEL MCCLELLAN** (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, Chief Financial Officer of the Teva Group, effective November 27, 2017. 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) Executive will continue his international assignment at Teva Pharmaceuticals Europe BV in Amsterdam, Netherlands, and on or about September 1, 2018, the Executive's principal place of employment will be at TPI's corporate headquarters in Petach Tikva, Israel, although the Executive understands and agrees that it is expected that the Executive will continue to 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. \$700,000 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 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.

(i) General. 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) 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.

(f) Relocation.

(i) General. In conjunction with Executive’s relocations to the Netherlands and then to Israel, the Executive will be entitled to relocation benefits in accordance with the terms of the Company’s Long Term International Assignment Policy (the “Relocation Policy”), as shall be amended from time to time. While the Executive is based in relocation in the Netherlands, the Executive will be entitled to a housing allowance of up to 3,250 EUR per month for housing in Amsterdam that is reasonably suitable to the Executive.

(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, in the event of any conflict between the Relocation Policy and this Agreement, the terms of this Agreement shall prevail.

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 of Executive's employment with the Teva Group 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, 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 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 any 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 Delaware 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 retention or one-time promotion award previously granted (including pursuant to that certain Interim Letter between the Company and Executive, dated July 19, 2017 and the Special Award letter between the Company and Executive, dated September 19, 2017), 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. In accordance with and subject to the provisions of Israeli law applicable to TPI and the applicable provisions of TPI's Articles of Association and the Compensation Policy, the Indemnification and Release Agreement between TPI and the Executive, dated July 1, 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: _____

Name:

Title:

By: _____

Name:

Title:

EXECUTIVE

/s/ Michael McClellan

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 Michael McClellan (the "Executive") by applicable law (if any) under the employment agreement (the "Employment Agreement") dated as of February 8, 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 "Releasers") 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]



July 19, 2017

Mike McClellan
5 Kestrel Lane
Bedminster NJ 07921

Dear Mike:

In light of your agreement to fulfil the role of Interim CFO of the Teva group, which became effective Saturday, July 1, 2017 (the "Effective Date"), we are pleased to provide you with this letter which supplements your current terms of employment as follows:

- **Term:** Your service as the Interim CFO with the Teva group will begin on the Effective Date and will conclude on a date to be determined by Teva in its sole discretion (the "Completion Date"). Teva will communicate the Completion Date to you in writing not less than two weeks in advance of the Completion Date.
- **Bonus:** You will be eligible to participate in the Teva 2017 Executive Officer Bonus Plan with an incentive opportunity equal to 100% of your Annual Base Salary for the period of time you serve as the Interim CFO, subject to the terms and conditions of the 2017 Executive Officer Bonus Plan (and, for the avoidance of doubt, pro-rated for the portion of 2017 from the Effective Date). For the avoidance of doubt, for the first half of 2017 you will remain eligible to earn a pro-rata portion pursuant and subject to the terms of the bonus plan in which you participated prior to the Effective Date.
- **One-time Promotion Award:** In connection with your promotion to Interim CFO, you will be eligible to receive a one-time promotion award in an amount determined in the discretion of Teva's Chief Executive Officer, not to exceed \$202,500 (the "Promotion Bonus"). Payment of the Promotion Award, if awarded, will be made to you in cash in two installments, with the first installment payable within 30 days following November 1, 2017 and the second installment payable within 30 days following February 1, 2018 (or within 30 days of the last day in your position as Interim CFO, if earlier). In order to receive payment of any portion of the Promotion Award, you must remain an active employee of Teva in good standing through the date on which the Promotion Award is paid.
- **Severance and non-compete payment:** In the event of either (i) termination of your employment by the Company without Cause prior to, or within three (3) months following, the Completion Date or (ii) your voluntary resignation within three (3) months following the Completion Date in the event that Teva does not return you to the role of SVP Specialty Medicines Europe effective as of the Completion Date (each, a "Qualifying Termination"), you will receive payment of a lump-sum cash payment equal to 18 months of your annual base salary within 60 days following the date on which your employment terminates, subject to your execution, delivery to Teva and non-revocation of a release of claims no later than 52 days following your Qualifying Termination, and conditioned upon your compliance with the Covenant not to Compete as set forth below. In the event of termination of your employment without Cause following the Qualifying Termination period, your severance eligibility shall be in accordance with Company's policy applicable to similarly-situated employees.
- **Covenant not to Compete:** By signing this letter, you hereby acknowledge and agree that, in your capacity as Interim CFO, you 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 your knowledge of the above information and in consideration for the benefits offered by Teva under this letter, you affirm and recognize your continuing obligations with respect to the use and disclosure of confidential and proprietary information of the Teva group pursuant to Teva's policies and the terms and conditions of this letter, and hereby agree that, during the term of your employment and for a period of twelve (12) months following a Qualifying Termination, you 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 principally focused on the manufacture of, sale of or trading in (i) generic products or (ii) specialty pharmaceutical products that are competitive with a fundamental product manufactured, sold or otherwise traded in by the Teva group 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 Teva group 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.

- Notice. The nature of your employment with us is and will continue to be "at will," as defined by applicable law, meaning Teva may terminate your employment without Cause upon 3 months prior notice ("Notice Period"); provided that Teva may terminate your employment at any time for Cause without notice. You may terminate your employment with 3 months prior notice. Teva may, in its sole and absolute discretion, by written notice, waive your services during the Notice Period or in respect of any part of such period, and at Teva's sole discretion accelerate the effective date of such termination on the condition that Teva will pay you the monthly Base Salary and all additional compensation and benefits to which you are entitled in respect of the Notice Period without regard to any such Teva waiver.

This letter sets forth additional terms to your current employment terms as set forth in your Offer Letter with Teva dated May 1, 2015, Assignment Letter and Employee Proprietary Information and Inventions Agreement ("Existing Arrangements"). In the event of conflict between this Letter and your Existing Arrangements, the terms set forth in this letter shall govern.

Please signify your acceptance of this letter by July 31, 2017. We are very excited to have you transition to the role of Interim CFO and we are confident you can make a significant contribution to our future growth.

Sincerely yours,

/s/ Yitzhak Peterburg
Dr. Yitzhak Peterburg
Interim President and Chief Executive Officer

Acknowledged and agreed:

/s/ Michael McClellan

M. McClellan

Date



Private & Confidential

Mike McClellan

September 19, 2017

Special Award

Dear Mike,

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 Board of Directors and its HR & Compensation Committee to receive a one-time Special Award.

The Special Award has a total value of approximately **\$202,500** divided among the following three components: **\$67,500** in cash (pre-tax), **12,341 Options** and **4,091 RSUs***.

50% of the cash award shall vest in **September 2018**; and 50% of the cash award shall vest in **September 2019**. The Options and RSUs 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). 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,

/s/ Dr. Sol J. Barer

Dr. Sol J. Barer

Chairman of the Board of Directors

/s/ Dr. Yitzhak Peterburg

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.



Private & Confidential

April 26, 2017

To: Michael McClellan

Dear Michael,

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 United States**
 Host Country: **The Netherlands**
 Employer (Legal Entity): **Teva Pharmaceuticals USA Inc**

Host Site Entity: **Teva Pharmaceuticals Europe BV**

Annual Base Salary: **405,000.00 USD**

Bonus Guideline: **50%**

Position Title: **SVP Specialty Medicines Europe**

Grade: **20**

Citizenship/Permanent Resident Status: **The United States**

Manager While on Assignment: **Rob Koremans**

Estimated Assignment Start Date*: **June 1, 2017**

Scheduled Assignment End Date: **May 31, 2020**

Assignment Policy: **2015 Long Term International Assignment**

Home or Host based Assignment: **Home Based**

International Assignment Policy Date: **April 2015**

Family Size at Host (including Employee): **2**

* 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 respectively and thereafter you will have the opportunity to earn an on-target bonus 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.

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 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, a house hunting trip of up to 5 days will be authorized for you and your spouse. 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

Three (3) excess bags for each relocating family member.

Surface Shipment Limits

20 ft. (33 m³) shipping container

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

Teva does not cover pet shipment costs.

All approved costs will be paid directly by Teva's global 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 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 whilst in temporary accommodation will be 33 USD net per person per day. The per diem will be paid to you by Teva's dedicated relocation provider.

RELOCATION ALLOWANCE

To cover any individual costs not specifically covered in the assignment policy, you will receive a Miscellaneous Relocation allowance of 5000 USD. 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. The maximum reimbursement is equivalent to 2000 USD. 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 have different needs that may not be covered elsewhere in the policy, you will receive a one-time allowance, equivalent to 3000 USD net, payable upon your first anniversary of this assignment. This payment will be processed by Teva's dedicated relocation provider.

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. 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 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/Campaigns/Pages/Introducing-GlobeSmart.aspx>.

HOUSING ALLOWANCE

Teva will pay your rental accommodation up to a maximum rental budget of 3250 Euro per month net. You will be able to choose the type of accommodation that you would like to meet your personal lifestyle needs and you are responsible for paying any amount incurred in excess of the established maximum. The rent will be paid directly to the landlord by Teva's relocation services provider. If applicable, the real estate agent fees and deposit will be paid by Teva as well. At the end of the rental agreement, the full deposit must be returned to Teva, regardless of whether the landlord has made any deductions. It is highly recommended that you insure your personal household items. The cost for Renter's insurance is your responsibility.

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.

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. 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. To allow for unmarried dependent children enrolled in university outside the host location to visit you in the host location, the Company reimburses one round trip, economy airfare per child per the full duration of the assignment. Travel must be booked at least 30 days in advance via the most direct route.

HEALTH INSURANCE

Teva will pay for the mandatory Dutch health insurance for you and your spouse. Teva will also cover the US health insurance costs for your daughter who will stay in the US for the time she is still in college.

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.

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. The company will also apply for the 30% tax ruling on your behalf (subject to approval by the Dutch tax authorities).

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 spouse 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 spouse 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 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
- Max thirty days of temporary accommodation
- Departure services: accommodation lease and utilities cancellation, visa cancellation, deregistration with local authorities, and the closing of bank account.

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 indefinite period of time, 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 to an immigration status that would allow you to remain in the Host country.

SEVERANCE

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, you will be entitled to severance benefits 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.

Best Regards,

/s/ Rob Koremans

President and CEO Global Specialty Medicines
Teva Pharmaceuticals Europe B.V.

/s/ John Nason

Senior VP EU and Asia Operations
Teva Pharmaceuticals Europe B.V

Please indicate your agreement by signing below and returning this letter.

I have reviewed the terms and conditions of my assignment outlined above and by signing below, accept these conditions.

/s/ Michael McClellan

Michael McClellan

May 9, 2017

Date

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement"), dated as of February 7, 2018, is entered into by and among TEVA PHARMACEUTICALS USA, INC., a Delaware corporation ("Teva USA"), and CARLO DE NOTARISTEFANI (the "Executive").

RECITALS:

WHEREAS, Teva USA, Teva Pharmaceutical Industries Ltd., an Israeli corporation ("TPI", and collectively with Teva USA, the "Company"), and the Executive entered into an Employment Agreement, dated as of August 6, 2012, which was amended and restated by that certain Amended and Restated Employment Agreement, by and between Teva USA and Executive, dated January 18, 2015, as subsequently amended (the "Prior Agreement") providing for the Executive's employment with the Company, and setting forth the terms and conditions for such employment; and

WHEREAS, Teva USA and the Executive desire to amend and restate the Prior Agreement in order to set forth the terms and conditions of the Executive's continued employment with Teva USA.

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 December 12, 2017 (the "Effective Date").

2. Term of Employment. Teva USA hereby agrees to continue to employ the Executive and the Executive hereby accepts such continued employment with Teva USA, on the terms and conditions hereinafter set forth. The term of employment (the "Term of Employment") 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 shall continue to be employed as the President and Chief Executive Officer, Global Operations of the Teva Group. In such capacities, the Executive shall report directly to the President and Chief Executive Officer of TPI. In addition, the Executive shall have such additional executive duties and responsibilities as may be assigned to him by the President and Chief Executive Officer of TPI, so long as such duties and responsibilities are consistent with his positions as President and Chief Executive Officer, Global Operations of the Teva Group. 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, other than indemnification and directors' and officers' liability insurance as provided in Section 24 below.

(b) The Executive's principal place of employment shall be at Teva USA's offices in Parsippany, New Jersey, although 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 in the United States, (i) shall not have authority to bind or enter into contractual arrangements on behalf of any non-U.S. member of the Teva Group and (ii) shall be subject to such further restrictions as to his activities on behalf of the non-U.S. members of the Teva Group as may be reasonably determined 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 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 unreasonably 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 not less than U.S. \$836,400 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, increases 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 Cash Bonus. For each fiscal year that ends during the Term of Employment, the Executive shall be eligible to participate in the Company's annual cash bonus plan in accordance with the Compensation Policy (the "Annual Bonus"). The target Annual Bonus shall be one hundred percent (100%) of the Executive's then-current Base Salary, subject to the discretion of the Compensation Committee, the TPI Board and the terms of the Compensation Policy, and in accordance with the applicable annual cash bonus plan. 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 eligible to be considered for equity-based compensation awards under the Teva Pharmaceutical Industries Ltd. 2015 Long-Term Equity-Based Incentive Plan (the "Equity 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 and in accordance with the Compensation Policy. 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 entitled 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, deferred compensation and other benefit programs that may be adopted by Teva USA from time to time and not specifically regulated under this Agreement. 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) Service Credit. To the extent legally permissible, the Company shall use commercially reasonable efforts to credit the Executive with thirty (30) years of service under any employee benefit plan or program in which the Executive is otherwise eligible to participate for purposes of eligibility, vesting and determining the level of benefits thereunder. For the avoidance of doubt, the foregoing service credit shall not apply for purposes of any benefit accrual under any plan or program.

(f) Vacation. Subject to Section 5(e), during the Term of Employment, the Executive shall be entitled to the same number of vacation days, holidays, sick days, and other benefits as are generally allowed to other similarly situated executives of Teva USA in accordance with Teva USA's policy in effect from time to time.

(g) Company Car. During the Term of Employment, Teva USA shall furnish the Executive with a car, either owned or leased and insured by Teva USA, such car to be of a size and model appropriate to the Executive's position with the Company. Alternatively, at Teva USA's option, Teva USA may provide the Executive with a cash allowance of equivalent value. Upon receipt of an itemized account of expenditures, Teva USA shall reimburse the Executive within thirty (30) days for all reasonable and necessary expenses incurred in connection with the operation, maintenance and repair of such car. The Executive shall, from time to time as requested by Teva USA, furnish Teva USA with information concerning his personal use of such car so as to permit Teva USA to report appropriate amounts in respect of such use for income tax purposes.

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 the Executive for 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.

(i) The Term of Employment shall terminate upon the earliest to occur of (A) the Executive's death, (B) a termination by reason of a Disability (as defined below), (C) a termination by Teva USA with or without Cause (as defined below) and (D) 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 on the part of Teva USA of the 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." Upon the termination of the Executive's employment 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 the Company or any of its subsidiaries or affiliates.

(ii) Notwithstanding anything herein to the contrary, the payment (or commencement of a series of payments) or settlement of any equity-based award hereunder of any "nonqualified deferred compensation" (within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) 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) or delivered to the Executive on the schedule set forth in this Section 7 as if the Executive had undergone such termination of employment (under the same circumstances) on the date of his ultimate "separation from service."

(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) (A) all accrued but unpaid Base Salary through the Termination Date (paid in cash within fourteen (14) days following the Termination Date); (B) any unpaid or unreimbursed expenses incurred in accordance with Company policy, including amounts due under Section 6 hereof to the extent incurred prior to the Termination Date; (C) any other amounts required to be paid pursuant to applicable law, if any; and (D) 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 (A) through (D) collectively, the "Accrued Obligations"); and

(ii) any unpaid Annual Bonus in respect of any completed fiscal year that has ended on or prior to the Termination Date, such amount to be paid at the same time it would otherwise be paid to the Executive had no such termination occurred, but in no event later than one day prior to the date that is two and one-half (2^{1/2}) months following the last day of such completed fiscal year.

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 the Company for Cause. In the event of Cause, Teva USA may terminate the Executive’s employment for Cause as described in this Section 7(c):

(i) A termination for Cause shall not take effect unless the provisions of this subsection (i) are complied with. The Executive shall be given not less than thirty (30) days’ written notice by Teva USA of the intention to terminate his employment for Cause, such notice to state in reasonable detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based. The Executive shall have thirty (30) days after the date that such written notice has been received by the Executive in which to cure such act or acts or failure or failures to act, to the extent such cure is possible. If the Executive fails to cure such act or acts or failure or failures to act, the termination shall be effective on the date immediately following the expiration of the thirty (30) day cure period. If cure is not possible (as reasonably determined by Teva USA in its sole discretion), the termination shall be effective as of the date on which the Executive receives such notice.

(ii) 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 Company 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)(ii), 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 conviction of a felony; (b) the Executive’s embezzlement, breach of fiduciary duty or fraud with regard to the Company or any of its assets or businesses; (c) the Executive’s deliberate and continual failure to perform the material duties of his position; (d) the Executive’s willful violation of a material Company rule or regulation, or (e) the Executive’s willful breach of a material provision of this Agreement.

(d) Termination by the Company without Cause. The Company may terminate the Executive’s employment at any time without Cause, effective six (6) months following the Executive’s receipt of written notice of such termination (in this Section 7(d), the “Notice Period”). The Company 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 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 Teva USA pays 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 Company 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) any unpaid Annual Bonus in respect of any completed fiscal year that has ended on or prior to the Termination Date, such amount to be paid at the same time it would otherwise be paid to the Executive had no such termination occurred, but in no event later than one day prior to the date that is two and one-half (2 ½) months following the last day of such completed fiscal year; *provided*, that, if the Company has provided the Executive with notice of termination pursuant to this Section 7(d), any Annual Bonus payable pursuant to this subsection (ii) shall be prorated to reflect the portion of the year during which the Executive was an active employee;

(iii) continued payment of the Executive's then-current Base Salary, in accordance with the payroll practices of the Company, for twelve (12) months;

(iv) a lump sum cash payment in an amount equal to the Executive's then-current Base Salary, payable in a cash lump sum on the next regular payroll date immediately following the sixtieth (60th) day after the Termination Date;

(v) subject to the Executive's election of COBRA continuation coverage under Teva USA's group health plan, on the first regularly scheduled payroll date of each month during the eighteen (18) month period commencing on the Termination Date, Teva USA will pay the Executive a cash amount equal to the difference between the monthly COBRA premium cost and the premium cost to the Executive as if the Executive were an employee of Teva USA (excluding, for purposes of calculating such cost, an employee's ability to pay premiums with pre-tax dollars); *provided*, that any payments pursuant to this subsection (v) shall cease earlier than the expiration of such eighteen (18) month period (x) in the event that the Executive becomes eligible to receive any comparable health benefits, including through a spouse's employer, during such eighteen (18) month period or (y) to the extent required to avoid adverse consequences (including penalties or negative tax consequences) to the Executive or Teva USA under either Section 105(h) of the Code or the Patient Protection and Affordable Care Act of 2010; and

(vi) continued vesting of any outstanding equity awards granted to the Executive by TPI, without regard to the termination of Executive's employment, for the remainder of their original terms to the same extent as if the Executive had remained employed by the Company in accordance with the terms and conditions of TPI's equity plans and the individual award agreements evidencing such grants (including, for the avoidance of doubt, any performance vesting conditions). In addition, the vested portion of any stock option as of the conclusion of the stock option vesting term will be exercisable through the stated expiration date of such stock option, following which any portion of such stock option not exercised will expire.

Notwithstanding the foregoing, (A) the payments and benefits described in subsections (iii) through (vi) 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 the Company any payments or benefits paid or provided to the Executive pursuant to subsections (ii) through (vi) 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 six (6) 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 three (3) months following the occurrence of such event. During such six (6) 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 six (6) month notice period.

(ii) In the event of (A) the Executive's termination for Good Reason prior to July 1, 2020, the Executive shall be entitled to the same payments and other benefits as provided in Section 7(d)(i) through (v) above for a termination without Cause, and (B) Executive's termination for Good Reason on or after July 1, 2020, the Executive shall be entitled to the same payments and other benefits as provided in Section 7(d)(i) through (vi) above for a termination without Cause, it being agreed that, in each of case (A) and (B), 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 Sections 7(d)(ii) through (vi), 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: (i) the Company's breach of a material provision of this Agreement, (ii) a material diminution in the Executive's duties or responsibilities that is inconsistent with the Executive's position as described herein, (iii) a material reduction by Teva USA in the Executive's rate of annual Base Salary or a material change in the value or reasonableness of the Executive's annual bonus opportunity, or (iv) the relocation of the Executive's principal place of employment to a location that is beyond a fifty (50) mile radius from his principal place of employment as of the Effective Date.

(f) Termination by the Executive without Good Reason. The Executive may terminate his employment without Good Reason by providing Teva USA six (6) months' written notice of such termination (in this Section 7(f), the "Notice Period")

(i) In the event that the Executive's employment is terminated by the Executive without Good Reason prior to July 1, 2020, the Executive shall be entitled to:

(1) the Accrued Obligations; and

(2) any unpaid Annual Bonus in respect of any completed fiscal year that has ended on or prior to the Termination Date, such amount to be paid at the same time it would otherwise be paid to the Executive had no such termination occurred, but in no event later than one day prior to the date that is two and one-half (2 ½) months following the last day of such completed fiscal year; *provided*, that, if the Company has provided the Executive with notice of termination pursuant to this Section 7(f), any Annual Bonus payable pursuant to this subsection (ii) shall be prorated to reflect the portion of the year during which the Executive was an active employee.

(3) If the termination is mutually agreed with the prior written consent of the Company, the TPI Board in its sole discretion may provide that, subject to Employee's continued compliance with Section 9(A) all of such Employee equity shall continue to vest in accordance with their original vesting schedule as if no such termination had occurred, until the second anniversary of such termination, and (B) stock options shall remain exercisable until the earlier of the stated expiration date of such stock option and the third anniversary of such termination.

(ii) In the event that the Executive's employment is terminated by the Executive without Good Reason on or after July 1, 2020, the Executive shall be entitled to receive the payments and other benefits as provided in Section 7(d)(i) through (vi) above, 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 Sections 7(d)(ii) through (vi), and the Executive's obligation to promptly repay such amounts, in the event that the Executive breaches any provision of Section 9 hereof.

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 the 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, all on the condition that Teva USA pays 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 Company waiver.

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, one (1) year or less 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 U.S. \$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), (f) 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 the Company, 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 due to a change in applicable law or regulation (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 but provided Teva USA has provided the Executive the Release within five (5) days following the Termination Date, if such Release is not in a form identical to the one attached as Exhibit A hereto, 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 Code, 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 (and all such unpaid amounts shall be aggregated to be paid on such date), 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, 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), (B) the Company shall have no further obligations to the Executive with respect thereto and (C) the Executive shall promptly repay to the Company any Severance Benefits (other than Accrued Obligations and the Annual Bonus in respect of any completed fiscal year that has ended on or prior to the Termination Date) 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, the Executive shall promptly return to Teva USA any car, cell phone, laptop or other hand-held device provided to the Executive, and any confidential or proprietary information of the Company or any of its 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 Board or its designee (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 Company, any of its subsidiaries, or from which the Company or any of its subsidiaries 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 confidential information, including but not limited to the trade secrets, know-how and proprietary processes of Teva USA and its subsidiaries and affiliates (the "Teva Group"), as they may exist from time to time, is a valuable, special and unique asset 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 confidential information (or any confidential information of any third party which was received by the Teva Group) to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, nor shall the Executive make use of any such confidential information for his own purposes or for the benefit of any person, firm, corporation or other entity (except for a member of the Teva Group or such third party, as applicable) under any circumstances during or after the Term of Employment, except in connection with the good faith performance of his duties hereunder during the period of his employment; *provided*, that, after the termination of his employment, these restrictions shall not apply to confidential information which is 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 or such third party'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.

(i) 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.

(b) Inventions. The Executive hereby sells, transfers and assigns to the Company, or to any person or entity designated by the Company, without any further compensation other than as provided pursuant to this Agreement, 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 reasonably 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 reasonably 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 and disclosed 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.

(c) Covenant Not to Interfere. During the Term of Employment and the Restricted Period, 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 its affiliates to terminate such person's contract of employment or agency, as the case may be, with the Company, its subsidiaries or its affiliates or (ii) divert, or attempt to divert, any person, concern, or entity from doing business with the Company, its subsidiaries or its affiliates, or attempt to induce any such person, concern or entity to cease being a customer or supplier of the Company, its subsidiaries or its affiliates.

(d) Covenant Not to Compete. By signing this Agreement, the Executive hereby acknowledges and agrees that, in his capacity as President and Chief Executive Officer, Global Operations of the Teva Group, the Executive has 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 compensation 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 the Restricted Period, 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 principally focused on the manufacture, sale of or trading in (i) generic products or (ii) specialty pharmaceutical products that are competitive with a fundamental product manufactured, sold or otherwise traded in by the Company as of the date of such termination of employment. 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.

For purposes of this Agreement, the "Restricted Period" means the twelve (12) month period following the Termination Date; *provided*, that, if the Company exercises its right to waive all or part of the applicable Notice Period pursuant to Section 7(d) or 7 (f) above, the Restricted Period shall be extended by the portion of the Notice Period so waived.

(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 the Company 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 the Company or any conduct or events relating to any termination of the Executive's employment with the Company.

(f) 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.

(g) Injunctive Relief. If there is a breach or threatened breach of the provisions or clauses of this Section 9, the Company shall be entitled to an injunction restraining the Executive from such breach. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies for such breach or threatened breach.

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 of the Code and all applicable regulations and guidance thereunder ("Section 409A"), to the extent applicable. Notwithstanding any provision in this Agreement to the contrary:

(a) Any payment or benefit (including the settlement of any equity-based awards) 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 the Executive is deemed at the time of his "separation from service" to be a "specified employee" within the meaning of Section 409A and if such delayed payment, settlement or commencement 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, (i) the Executive shall be paid, in a single lump sum cash payment, an amount equal to the aggregate amount of all payments or benefits 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; and (ii) Executive shall receive settlement or delivery of the aggregate amount of all cash or shares in respect of any equity-based awards delayed pursuant to the preceding sentence.

(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).

12. Clawback. All payments made pursuant to this Agreement are subject to the “clawback” provisions in the Compensation Policy.

13. 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.

14. 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.

15. 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.

16. 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.

17. Assignment. This Agreement may be assigned, without the consent of the Executive, by Teva USA to any person, partnership, corporation or other entity that has purchased all or substantially all the assets of Teva USA; *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.

18. 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.

19. 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. 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.

20. 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.

21. 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.

22. 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.

23. No Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced or otherwise subject to offset in any manner (including by any claims the Company or any of its subsidiaries and/or affiliates may have against the Executive), regardless of whether the Executive obtains other employment.

24. Indemnification. In accordance with and subject to the provisions of Israeli law applicable to TPI and the applicable provisions of TPI's Articles of Association and the Compensation Policy, during the Term of Employment, the Company shall indemnify and release the Executive in accordance with the provisions of that certain Indemnification and Release Agreement, by and between the Executive and TPI, effective as of August 1, 2012, the terms of which shall be incorporated by reference herein. In addition, the Company agrees to continue and maintain, at the Company's sole expense, a directors' and officers' liability insurance policy (or policies) covering the Executive until the seventh anniversary of the Termination Date that is no less favorable than the policy covering active directors and senior officers of the Company from time to time.

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: _____

Name:

Title:

By: _____

Name:

Title:

EXECUTIVE

/s/ Carlo de Notaristefani

Exhibit A

FORM OF RELEASE AGREEMENT

As a material inducement to the Company to providing the severance benefits and other benefits and payments in excess of the amounts required to be paid to Carlo de Notaristefani (the “Executive”) by applicable law (if any) under the employment agreement (the “Employment Agreement”) dated February 7, 2018 by and among Teva Pharmaceuticals USA, Inc. 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 “Releasers”) hereby irrevocably, unconditionally and generally releases the Company (as defined in the Employment Agreement) and its respective parents, 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 the Company, the performance of services for the Company 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 the Company’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; (iii) any right(s) of indemnification or contribution 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 the Company, 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 the Company; and (iv) any rights as a stockholder of TPI.

The Releasers 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 Releasers 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, she or it institute any legal action against the Corporate Releasees, and the Executive hereby declares, confirms and undertakes that, if the Releasers 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 Releasers 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 the Company. The Releasers 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 Releasers 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 the Company 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 the Company, 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 the Company 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]

Carlo de Notaristefani

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), dated as of June 18, 2017, is entered into by and between **TEVA PHARMACEUTICALS USA, INC.**, a Delaware corporation ("Teva USA"), and **HAFRUN FRIDRIKSDOTTIR** (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 her willingness to continue to provide her 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 formalize 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 February 14, 2017 (the "Effective Date").

2. Term of Employment. Teva USA hereby agrees to continue to employ the Executive and the Executive hereby accepts such continued 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 shall be appointed as Executive Vice President, President of Global Generics R&D of the Company (as defined below). In such capacity, the Executive shall report 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 shall have such additional executive duties and responsibilities as may be assigned to her 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) The Executive's principal place of employment shall be at Teva USA's offices in Parsippany, New Jersey, although 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 her duties hereunder.

(c) Notwithstanding anything in this Agreement to the contrary, the Executive, while in the United States, (i) shall not have authority to bind TPI or any of its non-U.S. subsidiaries and (ii) shall be subject to such further restrictions as to her 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 her full business time, attention, and efforts to the performance of her 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 her duties for the Company or (c) interferes with the exercise of her 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 her 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 her 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. \$720,000 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 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 the Company subject to the Executive's continuous employment through the payment date, except as otherwise set forth in this Agreement. For the sake of clarity, for 2017, the Executive shall be considered for an Annual Bonus under the Company's 2017 Executive Officers Annual Bonus Plan on a prorated basis based on the number of days of the Executive's actual duration of service as an executive officer of the Company during such year and reflecting the Executive's Base Salary as provided in Section 5(a) above. For the period commencing January 1, 2017 and ending February 13, 2017, the Executive shall be considered for an annual bonus under the 2017 bonus plan applicable to the Executive prior to being appointed as an executive officer, which annual bonus shall be calculated based on the Executive's base salary prior to being appointed as an executive officer and shall be prorated based on the number of days in such period.

(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. During the Term of Employment, the Executive shall be entitled 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) Vacation. During the Term of Employment, the Executive shall be entitled to the same number of vacation days, holidays, sick days and other 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). Because there are no set vacation allocations, the Executive acknowledges that Teva USA's policy is to not make any payment for unused vacation time in connection with a termination of the Executive's employment for any reason.

(f) Car Allowance. During the Term of Employment, the Executive shall be provided with a cash car allowance of \$2,000 per month.

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 her 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.

(i) The Term of Employment shall terminate upon the earliest to occur of (A) the Executive's death, (B) a termination by reason of a Disability (as defined below), (C) a termination by Teva USA with or without Cause (as defined below) and (D) 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 on the part of Teva USA 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". Upon the termination of the Executive's employment 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 the Company or any of its subsidiaries or affiliates.

(ii) Notwithstanding anything herein to the contrary, the payment (or commencement of a series of payments) hereunder of any "nonqualified deferred compensation" (within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code")) 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 Section 7 as if the Executive had undergone such termination of employment (under the same circumstances) on the date of her ultimate "separation from service."

(b) Death or Disability. The Executive's employment shall terminate automatically upon her 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 her death or Disability, the Executive or her estate or her beneficiaries, as the case may be, shall be entitled to (A) all accrued but unpaid Base Salary through the Termination Date; (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; (C) any other amounts required to be paid pursuant to applicable law, if any; and (D) 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 (A) through (D) 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 her 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 her 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):

(i) A termination for Cause shall not take effect unless the provisions of this subsection (i) are complied with. The Executive shall be given not less than thirty (30) days' written notice by Teva USA of the intention to terminate her employment for Cause, such notice to state in reasonable detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based. The Executive shall have thirty (30) days after the date that such written notice has been received by the Executive in which to cure such act or acts or failure or failures to act, to the extent such cure is possible. If the Executive fails to cure such act or acts or failure or failures to act, the termination shall be effective on the date immediately following the expiration of the thirty (30) day cure period. If cure is not possible (as reasonably determined by Teva USA in its sole discretion), the termination shall be effective as of the date on which the Executive receives such notice.

(ii) In the event Teva USA terminates the Executive's employment for Cause, she 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)(ii), 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 conviction of a felony; (b) the Executive's embezzlement, willful breach of fiduciary duty or fraud with regard to the Company or any of its assets or businesses; (c) the Executive's deliberate and continual failure to perform the material duties of her position; (d) the Executive's willful material violation of a Company rule or regulation; or (e) the Executive's willful 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 six (6) 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 her 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 (or, if such Termination Date is prior to August 3, 2018, twelve (12) months) of the Executive's then-current Base Salary;

(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 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, (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 her employment for Good Reason and receive severance compensation upon such termination as described in this Section 7(e).

(i) The Executive may terminate her employment for Good Reason by providing Teva USA six (6) 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 six (6) 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 six (6) 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: (i) the Company’s breach of a material provision of this Agreement, (ii) a material diminution in the Executive’s duties or responsibilities that is inconsistent with the Executive’s position as described herein, or (iii) 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 her employment without Good Reason by providing Teva USA six (6) 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, 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.

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, one year or less 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 date of 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 her 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 Code, 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, 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 her behalf by her estate or a person having legal power of attorney over her affairs.

(i) Compliance with Covenants. Notwithstanding any provision herein to the contrary, 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 thereto 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, 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 her personal benefits, entitlements and obligations; documents relating to her personal tax obligations; her desk calendar, personal contact list, and the like; and such other records and documents as may reasonably be approved by the TPI Board or its designee (such approval not to be unreasonably withheld or delayed).

(k) Special Acceleration Benefit. The Executive's Special Acceleration Benefit as described in the third and fourth paragraphs under the heading "Special Protection" in that certain letter (the "Letter") provided to the Executive by the Company on July 28, 2015 and attached as Exhibit B hereto shall continue to apply for the duration specified in the Letter. For the avoidance of doubt, such Special Acceleration Benefit shall apply only to the Executive's unvested Allergan Equity Awards (as defined in the Letter) and shall expire on August 3, 2018. In addition, the terms of the Executive's cash and equity long-term incentive awards which were granted to the Executive prior to the Effective Date shall continue to apply in accordance with their original schedule.

8. Representations. The Executive hereby represents to the Company that (a) she 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) she 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) she does not now have, nor within the last three (3) years has she had, any ownership interest in any business enterprise (other than interests in publicly traded corporations where her 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 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 her 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 her 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 (x) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (y) 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 her 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 or conceived 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 her capacity as Executive Vice President, President of Global Generics R&D of the Company, 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 her 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 principally focused on the manufacture of, sale of or trading in (i) generic products or (ii) specialty pharmaceutical products that are competitive with a fundamental product 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 Chief Executive Officer of TPI. 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 relating to any matter that occurred during the Term of Employment in which she was involved or of which she has knowledge, including, but not limited to, any threatened, pending, and/or subsequent litigation, government investigation, or other formal inquiry against any member of the Teva Group, and shall make herself available upon notice to prepare for and appear at any 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. If there is a breach or threatened breach of the provisions or clauses of this Section 9, the Company shall be entitled to an injunction restraining the Executive from such breach. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies for such breach or threatened breach.

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 of the Code and all applicable regulations and guidance thereunder ("Section 409A"), to the extent applicable. Notwithstanding any provision in this Agreement to the contrary:

(a) 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 her "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 her 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, including, but not limited to, that certain letter agreement, dated September 8, 2015, by and between the Executive and TPI and that certain letter agreement, dated December 12, 2012, by and between the Executive and Actavis; *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 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. In accordance with and subject to the provisions of Israeli law applicable to TPI and the applicable provisions of TPI's Articles of Association and the Compensation Policy, during the Term of Employment, the Company shall indemnify and release the Executive in accordance with the provisions of the Indemnification and Release Agreement attached as Exhibit C hereto, the terms of which shall be incorporated by reference herein.

* * *

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: _____
Name:
Title:

By: _____
Name:
Title:

EXECUTIVE

/s/ Hafrun Fridriksdottir
Name: Hafrun Fridriksdottir

For purposes of Sections 3(a) and 5(c) only:

TEVA PHARMACEUTICAL INDUSTRIES LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Hafrun Fridriksdottir Employment Agreement]

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 Hafrun Fridriksdottir (the "Executive") by applicable law (if any) under the employment agreement (the "Employment Agreement") dated as of June 18, 2017 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 her family, agents, representatives, heirs, executors, trustees, administrators, attorneys, successors and assigns (the "Releasers") hereby irrevocably, unconditionally and generally releases Teva USA, Teva Pharmaceutical Industries Ltd. and their respective 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 her 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 her 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 she, she 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) she 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) she 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, she is waiving any remaining portion of such twenty-one (21) day period; and (iii) she has been advised that she 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]

Hafrun Fridriksdottir

EXHIBIT B

LETTER

B-1

INDEMNIFICATION AND RELEASE AGREEMENT¹

This Indemnification and Release Agreement (this “Indemnification Agreement”) is being entered into effective as of February 14, 2017, 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, as adopted by the Company’s shareholders, (such Articles of Association, or other Articles of Association as shall be in effect at the relevant time, 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;

2.4 An action or omission taken by you with the intent of unlawfully realizing personal gain;

2.5 A fine, monetary sanction, forfeit or penalty imposed upon you; or

2.6 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.

Kindly sign and return the enclosed copy of this Indemnification Agreement to acknowledge your agreement to the contents hereof.

[Signature Page to Follow]

Sincerely yours,

Teva Pharmaceutical Industries Ltd.

Name:
Title:

Name:
Title:

Accepted and agreed

as of the first date written above:

Name: _____

[signature page of the Indemnification and Release Agreement]

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.

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.



February 21, 2016

PRIVATE & CONFIDENTIAL

To: Hafrun Fridriksdottir

Re: **Clarification Regarding your Outstanding and Unvested Cash Incentive Awards**

Dear Hafrun,

We are pleased to inform you that further to the offer letter provided to you, Teva have decided to enhance the assumption of your outstanding and unvested *ACT-FRX—“Merger Success Award”* beyond the original commitment under the purchase agreement with Allergan, according to the details set forth in this letter. Your outstanding and unvested *ACT-AGN—“Transformation Incentive Plan”* will be assumed according to the original commitment under the purchase agreement with Allergan.

ACT-FRX—“Merger Success Award”

This performance-based award was for a target amount of \$1 million, divided into 50% that was based on Allergan’s achievement of specified cost savings targets and 50% that was based on Allergan’s achievement of specified total shareholder return targets.

We have decided to accelerate the payment and increase the amount of this component beyond our original commitment under the purchase agreement with Allergan as set forth:

Teva will pay you the *cost-saving component* based on the performance target amount, multiplied by 190%, **i.e., an amount of \$950,000**. The 190% multiplier was calculated and approved by Allergan’s compensation committee and defined as the final performance achievement of the cost saving component for the MSA awards. This amount will be paid as soon as practicably possible following the closing of the acquisition.

Teva will pay you the *TSR component* based on the higher of the (i) performance target amount, and (ii) the total shareholder return as of the closing date. This amount will be paid in your monthly salary following the first anniversary of the closing of the acquisition.

ACT-AGN—“Transformation Incentive Plan”

Teva will pay you the performance target amount of this award, **i.e., an amount of \$1 million**. This amount will be paid according to the originally planned vesting schedule: 50% at December 31, 2018, and 50% at December 31, 2019. Payment will be made in your monthly salary following each of these dates.

If you receive your payments in currencies other than the U.S. dollar, your payments will be converted to the relevant currency based on the exchange rate at the date of payment.

The abovementioned cash incentive awards shall continue to have, and shall be subject to, the same terms and conditions, including any time-vesting conditions, as applied to the corresponding Allergan cash incentive award immediately prior to the closing, unless otherwise specified herein.

This letter is subject to Teva’s consummation of the Actavis Generics transaction.

All payments are subject to your continued employment with Teva on the date of payment.

We appreciate your commitment and support of Teva’s growth and success, and are certain of the many great things we can achieve together.

Kind Regards,

/s/ Mark Sabag

Mark Sabag
Group EVP,
Human Resources



December 1, 2016

PRIVATE & CONFIDENTIAL

To: Hafrun Fridriksdottir

Dear Hafrun,

At Teva, we recognize that our most valuable assets are our employees and leaders and that our employees and leaders are essential to our past and future success. I am writing you this letter to assure you that you are a highly valued leader and that we are looking forward to your continued contribution to Teva. To encourage your continued employment with Teva, you have been selected to receive a retention bonus and equity grant in accordance with the terms of this letter.

Retention Bonus

The amount of your retention bonus is \$750,000, less all legally required deductions and tax withholdings as well as any other voluntary deductions and withholdings authorized by you. Teva will pay you your retention bonus in the amounts and on the first payroll date following the payment dates set forth below, subject to your continued employment with Teva through each applicable payment date.

<u>Payment Date</u>	<u>Retention Bonus</u>
January 2019	\$187,500
January 2019	\$562,500

If your employment with Teva terminates prior to any payment date for any reason, then you will not be entitled to any additional retention bonus (and the retention bonus will terminate and be forfeited).

Equity Grant

You will receive an equity grant with a total target fair market value of \$750,000 as of November 30th 2016 (the "Grant Date"), 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**"), as follows: (i) 50% of the total target value will be granted in the form of options to purchase Teva shares, at an exercise price equal to the fair market value of Teva's shares on the Grant Date, based on the Black-Scholes value on the Grant Date (the "**Options**") and (ii) 50% of the total target value will be granted in the form of restricted stock units (the "**RSUs**") based on the fair value of Teva's shares on the Grant Date, in each case, in accordance with the terms of the 2015 Plan and the resolutions of Teva's Human Resources and Compensation Committee. Subject to your continued employment with Teva through each applicable vesting date, 25% of the Options and RSUs will vest on the second anniversary of the Grant Date and 75% will vest on the third anniversary of the Grant Date.

Other Terms

Your retention bonus and equity grant will be in addition to (and will not be in lieu of) any annual bonus or other incentive compensation amounts you may otherwise be entitled to receive from Teva and will not be taken into account in computing the amount of salary or compensation to determine any bonus, retirement, or other benefit under any Teva benefit plan or arrangement, unless such plan or arrangement expressly provides otherwise.

You will not have any right to transfer, assign, pledge, alienate or create a lien, whether voluntary or involuntary, or by operation of law, upon the retention bonus or equity grant, and any attempt to transfer, assign, pledge, alienate or create a lien shall be null and void ab initio and of no force and effect. The retention bonus is unfunded and unsecured and payable out of the general funds of Teva as and when amounts are payable hereunder. Nothing in this letter is intended to suggest any guaranteed period of continued employment and your employment will at all times continue to be terminable by you or Teva.

You understand and agree that because Teva is extending these retention bonuses and equity grants to only a few individuals, you will keep this letter strictly confidential at all times and will not disclose the terms of this letter to anyone (other than to your immediate family members or your personal tax and legal advisors, each of whom will be instructed by you and agree to keep the terms of this letter strictly confidential).

I appreciate your commitment and support of Teva's growth and success.

Kind Regards,

/s/ Erez Vigodman

Erez Vigodman
President and CEO

RETENTION BONUS AGREEMENT

This Retention Bonus Agreement (“Agreement”) is effective as of November 7, 2016 (“Effective Date”), by and between Hafrun Fridriksdottir (“Employee”) and Teva Pharmaceuticals USA, Inc. (“Teva” or “Company”).

RECITALS

- A. The Employee presently is an at-will employee of Teva.
- B. Teva has determined that it is in the best interests of the Company to assure that the Company will have continued service of the Employee in Employee’s current position.
- C. Teva, subject to the terms and conditions set forth below, will pay a retention bonus to the Employee.

AGREEMENT

In consideration of the mutual covenants herein contained, and as an additional inducement to Employee to continue his employment with the Company, the parties agree as follows:

1. *Terms of Employment.* The Company and Employee agree that Employee’s employment is at-will, and that the employment relationship may be terminated by either party at any time, with or without cause, subject to the terms of this Agreement. The Company and Employee further agree that neither this Agreement nor receipt of the Retention Bonus constitute a contract for a definite term of employment or a guarantee of employment, or alter in any way Employee’s status as an at-will employee of Teva.
2. *Retention Bonus.* The Retention Bonus available to Employee is \$300,000.00 (subject to Section 9(e) below and all other applicable deductions), which shall be paid 50% in March of 2018 and 50% in March of 2019 on the same day as payments under the Teva Bonus Plan are paid, the (“Payment Dates”), provided Employee remains a Teva employee in good standing through Payment Date and otherwise satisfies the terms and conditions of this Agreement.
3. *Employment Termination; Voluntary Transfer.*
 - a) *Involuntary Termination.* If Employee’s employment is terminated as a result of Involuntary Termination, then Employee shall be entitled to receive a prorated portion of the Retention Bonus available to him should he have remained employed until the Payment Date. The prorated portion will be calculated based on the actual termination date plus one added year of service.

- b) *Voluntary Resignation.* If Employee voluntarily resigns his Teva employment on or before each Payment Date, Employee shall not be entitled to the unpaid Retention Bonus. The Employee shall receive only the compensation earned by the Employee through the date of Employee's termination of employment.
- c) *Termination for Cause.* If Employee is terminated for Cause on or before the Payment Date, then Employee shall not be entitled to receive the Retention Bonus.
- d) *Disability; Death.* If the Company terminates Employee's employment due to Employee's Disability or Death on or before the Payment Date, Employee shall be entitled to receive a pro-rated Retention Bonus and thereafter will be ineligible for further payments pursuant to this Agreement.

4. *Definition of Terms.*

- a) "*Involuntary Termination*" shall mean the termination of Employee's employment with the Company without Cause (and not as a result of the Employee's Death or Disability) or any of the following:
 - i. Employee's resignation within sixty (60) days, without Employee's express written consent, after the relocation of Employee to a facility or a location more than fifty (50) miles from Employee's then present location; or
 - ii. The termination of Employee's job duties due to business necessity.
- b) A termination for "*Cause*" occurs if Employee's employment is terminated for any of the following reasons:
 - i. Employee's theft, dishonesty, misconduct or intentional falsification of any employment or Company records;
 - ii. Employee's intentional and improper disclosure or use of the Company's confidential or proprietary information;
 - iii. Any action by Employee that has a material detrimental effect on the Company's reputation or business;
 - iv. Employee's failure or inability to perform any assigned duty reasonably expected of a person holding Employee's position after written notice from the Company to Employee of, and a reasonable opportunity to cure, such failure or inability; or

- v. Employee's conviction (including any plea of guilty or nolo contendere) for any criminal act that impairs Employee's ability to perform her duties for the Company.
 - c) "*Disability*" shall mean that Employee is unable to perform her duties as an employee of the Company as the result of her incapacity due to physical or mental impairment for 120 days (not necessarily consecutive) in any one (1) year period.
5. *Deadline for Acceptance of Offer.* If Employee elects to accept this offer, Employee must sign and return this Agreement to Daniel Lawlor, Teva Pharmaceuticals USA, Inc., 1090 Horsham Road North Wales, PA 19454, within one (1) calendar week (i.e., seven (7) calendar days) from Employee's receipt of this Agreement.
6. *Effect of Retention Bonus on Other Benefits.* The payment of the Retention Bonus shall be treated as "Eligible Earnings" under the various Teva benefit programs, in the same manner that the Annual Bonus is treated under these programs, and shall not effect positively or negatively the computation of Employee's "Bonus Amount," Employee's "Base Salary" (as that term is defined in the applicable Teva severance plan), and/or the determination of any payments Employee may be entitled to under any Teva severance plan.
7. *Notice.*
- a) *General.* Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of Employee, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to Lesley Billow, Teva Pharmaceuticals USA, Inc., 1090 Horsham Road, North Wales, PA 19454.
 - b) *Notice of Termination.* Any employment termination by the Company for Cause or by the Employee as a result of a Voluntary Resignation or an Involuntary Termination shall be communicated by a notice of termination to the other party hereto given in accordance with this Paragraph 7. Such notice indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date.

8. *Confidentiality.* Employee is required to keep confidential and may not disclose to any third party, other than Employee's spouse, attorney, or tax advisor, or as may be required by law or any court order, the fact that Employee has been offered the Retention Bonus or any provision of this Agreement, unless Employee received the prior written consent of the Company to make such a disclosure and such persons agree to keep such information confidential and comply with the terms of this Paragraph. If Employee violates this Paragraph 8, the Retention Bonus will not be paid to Employee. Teva reserves the right to seek any and all other legal remedies available to it.
9. *Miscellaneous Provisions.*
- a) *Waiver.* No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Employee and by an authorized officer of the Company (other than Employee). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.
 - b) *Choice of Law.* The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.
 - c) *Severability.* The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.
 - d) *No Assignment of Benefits.* The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this subsection shall be void.
 - e) *Employment Taxes.* All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes, unless deferred in accordance with provisions of the Teva Deferred Compensation Plan.
 - f) *Assignment by Company.* The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company.

- g) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.
- h) *Prior Agreements.* This Agreement shall supersede all prior arrangements whether written or oral, and understandings, regarding the subject matter of this Agreement.

IN WITNESS WHEREOF, each of the parties has executed this Retention Bonus Agreement, intending to be legally bound, as of the day and year first above written.

/s/ Hafrun Fridriksdottir
Hafrun Fridriksdottir
SVP & President,
Global Generics R&D
(Employee ID 1954552)

Date

/s/ Daniel Lawlor
Daniel Lawlor
SVP, Human Resources & GGM HRBP
Teva Pharmaceuticals USA, Inc.

Date



July 28, 2015

Dr. Fridriksdottir Hafrun

Dear Hafrun:

As you know, on July 27, 2015, Teva entered into a Master Purchase Agreement (the "Agreement") to acquire Allergan's generics business. You are critical to the success of the business, and we are excited about working with you in the future. We recognize the uncertainty that a transaction of this type may create, and therefore we have chosen you as one of a small and select group of executives to receive additional protections in connection with the transaction, as set forth in this letter.

Special Protection

Under the terms of the Agreement, your unvested Allergan equity and long-term cash incentive awards outstanding at Closing (as defined in the Agreement), including those stock options, restricted shares, restricted stock units and performance units listed on Attachment 1 to this letter (your "Equity Awards"), plus the long-term cash incentive awards granted to you under Allergan's equity plans (including your Merger Success Award and your Transformation Incentive Plan Award) (your "Cash Awards"), will be converted into Teva awards of equivalent value and terms (your "Rollover Awards"). Also, at the Closing, any performance objectives applicable to your Equity Awards will be deemed satisfied at the greater of "target" or actual performance relative to those objectives through the Closing, and any performance objectives applicable to your Cash Awards will be deemed satisfied at "target."

Teva has also agreed that you will be provided, for a period of 24 months following the Closing, with cash severance benefits equal to the greater of (i) your existing cash severance benefits at Allergan at the time of the Closing or (ii) the cash severance benefits provided by Teva to similarly-situated employees.

In addition, in the event that your at-will employment is terminated by Teva (i) without cause (as determined in accordance with the applicable Teva policy for similarly-situated employees) or (ii) otherwise under circumstances that would entitle you to cash severance benefits, in each case within 24 months following the Closing, any then-outstanding and unvested Rollover Awards that you hold will immediately vest. We refer to this benefit as your "Special Acceleration Benefit."

For the avoidance of doubt, your Special Acceleration Benefit applies only to your Rollover Awards, which become available only upon Closing, and not to any equity or long-term cash awards you may receive from Teva following the Closing. In addition, if your employment with Allergan terminates prior to the Closing of the transaction for any reason, or if the Closing does not occur, then you will not be entitled to your Special Acceleration Benefit.

Teva Pharmaceutical Industries Ltd. Human Resources.

Tel: +972.3.9267267

Fax: +972.3.9267425

5 Basel Street, Petach Tikva, Israel. 49131

www.tevapharm.com



Pharmaceuticals

It is important for us to emphasize that these protections and benefits are in addition to, and not in lieu of, any other severance benefits you may be eligible to receive upon your termination of employment. Your existing severance agreements and/or arrangements will be amended prior to the Closing to the extent necessary to incorporate the protections and benefits described in this letter.

This letter will be governed by, and construed in accordance with, the laws of the state of New York. Payments under this letter are intended to comply with Section 409A of the Internal Revenue Code of 1986 (to the extent applicable), and this letter will be interpreted, operated and administered accordingly. If the Agreement terminates pursuant to its terms, this letter will also terminate and be of no force or effect.

We look forward to working together towards the exciting opportunities awaiting us.

Sincerely,

/s/ Mark Sabag

Mark Sabag, Group EVP - Chief HR Officer

Acknowledged and agreed:

/s/ Fridriksdottir Hafrun

Fridriksdottir Hafrun

Date: _____

Teva Pharmaceutical Industries Ltd. Human Resources.

Tel: +972.3.9267267

Fax: +972.3.9267425

5 Basel Street, Petach Tikva, Israel. 49131

www.tevapharm.com

Personal Employment Agreement

This personal employment agreement (this "Agreement"), is entered into in Petach Tikwa, on this 22nd day of December, 2013 by and between **TEVA PHARMACEUTICAL INDUSTRIES LTD**, company number 520013954 an Israeli corporation at 5 Basel St., Petach Tikwa, Israel (the "Company" / "Teva") and **Mark Sabag**, holder of I.D. no. 24649998 of 34 Mendale St., Kiryat Atta, Israel (the "Executive").

WHEREAS, the Executive has been employed by the Company as of August 27, 2006, in different positions, and as of August 11, 2013, (the "Effective Date") the Executive is employed in the position of **Group Executive Vice President, Human Resources** (the "Position"); and

WHEREAS, the parties wish to set forth the Executive's terms of employment by Teva in this Personal Employment Agreement, which contains all of the mutual rights and obligations of the parties, towards each other, during the term of this Agreement, all as set forth herein;

NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

1. General

- 1.1 This Agreement exclusively determines the terms and conditions which apply to the employment of the Executive by Teva, as in effect as of the Effective Date. In the event that the parties agree, following the execution of this Agreement, to amend the Executive's employment terms, the terms of this Agreement shall be subject to such agreed amendments.
- 1.2 The parties hereby confirm that the compensation terms set forth in this Agreement constitute fair consideration to the Executive, given, inter alia, his managerial responsibilities.
- 1.3 It is hereby declared and agreed that no collective and/or branch and/or special bargaining agreements, which apply to the employees engaged by Teva, shall apply to the Executive's employment by Teva.
- 1.4 This Agreement shall be subject to the Company's compensation policy applicable to executive officers ("the *Compensation Policy*") and nothing herein shall derogate in any way from the Company's rights thereunder.

2. Position and Term

- 2.1 The Executive shall be employed as **Group Executive Vice President, Human Resources** of the Company. In such capacity the Executive shall report directly to the Chief Executive Officer of the Company.

In addition, the Executive shall have such additional executive duties and responsibilities as may be assigned to him by the Chief Executive Officer. If the Executive is elected as a director or officer of another company in the Teva Group (as defined below), the Executive shall serve in such capacity or capacities without additional compensation and the fulfillment of such position shall not constitute an employer-employee relationship between Executive and any such company, and notwithstanding such position, Executive shall only be considered to be an employee of the Company.
- 2.2 Teva shall be entitled, at its sole discretion, to delegate to the Executive an additional position or additional duties, or following consultation and coordination with the Executive, employ him in a different position in Teva or in one of the companies in the Teva Group (as such term is defined

below). It is hereby declared and agreed that if the Executive does not agree to have a different position delegated to him as aforesaid, then the Executive shall be entitled to resign from his employment at Teva by providing Teva with advance notice as specified in Section 14.1 below and in such case the Executive's resignation shall be deemed as termination of employment by the Company and the provisions of Section 15 below shall apply. In the event that the Executive agrees to be employed in a different position, then the provisions of this Agreement shall continue to apply with respect to such position, and the Executive shall be entitled to all of his rights under this Agreement, unchanged (subject to the aforesaid change in his position).

For the purposes of this Agreement, the "Teva Group" shall be defined as Teva and any corporation of any type in which Teva holds, directly or indirectly, at least 25% of the "means of control" (as such term is defined in the Securities Law, 5728-1968).

The appointment of the Executive to the Position is as of the Effective Date and until the termination of this Agreement (the "Term").

3. Undertakings of Executive

The Executive hereby undertakes as follows:

- 3.1 To devote his full time, attention and effort to the performance of his duties and responsibilities with the Company. Executive shall fulfill the requirements of his position honestly, loyally, diligently and fairly, and provide the Company with all of his knowledge, skill and experience.
- 3.2 Not to engage, during his employment with Teva, whether or not for consideration, in any business, position, employment or engagement of any kind, which is not part of his employment with Teva, without the prior written consent of the CEO of Teva (it is hereby clarified that in the event that a decision pursuant to this agreement is referred to the CEO of Teva, such decision can be made by any person authorized by the CEO of Teva, subject to the provisions of applicable law).
- 3.3 Not to engage in any other business or occupation during his employment with Teva, including, without limitation, any activity that (x) conflicts with the interests of the Company and/or the Teva Group, (y) interferes with the proper and efficient performance of his duties for the Company, or (z) interferes with the exercise of his judgment in the Company's best interests.
- 3.4 To immediately inform Teva of any issue or matter relating to Teva and/or the Teva Group, in which the Executive has a personal interest and/or which may cause the Executive to be in a position of a conflict of interests with Teva and/or the Teva Group (except that Executive may hold securities in any public-traded corporation as long as same does not represent more than 1% of the outstanding voting securities of such corporation).
- 3.5 Executive represents and undertakes that he shall perform his work mainly from the Company grounds. Executive acknowledges and agrees that the performance of his duties may require significant domestic and international travel.

4. Base Salary

- 4.1 The Executive's (gross) monthly salary is NIS 126,500, as of the Effective Date, which amount includes all of the cost of living adjustment (*tosefet yoker*) amounts and salary increases paid to employees in Israel until and inclusive of the Effective Date (the "Monthly Salary").

- 4.2 The Monthly Salary shall be adjusted according to the cost of living adjustment rates which shall apply, from time to time, after the Effective Date to all (economy) employees pursuant to expansion orders. The aforesaid shall apply to the Monthly Salary as it shall be at the time of the adjustment.
- 4.3 The Executive's Monthly Salary shall be periodically reviewed by the Company's CEO who shall determine in his discretion whether to recommend if the Executive's Monthly Salary should be updated.. Any such salary update shall be subject to receipt of any and all approvals required by law and further subject to the compensation policy of the Company as shall be in effect from time to time.
- 4.4 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.
- 4.5 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.
- 4.6 It is hereby clarified 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 Teva and the Executive in writing and approved as required by law.
- 4.7 It is hereby agreed that only the Monthly Salary payable to the Executive pursuant to Section 4.1, as adjusted pursuant to Section 4.2, shall constitute the basis for the calculation of all social benefits granted to the Executive pursuant to this Agreement, including, without limitation, contributions and deductions to a pension fund (*keren pensia*), managers' insurance (*bituach menahalim*), provident fund (*kupat gemel*) and study fund (*keren hishtalmut*) and any other purpose for which the deductions are calculated based on a percentage of the Executive's salary.
- 4.8 It is hereby clarified that any grants, participation amounts, reimbursement of expenses and other benefits granted to the Executive by virtue of this Agreement or derived therefrom, shall not constitute a component of the Monthly Salary and shall not be taken into consideration with respect to the calculation of any contributions or other benefits granted to the Executive by virtue of this Agreement or derived therefrom and calculated based on the percentage from the salary.

5. **Incentive Bonus**

Executive may be eligible to receive an annual cash bonus, based upon achievement of quantitative and qualitative objectives determined with respect to each year by the Company, and subject to additional terms and conditions that may be determined by the Company from time to time and notified to the Executive (the "*Incentive Bonus*"); all in accordance with, and subject to, the Company's compensation policy as shall be in effect from time to time, and subject to law. The extent to which the Executive shall have met the qualitative and quantitative objectives for any fiscal year and the actual amount of the Incentive Bonus shall be determined by the Human Resources and Compensation Committee (the "*Compensation Committee*") and the Board of Directors of Teva (the "*Board*"), in its sole discretion, in accordance with the

Company's compensation policy as shall be in effect from time to time and subject to any and all approvals required under law. Such determinations shall be final. The Incentive 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.

5A. Equity

During the Executive's employment with the Company, he will be considered for equity compensation awards under Teva's 2010 Long Term Equity-Based Incentive Plan or any successor equity compensation plan, in accordance with its terms and the terms of the Compensation Policy and at the discretion of the Compensation Committee and the Board.

6. Car

Teva 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 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 as an owner takes care of his property.

7. Phone and Cellular Phone

7.1 Teva shall reimburse the Executive for all expenses relating to the maintenance of a telephone at his residence and the use of such phone, *provided* that the Executive uses the phone in a reasonable manner. Teva shall reimburse the foregoing amounts according to the service provider invoices provided to Teva by the Executive.

7.2 Teva shall provide the Executive with a cellular phone and shall bear all expenses with respect to the maintenance and use of such cellular phone, *provided* that the Executive uses such cellular phone in a reasonable manner.

8. Study Fund, Vocational Study and Membership in Vocational Unions

8.1 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 power-of attorney to exercise the aforementioned deduction from the Executive's Monthly Salary.

8.2 Subject to approval by Teva and Teva's policies, the Executive shall be entitled to receive from Teva full or partial participation with respect to vocational studies and/or membership in vocational unions.

9. Group Life Insurance

During the term of the employment and for as long as Teva insures its executive employees, at its expense, with a group policy life insurance (risks only), Teva shall also insure the Executive in said policy, in an amount to be determined from time to time (if at all) by Teva, at its discretion. In the event of the Executive's death during the term of his employment with Teva, Teva shall pay the insurance amount it receives from the insurance company to the beneficiaries that the Executive has specified in a notice to Teva (and if the Executive did not specify beneficiaries, or if the beneficiaries died prior to the Executive's death, to the Executive's legal successors pursuant to law- subject to the terms of the policy), *provided* that the

aforementioned beneficiaries (or legal successors, as applicable) provided Teva with a signed written confirmation, in the form to be determined by Teva, pursuant to which they waive any claims and demands against Teva.

10. Vacation

The Executive shall be entitled to annual vacation of 26 workdays for each year of employment. The dates of the Executive's annual vacation shall be coordinated with Teva's CEO. The Executive must utilize 5 consecutive vacation days per year, and may accumulate the remaining vacation days up to 52 vacation days. Upon the termination of Executive's employment, the Executive shall be entitled to redeem the aforesaid accumulated vacation days.

11. Sick Leave

11.1 The Executive shall be entitled to paid sick days for a period, which shall not exceed an aggregate of up to 30 days per year, which shall accumulate during the Term, up to a maximum of 12 months sick leave. The sick pay shall include the Executive's Monthly Salary and all other amounts and benefits to which the Executive is entitled under this Agreement as if the Executive worked at Teva during the period of his illness (in respect of the period for which he is entitled to receive payment as aforesaid), less any amount that the Executive is entitled to receive with respect to the aforementioned period of his illness from the pension fund and/or managers' insurance, all *provided* that the Executive provides Teva with medical confirmation as to his illness.

11.2 It is hereby declared and agreed that the payments to the Executive set forth in Section 11.1 above and his insurance in the pension fund and managers' insurance as set forth in Section 13 below, are meant to also cover Teva's obligations according to the Sick Pay Law, 5736-1976.

11A. Reserve Duty

In the event the Executive is summoned for reserve duty, Teva shall pay the Executive the Monthly Salary and the other amounts and benefits that would have been paid to the Executive under this Agreement if he was working during said reserve duty, *provided* that the Executive reimburse Teva for any amounts he receives in consideration for said reserve duty from the National Security Institute or any other official authority. For avoidance of doubt, such reimbursement shall be limited to the amount Teva paid the Executive for the time he was on reserve duty.

12. Recreation Pay

Executive shall be entitled, for every year of employment, for payment of 15 recreation days (subject to the increase of the aforementioned number of days by Teva (if at all), at Teva's sole discretion). The daily rate of the recreation pay, the payment conditions and other conditions with respect to recreation pay shall be in accordance with Teva's practice in effect at the applicable time with respect to its executive employees.

12A. Clothing Allowance

The Executive shall be entitled to a clothing allowance in accordance with the Company's practice in this regard, as it shall be from time to time.

13. Executive's rights to Pension, Severance and Remuneration

- 13.1 It is hereby declared and agreed that the rights of the Executive to, pension allowance (*kitzba*), severance payment and remuneration will be insured according to the Executive's choice, as set forth herein below.
- 13.2 The Executive's Monthly Salary will be insured in a pension fund, managers' insurance, provident fund and/or any combination of the foregoing, according to the Executive's choice and as detailed below.

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.

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:

- 13.2.1 Should the Executive elect the contributions be made to a pension fund, the following percentages shall be contributed:

The Company shall contribute towards the pension fund an amount equal to 19.83% of the part of the Monthly Salary according to the Insurance Arrangement, out of which 14.33% shall constitute payment by the Company (of which: 6% shall constitute payment for remuneration and 8.33% shall constitute the payment for severance payment) and 5.5% shall constitute the payment by the Executive.

If the Executive is a member of an old deficit pension fund, and he elects to continue to contribute to such fund, then the Company shall contribute to the old deficit pension fund an amount equal to 20.5% of the part of the Monthly Salary according to the Insurance Arrangement, out of which 13.5% shall constitute payment by the Company (of which 7.5% shall constitute payment for remuneration and 6% shall constitute the payment for severance payment) and 7% shall constitute the payment by the Executive. In addition, the Company shall contribute to a personal provident fund for severance an amount equal to 2.33% of the part of the Monthly Salary according to the Insurance Arrangement. This amount constitutes a completion of the Company's severance payment obligation.

- 13.2.2 Should the Executive elect contributions be made to a managers' insurance, the following percentages shall be contributed:

The Company shall contribute an amount equal to 20.83% of the part of the Monthly Salary according to the Insurance Arrangement, out of which 15.83% shall constitute the payment by the Company (of which 7.5% shall constitute payment for remuneration and 8.33% shall constitute the payment for severance payment), and 5% shall constitute the payment by the Executive.

In the event that according to the terms of the managers' insurance, the loss of ability to work insurance component is not contributed from the remuneration, then the Company shall contribute 5% for remuneration contributions and up to 2.5% for loss of ability to work insurance.

13.2.3 Should the Executive elect contributions be made to provident funds, the following percentages shall be contributed:

The Company shall contribute to the provident funds an amount equal to 20.83% of the part of the Monthly Salary according to the Insurance Arrangement, out of which 15.83% shall constitute payment by the Company (of which: 7.5% shall constitute the payment for remuneration and 8.33% shall constitute payment for severance payment) and 5% shall constitute the payment by the Executive.

13.3 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 13.2 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.

13.4 By signing this Agreement including all annexes and schedules, 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 13.2 above.

14. Advance Notice and Termination of Employment

14.1 Each party hereto may terminate Executive's employment by providing nine (9) months advance written notice ("Advance Notice Period").

14.2 At the end of the Advance Notice Period, to the extent such period was not revoked in accordance with section 14.5 below, this Agreement shall come to an end and the Executive's employment with Teva shall terminate ("Date of Termination"). For the avoidance of any doubt, it is hereby clarified that during the Advance Notice Period the employer-employee relationship between Teva and the Executive shall continue to exist and the Executive shall be entitled to receive each month the Monthly Salary together with all additional benefits, including the car, to which he would be entitled had such notice not been provided.

14.3 Teva shall be entitled to waive the services of the Executive of the Company during the Advance Notice Period or any part thereof. In such case Teva will pay the Executive a payment in lieu of the Advance Notice Period, or part thereof, as applicable, in an amount equal to the Executive's Monthly Salary and all benefits that would have been paid during the Advance Notice Period, or part thereof, as applicable, and the employer-employee relationship between Teva and the Executive shall cease upon such payment and this Agreement (and the Term) shall terminate immediately.

- 14.4 Executive undertakes towards the Company that in the event of termination of employment, Executive shall cooperate to ensure the orderly transfer of his position and provide any other assistance that may be required by the Company in connection with the Executive's duties and responsibilities.
- 14.5 Notwithstanding Section 14.1 above, Teva (based on the CEO's discretion and any other authorization required) shall be entitled to terminate the Executive's employment immediately and without any advance notice, in the event of the Executive's breach of trust or other material breach of this Agreement by the Executive, or if the Executive has committed a flagrant offense.
- 14.6 In any case of termination of this Agreement, except under the circumstances specified in Section 14.5 above, the Executive (or his Beneficiaries, as applicable, as defined below) shall be entitled to receive from Teva appropriate letters addressed to the pension fund, provident fund, the insurer of the managers' insurance fund and the Study Fund regarding the termination of employment with Teva in a manner that will enable the Executive to receive from the aforesaid funds, the amounts and/or rights which he is entitled to receive from them following the termination of his employment with Teva (including the remuneration components and the aggregate severance payment amounts accumulated in the funds together with linkage differentials and earnings on such contributions); *provided, however*, that in the event that the total severance payment amounts accumulated in the funds are less than the amount of severance payment to which the Executive is entitled to under law, then Teva shall pay the Executive (or to the Beneficiaries) the difference.
- 14.7 In the event of termination of employment under the circumstances detailed in Section 14.5 above, 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, 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 payment amounts accumulated in the funds. In the event that the Executive has reimbursed Teva an amount equal to the aggregate severance payment amounts accumulated in the funds, then the Executive shall be entitled to receive from Teva letters as specified in Section 14.6 above without any reservations and in a manner which will allow Executive to receive from the addressees of the letters all the amounts and rights which Executive is entitled to receive from them following the termination of employment, as if such termination of employment was performed under the circumstances set forth in Section 14.6. 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.

For the removal of doubt, it is hereby declared and agreed that the dismissal of the Executive under the circumstances set forth in Section 14.5 above constitute dismissal under circumstances which justify the revocation of severance pay and a special retirement grant as specified in Section 15 below, and also the right to receive advance notice with respect to Executive's dismissal.

14.8 In this Agreement the term “*Beneficiaries*” shall mean: those beneficiaries whom the Executive stipulated in a written notice to the pension fund, provident fund and the insurer of the managers’ insurance, and in the absence of such determination, the executors of Executive’s estate or Executive’s legal heirs, *provided, however*, that if the Executive left dependents who are legally entitled to severance payment in the event of his passing, then the term Beneficiaries shall apply to such dependents for the purpose of the entitlement to receive the aggregate severance payment amounts accumulated in the funds (or, depending on the circumstances, the portion of same equal to the amount of severance payment to which the Executive’s dependents are entitled under applicable law). In the event that the aggregate severance payment amounts accumulated in the funds are lower than the severance payment amounts the Executive’s dependents are entitled to under applicable law, then the term Beneficiaries shall also apply to the dependents with respect to the right to receive from Teva a portion of the special retirement grant paid in accordance with Section 15.1, as applicable, in an amount equal to the increment between the severance payment they are entitled to in accordance with applicable law and the aggregate severance payment amounts accumulated in the funds.

15. Special Retirement Grant

15.1 In the event of termination of this Agreement due to (i) retirement to pension at the statutory age; (ii) permanent disability; (iii) death ; (iv) dismissal by Teva except under circumstances specified under Section 14.5 above; (v) resignation deemed as dismissal under the Severance Pay Law, 5723-1963 (“*Severance Law*”), or the circumstances specified under Section 2.1 above, while advance notice is provided in accordance with Section 14.1 above, the Executive (or Executive’s Beneficiaries, as applicable) shall be entitled in addition to release letters specified in Section 14.6 above, to a special retirement grant in an amount equal to his most recent Monthly Salary multiplied by the number of years of employment by Teva (with a proportional calculation for part of a year), *provided, however*, that in no event shall the Executive (or, if applicable, his Beneficiaries) be entitled to receive from Teva an amount which, together with severance payment amounts according to Section 14.6 accumulated in the funds with respect to contributions made during the years of employment by Teva shall exceed the amount received by multiplying 200% of the Executive’s most recent Monthly Salary by the number of years the Executive was employed by Teva (with a proportional calculation for part of a year).

15.2 To the extent that this Agreement shall terminate due to resignation other than resignation that is deemed as dismissal under the Severance Law, or terminate under circumstances other than those mentioned in Section 2.2 above, while advance notice is given by the Executive pursuant to Section 14.1 above, the Executive (or Executive’s Beneficiaries, as applicable) shall be entitled in addition to the release letters detailed in Section 14.6 above, to a special retirement grant in an amount equal to half of his most recent Monthly Salary multiplied by the number of years of employment in Teva (with a proportional calculation for part of a year) , *provided, however*, that in no event shall the Executive (or, if applicable, his Beneficiaries) be entitled to receive from Teva an amount which, together with severance payment amounts according to Section 14.6 shall exceed the amount received by multiplying 150% of the Executive’s most recent Monthly Salary by the number of years the Executive was employed by Teva (with a proportional calculation for part of a year).

16. Confidentiality, Non Disclosure and Assignment of Inventions

Executive hereby undertakes to execute the Confidentiality, Non-Disclosure and Assignment of Inventions undertaking attached hereto as Annex A concurrently with the execution of this Agreement. Notwithstanding, nothing herein shall derogate from any previous Non-Disclosure and Assignment of Inventions undertakings of the Executive.

17. Non-Competition

17.1 The Executive hereby undertakes, for a period of 12 months after the termination of his employment by Teva (meaning from the date on which the employer-employee relationship with Teva ends), not to engage, directly or indirectly, in any business, position, work or any other engagement that competes with the business of Teva or any company in the Teva Group, including as consultant, unless he receives Teva's prior written approval.

17.2 In consideration for Executive's undertaking set forth in Section 17.1 and any other non-compete obligations undertaken by the Executive, and subject to compliance therewith, following the termination of Executive's employment with the Company (except pursuant to the Executive's death) the Executive shall receive an amount equal to twelve (12) times the Executive's then current gross Monthly Salary, to be paid in twelve (12) equal monthly installments.

Notwithstanding the foregoing, in the event that the Executive's employment is terminated by the Company in accordance with the provisions of Section 14.5, the Company shall have sole discretion to determine whether or not Executive shall receive the aforesaid payment described in this Section 17.2.

Notwithstanding the foregoing, in the event that the Executive materially breaches any provision of Section 17 hereof, the payment described in this Section 17.2 shall immediately cease, and the Company shall be entitled to reclaim any amounts already paid in accordance therewith, and the Company shall have no further obligations to the Executive with respect thereto, without derogating from any other rights or remedies available to the Company pursuant to the Agreement or applicable law in respect of such breach.

It is hereby agreed and clarified that, when determining the Executive's non-competition undertaking, the parties took into account the payment to which Executive is entitled pursuant hereto, which is being made in consideration, *inter alia*, for such undertaking and subject to compliance therewith.

18. Change of Control

If the Executive's employment is terminated by the Company other than pursuant to Section 14.5 within one (1) year following a merger of the Company with another entity, pursuant to which merger the Company is not the surviving entity, and such termination is as a result of such merger, (i) the Company shall pay the Executive an additional severance payment (in addition to any severance amounts to which the Executive is entitled pursuant to the terms of this Agreement) in an amount equal to one and one-half million dollars (\$1,500,000) (the "Change of Control Severance Payment") and (ii) the unvested portion of any outstanding equity compensation awards shall vest as of the Date of Termination. The Change of Control Severance Payment shall be paid to the Executive in NIS calculated according to the NIS-US Dollar rate of exchange last published by the Bank of Israel, in a lump sum on the next regular payroll date immediately following the sixtieth (60th) day after the Date of Termination.

19. Taxes and Mandatory Payments

The Executive hereby represents that he is aware of, and agrees, that the payments and benefits of any kind granted to him under this Agreement or related to this Agreement, shall be subject to income tax deductions and other mandatory tax deductions which Teva is required to deduct by law, as shall be in effect from time to time, and further represents that nothing in this Agreement shall be construed as imposing on Teva the obligation to pay taxes or any other obligatory payment imposed on the Executive due to any payment or benefit as aforesaid, other than Teva's undertaking to pay for the taxes related to the use of a car and phone as set forth in Sections 6 and 7 above, respectively, in the amount of tax imposed on the Executive with respect to the payment of such expenses to the Executive.

20. Return of Car, Equipment and Documents

Upon the earlier of (i) the Company's written request and (ii) the Date of Termination, the Executive shall be obligated to: promptly return to the Company the car, cell phone, laptop or other hand-held device provided to him by Teva, a credit card (to the extent one was issued to him), and any other confidential or property information of Teva and Teva Group provided to him and/or in his possession and to return to Teva and/or company in the Teva Group, as applicable, all of the specifications, plans, drawings, formulae, correspondence, diskettes, reports and other documents of any kind, whether in original form or pictures, copies or printed versions which belong to Teva, including any objects which belong to Teva and may be in the Executive's possession or under his control at such time; *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; personal contact list, and the like; and such other records and documents as may be approved by the CEO

21. Clawback.

21.1 In the event of a restatement of the Company's financial statements, as a result of erroneous statements, the Executive will reimburse payments that have already been paid to him on the basis of such erroneous financial results that were followed by a restatement, all in accordance with the Compensation Policy and subject to applicable law. By signing this Employment Agreement, Executive grants the Company a power of attorney to deduct from the Monthly Salary and/or any payments due to the Executive by the Company, any amounts owed by him under this section, in accordance with applicable law.

21.2 Without derogating from anything herein or in the Compensation Policy, in the event that it is discovered that the Executive engaged in conduct that resulted in a material inaccuracy in Teva's financial statements or caused severe financial or reputational damage to Teva, or in the event that it is discovered that the Executive breached his confidentiality and/or non-compete obligations to Teva, the Company may, without limitation and in its sole discretion, request Executive to reimburse any performance-based or incentive compensation paid or awarded to the Executive and Executive hereby undertakes to reimburse the Company promptly upon its request.

22. Survivorship

The provisions of this Agreement that are intended to survive the termination of this Agreement shall survive such termination in accordance with their applicable terms.

23. Notices

23.1 Any notice that a party wishes to send to the other party, relating to this Agreement or resulting therefrom, shall be in writing and sent by registered mail, and shall be deemed delivered to its recipient 72 hours after being mailed by registered mail, or shall be hand delivered to the other party. For the purpose of this Section 23.1, hand delivery to Teva shall mean the delivery to the CEO of Teva.

23.2 The addresses of the parties for the purposes of this Agreement shall be as follows:

Teva- of 5 Basel St., Petach Tikwa, Israel

Attn: Chief Executive Officer

Executive- 34 Mendale St., Kiryat Atta, Israel

IN WITNESS WHEREOF, the parties have executed this Agreement in one or more counterparts:

TEVA PHARMACEUTICAL INDUSTRIES LTD.

/s/ Eyal Desheh

By: Eyal Desheh

Title: Acting President and Chief Executive Officer

By:

Title:

EXECUTIVE

/s/ Mark Sabag

Name: Mark Sabag



Private & Confidential

June 2017

To: Mark Sabag

Dear Mark,

In recognition of the hard work, loyalty and commitment that you have demonstrated to date and in light of the many challenges ahead of us, I am pleased to inform you that the Board of Directors and its HR & Compensation Committee approved granting you with the following continued vesting benefits:

In the event the Company will terminate your employment (except for termination under the circumstances specified in Section 14.5 of your employment agreement with the Company), any equity awards that were and/or will be granted to you until the date of termination shall **continue to vest for a period of two years** from such date ("Extended Period") as if you had remained employed by the Company, in accordance with the terms and conditions of TPI's equity plans and the individual award agreements evidencing such grants (including, for the avoidance of doubt, any performance vesting conditions).

In addition, the vested portion of any Options as of the end of the Extended Period shall continue to be exercisable through their stated expiration date, following which any portion of such Options not exercised will expire.

For the avoidance of doubt, the above continued vesting benefits shall not apply to termination by reason of your resignation.

I look forward to your continued commitment to achieving Teva's short and long-term strategic goals.

Sincerely,

/s/ Dr. Yitzhak Peterburg

Dr. Yitzhak Peterburg
Interim President and Chief Executive Officer

THIS AGREEMENT is made on December 2011 BETWEEN:

1. **TEVA PHARMACEUTICALS EUROPE B.V.**, having its registered office in Mijdrecht, The Netherlands (the “**Company**”); and
2. Mr. **ROB KOREMANS**, residing at (6247 AA) Gronsveld, Rijksweg 45, the Netherlands (the “**Employee**”).

THE PARTIES AGREE AS FOLLOWS:

1. TERMS AND EMPLOYMENT

- 1.1. The Company shall engage the Employee and the Employee shall serve the Company in the role of President and CEO of the Company under the terms and conditions as reflected in the subject Agreement (the “**Employment**” respectively the “**Agreement**”). In this respect the Employee shall be appointed as board member (“*bestuurder*”) of the Company. Employee accepts such appointment in advance.
- 1.2. Employee shall, at the Company’s request, and as part of his obligations under the Employment, at all times be willing to perform work for its parent company, its subsidiaries and in general its group companies within the meaning of article 2:24b Dutch Civil Code (each such parent company, subsidiary and/or group company to be defined as a “**Group Company**” and jointly as: the “**Group Companies**”) and shall, if so requested, accept appointment as board member under Dutch law of a Group Company or as officer of such Group Company under the laws governing that Group Company, without being entitled to any remuneration in respect of the activities performed for such Group Company in addition to the remuneration included in this Agreement. The Employee acknowledges that as part of the Employee’s responsibilities under this Agreement, the Employee will also function as Vice President of Teva Pharmaceutical Industries Ltd.
- 1.3. This Agreement will enter into effect on 1 March 2012 or any other earlier or later date as shall be mutually agreed upon in writing by the parties hereto (the “**Effective Date**”). The Company shall procure that all necessary steps (including the preparation and passing of a resolution of the general meeting of shareholders) shall be taken in order to formalize the appointment of Employee as “*bestuurder*”.
- 1.4. This Agreement is for an indefinite period of time. Both the Company and the Employee are entitled to terminate this Agreement with due observance of a notice period of three months for the Employee and six months for the Company. Last mentioned notices periods do not apply in case of an instant dismissal in accordance with article 7:677 Dutch Civil Code.
- 1.5. The Employment will be on a full-time basis. The normal working hours of the Employee shall be in accordance with all applicable regulations as well as the Company’s policies. However, the Employee acknowledges that in view of his senior position, it is expected from the Employee that he shall work irregular hours, if the situation so requires. The Employee is neither entitled to any compensation for such irregular hours nor for any hours worked in excess of the regular hours on a full-time basis.

2. DUTIES

- 2.1. During the Employment, the Employee shall devote his time and attention to the duties assigned to him and shall perform the duties normally associated with the position of “*bestuurder*” and specifically with the roles of CEO of the Company and VP of Teva Pharmaceutical Industries Ltd. During the Employment, the Employee will, with due observance of clause 10.1 hereof, not be engaged, in any other work, position, task or activity (for the benefit of) and third party, which are outside the scope of his Employment, whether or not such work, position, task or activity is pursued for gain, profit or other pecuniary advantage, without the prior written consent of the General Meeting of shareholders of the Company (the “**GM**”). Such consent shall be considered given by the GM in respect of the side-activities as listed in **Annex 1** to this Agreement. Notwithstanding the foregoing, the GM shall not withhold its consent from Employee holding a public or other position, unless the GM believes, in good faith, that such position may have a detrimental effect on the performance of Employee’s task and duties under this Agreement, or may cause a conflict of interest between his position in the Company and the other position.
- 2.2. These duties include, but are not limited to:
- the day-to-day management of (the affairs of) the Company;
 - the determination and performance of the policy of the Company;
 - the representation of the Company.
- 2.3. As a board member (*bestuurder*) of the Company, Employee shall observe all obligations arising from Dutch law, the articles of association of the Company, any charter of the board (“*bestuursreglement*”) and any and all instructions and/or resolutions that are or may be adopted by the GM. Employee shall in addition strictly adhere to and obey all of the written rules, regulations and policies, in effect within the Company as per the Effective Date or as subsequently adopted or modified by the Company and provided to Employee, which govern the operation of the business of the Company and the conduct of employees of the Company.
- 2.4. To the extent Employee will be appointed as board member (“*bestuurder*”) or officer of any Group Company under Dutch law or under the laws governing that Group Company, Employee shall observe all obligations arising from Dutch law respectively the laws governing that Group Company, the articles of association or the equivalent thereof under any law system of such Group Company, any charter of the board of such Group Company and any and all instructions and/or resolutions that are or may be adopted by the (general meeting of) shareholders or, if competent to render such instructions binding Employee in his capacity of “*bestuurder*” or officer, by the board or any supervisory board of such Group Company. Employee shall in addition strictly adhere to and obey all of the written rules, regulations and policies, in effect within the relevant Group Company as per the Effective Date or as subsequently adopted or modified by the Group Company and provided to Employee, which govern the operation of the business of the Group Company and the conduct of employees of the Group Company.

3. VACATION ENTITLEMENT

- 3.1. During the Employment the Employee shall be entitled to 30 vacation days per calendar year, accruing on a pro rata tempore basis.

4. REMUNERATION

- 4.1. For remuneration for his services hereunder, the Employee shall be paid a fixed gross base salary of EUR 550,000 per annum, which is inclusive of the statutory Dutch holiday allowance of 8% (the “**Salary**”). The Salary shall be payable by bank *credit* transfer in twelve (12) equal monthly installments in arrears on or before the last working day of each calendar month.
- 4.2. At the beginning of each calendar year, the GM will set quantitative as well as qualitative objectives, that should be met by the Employee in the relevant calendar year and which will be based on the business plans of the Company (the “**Objectives**”). In case no Objectives will be set for any calendar year, the Objectives as set for the preceding calendar year will continue applying. Depending on the achievement of the Objectives set for any given calendar year, Employee may be entitled to a gross bonus over that calendar year (the “**Bonus**”) as follows. If the Objectives will be met in full (100% of Objectives met), Employee will be entitled to a Bonus equal to 75% of the Salary (“**On Target Bonus**”). If the Objectives will be met for less than 85%, Employee will not be entitled to any Bonus. If 85% or more (but less than 100%) of the Objectives will be met, Employee will be entitled to a Bonus to be set by the GM in its discretion as a percentage of the Salary falling somewhere within the range from 0% (zero) to 75% of the Salary. In case of over-achievement of the Objectives (i.e. in case the Objectives will be exceeded), Employee will be entitled to a Bonus to be set by the GM in its discretion as a percentage of the Salary falling somewhere within the range from 75% to 83% of the Salary.
- 4.3. The Employee is entitled to a ‘sign-on bonus’ of EUR 400,000 gross (in words: four hundred thousand Euros) under the condition that Employee will be employed during at least 30 days following the Effective Date, payable into a bank account of the Employee to be designated by the Employee within 60 days from the Effective Date.
- 4.4. Subject to the approval of the GM, the Employee may participate in the LTI-plan as included in Annex 1 to this Agreement and as amended from time to time by the board of Teva Pharmaceutical Industries Ltd. (the “**Plan**”). The Employee will receive an initial grant of 500,000 options, in accordance with the terms and conditions of the Plan.
- 4.5. The Company shall provide the Employee with the right to use a company car for which the annual all-in operational lease costs for the Company (inclusive of VAT and all fixed and variable costs, such as full insurance (WA and Casco), maintenance, repairs and fuel) do not exceed an amount of EUR 24,000 for the discharge of Employee’s duties under this Agreement and for Employee’s private use (the “**Company Car**”). The costs of acquiring and/or leasing the Company Car together with insurance, running, service, maintenance, repair and fuel costs will be borne by the Company. The terms and conditions of the Company’s company car policy will additionally apply.
- 4.6. The Employee is entitled to the right of business and private use of a company-provided cell phone and SIM-card, in accordance with the Company’s regulations.

5. SEVERANCE PAYMENT

If this Agreement will be terminated by the Company other than on the grounds of an urgent cause as referred to in article 7:677/678 Dutch Civil Code, the Employee shall be entitled to a gross severance payment of an amount equal to the sum of the Salary and the most recently applicable On Target Bonus (the “**Pre-fixed Severance**”). The Pre-fixed Severance will however be decreased by:

- any severance awarded to Employee in court rescission proceedings ex article 7:685 Dutch Civil Code; or
- any damages awarded to Employee by a court for unfair dismissal (“*kennelijk onredelijke opzegging*”) ex article 7:681 Dutch Civil Code.

If the amount of Employee’s entitlements on the basis of any of the above bullet points exceeds the amount of the Pre-fixed Severance (prior to set-off), Employee will not be entitled to any Pre-fixed Severance.

6. EXPENSES

- 6.1. The Employees shall be entitled to reimbursement of all reasonable traveling, hotel, dinner, telephone/fax bills, driver service and other expenses, to the extent such expenses fall within the scope of the Company’s expense reimbursement policy and will be incurred in the proper performance of the duties under the Employment. All expenses shall be evidenced in such manner as the Company may reasonably request.
- 6.2. The Company shall provide the Employee, for a maximum period of three years calculated as from the Effective Date and subject to continuation of the Employment during that period, with the right of use of an Company-leased apartment in (the direct vicinity of) Utrecht for which the annual lease costs for the Company (inclusive of all variable costs, e.g. utilities, service costs, parking costs, insurance, taxes and VAT) will not exceed an amount of EUR 4,200 per month.

7. D&O INSURANCE

Subject to the acceptance of the Employee by the insurer, he will be included in the current Directors & Officers (D&O) liability insurance policy concluded by the Company.

8. CONFIDENTIALITY & DATA CARRIERS

- 8.1. The Employee shall, both during the term of this Agreement and after termination of this Agreement for whatever reason, refrain from using and/or disclosing in any manner to whomsoever (including to other members of the Company’s staff, unless such staff members must be informed in connection with their work for the Company and in such event only upon the express written authorisation of the GM) any information of a confidential nature concerning (the business of) the Company, which has become known to Employee as a result of the employment under this Agreement and which information Employee knew or should have known to be of a confidential nature, provided however that such information shall not include any information that is in the public domain or becomes so available (unless such availability in the public domain is a result of Employee’s breach of Employee’s obligations pursuant to this Agreement) or that is lawfully disclosed by Employee to a third party as a consequence of Employee’s proper performance of Employee’s duties and responsibilities hereunder (“**Confidential Information**”).
- 8.2. Information on or pertinent to, without limitation, the following issues as well as those issues itself shall be deemed Confidential Information: customers, customer sales, customer proposals, sale forecasts, methods of operation, pricing policies, vendors, suppliers (and their terms of business), purchasers, any proposals relating to the acquisition or disposal of any company owned or business operated by the Company, any proposals relating to the expansion or contracting of activities, (business-, research

& development-, construction-, technical-, sales- and production-)plans, (business-, research & development-, construction-, technical-, sales- and production-) processes, apparatus, designs, compositions, formula, developments, research, techniques, improvements, procedures, specifications, ideas, computer hardware, computer software, methods of accounting, manners of doing business, the marketing plans, personnel and employment matters (including details of employees and directors, the level of remuneration and benefits paid to them);

all as acquired, developed, amended, used, generated and/or utilised by or on behalf of the Company.

- 8.3. The Employee shall not have or keep in the Employee's private possession in any manner whatsoever any documents (including notes, records, diaries, memoranda, worksheets, drawings, minutes of meetings and correspondence as well as abstracts or summaries thereof), software, computer disks or other data carriers or media and/or (electronic) copies thereof containing Confidential Information or otherwise relating to the Company's business, that have become available to the Employee as a result of the employment under this Agreement ("**Data Carriers**"), except insofar as and for as long as necessary for the proper performance of the Employee's duties for the Company.
- 8.4. Upon termination of this Agreement and/or in case of sickness exceeding three months and/or upon suspension, Employee shall immediately return to the Company any materials, Data Carriers, keys, Company Car with appurtenances and any other items belonging to the Company or leased/rented by the Company from third parties. The Employee shall not withhold any copies of those items.

9. INTELLECTUAL PROPERTY RIGHTS

- 9.1. Insofar as the rights specified hereinafter are not vested in the Company by operation of law on the grounds of the employment relation between the parties, the Employee hereby explicitly states that the Employee shall transfer and, insofar as possible, hereby transfers to the Company in advance any intellectual and/or industrial property rights of whatever nature in or arising from ideas, concepts, discoveries, inventions, improvements and/or developments made or acquired by the Employee in the discharge of the Employee's duties for the Company.
- 9.2. The Employee shall promptly disclose to the Company fully and completely any and all of the ideas, concepts, discoveries, inventions, improvements and developments, made or acquired by the Employee in the discharge of the Employee's duties for the Company.
- 9.3. The Employee hereby irrevocably relinquishes/waives for the benefit of the Company any moral/personal rights as referred to in article 25 sub a, b and c of the Copyright Act and article 5 of the "Naburige Rechten" Act, that may vest in the Employee in respect of the work products referred to in the previous paragraphs of this clause.
- 9.4. The Employee acknowledges that the Salary includes reasonable and sufficient compensation for the fact that the intellectual and industrial property rights, referred to above, will vest in the Company by operation of law or through the transfer to the Company of such rights pursuant to paragraph 1 of this clause.

10. NON-COMPETITION AND NON-SOLICITATION

- 10.1. During the term of this Agreement, and during a period of twelve (12) months after the termination of this Agreement, for whatever reason, the Employee shall not, directly or indirectly, either as an employee, employer, consultant, agent, principal, partner,

corporate officer, director, shareholder, member, investor or in any other individual or representative capacity, engage or participate in or work for any business that is in competition in any manner whatsoever with the business of the Company worldwide, including for the avoidance of doubt the business of any Group Company including without limitation Teva Pharmaceutical Industries Ltd. The parties agree that the Company has a legitimate interest in protecting the business and goodwill of the Company that it has developed and that its affiliates have developed. The parties further agree that the limitations as to time, geographical area, and scope of activity to be restrained do not impose a greater restraint upon Employee than is necessary to protect the goodwill or other business interests of the Company and its affiliates. The Employee agrees that if a court of competent jurisdiction determines that the length of time or any other restriction, or portion thereof, set forth in this subject clause is overly restrictive and unenforceable, the court may reduce or modify such restrictions to those which it deems reasonable and enforceable under the circumstances, and as so reduced or modified the parties hereto agree that the restrictions of this subject clause shall remain in full force and effect. The Employee further agrees that if a court of competent jurisdiction determines that any provision of the subject clause is invalid, the remaining provisions of the subject clause and the remainder of this Agreement shall not be affected thereby, and shall remain in full force and effect. In case the Employment is terminated by notice, the term of the subject restrictions shall be reduced as follows. If the Employee terminates the Employment with observance of the notice period as set out in clause 1.5, the term of the subject restriction is nine (9) months. If the Company terminates the Employment with observance of the notice period as set out in clause 1.5, the term of the subject restriction is six (6) months.

- 10.2. For the avoidance of doubt, parties agree that the above restrictions will not apply if the Employee will enter the employment of any affiliate company of the Company in parallel to the subject Employment or immediately following the termination of the subject Employment.
- 10.3. The Employee agrees that, during the term of this Agreement and for a period of twelve (12) months thereafter, he shall not, directly or indirectly, induce or solicit (or authorize or assist in the taking of any such actions by any third party) any employee or consultant of the Company or any of its affiliates to leave his or her business association with such entity.

11. PENALTIES

- 11.1. If the Employee breaches any of the obligations stated in the clause 10 of this Agreement, the Employee shall immediately, without any notice of default being required, forfeit to the Company a penalty/liquidated damages for each breach thereof, amounting to EUR 100,000 (one hundred thousand Euros) and a penalty/liquidated damages amounting to EUR 5,000 (five thousand Euros) for each day that such breach continues, without prejudice to the Company's rights to claim (a) full compliance with the relevant contractual obligations and/or (b) actual damages instead of the penalty/liquidated damages.
- 11.2. Payment of the penalties referred to in the previous paragraph shall not release the Employee from the Employee's obligations as specified in this Agreement. With respect to the penalties provided for in the previous paragraph of this clause, the parties to this Agreement intend to derogate from the provisions of article 7:650 paragraphs 3 and 5 of the Dutch Civil Code both in respect of the amounts of the penalties and to the extent that these penalties can be used by the Company for its own benefit.

12. DEFINITION OF THE COMPANY

12.1. In the clauses 8 up to and including 10 of this Agreement, the Company shall be deemed to include any and all of its Group Companies.

13. INCAPACITY

13.1. In case of Employee being incapacitated to perform Employee's duties under this Agreement due to sickness or accident and only if and to the extent wherein, pursuant to article 7:629 Dutch Civil Code, the Company is obliged to pay salary, the Company will pay to Employee, as from the first day of sickness, during a maximum period of 104 weeks calculated as from the first day of sickness: 100% of the Salary, excluding any variable pay.

13.2. The continued salary payments as referred to in the previous clause will be decreased with any amount, to which the Employee is entitled under any applicable social security or under insurance scheme in the premiums whereof the Company contributed.

13.3. In case the Employee has in connection with his incapacity any claim against a third party, the Employee shall assign its rights in this respect to the Company upon the request of the latter. However, only to the extent of the damages incurred by the Company as a result of the incapacity of the Employee.

14. INSURANCE

14.1. Subject to the Employee being accepted as an insured party on normal premium conditions by an insurer designated by the Company, the Company shall take out an additional disability insurance ("*Arbeidsongeschiktheidsverzekering*") providing benefits of maximally EUR 545 gross per day in case of the Employee being eligible for state disability benefits (WIA). The premium of this insurance shall be borne by the Company.

14.2. Subject to the Employee being accepted as an insured party on normal premium conditions by an insurer designated by the Company, the Company shall take out a WAO-gap insurance ("*WAO-hiaatverzekering*"). The premium of this insurance shall be borne by the Company.

14.3. The Company shall provide for insurance covering for accidents at work and during business travelling.

14.4. The Employee shall provide for insurance cover for his health as well as his family in line with his existing health care cover. The premium with regard thereto shall be refunded by the Company. The Employee shall provide the Company with all relevant documentation with regard to the health insurance at its first request.

15. PENSION

15.1. Employee shall participate in the Company's pension scheme, under the terms and conditions thereof.

15.2. Parties acknowledge that, as a new employer, the Company shall not have any further obligations towards the Employee with respect to his pension, including with respect to differences in salary during his past employment.

16. GOVERNING LAW/JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of the Netherlands. Any conflict under this Agreement, which cannot be settled amicably, shall be submitted to the jurisdiction of a competent court of law in the Netherlands.

IN WITNESS whereof the parties hereto have executed this Agreement in two original copies on the day and year first written above.

At _____
Teva Pharmaceuticals Europe B.V.

At _____

in this matter represented by its sole shareholder
Teva Pharmaceutical Industries Ltd
By: _____
Title: _____

/s/ Rob Koremans
Mr. Rob Koremans

Amendment

to the Employment Agreement dated December 21st, 2011

by and between

Teva Pharmaceuticals Europe B.V. and Rob Koremans

This Amendment (this "Amendment") is made this 30th day of October, 2012, by and among Teva Pharmaceuticals Europe B.V. (the "Company") and Rob Koremans (the "Employee") to the Employment Agreement entered into between the Company and Executive dated December 21st, 2011 (the "Agreement").

Whereas, the Company and Employee have entered into the Agreement; and

Whereas, the Parties wish to amend certain terms of the Agreement as set forth below.

Now therefore, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

1. Except as expressly set-forth in this Amendment, all terms and conditions of the Agreement shall continue in full force and effect.
2. A new Section 5A shall be inserted into the Agreement immediately following Section 5 and shall provide as follows:

“Change of Control

If the Employee’s employment is terminated by the Company without cause within one (1) year following a merger of the Company with another entity, pursuant to which merger the Company is not the surviving entity, and such termination is as a result of such merger, the Company shall pay the Employee an additional severance payment [in addition to any severance amounts to which the Employee is entitled pursuant to the terms of this Agreement] in an amount equal to one and one-half million dollars (\$1,500,000) (the "Change of Control Severance Payment"). The Change of Control Severance Payment shall be paid to the Executive in Euros calculated according to the Euro-US Dollar rate of exchange last published by the European Central Bank, in a lump sum on the next regular payroll date immediately following the sixtieth (60th) day after the date of termination.

For the purposes of this Section 5A, the term “Company” shall refer only to the Company’s parent, Teva Pharmaceutical Industries Ltd.”

3. This Amendment may be executed in multiple counterparts, each of which will be deemed to be an original and all of which will be deemed to be a single agreement.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

Teva Pharmaceuticals Europe B.V.

/s/ Rob Koremans
Rob Koremans

SECOND AMENDMENT

This Second Amendment (the “**Second Amendment**”) dated as of January 12, 2015, is entered into by and among Teva Pharmaceuticals Europe B.V. (the “**Company**”) and Rob Koremans (the “**Employee**”).

WHEREAS, the Company and the Employee entered into an Employment Agreement dated December 1st 2011 and amended on October 30th 2012 (the “**Agreement**”), providing for the Employee’s employment by the Company, and setting forth the terms and conditions for such employment; and

WHEREAS, the Company and the Employee desire to amend the Agreement as set forth below.

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. Section 4.2 shall be deleted in its entirety and replaced with the following:

“For each fiscal year that ends during the term of Employment, the Employee shall be eligible to participate in the Company’s annual cash bonus plan in accordance with Teva pharmaceutical Industries, Ltd. (“**TPI**”) Compensation Policy (the “**Annual Bonus**”). The Annual Bonus shall be paid to the Employee at the same time as annual bonuses are generally payable to other similarly situated senior executives of TPI subject to the Employee’s continuous employment through the payment date except as otherwise set forth in this Agreement.”

2. Section 6.2 shall be deleted in its entirety and replaced with the following:

“During the period from the date of execution of this Second Amendment up to March 31st 2018, and subject to continuation of the Employment during that period, the Company shall provide Employee with the right of use a Company-leased apartment in Amsterdam for which the lease costs for the Company (inclusive of all variables costs, e.g., utilities, service costs, parking costs, insurance, taxes and VAT) will not exceed EUR 4,200 per month. Any excess (lease) costs associated with the apartment will be for Employee’s account and may be set-off by the Company against any monies owed to Employee.”

3. The maximum amount of car allowance specified in Section 4.5 shall be revised, effective July 1, 2012, from EUR 24,000 to EUR 33,600.

4. Words and phrases defined in the Agreement shall bear the same meaning where used in this Second Amendment.
5. The Agreement shall be construed in conjunction with this Second Amendment as an integral part thereof and shall remain of full force and effect, save as specifically amended in this Second Amendment.
6. This Second Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement.

IN WITNESS whereof the parties hereto have executed this Agreement on the day and year first written above.

Teva Pharmaceuticals Europe B.V.
Represented by Teva Pharmaceutical Industries, Ltd. as its sole
shareholder

/s/ Rob Koremans
Rob Koremans

THIRD AMENDMENT

This third Amendment (the “Third Amendment”) is made on September 18, 2017, is entered into by and among Teva Pharmaceuticals Europe B.V. (the “Company”) and Rob Koremans (the “Employee”).

WHEREAS, the Company and the Employee entered into an Employment Agreement, the terms and conditions whereof have been recorded inter alia in an employment contract dated December 21st, 2011 (the “Contract”) as amended on October 30, 2012 and January 12, 2015 (the “Agreement”), providing for the Employee’s employment by the Company, and setting forth the terms and conditions for such employment; and

WHEREAS, the Company and the Employee desire to amend the Agreement as set forth below.

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. The following paragraph shall be added immediately at the end of Section 5 of the Contract:

“In addition, in case of termination by the Company (other than for an urgent cause within the meaning of Dutch law) and subject to Employee achieving certain goals that will be agreed between the Employee and the CEO and execution of a non-revocable waiver and release of claims against the Company and any member of the Company’s group, any equity awards that were and/or will be granted to Employee until the formal date of termination of the Contract shall continue to vest for the Extended Period as if Employee had remained employed by the Company, in accordance with the terms and conditions of TPI’s equity plans and the individual award agreements evidencing such grants (including, for the avoidance of doubt, any performance vesting conditions) and the vested portion of any options as of the end of the Extended Period shall continue to be exercisable through their stated expiration date, following which any portion of such options not exercised will expire (the “Continued Vesting Benefits”).

For the purpose of this Section 5, the Extended Period shall mean the later of (i) a period of fourteen months (14) from the formal date of termination of the Contract , or (ii) March 1, 2020.

2. The following section 5.1 shall be added immediately following Section 5A of the Contract:

“Notwithstanding anything to the contrary in Section 1.4 and Section 5, in the event (i) notice of termination of employment is served by Employee on or after July 1st, 2018, and (ii) subject to achieving certain goals that will be agreed between the Employee and the CEO; and (iii) Company and Employee mutually agreeing on the exact date of the termination of the employment, then Employee shall be entitled to the same treatment as if he was terminated by the Company other than for an urgent cause within the meaning of Dutch law. For the avoidance on doubt, this Section 5.1 shall not apply to Change of Control Severance Payment.
3. Words and phrases defined in the Agreement shall bear the same meaning where used in this Third Amendment.
4. The Agreement shall be construed in conjunction with this Third Amendment as an integral part thereof and shall remain of full force and effect, save as specifically amended in this Third Amendment.
5. This Third Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement.

– Signature page follows –

IN WITNESS whereof the parties hereto have executed this Agreement on the day and year first written above.

Teva Pharmaceuticals Europe B.V.

/s/ Rob Koremans
Rob Koremans

Teva Pharmaceuticals Europe B.V.

EXECUTION VERSION

TERMINATION AGREEMENT

(beëindigingsovereenkomst)

1. **TEVA PHARMACEUTICALS EUROPE B.V.**, a limited liability company according to the laws of the Netherlands, registered in the Dutch trade register under number 30110625 (“**TPE**”);

and

2. Mr **ROBERT KOREMANS**, born on 27 July 1962, residing at Valeriusplein 14f, 1075 BH Amsterdam, The Netherlands (“**Employee**”);

hereafter jointly: the “**Parties**”;

WHEREAS:

- a. Employee has been employed by TPE as from 1 March 2012, currently on the basis of an indefinite term employment agreement governed by Dutch law (the “**Employment Agreement**”). Employee currently fulfils the position of President & CEO Global Speciality Medicines of the Teva Group (defined as Teva Pharmaceutical Industries and its direct and indirect subsidiaries) and Employee has been appointed as board member (*bestuurder*) of TPE as per 1 March 2012, which appointment has been accepted by Employee;
- b. The terms and conditions of the Employment Agreement have been laid down in an employment contract executed by Employee on 21 December 2011 (the “**Employment Contract**”), as amended in three subsequent Addenda/Amendments and supplemented by an Indemnification and Release Agreement (the “**Addenda**”);
- c. The parties agree that the Employment Agreement should be terminated, without there being any urgent cause within the meaning of article 7:677/678 Dutch Civil Code;
- d. In this agreement (the “**Agreement**”), Parties wish to formalise the termination of the Employment Agreement and wish to arrange the effects of the termination of the Employment Agreement between them and the matters that will arise as a consequence thereof;

- e. The date written at the top of this instrument will be referred to as the “**Execution Date**” in this Agreement;

HAVE AGREED AS FOLLOWS:

Termination/ resignation from board position

1. TPE and Employee hereby terminate the Employment Agreement with mutual consent effective on 31 May 2018 (the “**Termination Date**”).
2. Employee hereby resigns as board member (*bestuurder*) or officer of any and all Group Companies, including TPE, effective as per 27 November 2017 or the earliest possible date thereafter, to the extent Employee has been appointed board member or officer of such Group Company. At the request of any such Group Company or its shareholders, Employee will execute each and every instrument considered necessary to effectuate such resignation under the laws governing such Group Company. This provision will be considered to create third party rights for the benefit of (the shareholders of) such Group Companies.

The Employment Agreement will, notwithstanding the above resignation as board member of TPE, continue up to the Termination Date.

Severance & other entitlements

3. Employee shall be entitled to such severance and other emoluments as prescribed in the Employment Contract and the Addenda, which entitlements shall be considered to be in full satisfaction of all statutory entitlements and (other) claims Employee may have pursuant to the Employment Agreement, to the extent no specific arrangements on such claims have been reflected in this Agreement.

Release from duties

4. As from the Execution Date, Employee will step down and be released from any duties relating to the position of Head of GSM and any other position he holds, and –as from that date and up to and

including 31 December 2017- Employee shall assist in transitional activities as requested by and in accordance with any specific directions given by Teva Pharmaceutical Industries, Ltd., and/or TPE and/or a Group Company.

5. As from 31 December 2017 and up to and including the Termination Date (the “**Release Period**”), Employee shall be required to respond to inquiries and assist as may be reasonably requested by the Company and/or a member of the Company Group.

Final settlement of accounts

6. As per the Termination Date, a final settlement of accounts (*eindafrekening*) will be made, taking into account the provisions of this Agreement (excluding the Severance) and all other written agreements between Parties and the relevant provisions of Dutch law (the “Final Settlement of Accounts”).
7. Employee acknowledges that there are no oral arrangements regarding employment conditions between Employee and TPE, which deviate from the employment conditions as laid down in written agreements, signed by both Parties. In the event of contradiction between such other written agreements and this Agreement, the provisions of this Agreement shall prevail.
8. Notwithstanding any deviating provisions in this Agreement or in the Employment Contract and Addenda, Employee will remain entitled to full payment of salary and other benefits under the Employment Agreement up to and including the Termination Date.
9. Employee acknowledges that a decision was made not to pay annual bonus to (inter alia) any Group Executive Officers, including Employee, for the year 2017 and agrees to be bound by such decision. In addition, Employee shall not be entitled to participate in the 2018 Bonus Scheme and shall not be entitled to be considered for equity awards or other long-term incentives.
10. Employee shall be entitled to (pro rata) holiday allowance up to and including the Termination Date, to the extent not included in the (base) salary. To the extent payable and not paid already, the holiday allowance shall be paid out under the Final Settlement of Accounts. To the extent an overpayment of holiday allowance has been made to Employee, such overpayment shall be included in the Final Settlement of Accounts as a deductible.

Miscellaneous

11. Employee will cooperate with any internal and/or external investigation(s), proceedings or inquires, being in progress on the Execution Date or initiated later within the Group, as to be requested by the Group or any outside legal counsel and/or other professional advisors engaged by the Group for that purpose. Employee will in that respect, inter alia, provide all requested information and participate in internal hearings. Employee shall consider, in good faith, requests from competent regulating/governing bodies to cooperate in ongoing or new governmental investigations with respect to activities of the Group, in such form and to the extent as may be required for the purposes of such investigations, and during the entire period of their duration.
12. Any post termination provisions in Employee's Employment Agreement, including without limitation those on competition, non-solicitation confidentiality and/or IP, as well as any penalty clauses relating thereto and the Indemnification and Release Agreement dated September 12, 2012, will remain in force.
13. Employee shall not make any disparaging or defamatory comments regarding any member of the Group or any of its current or former directors, officers, employees or products.
14. Provided that the provisions of this Agreement will have been fulfilled, Employee hereby in advance grants TPE and all Group Companies full and final discharge in respect of, and explicitly waives, any and all (further) claims, rights and/or entitlements Employee has or (may) have that may arise from his employment with TPE and/or pursuant to the Employment Agreement and/or the termination thereof.
15. The Parties consider this Agreement to be a settlement agreement (*vaststellingsovereenkomst*) within the meaning of article 7:900 Dutch Civil Code.
16. The Parties hereby waive their respective rights to rescind this Agreement or have this Agreement rescinded, irrespective of the nature of the breach of contract (*tekortkoming in de nakoming*).

17. This Agreement is construed in accordance with and shall be governed by the laws of the Netherlands.

IN WITNESS whereof Parties have executed this Agreement in two original copies on the date written at the top of this instrument

Teva Pharmaceuticals Europe B.V.

By: _____

Title: *board member*

Date:

/s/ Robert Koremans _____

Robert Koremans

Date:

/s/ David Vrhovec _____

By: David Vrhovec

Title: *board member*

Date:

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the “**Agreement**”) is entered into in Israel on this 22 day of May 2015 (the “**Effective Date**”), and is made by and between **TEVA PHARMACEUTICAL INDUSTRIES LTD.**, an Israeli corporation located at 5 Basel Street, Petach Tikwa, Israel (the “**Company**”), and Dr. Michael Hayden (“**Employee**”).

WHEREAS, the Company and the Employee entered into an Employment Agreement, dated as of May 8, 2012, as was amended from time to time (the “**First Employment Agreement**”), providing for the Employee’s employment by the Company, and setting forth the terms and conditions for such employment; and

WHEREAS, the Company and the Employee desire to amend and restate the First Employment Agreement in order to set forth the terms and conditions of the Employee’s continued employment with the Company; 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. Term; Positions and Duties; Location

- 1.1 Subject to Section 11, Employee’s employment with the Company has commenced on May 9, 2012 (the “**Start Date**”), and shall continue thereafter on an at-will basis. The period of time between the Start Date and the termination of Employee’s employment under Section 11 shall be referred to herein as the “**Term**”.
- 1.2 During the Term, Employee shall be the President of R&D and CSO, which shall be the most senior officer position in the Company for research and development and scientific affairs. During the Term, Employee shall report directly to the President and Chief Executive Officer (the “**President and CEO**”) of the Company, and all senior officers in the research and development function shall report directly to Employee (unless otherwise determined by Employee, or as required by Applicable Law (as defined below) or the principles of good corporate governance). In addition, Employee shall (a) have all of the duties, authorities and responsibilities customarily exercised by an individual serving as the president of research and development and chief scientific officer of a company the size and nature of the Company, (b) be assigned no duties that are inconsistent with, or materially impair his ability to discharge, the foregoing, and (c) have such other duties, authorities and responsibilities, consistent with the foregoing, as may reasonably be assigned to him from time to time by the President and CEO of the Company. In addition, during the Term, Employee shall be a member of the Company’s Executive Committee, with all of the duties, authorities and responsibilities attendant thereto.
- 1.3 During the Term, Employee shall devote substantially all of his business time, energy, business judgment, knowledge and skill to the performance of his duties with the Company; provided, that the foregoing shall not prevent Employee from

(a) serving on the board of directors of Xenon Pharmaceuticals Inc., any two non-profit enterprises and, with the prior written approval of the President and CEO of the Company, any other enterprise that is not involved in any manner in the field in which the Company operates or has interests (and remains so uninvolved during the entire period of Employee's association therewith), except as provided in subsection 1.3(c), (b) reasonably participating in charitable, civic, educational, professional, community or industry affairs, (c) managing his own personal investments, and (d) continuing to fulfill his responsibilities to his trainees in Vancouver, British Columbia, Canada and Singapore and to collaborations in both locations (which is expected to include regular communications and visits), in each case, so long as such activities listed in subsections 1.3(a) through 1.3(d) in the aggregate do not interfere or conflict with Employee's duties hereunder or create a potential business or fiduciary conflict.

- 1.4 Employee shall be invited to participate in meetings of the Company's Board of Directors (the "**Board**") where appropriate, and shall be involved in and invited to all meetings of the Scientific Advisory Committee of the Board.
- 1.5 Employee shall promptly inform the Company of any issue or matter relating to, or transaction with, any member of the Company Group (defined as the Company and any entity of any type in which the Company holds, directly or indirectly, at least 25% of the "means of control" (as such term is defined in the Israeli Securities Law 1968) in which Employee has a personal interest and/or which may cause Employee to be in a position of a conflict of interest with the Company (except with respect to Employee's private dealings in the equity of Xenon Pharmaceuticals Inc. (subject to applicable law and Company guidelines as may be adopted from time to time), or Employee's investments in any public-traded corporation as long as such investment does not represent more than 1% of the outstanding voting securities of such corporation).
- 1.6 During the Term, Employee may be required to serve as a director or officer of another company which is part of the Company Group, and the fulfillment of such position shall not constitute an employer-employee relationship between Employee and any such company, and notwithstanding any such position, Employee shall only be considered to be an employee of the Company and shall not receive any additional compensation for serving in such additional position other than those amounts expressly set forth herein.
- 1.7 The Company acknowledges and agrees that Employee's principal place of employment during the Term shall be at the Company's principal offices, which are located, at the Start Date, in Petach Tikwa, Israel. However, notwithstanding the forgoing, Employee acknowledges and agrees that he will be required to travel abroad extensively on Company business.
- 1.8 Employee shall not make any commitment on behalf of the Company outside of Israel.

- 1.9 Employee acknowledges and agrees that no collective and/or special bargaining agreement that might apply to the Company's employees shall apply to Employee in his capacity as an employee of the Company.
- 1.10 The Company shall assist Employee in obtaining and maintaining a valid Israeli work permit.

2. Base Salary

- 2.1 Effective January 1, 2015, Employee's gross annual base salary shall be USD\$1,050,000 (One Million and Fifty Thousands US Dollars) (the "**Annual Salary**"). The Annual Salary shall be divided by 12, and each such 1/12 shall constitute Employee's monthly salary (the "**Monthly Salary**").

Employee and the Company agree that the payment of the Annual Salary (and hence the Monthly Salary) in US Dollars is in Employee's interest and to Employee's advantage, and is instead of any cost-of-living increases (*'tosafot yoker'*) to the extent that the same may apply.

- 2.2 At the end of every calendar year during the Term, the President and CEO of the Company, together with the Human Resources and Compensation Committee of the Board (the "**Compensation Committee**"), shall examine Employee's accomplishments from the past year, and shall determine in their discretion whether Employee's Annual Salary should be increased. In the event that the President and CEO, the Compensation Committee and the Board decide to increase Employee's Annual Salary, the Monthly Salary shall be updated as of the date and in the amount so decided, all subject to the receipt of any approvals required by Applicable Law.
- 2.3 Employee hereby acknowledges and agrees that, in light of his position and areas of responsibility, he shall not be entitled to the benefit of the Israeli Hours of Work and Rest Law, 5711-1951, and accordingly, the restrictions specified in the aforementioned law shall not apply to his employment.
- 2.4 It is hereby agreed that only the Monthly Salary payable to Employee pursuant to Section 2.1 shall constitute the basis for the calculation of all social benefits granted to Employee pursuant to this Agreement, including, without limitation, contributions and deductions on account of pension and severance, and for any other purpose for which deductions are calculated based on a percentage of Employee's salary.

3. Bonuses

- 3.1 For each fiscal year that ends during the Term, the Employee shall be eligible to participate in the Company's annual cash bonus plan in accordance with the Compensation Policy (the "**Annual Bonus**"). The Annual Bonus shall be paid to the Employee at the same time as annual bonuses are generally payable to other similarly situated senior executives of the Company subject to the Employee's continuous employment through the payment date except as otherwise set forth in this Agreement and all approvals required by applicable law.

- 3.2 Subject to Employee's continuous employment through May 8, 2015, the Company shall pay to Employee an amount equal to USD\$500,000 (the "**First Retention Bonus**").
- 3.3 Subject to Employee's continuous employment through May 8, 2016, the Company shall pay to Employee an amount equal to USD\$500,000 (the "**Second Retention Bonus**").

4. Equity Grant

During the Employee's employment with the Company, Employee will be considered for equity compensation awards under Teva's 2010 Long Term Equity-Based Incentive Plan or any successor equity compensation plan, in accordance with its terms and the terms of the Compensation Policy and at the discretion of the Compensation Committee and the Board.

5. Employee Benefits

During the Term, Employee (and, to the extent eligible, his dependents and Beneficiaries (as defined below)) shall be entitled to participate in any and all health, medical, dental, disability, group insurance (including, without limitation, life insurance), fringe benefits, perquisites and other employee benefit plans, programs and arrangements that are generally available from time to time to senior executives of the Company and their dependents and Beneficiaries (the "**Employee Benefits**"), such participation in each case to be on terms and conditions that are commensurate with Employee's position and responsibilities at the Company and that are no less favorable to Employee than those that apply to other senior executives of the Company generally. In addition, the Company will pay for health and medical insurance coverage for Employee as required by Israeli law.

6. Reimbursement for Certain Costs, Expenses and Fees

- 6.1 The Company shall pay or reimburse Employee for all out-of-pocket business expenses incurred by Employee during the Term in performing his duties under this Agreement, promptly upon presentation of appropriate supporting documentation and in accordance with the travel and expense reimbursement policies of the Company, as applicable.
- 6.2 The Company shall provide, and pay or reimburse Employee for all expenses incurred in connection with acquiring, maintaining and using, a land-line telephone in his residence, a laptop, a cellular telephone, a Blackberry or other similar hand-held device, and a car suitable for the president of research and development and chief scientific officer of a company of the size and nature of the Company, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.

- 6.3 Reserved.
- 6.4 The Company shall, in coordination with Employee, cover expenses reasonably incurred in respect of airline tickets for each of Employee's wife and his four children to visit him, up to a total amount of USD\$86,000 (which amount shall be grossed-up by the Company for all applicable taxes) per year (where for the purposes of this Section 6.4, each year commences on May 9 and ends on May 8), for the three years commencing as of May 9, 2015 until May 8, 2018; promptly upon presentation of appropriate supporting documentation and in accordance with the travel and expense reimbursement policies of the Company. Up until May 8, 2015, Employee and his family shall be entitled to reimbursement of travel expense in accordance with the provisions of Section 6.4 of the First Employment Agreement.
- 6.5 The Company shall also, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company, pay or reimburse Employee for rent and the cost of utilities for a family residence in Israel for a period of up to three years as of June 18, 2015, in an amount of up to USD\$8,000 per month (for both rent and utilities) (which amount shall be grossed-up by the Company for all applicable taxes). Up until June 17, 2015, Employee and his family shall be entitled to reimbursement of rent and utilities for a family residence in Israel, in an amount of up to USD\$6,000 per month (for both rent and utilities).
- 6.6 The Company shall pay or reimburse Employee for all attorneys' and tax consultants' fees (in Israel, Canada and the United States) and other charges that Employee incurred in connection with tax planning related to Employee's relocation, including the preparation of Employee's annual tax returns during the Term, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.

7. Vacation; Sick Leave; Recreation Pay

- 7.1 Employee shall be entitled to 26 business days of paid vacation per year during the Term, which shall accrue in accordance with Company policy. Employee shall be required to utilize such number of vacation days as are required to be utilized each year by applicable Israeli law (as of the Effective Date, the number of vacation days required to be utilized each year by applicable Israeli law is seven days), and may carry over any remaining unused vacation days from prior years (up to a maximum of 52 vacation days). The dates of Employee's annual vacation shall be coordinated in advance with the President and CEO of the Company.
- 7.2 Employee shall be entitled to 30 paid sick days per year during the Term, which may accumulate during the Term up to a maximum of one years' paid sick leave. The sick pay shall include the Monthly Salary and all other amounts and benefits to which Employee is entitled under this Agreement, as if Employee 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 Employee is entitled to receive with respect to the aforementioned period of his illness from any pension or disability insurance, and all provided that Employee provides the Company with medical confirmation of his illness. The parties hereto hereby acknowledge and agree that the payments to Employee set forth in this Section 7.2 and the contributions to the Canadian pension fund and the payments to the Pension Savings Program (defined below) are also meant to cover the Company's obligations under the Israeli Sick Pay Law 1976.

- 7.3 Employee shall be entitled to 15 paid recreation days per year during the Term. The amount of recreation pay per recreation day, the payment conditions and any other conditions governing recreation pay shall be in accordance with applicable Israeli law and the Company's policy in effect at the applicable time with respect to its employees generally.

8. Pension and Severance Contributions

- 8.1 Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, the provisions of Section 5), during the Term the Company shall, or shall cause a subsidiary to, be solely responsible for the costs of continuing Employee's existing pension coverage in Canada (in an amount not to exceed USD\$40,000 per annum) promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company, which contribution shall be grossed-up by the Company for all applicable taxes (for the avoidance of doubt, such gross-up shall be excluded from the calculation of the USD\$40,000 maximum contribution).
- 8.2 In addition, to the extent that the Company is required by applicable Israeli law to contribute in respect of the Employee's pension insurance (excluding the Severance Contribution (as defined below)) an amount that exceeds the amount that the Company actually contributes to such Canadian pension fund (such excess, the "**Pension Insurance Shortfall Amount**"), the Company will, at the election of Employee, either
- 8.2.1 (a) contribute and deposit the Pension Insurance Shortfall Amount on a monthly basis to a pension savings program in Israel that shall be opened for such purpose (the "**Pension Savings Program**"), (b) shall deduct from the Monthly Salary an amount equal to the Pension Insurance Shortfall Amount, and (c) transfer, each month, the sum of the amounts determined under clauses (a) and (b) of this Section 8.2.1 to the Pension Savings Program. By signing this Agreement, Employee grants the Company an irrevocable power of attorney to deduct the amount determined under clause (b) of this Section 8.2.1 from his Monthly Salary, and to transfer such amounts to the Pension Savings Program.

In addition, the Company shall contribute and deposit 8.33% of the Monthly Salary each month to a personal severance fund in Israel that shall be opened on account of severance (such contribution shall be referred to as the “**Severance Contribution**”, and such fund shall be referred to as the “**Severance Fund**”); OR

- 8.2.2 contribute and deposit the Pension Insurance Shortfall Amount on a monthly basis to an interest bearing bank account in Israel that shall be opened for such purpose (which such account shall be referred to as the “**Pension Savings Program**” in the event that Employee elects that the Company should comply with this Section 8.2.2 instead of Section 8.2.1).

In addition, the Company shall contribute and deposit the Severance Contribution each month to an interest bearing bank account in Israel that shall be opened on account of severance (such account shall be referred to as the “**Severance Fund**” in the event that Employee elects that the Company should comply with this Section 8.2.2 instead of Section 8.2.1).

For the avoidance of doubt, the Pension Insurance Shortfall Amount is expected to be 6% of the Monthly Salary less the actual monthly pension contribution that is made under Section 8.1 (excluding any gross-up).

9. **Study Fund**

For every month that Employee is employed by the Company, the Company shall make contributions on Employee’s behalf to an advanced study fund (Keren Hishtalmut) (the “**Study Fund**”), in an amount equal to 7.5% (seven and one half percent) of the Monthly Salary for such month, and shall deduct Employee’s contribution of 2.5% (two and one half percent) of the Monthly Salary from the Monthly Salary, and transfer this sum to the Study Fund. By signing this Agreement, Employee hereby grants the Company power-of attorney to deduct the aforementioned deduction from Employee’s Monthly Salary.

10. **Payments in US Dollars**

All payments specified in this Agreement in US Dollars shall be made to Employee in US Dollars, into a bank account in Israel or abroad, as shall be specified at least 7 days in advance in writing by the Employee. The Company shall bear all bank fees and expenses associated with such payments and/or transfers. For the sake of payment records (including pay slip) and Company’s contributions, deductions and withholdings, payments in US Dollars shall be converted into New Israeli Shekels according to the official NIS-USD exchange rate published by the Bank of Israel 15 days prior to the payment date, or, if not published on such date, then on the last preceding date on which it was published.

11. **Termination of Employment**

- 11.1 General. The Term shall terminate upon the earliest to occur of (a) Employee’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 Employee with or without Good Reason (including, for the avoidance of doubt, due to aged retirement) (the effective date of such termination shall be the “**Date of Termination**”). Upon any termination of Employee’s employment for any reason, (i) except as may otherwise be requested by the Company in writing and agreed upon in writing by Employee, Employee shall be deemed to have resigned, effective immediately, from any and all directorships, committee memberships, and any other positions Employee holds with any member of the Company Group, (ii) the Company shall provide Employee with release letters addressed to the Pension Savings Program, the Study Fund and the Severance Fund that will enable Employee to receive the Pension Savings Program, the Study Fund and the Severance Fund promptly following the Date of Termination (or, in the event that Employee’s employment was terminated for Cause, the Severance Fund shall not be distributed to Employee), and (iii) the Company shall provide the relevant tax authorities and Employee with all relevant termination documentation.

11.2 Termination Due to Death or Disability. Employee’s employment shall terminate automatically upon his death. The Company may terminate Employee’s employment immediately upon the occurrence of a Disability, such termination to be effective upon Employee’s receipt of written notice of such termination. Upon Employee’s death or in the event that Employee’s employment is terminated due to his Disability, Employee or his estate or his Beneficiaries, as the case may be, shall be entitled to:

11.2.1 The Accrued Obligations;

11.2.2 Reserved;

11.2.3 The Make-Up Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the sixtieth (60th) day after the Date of Termination (subject to Section 11.7), other than those components of the Make-Up Payment required by applicable Israeli law to be paid earlier, which components shall be paid in accordance with the requirements of applicable Israeli law (which payment shall not be subject to Section 11.7); and

11.2.4 The Relocation Benefits, if Employee (and/or Employee’s wife) moves back to Canada within one year following the Date of Termination.

Notwithstanding the foregoing provisions of this Section 11.2, the payments and benefits described in this Section 11.2 (other than the components of the Accrued Obligations and the Make-Up Payment required to be paid pursuant to applicable Israeli law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 13 or 14 hereof. Following Employee’s death or a termination of Employee’s employment by reason of a Disability, except as set forth in this Section 11.2, Employee shall have no further rights to any compensation or any benefits under this Agreement.

11.3 Termination by the Company with Cause.

11.3.1 The Company may terminate Employee's employment at any time with Cause, effective upon Employee's receipt of written notice of such termination. In the event that the Company terminates Employee's employment with Cause, he shall be entitled only to the Accrued Obligations, subject to applicable Israeli law. Following such termination of Employee's employment with Cause, except as set forth in this Section 11.3, Employee shall have no further rights to any compensation or any benefits under this Agreement.

11.3.2 No termination of Employee's employment for Cause shall be effective unless the Company shall first have complied with the provisions of this Section 11.3.2 and applicable Israeli law. Employee shall be given written notice by the Company (the "**Cause Notice**") of its intention to terminate Employee's employment for Cause, such Cause Notice shall (a) state in detail the particular circumstances that constitute the grounds on which the proposed termination for Cause is based, and (b) be given no later than 90 days after the Company first learns of such circumstances. Employee shall have 10 business days after receiving such notice in which to request a hearing before the Board, which hearing (if timely requested) shall be held within 10 business days of Employee's request. If, within 20 business days following such hearing (if timely requested), or within 10 business days following Employee's receipt of the original Cause Notice (if no hearing is timely requested), the Board gives written notice to Employee confirming that, in the judgment of the majority of the members of the Board, Cause for terminating Employee's employment on the basis set forth in the original Cause Notice exists, then Employee's employment shall thereupon be terminated for Cause. A failure by Employee to timely request a hearing as aforesaid shall be deemed to be a waiver by Employee of his right to such hearing.

11.4 Termination by the Company without Cause. The Company may terminate Employee's employment at any time without Cause, effective nine (9) months following the date of Employee's receipt of written notice of such termination. In the event that such notice is given by the Company, any intervening termination for any reason (other than a termination of Employee's employment by the Company for Cause) including death or Disability shall not alter the Company's obligations under this Section 11.4. In the event that Employee's employment is terminated by the Company without Cause (other than due to death or Disability), Employee shall be entitled to:

11.4.1 The Accrued Obligations;

- 11.4.2 Reserved;
- 11.4.3 The Severance Amount, which shall be paid in a lump sum on the next regular payroll date immediately following the sixtieth (60th) day after the Date of Termination (subject to Section 11.7), other than any portion of the Severance Amount required by applicable Israeli law to be paid earlier, which portion shall be paid in accordance with the requirements of applicable Israeli law (which payment shall not be subject to Section 11.7);
- 11.4.4 The Make-Up Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the sixtieth (60th) day after the Date of Termination (subject to Section 11.7), other than those components of the Make-Up Payment required by applicable Israeli law to be paid earlier, which components shall be paid in accordance with the requirements of applicable Israeli law (which payment shall not be subject to Section 11.7);
- 11.4.5 The Equity Benefits;
- 11.4.6 Continued payment of health insurance coverage for the Employee and his wife during the period of eighteen (18) months from the Date of Termination (subject to Section 11.7) (the “**Medical Benefit**”); and
- 11.4.7 The Relocation Benefits, if Employee (and/or Employee’s wife) moves back to Canada within one year following the Date of Termination.
- 11.4.8 If the Employee’s employment is terminated by the Company without Cause (or by Employee with Good Reason), one year or less following a merger of the Company with another entity, Employee shall be entitled to the Change of Control Amount, which shall be paid in a lump sum on the next regular payroll date immediately following the seventy fifth (75th) day after the Date of Termination (subject to Section 11.7).

Notwithstanding the foregoing, the payments and benefits described in this Section 11.4 (other than the components of the Accrued Obligations and the Make-Up Payment required to be paid pursuant to applicable Israeli law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 13 or 14 hereof. Following such termination of Employee’s employment by the Company without Cause, except as set forth in this Section 11.4, Employee shall have no further rights to any compensation or any benefits under this Agreement. For the avoidance of doubt, Employee’s sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the payments and benefits specified in Sections 11.4.1 through 11.4.8 (inclusive).

- 11.5 Termination by Employee with Good Reason. Employee may terminate his employment with Good Reason and Employee shall be entitled to the same payments and benefits as provided in Section 11.4 for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 11.4. Following such termination of Employee's employment by Employee with Good Reason, except as set forth in this Section 11.5, Employee shall have no further rights to any compensation or any benefits under this Agreement. For the avoidance of doubt, Employee's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the payments and benefits specified in this Section 11.5 (which incorporates Sections 11.4.1 through 11.4.8 (inclusive)).
- 11.6 Termination by Employee without Good Reason or Due to Aged Retirement. Employee may terminate his employment without Good Reason by providing the Company nine (9) months' written notice of such termination. In the event that such notice is given by Employee, any intervening termination for any reason (other than a termination of Employee's employment by the Company for Cause) including death or Disability shall not alter the Company's obligations under this Section 11.6. In the event of a termination of employment by Employee under this Section 11.6, Employee shall be entitled only to the Accrued Obligations; provided, that, if Employee provides the notice required hereby (even if the Company waives such Notice Period in whole or in part), he shall also be entitled to the Make-Up Payment, which shall be paid in a lump sum on the next regular payroll date immediately following the sixtieth (60th) day after the Date of Termination (subject to Section 11.7) (other than those components of the Make-Up Payment required by applicable Israeli law to be paid earlier, which components shall be paid in accordance with the requirements of applicable Israeli law, which payment shall not be subject to Section 11.7); and further provided, that, if such termination occurs after Employee attains age sixty-five (65), Employee shall be entitled to the Relocation Benefits, if Employee moves back to Canada within one year following the Date of Termination, the Equity Benefits and the Medical Benefits. Notwithstanding the foregoing, the payments and benefits described in Section 11.6 (other than the components of the Accrued Obligations and the Make-Up Payment required to be paid pursuant to applicable Israeli law) shall immediately terminate, and the Company shall have no further obligations to Employee with respect thereto, in the event that Employee breaches any provision of Sections 13 or 14. Following such termination of Employee's employment by Employee without Good Reason, except as set forth in this Section 11.6, Employee shall have no further rights to any compensation or any benefits under this Agreement.
- 11.7 Release. Notwithstanding any provision in this Agreement to the contrary, the payment of any amount or provision of any benefit pursuant to subsections 11.2 through 11.6 (other than the components of the Accrued Obligations and those components of the Make-Up Payment required to be paid pursuant to applicable Israeli law) (collectively, the "**Severance Benefits**") shall be conditioned upon Employee's execution, delivery to the Company, and non-revocation of the

Release of Claims within sixty (60) days following the Date of Termination. If Employee fails to execute the Release of Claims in such a timely manner or revokes the Release of Claims, Employee shall not be entitled to any of the Severance Benefits. Notwithstanding anything to the contrary herein, the Company shall not be permitted or required to delay any payment due to Employee hereunder if such delay will give rise to a claim for delayed payment compensation by Employee (or that would result in the imposition of any “additional tax” under section 409A of the Code). For the avoidance of doubt, in the event of a termination due to Employee’s death or Disability, Employee’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.

11.8 Definitions. For purposes of this Agreement, the following terms have the following meanings:

- 11.8.1 “**Accrued Obligations**” means (a) any unpaid Monthly Salary earned through the Date of Termination, any earned and unpaid Annual Bonus for the calendar year immediately preceding the Date of Termination, and any unused vacation days and recreation days accrued through the Date of Termination, all of which shall be paid on the next regular payroll date immediately following the Date of Termination, and (b) any other payment to which Employee is entitled under the applicable terms of any applicable plan, program, agreement, corporate governance document or arrangement of the Company or its affiliates, including without limitation, Company reimbursement of any unreimbursed business expenses, and rights to any Company indemnification and Company provided officers’ liability insurance as set forth in Section 12.
- 11.8.2 “**Applicable Law**” means any applicable law, rule or regulation of any federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body, including any securities exchange on which the Company’s securities are listed (“**Governmental Authority**”), or any applicable judgment, order, writ, decree, permit or license of any Governmental Authority of competent jurisdiction.
- 11.8.3 “**Applicable Percentage**” means (a) following a termination of Employee’s employment by Employee without Good Reason or due to aged retirement, one hundred and fifty percent (150%), or (b) following any other termination of Employee’s employment (other than by the Company for Cause), two hundred percent (200%).
- 11.8.4 “**Beneficiaries**” means, subject to Applicable Law, the executors of Employee’s estate or Employee’s legal heirs.
- 11.8.5 “**Cause**” means (a) the willful and continued failure by Employee to substantially perform his duties with the Company (other than any such

failure resulting from Employee's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a notice of termination for Good Reason by Employee) for a period of at least 30 consecutive days after a written demand for substantial performance is delivered to Employee by the President and CEO, which demand specifically identifies the manner in which the President and CEO believes that Employee has not substantially performed his duties, (b) the willful engaging by Employee in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise, (c) Employee is convicted of, or has entered a plea of *nolo contendere* to, a felony, or (d) a breach by Employee of the provisions of Sections 13 or 14 hereof. For purposes of clauses (a) and (b) of this definition, no act, or failure to act, on Employee's part shall be deemed "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his act, or failure to act, was in the best interest of the Company.

- 11.8.5A. "**Change of Control Amount**" means an amount equal to one and one half million US Dollars (USD\$1,500,000).
- 11.8.6 "**Disability**" means that Employee, due to a physical or mental disability, has been substantially unable to perform his duties under this Agreement for a continuous period of 90 days or longer.
- 11.8.7 "**Equity Benefits**" means (a) the right to continue to vest in any and all outstanding options and RSUs during the period commencing on the Date of Termination and ending on the Outside Date, subject to Employee's continued compliance with Sections 13 and 14 through the applicable vesting dates, and (b) an extension of the period during which Employee may exercise his vested and outstanding options until the first (1st) anniversary of the Outside Date, subject to Employee's continued compliance with Sections 13 and 14 through the applicable exercise dates; provided, that, for the avoidance of doubt, if the Outside Date is a day that is on or after Employee attains age 67, the termination giving rise to the provisions of the Equity Benefits shall be treated as a "Qualifying Retirement" under the Plan.
- 11.8.8 "**Good Reason**" means a termination by Employee if (a) any of the following events occurs without Employee's express prior written consent, (b) Employee notifies the Company in writing that such event has occurred, describing such event in reasonable detail and demanding cure, within 90 days after Employee learns of the occurrence of such event, (c) such event is not substantially cured within 30 days after Employee so notifies the Company, and (d) the Date of Termination occurs within 90 days after the failure of the Company to so cure: (i) any failure to continue Employee as the President of R & D and CSO after the Start Date (other than by reason of a termination of Employee's employment by the

Company with or without Cause, or Disability, or retirement of Employee); (ii) a material diminution in Employee's duties, responsibilities or authorities; (iii) any diminution of Employee's Annual Salary (other than as a result of foreign exchange rate fluctuations), or the structure of target Annual Bonus other than as part of an across-the-board compensation reduction for the executives of the Company; (iv) any change in the reporting structure so that Employee is required to report to anyone other than the President and CEO; or (v) any material breach by the Company or any of its affiliates of any obligation under this Agreement, including, without limitation, by failing to provide Employee with indemnification protections at least as favorable as the indemnification protections specified in the Indemnification Agreement attached hereto as Annex B.

Notwithstanding the foregoing, in the event that the President and CEO reasonably believes that Employee may have engaged in conduct that may reasonably be expected to constitute Cause, the President and CEO may, in its sole and absolute discretion, suspend Employee from performing his duties hereunder for a period of up to sixty (60) days, and in no event shall any such suspension constitute an event pursuant to which Employee may terminate employment with Good Reason; provided, that no such suspension shall alter the Company's obligations under this Agreement (including, without limitation, its obligations to provide Employee compensation and benefits) during such period of suspension.

- 11.8.9 **"Make-Up Payment"** means an amount equal to the positive difference, if any, between (a) the product of (x) the Applicable Percentage, (y) the Monthly Salary in effect immediately prior to the Date of Termination (without taking into account any reduction in Monthly Salary that gives rise to, or could have given rise to, a claim for Good Reason), and (z) the number of full and partial years (treating a partial year as a fraction whose numerator is the number of months in the partial year in which Employee worked, and whose denominator is 12) that Employee was employed by the Company, and (b) the Severance Fund.
- 11.8.10 **"Notice Period"** means (a) in the event that the Company delivers a notice of termination pursuant to Section 11.4, the period commencing on the date the Company delivers such notice and ending on the Date of Termination, or (b) in the event that Employee delivers a notice of termination pursuant to Section 11.6, the period commencing on the date Employee delivers such notice and ending on the Date of Termination; provided, that the Company may, in its sole and absolute discretion and by written notice, waive the services of Employee during the Notice Period or in respect of any part of such period, and thus accelerate such Date of Termination, all on condition that the Company pay Employee the Monthly Salary and all additional compensation and benefits to which Employee is entitled in respect of the Notice Period without regard to any such Company waiver (which shall be paid in one lump sum on the next regular payment date immediately following the Date of Termination).

- 11.8.11 **“Outside Date”** means where the termination of Employee’s employment is by the Company without Cause or by Employee for Good Reason, the day that is the first (1st) anniversary of the Date of Termination; provided, that in the event that Employee’s employment is terminated by the Company without Cause after attaining age sixty-five (65), the “Outside Date” shall be the later of (x) the date on which Employee attains age sixty-seven (67), and (y) the date that is the first (1st) anniversary of the Date of Termination. In addition to the foregoing provisions of this definition of Outside Date, there shall be added to the length of the “Outside Date”, the positive difference, if any, between (x) nine (9) months, and (y) the number of months that the Monthly Salary, if any, is paid or payable to Employee in respect of services during the Notice Period.
- 11.8.12 **“Release of Claims”** means the release of claims in favor of the Company and its affiliates substantially in the form attached hereto as **Annex A**.
- 11.8.13 **“Relocation Benefits”** means the arrangement of (in coordination with Employee), and payment for all reasonable expenses incurred in respect of the following in connection with Employee’s and his wife’s relocation to Canada: (a) one round-trip and one one-way business class airline tickets, ground transportation, and other incidental expenses relating thereto for each of Employee and his wife, and (b) all costs associated with moving, shipping and/or storing Employee’s household contents and goods, promptly upon presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.
- 11.8.14 **“Severance Amount”** means an amount equal to the sum of (a) an amount equal to twelve (12) times Employee’s Monthly Salary, and (b) in the event of a termination by the Company without Cause, the positive difference, if any, between (x) an amount equal to nine (9) times Employee’s Monthly Salary, and (y) the Monthly Salary, if any, paid or payable to Employee in respect of services during the Notice Period or paid in accordance with the provisions of Section 11.8.10 (such that there shall be no duplication and Employee shall only receive, in total, nine (9) times the Monthly Salary (together with applicable benefits) in respect of the Notice Period).

12. Indemnification

- 12.1 The terms of the Indemnification and Release Agreement signed between the Company and Employee on September 12, 2012 shall continue to be in full force and effect.

12.2 An officers' liability insurance policy (or policies) shall be kept in place, during the Term and thereafter until the seventh anniversary of the Date of Termination, providing coverage to Employee that is no less favorable to Employee in any respect than the coverage then being provided to any other present or former senior executive of the Company.

13. Confidentiality and Disclosure of Information

Employee hereby undertakes to execute the Confidentiality, Disclosure of Information and Assignment of Inventions undertaking attached hereto as **Annex C** concurrently with the execution of this Second Employment Agreement, which shall not derogate from any previous Confidentiality, Disclosure of Information and Assignment of Inventions undertaking of the Employee.

14. Non-Competition

Employee hereby agrees that, during the Term and for a period of 12 months following the Date of Termination for any reason, not to engage, directly or indirectly, anywhere in the world, in any activity, business or any other engagement which competes with the business of any member of the Company Group, including as a consultant, except with the Company's prior written approval. Notwithstanding anything to the contrary contained in this Section 14, the foregoing shall not prevent Employee 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 various payments to which Employee is entitled pursuant hereto, which are being made in consideration, *inter alia*, for such undertaking.

15. Return of Car, Equipment and Documents

Upon termination of Employee's employment, Employee shall promptly return to the Company the car, cell phone and Blackberry (or other hand-held device) provided to Employee, and any other confidential or proprietary information of the Company that remains in Employee's possession; provided, however, that nothing in this Agreement or elsewhere shall prevent Employee 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 Board (such approval not to be unreasonably withheld or delayed).

16. No Other Post-Employment Restrictions

There shall be no contractual, or similar, restrictions on Employee's right to terminate his employment with the Company, or on his post-employment activities, other than as expressly set forth in this Agreement.

17. 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 Employee'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.

18. Tax Payments; Section 280G Limitation; Section 409A

18.1 Tax Payments. Employee 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 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 Employee due to any payment or benefit.

18.2 Section 280G Limitation

18.2.1 Notwithstanding anything in this Agreement to the contrary, in the event that any payment or benefit received or to be received by Employee (all such payments and benefits being hereinafter referred to as the "**Total Payments**") would not be deductible (in whole or part) by the Company or any affiliates making such payment or providing such benefit as a result of section 280G of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments required by any similar reduction or elimination provision contained in such other plan, arrangement or agreement), the portion of the Total Payments that does not constitute "nonqualified deferred compensation" under section 409A of the Code shall first be reduced (if necessary, to zero), and all other Total Payments shall thereafter be reduced (if necessary, to zero) with, in each case, cash payments being reduced before non-cash payments (and, within each category, payments to be paid last being reduced first); provided, however, that such reduction shall only be made if (i) the amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is greater than or equal to (ii) the amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of the excise tax imposed under section 4999 of the Code on such unreduced Total

Payments). Any determination required to be made under this Section 18.2.1 shall be made by the Company's independent auditors in accordance with their professional and fiduciary obligations.

18.2.2 It is possible that, after the determinations and selections made pursuant to Section 18.2.1, Employee will receive payments and/or benefits that are, in the aggregate, either more or less than the amount determined under Section 18.2.1 (hereafter referred to as an "**Excess Payment**" or "**Underpayment**", as applicable). If it is established, pursuant to a final determination by a court of competent jurisdiction or by an Internal Revenue Service proceeding that has been finally and conclusively resolved, that an Excess Payment has been made, then Employee shall promptly repay the Excess Payment to the Company, together with interest on the Excess Payment at the applicable federal rate (as defined in section 1274(d) of the Code) from the date of Employee's receipt of such Excess Payment until the date of such repayment. In the event that it is determined pursuant to a final determination by a court of competent jurisdiction or by the accounting firm which was the Company's independent auditor prior to any relevant transaction, upon request of either party, that an Underpayment has occurred, the Company shall promptly pay an amount equal to the Underpayment to Employee (but in any event within ten (10) days of such determination), together with interest on such amount at the applicable federal rate from the date such amount would have been paid to Employee had the provisions of Section 18.2.1 not been applied until the date of payment.

18.3 Section 409A. The parties intend that any amounts payable hereunder shall either comply with or be exempt from section 409A of the Code ("**Section 409A**") (including under U.S. Treasury Regulation sections 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exceptions under subparagraph (iii) and subparagraph (v)(D)) and other applicable provisions of U.S. Treasury Regulation sections 1.409A-1 through A-6). For purposes of Section 409A, each payment that may be made under this Agreement shall be deemed to be a separate payment. With respect to amounts under the Agreement that are "deferred compensation" subject to Section 409A (i) any provisions of this Agreement that provide for payment that is triggered by Employee's employment termination (or substantially similar phrase) shall be deemed to provide for payment that is triggered only by Employee's "separation from service" within the meaning of U.S. Treasury Regulation section §1.409A-1(h), and (ii) if Employee is a "specified employee" within the meaning of U.S. Treasury Regulation section §1.409A-1(i) on the date of his separation from service (with such status determined by the Company in accordance with rules established by the Company in writing in advance of the "specified employee identification date" that relates to the date of such separation from service or in the absence of such rules established by the Company, under the default rules for identifying specified employees under U.S. Treasury Regulation section 1.409A-1(i)), then any payment triggered by such separation from service shall not be

made until the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such separation from service and (B) the date of Employee's death, to the extent required under Section 409A; upon the expiration of the foregoing delay period, all payments delayed pursuant to this clause (ii) shall be paid to Employee in a lump sum and any remaining payments due under this Agreement shall be paid in accordance with the normal payment dates specified for them in this Agreement. For the avoidance of doubt, it is intended that any expense reimbursement made to Employee hereunder shall be exempt from Section 409A. Notwithstanding the foregoing, if any expense reimbursement made hereunder shall be determined to be "deferred compensation" within the meaning of Section 409A, then (i) the amount of expenses eligible for reimbursement during one taxable year shall not affect the amount of the expenses eligible for reimbursement during any other taxable year, (ii) the expense reimbursement shall be made on or before the last day of Employee's taxable year following the taxable year in which the expense was incurred and (iii) the right to expense reimbursement hereunder shall not be subject to liquidation or exchange for another benefit.

19. Representations

Each party represents and warrants (a) that such party is not subject to any contract, arrangement, agreement, policy or understanding, or to any statute, governmental rule or regulation, that in any way limits such party's ability to enter into and fully perform such party's obligations under this Agreement; (b) that such party is not otherwise unable to enter into and fully perform such party's obligations under this Agreement; and (c) 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. The Company represents and warrants that it is fully authorized to enter into this Agreement (including, without limitation, the agreements attached hereto as Annexes) and to perform its obligations under it.

20. Dispute Resolution

Subject to applicable Israeli law, any Claim arising out of or relating to this Agreement, any other agreement between the Company and Employee, or any termination thereof (a "**Covered Claim**") shall be resolved by binding confidential arbitration, to be held in Israel. The Arbitrator's ruling shall be final and he shall not be bound by the rules of procedure, but shall be bound by rules of the applicable substantive law and be required to give written grounds for his decision. This Agreement shall be deemed to be a valid Arbitration Agreement for the purpose of the Israeli Arbitration Law, 1968. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. To the extent not in conflict with the provisions of the Indemnification Agreement attached hereto as **Annex B**, Employee shall be entitled to prompt advancement of any and all costs and expenses (including without limitation attorney's and other professional fees and charges) incurred by him in connection with

any such Covered Claim, or in connection with seeking to enforce his rights under this Section 20, any such advancement to be made within 15 days after Employee gives written notice, supported by reasonable documentation, requesting such advancement. To the extent that it is determined through arbitration that the Company substantially prevailed in respect of a Covered Claim, Employee shall promptly reimburse the Company all such costs and expenses.

21. Notices

Any notice or other communication required or permitted to be delivered under this Agreement shall be (a) in writing; (b) delivered personally, 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: Chief Executive Officer;

With a copy (which shall not constitute notice) to:

Tulchinsky, Stern, Marciano, Cohen, Levitski & Co. Law Offices
4 Berkowitz Street
Tel Aviv 64238
Facsimile: +972 (3) 6075050
Attn: Menachem Tulchinsky, Esq.

If to Employee: to the last address on file with the Company; and

With a copy (which shall not constitute notice) to:

Raveh Haber & Co.
32A Habarzel Street, Tel Aviv, Israel
Tel: 03-7173010, Fax: 03 -7173011
A.T. No. 540248820

22. Miscellaneous

- 22.1 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, without limitation, the agreements attached hereto as Annexes) 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.
- 22.2 Amendment or Waiver. No provision in this Agreement may be amended unless such amendment is set forth in a writing that expressly refers to the provision of

this Agreement that is being amended and that is signed by Employee 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.

- 22.3 Inconsistencies. 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 Employee and the Company otherwise agree in a writing that expressly refers to the provision of this Agreement whose control they are waiving.
- 22.4 Headings. 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.
- 22.5 Survivorship. The provisions of this Agreement that are intended to survive the termination of this Agreement shall survive such termination in accordance with their applicable terms.
- 22.6 Governing Law; Severability. This Agreement will 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 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 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.
- 22.7 No Mitigation/No Offset. Employee shall be under no obligation to seek other employment or to otherwise mitigate the obligations of the Company under this Agreement, and there shall be no offset against amounts or benefits due to Employee under this Agreement or otherwise on account of any claim (other than any preexisting debts then due in accordance with their terms) the Company or its affiliates may have against him or any remuneration or other benefit earned or received by Employee after such termination.
- 22.8 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.

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- 22.9 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 Applicable Law.
- 22.10 Compensation Policy. This Agreement shall be subject to the Company's compensation policy applicable to executive officers ("the Compensation Policy") and nothing herein shall derogate in any way from the Company's rights thereunder.

[Signature page to follow]

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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: EVP HR

/s/ Shlomit Ronn-Agler

By: Shlomit Ronn-Agler

Title: Senior Director, Executive Compensation

EMPLOYEE

/s/ Dr. Michael Hayden

Name: Dr. Michael Hayden

Annex A

Form of Release Agreement

This Release Agreement (this “**Release Agreement**”) is dated as of [] and is entered into by **TEVA PHARMACEUTICAL INDUSTRIES LTD.** (the “**Company**”) and [] in connection with the termination of your 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 you by Applicable Law (as detailed in the settlement of account attached hereto), you, on behalf of yourself and your family, agents, representatives, heirs, executors, trustees, administrators, attorneys, successors and assigns (the “**Releasors**”), hereby irrevocably and unconditionally (i) represent and warrant that you have received in a timely manner full and complete payment of all amounts due to you under your employment agreement with the Company or under any applicable law and/or in connection with the termination of your 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 he, she or it may have, from the beginning of time up to and including the time of signing this Release Agreement, or that otherwise may exist or may arise in respect of your 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 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 you by any of the Releasees, as well as any claims arising under any United States federal, state or local laws or any applicable laws of Israel or Canada, 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, 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 any and all other United States federal, state or local regulations, ordinances or public policies, any common law or equity claims and any applicable laws of Israel or Canada, or claims under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and any of

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its affiliates and yourself, 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 your rights under, or with respect to, any post-termination obligations of the Company expressly undertaken by the Company under your employment agreement with the Company.

(b) The Releasers 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 Releasers have released the Releasees under this Release Agreement. Further, the Releasers 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 you hereby declare, confirm and undertake that, if the Releasers or anyone else in their name should deliver a claim as mentioned above you 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 Releasers prevail in such legal action, then the Releasees shall reimburse such sum to the you or the Releasers. Notwithstanding the foregoing, this Release Agreement is not intended to interfere with your right to file a charge with the Equal Employment Opportunity Commission in connection with any claim you believe you may have against the Company. The Releasers hereby agree to waive the right to any relief (monetary or otherwise) in any action, suit or proceeding you may bring in violation of this Release Agreement, including any proceeding before the Equal Employment Opportunity Commission or any other similar body or in any proceeding brought by the Equal Employment Opportunity Commission or any other similar body on your behalf.

(c) This Release Agreement shall constitute a dismissal and compromise notice for the purposes of Section 29 of the Israeli Severance Pay Law 5713-1963.

2. Legal Advice, Reliance. You represent and acknowledge that (a) you have been given adequate time (at least twenty-one (21) days) to consider this Release Agreement (which, by signing this Release Agreement prior to the expiration of such period, you have expressly agreed to waive) and have been advised to discuss all aspects of this Release Agreement with your private attorney, (b) you have carefully read and fully understand all the provisions of this Release Agreement, (c) you have voluntarily entered into this Release Agreement, without duress or coercion, and (d) you 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. You understand that if you request additional time to review the terms of this Release Agreement, a reasonable extension of time will be granted.

3. Miscellaneous.

(a) No Violation of Law. You 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 United States federal, state or local statute, ordinance or regulation, or any applicable laws of Canada or Israel, or of any duty owed by the Company to you.

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(b) Governing Law; Severability. This Release Agreement will 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 will not in any way be affected or impaired thereby.

(c) Revocation. You may revoke this Release Agreement within seven (7) days after the date on which you sign this Release Agreement. You understand that this Release Agreement is not binding or enforceable until such seven (7) day period has expired. Any such revocation must be made in a signed letter executed by you and received by the Company at its headquarters no later than 5:00 p.m., Tel Aviv time, on the seventh day after you have executed this Release Agreement. You understand that if you revoke this Release Agreement, you will not be entitled to any severance benefits (to the extent not already paid or provided) under your employment agreement with the Company.

(d) 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,

TEVA PHARMACEUTICAL INDUSTRIES LTD

By:
Title:

By:
Title:

ACCEPTED AND AGREED:

EMPLOYEE

Name:
Dated: _____

Indemnification and Release Agreement

This Indemnification and Release Agreement (this "Indemnification Agreement") is being entered into effective as of September 12, 2012, 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, as adopted by the Company's shareholders on September 12, 2012, (such Articles of Association, or other Articles of Association as shall be in effect at the relevant time, 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;

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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

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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.

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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.

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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

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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.

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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.

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Kindly sign and return the enclosed copy of this Indemnification Agreement to acknowledge your agreement to the contents hereof.

[Signature Page to Follow]

Sincerely yours,

Teva Pharmaceutical Industries Ltd.

Name:
Title:

Name:
Title:

Accepted and agreed

as of the first date written above:

Name:

[signature page of the Indemnification and Release Agreement]

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;

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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

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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;

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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

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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.

Annex C

**Confidentiality, Disclosure of Information and
Assignment of Inventions Agreement**

To: Teva Pharmaceutical Industries Ltd. (the “**Company**”)

Re: Proprietary Information, Non-Disclosure And Assignment Of Inventions Agreement

The undersigned, (hereinafter: the “**Employee**”) acknowledges that as of the commencement of employment by Teva and/or work at Teva (hereinafter: “**Term of Employment**”) the Employee will directly or indirectly, receive or be exposed to, Teva’s Confidential Information, as such terms are defined below. Therefore, the Employee acknowledges and declares that in consideration for the Employee’s employment by Teva and the salary paid to (and benefits granted to) Employee by the Company, the Employee undertakes, as follows:

1. Maintaining Confidentiality

- 1.1 The Employee undertakes that during the Term of Employment and at any time thereafter, Employee will keep in strict confidence and not publicize and/or disclose and/or provide to any person and/or entity and/or any third party whatsoever (including any employee and/or other person engaged by Teva, unless the Employee has received the prior written approval from an authorized representative of Teva), Confidential Information, as defined hereunder, which came and/or will come to the Employee’s possession or attention, in any form during the Employee’s Term of Employment with Teva and/or in connection therewith.
- 1.2 The Employee is aware that Teva is required to maintain confidentiality towards third parties in Israel and abroad, and, therefore, the Employee undertakes to faithfully comply with Teva’s obligations to maintain confidentiality towards such parties and to treat any confidential information of such parties in accordance with the provisions of this Letter of Undertaking, with respect to Teva’s Confidential Information.
- 1.3 The Employee undertakes not to exploit or make any use whatsoever, for Employee’s own benefit or for the benefit of any third party, and not to allow anyone else to make such use of the Confidential Information, in whole or in part, including duplication, production, sale, transfer, imitation, distribution, change, copying, transfer to a different media, including for the purpose of storing information, except for such use required for the purpose of performing Employee’s duties and responsibilities at Teva, use made for Teva and solely for the benefit of Teva.
- 1.4 For the purposes of this Letter of Undertaking –
“**Confidential Information**” means—knowledge and/or information of any kind whatsoever, which is not in the public domain and which cannot be legally easily discovered by others, and which the Employee became aware of as a result of Employee’s employment. Without derogating from the foregoing, and for the avoidance of any doubt, Confidential Information shall be deemed to include, inter alia, information which is in the public domain as a result of a breach of confidentiality towards Teva, any information related to inventions, research and development of

existing or future products, discoveries, improvements, developments, innovations, software, manufacturing processes, designs, drawings, sketches, diagrams, employees, customer and supplier lists and the terms of engagement with them, prices, business opportunities and business plans, sales data and information relating to market analysis, instruments and preparations, composition of products, technologies, research and/or trial results, including data contained in laboratory notebooks and/or in any other format, the content of commercial agreements, know-how and licensing agreements, specifications, experimental models, prototypes and production models, information regarding patent applications or other intellectual property rights of Teva, whether registered or non-registered, their content, submission and administration, commercialization, protection and enforcement thereof.

Without derogating from the foregoing, Confidential Information will be considered as such, regardless of whether it is protected by any right whatsoever, and regardless of whether or not it is patentable or entitled to be protected under any other proprietary right, whether such information was developed, created or discovered by the Employee or by any other employee of Teva, solely or together with others, or derived from information disclosed to the Employee or to Teva by any third party, whether in writing or orally, whether or not marked as classified or confidential, including information as aforesaid, which was created or conceived during the Term of Employment or in connection with the Employee's employment or work at Teva.

“**Teva**” means - any corporation, including a company, whether registered in Israel or abroad, whether it is situated in Israel or abroad, in which Teva Pharmaceutical Industries Ltd. or anyone on its behalf has the right to appoint 50% or more of the members of such corporation's board of directors or that Teva Pharmaceutical Industries Ltd., and/or anyone on its behalf, holds 49% or more of the share capital or of the voting rights of the corporation, regardless of the identity of the Teva entity that pays the Employee's salary.

2. **Intellectual Property and Patents**

- 2.1. The Employee undertakes to immediately bring to Teva's attention or the attention of whoever is designated by Teva, all Confidential Information or other information, created, developed or which came to Employee's attention and which relates to Teva's field of operations, including any improvement, invention, innovation, process, creation, discovery, formula, technique, conclusions, knowledge, findings, research results, examination or experiment, developments, designs, ideas, etc., whether or not patentable or eligible to be protected as another proprietary right, whether or not forming the subject-matter of an application for registration of the right, whether or not it constitutes a service invention in accordance with the law, which were made, conceived, produced or implemented, developed or formed, in whole or in part, by the Employee alone or jointly with others, in Israel or abroad, during the Term of Employment at Teva or in connection with the Employee's work at Teva (hereinafter, jointly and severally: “**Information Created by the Employee**”). For the avoidance of any doubt, it is hereby clarified that Information Created by the Employee will include, inter alia, information created, formed or developed after the commencement of the Term of Employment (even if conceived or developed prior to the execution of this Letter of Undertaking) and/or after termination thereof, provided that the information relates, directly or indirectly, to the Employee's work and/or employment with Teva

- 2.2. The Employee hereby represents and confirms that all the rights in and to the Information Created by the Employee, including, without derogating from the generality of the foregoing, in service inventions, as such term is defined in the Patents Law, 5727-1967 (the "**Patents Law**"), as may be amended from time to time, and in anything relating thereto, are, as of the time of their creation, the sole property of Teva, and that the Employee does not and will not have any rights, demands, or claims in connection with the proprietary rights and/or other rights of any kind whatsoever, including any monetary demand, other than the salary payable to the Employee by Teva and other benefits to which Employee is entitled, and the Employee will not be entitled to any moral rights (if any), royalties and/or any payment whatsoever, in consideration for and/or in connection with the Information Created by the Employee and/or its commercial use and/or other use or its transfer and/or any actions required for its registration, transfer and/or commercialization, beyond the salary paid to the Employee by Teva and the other benefits to which Employee is entitled. Without derogating from the foregoing, the Employee hereby assigns to Teva for no additional consideration whatsoever (including, compensation or royalties as stated in section 134 to the Patent Law, 5727-1967), except for the salary and other benefits to which Employee is entitled, any and all rights which the Employee shall have in the Information Created by the Employee, whether or not considered as service inventions under law. Without derogating from the aforementioned and for the avoidance of doubt it is hereby clarified that the Employee hereby fully, completely and irrevocably waives any right that Employee may have to receive any consideration (including payment of royalties and/or remuneration) for and/or in connection with the Information Created by the Employee, including any right, whether or not existing at the time of the execution of this Letter of Undertaking or created at any time in the future, to receive remuneration and/or royalties for any service invention, by virtue of section 134 of the Patents Law (or any provision that will replace the said section) or any other right or claim which may arise under section 132(b) of the Patents Law, and same shall not apply to the Employee or to the Information Created by the Employee.
- 2.3. The Employee hereby undertakes to fully and immediately cooperate with Teva and to immediately provide it with any information necessary in order to protect the Information Created by the Employee (including the inventions), including for registering the inventions, in whole or in part, in Teva's favor, assist in the preparation and registration of patents and/or any other proprietary right in Teva's favor in Israel and/or abroad, to assist Teva to protect and enforce its rights, and to sign any and all documents required for the purpose of registering the rights relating to the Information Created by the Employee in the name of Teva and/or in the name of any person designated by Teva, in Israel or abroad, and to treat the Information Created by the Employee in accordance with Teva's procedures and guidelines in this matter; all without demanding any additional remuneration in excess of the salary paid to the Employee for Employee's work at Teva and the other benefits to which the Employee is entitled, as stated in Section 2.2 above. This undertaking shall continue to apply also after the end of the Term of Employment, provided that if the Employee will be requested as mentioned above to provide assistance after the end of the Term of

Employment, Teva will bear Employee's reasonable expenses in this regard. In the event that Teva is unable to obtain the Employee signature on any required document or in the event the Employee is unable to perform any action required from Employee in order to register, protect or enforce any intellectual property right, whether by reason of absence, sickness or any other reason, then Teva and any of its Office Holders at such time, shall be entitled, and are hereby empowered to, act as Employee's agents and attorneys in fact in order to sign in the Employee name and on Employee's behalf. Such power of attorney is irrevocable.

3. Return of Documents and other Property

The Employee undertakes, shortly before the end of the Employee's Term of Employment, for any reason whatsoever, to deliver to Teva, without any requirement to receive such a demand, all the information relating to the Employee's work and/or Employee's employment with Teva, including the Confidential Information and any Information Created by the Employee, in the Employee's possession and/or control at that time, and not to keep in the Employee's possession and/or the possession of any third party, any documentation, including any copy, duplication or restoration thereof, in any form or media, including, documents, letters, specifications, plans, drawings, formulas, diagrams, sketches, designs, records, diskettes, CDs, recordings or any photographed, printed, scanned or duplicated object, as well as any other device capable of storing or documenting information. The Employee also undertakes to return to Teva, shortly before the end of the Employee's Term of Employment, for any reason whatsoever, any other equipment belonging to Teva, including a laptop, mobile phone and company vehicle, all in good and proper condition.

4. General

- 4.1. The Employee hereby undertakes and warrants that during the performance of Employee's work for Teva, Employee shall avoid making any use of any third party's intellectual property rights or confidential information, from breaching any third party's intellectual property rights and/or from breaching any confidentiality agreement and/or non-competition agreement by which Employee is bound in writing at Employee's former place of employment and/or towards any third party.
- 4.2. The Employee's undertakings in this Letter of Undertaking can be separated. Should it be established by a competent judicial authority that any stipulation or any part thereof, is invalid or unenforceable, the remaining stipulation and other stipulations will remain in force, and the stipulation found invalid or unenforceable, as aforesaid will be substituted with a legal and enforceable stipulation, which is as close as possible to the content, purpose and result, of the stipulation found invalid or unenforceable, as aforesaid.
- 4.3. By signing this Letter of Undertaking, the Employee warrants and confirms that Employee has carefully read this document, was given time to review, examine and check its contents and the implications of Employee's undertakings herein, and to obtain professional consultation to this end, and that the Employee fully understands its contents, Employee's undertakings and their importance to Teva, and the Employee undertakes to fully and strictly adhere to the Employee's obligations set out herein.
- 4.4. This Letter of Undertaking shall remain in full force and effect, even after the termination of the Employee's employment, for any reason whatsoever, and without any time limitation.
- 4.5. If the Employee will breach any of the undertakings under this Letter of Undertaking, Employee undertakes to compensate and indemnify Teva for all damages and/or expenses caused to Teva as a result of such breach, including legal expenses, attorney's fees, and damage to reputation, without derogating from any other or additional remedy and/or recourse, including compensation, to which Teva shall be entitled to under any applicable law.

IN WITNESS WHEREOF, Employee has signed this Proprietary Information, Non-Disclosure and Assignment of Inventions Agreement as of the 20 day of May 2015.

EMPLOYEE

/s/ Dr. Michael Hayden

Dr. Michael Hayden

ACCEPTED AND AGREED:

TEVA PHARMACEUTICAL INDUSTRIES LTD

/s/ Mark Sabag

Name: Mark Sabag

Title: EVP HR

/s/ Shlomit Ronn-Agler

Name: Shlomit Ronn-Agler

Title: Senior Director, Executive Compensation

May 8, 2012

Dr. Michael Hayden
4484 West 7th Avenue
Vancouver BC V6R1W9
Canada

Dear Michael:

This letter is to memorialize Teva Pharmaceutical Industries Ltd.'s (the "**Company**") (or its affiliates) commitment, subject to the terms hereof, to make certain gifts in support of your research to the Centre for Molecular Medicine and Therapeutics at the University of British Columbia and/or your laboratory in Singapore, in each case, in respect of particular projects being conducted by your labs, further to your recommendations.

More specifically and subject to the terms hereof, the Company (or its affiliates) shall make a gift of up to USD\$1,000,000 to fund the research activities associated with particular projects that are conducted by your labs and that are available for licensing by the Company (the "**Funded Projects**"). The gift shall be payable during the month of February during each of the first three years of your employment term with the Company (subject to your continuous employment by the Company through the applicable payment date); provided, that in respect of the first year of your employment, USD\$300,000 of such annual gift shall be made within 30 days of September 1, 2012, with the balance of such annual gift made in the February immediately following execution and delivery of the more formal agreement described below. Each such gift shall be made in a manner determined by you and the President and CEO of the Company to most effectively maximize the research tax credit available to the Company (or its affiliates) on its (their) profits in Canada and/or matching contributions to your labs.

In connection with the Company's commitment, your labs shall identify the Funded Projects for the Company, and provide annual and periodic (at least quarterly) reports to the Company on the Funded Projects.

This letter constitutes a commitment by the Company to your labs, and shall be binding on the Company, subject to the execution of a more formal agreement between the Company and your labs, which will include a "right of first offer" in favor of the Company with respect to the Funded Projects.

* * * * *

Very truly yours,

Teva Pharmaceutical Industries Ltd.

By: /s/ Jeremy Levin

Name: Jeremy Levin

Title:

By:

Name:

Title:

Accepted as of the first date written above:

By: /s/ Dr. Michael Hayden

Name: Dr. Michael Hayden



Private & Confidential



[DATE]

To: [FIRST NAME] [LAST NAME]
Teva Global ID: [●]

Subject: 2017 Annual Bonus Plan

Dear [FIRST NAME],

I am pleased to inform you that your eligibility for annual cash bonus for 2017 will be based on the following scheme:



Glossary:

A. Eligible Base Salary

Your Annual Base Salary (ABS)

B. Target Bonus

100% of the Eligible Base Salary

C. Performance Factor

Teva’s performance against pre-defined goals, comprised of 60% Teva’s overall KPIs, 20% BU KPIs and 20% Individual Performance Objectives

D. Bonus Payout

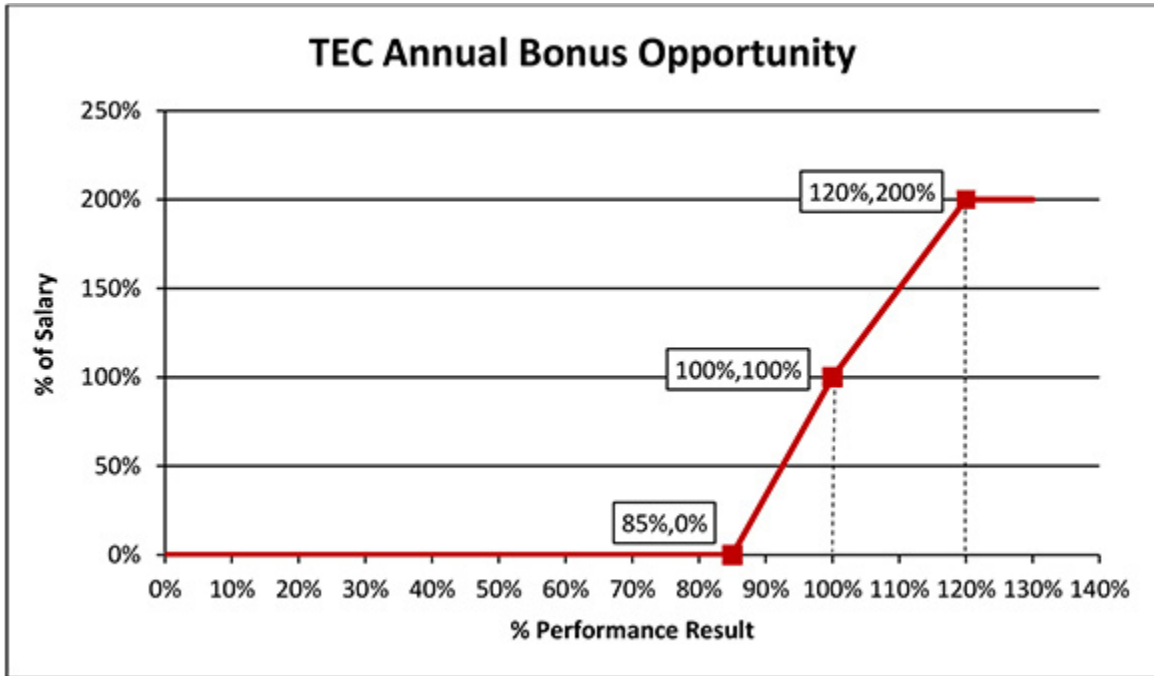
In the range of 0% to 200% of Eligible Base Salary, as demonstrated in the following table and graph:

Level of Achievement of Objectives ⁽¹⁾	% Achievement of Objectives	Potential Annual Cash Incentive as a % of Annual Base Salary
Threshold	85% and below	No annual cash bonus payment
Target	100%	100%
Maximum	120% and above	200%

- (1) Payouts for performance **between the threshold and target** are determined linearly based on a straight line interpolation of the applicable payout range (6.67% for each percentile change in performance). Payouts for performance **between the target and maximum** are determined linearly based on a straight line interpolation of the applicable payout range (5% for each percentile change in performance).



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Notes:

- All components shall be calculated on a prorated basis (for example the Eligible Base Salary in case of working less than a full year or salary change, and the Performance Factor in case of change in BU)
- The annual cash bonus is, and shall remain, subject to continued employment at the date of payout, to company's policies, including with respect to claw back, and to any applicable law
- The Eligible Base Salary shall not include any statutory allowances, benefits or perquisites
- Teva reserves the right to amend or discontinue the plan at any time

I would like to take this opportunity to thank you for your continued dedication and efforts towards Teva's success.

Sincerely,

Dr. Yitzhak Peterburg
Interim President and Chief Executive Officer

**Teva Pharmaceuticals USA, Inc.
Supplemental Deferred Compensation Plan**

ARTICLE 1 PURPOSE

In recognition of the services provided by certain key employees, Teva Pharmaceuticals USA, Inc. has adopted the Supplemental Deferred Compensation Plan (the "Plan") to make additional retirement benefits and increased financial security, on a tax-favored basis, available to those individuals beginning January 1, 2016. The Plan is intended to comply with final Treasury Regulations under Section 409A of the Internal Revenue Code. The Plan reads as follows:

ARTICLE 2 DEFINITIONS

Affiliate. "Affiliate" means any entity with which Teva Pharmaceuticals USA, Inc. would be considered a single employer under Sections 414(b) and 414(c) of the Code.

Affiliated Group. "Affiliated Group" means Teva Pharmaceuticals USA, Inc. and all entities with which Teva Pharmaceuticals USA, Inc. would be considered a single employer under Sections 414(b) and 414(c) of the Code, provided that in applying Section 1563 (a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Section 1563(a)(1), (2), and (3), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c), "at least 50 percent" is used instead of "at least 80 percent" each place it appears in that regulation. Such term shall be interpreted in a manner consistent with the definition of "service recipient" contained in Section 409A of the Code. For purposes of vesting, a Participant's service with an entity that is part of the Affiliated Group shall include service prior to the time that the entity became part of the Affiliated Group.

Associate. "Associate" means any individual employed by the Company on a regular, full-time basis that meet the eligibility criteria as determined by the Plan Administrator, including citizens of the United States employed outside of their home country and resident aliens employed in the United States; provided, however, that to qualify as an "Associate" for purposes of the Plan, the individual must be a member of a select group of "key management or other highly compensated employees" within the meaning of Sections 201, 301 and 401 of ERISA.

Beneficiary. "Beneficiary" means the person or persons designated as such in accordance with Section 11.4.

Board. "Board" means the Board of Directors of Teva Pharmaceuticals USA, Inc.

Cause. "Cause" shall mean, as determined in good faith by the Board:

(a) the commission by the Participant of an act of fraud or embezzlement against the Company or any of its subsidiaries or affiliates;

(b) any willful act or omission of the Participant that has the effect of injuring the reputation or business of the Company or any of its subsidiaries or affiliates in any material respect, provided that no act, or failure to act, on a Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interests of the Company or any of its subsidiaries or affiliates;

(c) the use of alcohol by a Participant or his illegal use of drugs (including narcotics) which is, or could reasonably be expected to become, materially injurious to the reputation or business of the Company or any of its subsidiaries or affiliates or which impairs, or could reasonably be expected to impair, the performance of the Participant's duties of employment;

(d) a Participant's conviction by a court of competent jurisdiction of, or pleading "guilty" or "no contest" to, (A) a felony, or (B) any other criminal charge (other than minor traffic violations) which has, or could reasonably be expected to have, a material adverse impact on the Company's reputation and standing in the community or that of any of its subsidiaries or affiliates; or

(e) the Participant's violation of a material restrictive covenant applicable to the Participant, without regard to whether such violation occurs after the Participant's termination of employment.

Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any rules or regulations promulgated thereunder.

Company. "Company" means Teva Pharmaceuticals USA, Inc. and each Affiliate listed on Exhibit A hereto or an Affiliate which, subsequently, is authorized by the Plan Administrator to adopt the Plan and cover its Eligible Associates and whose designation as such has become effective upon acceptance of such status by the Affiliate. An Affiliate may revoke its acceptance of such designation at any time, but until such acceptance has been revoked, all the provisions of the Plan and amendments thereto shall apply to the Eligible Associates of the Affiliate. In the event the designation is revoked by an Affiliate, provisions of the Plan shall continue to govern Accounts established with respect to the Eligible Associates of such Affiliate.

Compensation. "Compensation" means the earnings eligible for deferral under this Plan, as specified by the Plan Administrator and communicated to the Participants, including base salary and commissions and bonus(es). "Compensation" under the Plan shall include the amount of a Participant's deferrals under this Plan and under any other plan of deferred compensation maintained by the Company, but shall not take into account any Company contributions to benefit plans, fringe benefits, moving and relocation expenses and other forms of welfare benefits or long-term incentive payments.

Compensation Deferral. "Compensation Deferral" means that portion of Compensation as to which a Participant has made an annual irrevocable election to defer receipt until the date specified under the Flexible Distribution Option or the Retirement Distribution Option. The initial maximum deferral is 75% of base salary and commissions and 75% of bonus(es), but may be changed in the discretion of the Plan Administrator.

Deemed Investment Options. “Deemed Investment Options” means the deemed investment options described in Sections 5.2 and 5.3 selected by the Participant from time to time pursuant to which deemed earnings are credited to the Participant’s Distribution Accounts.

Distribution Account. “Distribution Account” or “Accounts” means, with respect to a Participant, the Retirement Distribution Account and each Flexible Distribution Account established on the books of account of Teva Pharmaceuticals USA, Inc., pursuant to Section 5.1.

Distribution Option. “Distribution Option” means each of the distribution options which are available under the Plan, consisting of the Retirement Distribution Option and the Flexible Distribution Option.

Effective Date. “Effective Date” means the effective date of the Plan, which is January 1, 2016.

Eligible Associate. “Eligible Associate” means any Associate who is designated by the Plan Administrator as eligible to participate in the Plan.

Enrollment Agreement. “Enrollment Agreement” means the authorization form which an Eligible Associate files with the Plan Administrator to participate in the Plan.

ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rules or regulations promulgated thereunder.

401(k) Plan. “401(k) Plan” means the Teva Pharmaceuticals Retirement Savings Plan, as amended and restated effective January 1, 2015, and as may be further amended from time to time, or a successor qualified retirement plan into which such plan is merged.

Flexible Distribution Account. “Flexible Distribution Account” means an Account maintained for a Participant to which Compensation Deferrals are credited pursuant to the Flexible Distribution Option.

Flexible Distribution Option. “Flexible Distribution Option” means the Distribution Option pursuant to which benefits are payable in accordance with Section 7.2.

Participant. “Participant” means an Eligible Associate who has filed a completed and executed Enrollment Agreement with the Plan Administrator and is participating in the Plan in accordance with the provisions of Article 4. An individual shall remain a Participant until that individual has received full distribution of any amount credited to the Participant’s Account.

Plan. “Plan” means this plan, called the Teva Pharmaceuticals USA, Inc. Supplemental Deferred Compensation Plan, as amended from time to time.

Plan Administrator. “Plan Administrator” means the committee appointed by the Board to act as administrator of the Plan, which initially is the Teva Pharmaceuticals USA, Inc. Investment Committee.

Plan Distribution Date. “Plan Distribution Date” means a date listed below on which a scheduled distribution may be made under the Plan, with valuation of the distribution to be determined, notwithstanding any provision of the Plan to the contrary, on the applicable “Valuation Date” shown, as follows:

<u>Plan Distribution Date</u>	<u>Valuation Date</u>
January 31	December 31
July 31	June 30

Plan Year. “Plan Year” means the 12-month period beginning on each January 1 and ending on the following December 31.

Retirement. “Retirement” means the Participant’s Separation from Service (for reasons other than death): (i) upon or after attaining age 55 where the Participant’s full years of service with the Affiliated Group is at least 15, or (ii) upon or after attaining age 65 where the Participant’s full years of service with the Affiliated Group is at least five but less than 15.

Retirement Distribution Account. “Retirement Distribution Account” means the Account maintained for a Participant to which Compensation Deferrals and any Supplemental Contributions are credited pursuant to the Retirement Distribution Option.

Retirement Distribution Option. “Retirement Distribution Option” means the Distribution Option pursuant to which benefits are payable in accordance with Section 7.1.

Section 409A. “Section 409A” means Section 409A of the Code and any applicable authority promulgated thereunder.

Separation from Service. “Separation from Service” means a termination of employment with the Affiliated Group in a manner such as to constitute a separation from service as defined under Section 409A of the Code. For this purpose, the employment relationship is treated as continuing intact while a Participant is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the individual retains a right to reemployment with the Company or an Affiliate under an applicable statute or by contract. For purposes of this definition, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for the Company or an Affiliate. If the period of leave exceeds six months and the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period.

Supplemental Contributions. “Supplemental Contributions” are those amounts credited to the Participant’s Retirement Distribution Account by the Company as described in Section 4.3.

Teva Pharmaceuticals USA, Inc. “Teva Pharmaceuticals USA, Inc.” means Teva Pharmaceuticals USA, Inc., a corporation duly organized under the laws of the State of Delaware and having its principal place of business in North Wales, Pennsylvania.

ARTICLE 3 ADMINISTRATION OF THE PLAN AND DISCRETION

3.1 The Plan Administrator shall have full discretionary power and authority to interpret the Plan, to prescribe, amend and rescind any rules, forms and procedures as it deems necessary or appropriate for the proper administration of the Plan and to make any other determinations and to take any other such actions as it deems necessary or advisable in carrying out its duties under the Plan. All action taken by the Plan Administrator arising out of, or in connection with, the administration of the Plan or any rules adopted thereunder, shall, in each case, lie within its sole discretion, and shall be final, conclusive and binding upon the Company, the Board, all Associates, all Beneficiaries of Associates and all persons and entities having an interest therein, and the Enrollment Agreement of each Participant shall constitute that Participant’s acknowledgement and acceptance of the Plan Administrator’s authority and discretion.

3.2 The Plan Administrator shall serve without compensation for its services unless otherwise determined by the Board. All expenses of administering the Plan shall be paid by the Company.

3.3 The Company shall indemnify and hold harmless the Plan Administrator from any and all claims, losses, damages, expenses (including counsel fees) and liability (including any amounts paid in settlement of any claim or any other matter with the consent of the Board) arising from any act or omission of such member, except when the same is due to gross negligence or willful misconduct.

3.4 Any decisions, actions or interpretations to be made under the Plan by the Company or Plan Administrator shall be made in its respective sole discretion, not as a fiduciary and need not be uniformly applied to similarly situated individuals and shall be final, binding and conclusive on all persons interested in the Plan.

ARTICLE 4 PARTICIPATION

4.1 Election to Participate. Eligible Associates may be permitted to make a Compensation Deferral in accordance with the terms and conditions set forth by the Plan Administrator from time to time as provided under the terms of the Plan. Pursuant to an Enrollment Agreement, the Eligible Associate shall irrevocably elect, except as provided below, (a) the percentages, in whole percentages, by which (as a result of payroll reduction) an amount equal to any whole percentage of the Participant’s Compensation, in each case after required nondeferrable payroll tax deductions, will be deferred, and, if permitted by the Plan Administrator, separate elections may be made among various elements of Compensation, and (b) the Distribution Options to which such amounts will

be credited as further described in Article 6, and shall provide such other information as the Plan Administrator shall require. The Plan Administrator may establish minimum or maximum amounts of Compensation Deferrals that may be elected under this Section and may change such standards on a prospective basis from time to time in accordance with Section 409A.

4.2 Timing of Compensation Deferral Elections. Eligible Associates may enroll in the Plan for a Plan Year by filing an irrevocable and fully executed Enrollment Agreement in accordance with Section 4.1 no later than December 31 of the calendar year preceding the calendar year in which services giving rise to the applicable Compensation are rendered. Notwithstanding the foregoing, the Plan Administrator may in its discretion permit Eligible Associates to enroll in the Plan at a later date as provided below:

(a) Initial Eligibility. Pursuant to Code Section 409A(a)(4)(B)(ii), Associates who first become Eligible Associates after the beginning of a Plan Year may enroll in the Plan for that Plan Year by filing an irrevocable and fully executed Enrollment Agreement with the Plan Administrator no later than thirty (30) days following the date the Associate becomes an Eligible Associate; provided, however, that any election by an Eligible Associate pursuant to this Section to defer Compensation shall apply only to such amounts as are earned by the Eligible Associate after the date on which such Enrollment Agreement is filed. Where a deferral election is made relating to annual bonus compensation in the first year of eligibility but after the commencement of a performance period relating to annual bonus compensation, that deferral election shall only apply to that portion of annual bonus compensation earned for such performance period equal to the total amount of the annual bonus compensation earned during such performance period multiplied by a fraction, the numerator of which is the number of days beginning on the day immediately after the date that the deferral election becomes irrevocable in accordance with the provisions hereof and ending on the last day of the performance period, and the denominator of which is the total number of days in the performance period.

(b) Performance-Based Compensation. Pursuant to Code Section 409A(a)(4)(B)(iii), Eligible Associates may file an irrevocable and fully executed Enrollment Agreement with respect to Compensation that is conditioned upon the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months, so long as such Enrollment Agreement is filed no later than six (6) months prior to the end of the applicable performance period.

(c) Other Permissible Elections. Eligible Associates may file an irrevocable and fully executed Enrollment Agreement with respect to Compensation at such other times as are permitted under Section 409A, including but not limited to the deferral timing rules that apply to certain forfeitable rights as described in Treasury Regulation Section 1.409A-2(a)(5) and to commissions as described in Treasury Regulation Section 1.409A-2(a)(12).

4.3 Supplemental Contributions. For each Plan Year, the Plan Administrator, in its sole and absolute discretion, may credit a Participant's Retirement Distribution Account with additional Supplemental Contributions described in this Section 4.3. Discretionary Supplemental Contributions need not be credited to the Retirement Distribution Accounts of all Participants and the Plan Administrator, in exercising its discretion to credit a Participant's Retirement Distribution Account with any Supplemental Contributions, may take into account such additional factors as it deems appropriate in its sole discretion, including its determination as to whether such contributions may result in a duplication of benefits for an individual Participant. Any Supplemental Contributions, if any, shall be credited at least annually, as soon as administratively feasible following the close of each Plan Year based on the following criteria.

(a) Restorative Match and Defined Contribution Credits. If: (1) the dollar amount of the matching contributions under the 401(k) Plan for the Plan Year was limited due to the application of the provisions of Section 401(m) of the Code; (2) the percentage of the Participant's Compensation that could be deferred under the 401(k) Plan was limited to an amount less than 6% (or such other percentage that may become effective after the Effective Date) because of other Code limitations; or (3) to the extent that a Participant's compensation for purposes of the 401(k) Plan is reduced by reason of Compensation Deferrals made under this Plan, the Plan Administrator may credit each Participant's Retirement Distribution Account with an amount equal to the amount of matching contributions and defined contribution credits that would have been made to the 401(k) Plan but for such limitations, but with respect to matching contributions, only if and to the extent the Participant has deferred additional amounts of Compensation to the Plan at least equal to the amount that would have been required to have been deferred under the 401(k) Plan in order to support such additional matching contributions in the absence of such limitations.

(b) Excess Match. The Plan Administrator may credit each Participant's Retirement Distribution Account with an amount equal to 100% (or such other percentage that may become effective after the Effective Date) of the Participant's Compensation Deferrals in such Plan Year with respect to the first 6% (or such other percentage that may become effective after the Effective Date) of Compensation that would be included as deferrable compensation in the 401(k) Plan if there were no limitations on annual compensation under Section 401(a)(17) of the Code.

(c) Discretionary Contributions. The Plan Administrator may credit an Eligible Associate's Retirement Distribution Account with an amount designated from time to time by the Plan Administrator or, with respect to the Chief Executive Officer of Teva Pharmaceuticals USA, Inc., the Board.

Supplemental Contributions will become vested upon the Participant completing three (3) years of continuous service with the Affiliated Group, as determined by the Plan Administrator. A Participant who has a Separation from Service prior to full vesting shall irrevocably forfeit any Supplemental Contributions that have not vested, unless the Plan Administrator determines otherwise. Notwithstanding any provision of the Plan to

the contrary, in the event of a Participant's action or inaction which qualifies as a Cause event, the Participant shall forfeit all Supplemental Contributions (whether or not otherwise vested) and shall be required to repay to the Company any Supplemental Contributions previously distributed to the Participant. The Company shall retain all forfeitures.

ARTICLE 5 DISTRIBUTION ACCOUNTS

5.1 Distribution Accounts. The Plan Administrator shall establish and maintain separate Distribution Accounts with respect to a Participant. In particular, the following shall be established and maintained for each Participant: (i) a Retirement Distribution Account, and/or (ii) up to five Flexible Distribution Accounts. The amount of Compensation Deferrals pursuant to Section 4.1 or Section 4.2 shall be credited by the Plan Administrator to the Participant's Distribution Option Accounts no later than the first day of the month following the month in which such Compensation would otherwise have been paid, in accordance with the Distribution Option irrevocably elected by the Participant in the applicable Enrollment Agreement. Any amount once taken into account as Compensation for purposes of this Plan shall not again be taken into account thereafter. The Participant's Distribution Accounts shall be reduced by the amount of payments made by Teva Pharmaceuticals USA, Inc. to the Participant or the Participant's Beneficiary pursuant to this Plan.

5.2 Returns on Distribution Option Accounts. A Participant's Distribution Accounts shall be credited with returns in accordance with the Deemed Investment Options elected by the Participant from time to time. Participants may allocate their Retirement Distribution Account and/or each of their Flexible Distribution Accounts among the Deemed Investment Options available under the Plan only in whole percentages. The rate of return, positive or negative, credited under each Deemed Investment Option is based upon the actual investment performance of the investment fund(s) the Plan Administrator may designate from time to time, and shall equal the total return of such investment fund net of asset based charges, including, without limitation, money management fees, fund expenses and mortality and expense risk insurance contract charges. The Plan Administrator reserves the right, on a prospective basis, to add or delete Deemed Investment Options.

5.3 Deemed Investment Options. Except as otherwise provided pursuant to Section 5.2, the Deemed Investment Options available under the Plan shall correspond to certain investment portfolios designated by the Plan Administrator from time to time. Notwithstanding that the rates of return credited to Participants' Distribution Option Accounts under the Deemed Investment Options are based upon the actual performance of the corresponding portfolios, the Company shall not be obligated to invest any Compensation Deferral by Participants under this Plan, or any other amounts, in such portfolios or in any other investment funds.

5.4 Changes in Deemed Investment Options. A Participant may change the Deemed Investment Options to which the Participant's Distribution Accounts are deemed to be allocated with whatever frequency is determined by the Plan Administrator, which shall not be less than four times per Plan Year. Each such change may include (a) reallocation of the Participant's existing Accounts in whole percentages, and/or (b) change in investment allocation of amounts to be credited to the Participant's Accounts in the future, as the Participant may elect.

5.5 Valuation of Accounts. The value of a Participant's Distribution Accounts as of any date shall equal the amounts theretofore credited to such Accounts, including any earnings (positive or negative) deemed to be earned on such Accounts in accordance with Section 5.2 through the day preceding such date, less the amounts theretofore deducted from such Accounts.

5.6 Statement of Accounts. The Plan Administrator shall provide to each Participant, not less frequently than quarterly, a statement in such form as the Plan Administrator deems desirable setting forth the balance standing to the credit of each Participant in each of his Distribution Accounts.

5.7 Distributions from Accounts. Any distribution made to or on behalf of a Participant from one or more of his Distribution Accounts in an amount which is less than the entire balance of any such Account shall be made pro rata from each of the Deemed Investment Options to which such Account is then allocated.

ARTICLE 6 DISTRIBUTION OPTIONS

6.1 Election of Distribution Option. The first Enrollment Agreement filed by an Eligible Associate must set forth the Participant's election as to the time and manner of distribution from the Retirement Distribution Account. An Eligible Associate shall elect the time and manner of payment pursuant to which any Flexible Distribution Account established pursuant to that election will be distributed. Annually, the Eligible Associate shall allocate his or her deferrals between the Distribution Options in whole percentages, provided, however, that 100 percent of such deferrals may be allocated to one or the other of the Distribution Options.

6.2 Retirement Distribution Option. Distribution of the Participant's Retirement Distribution Account shall commence following the Participant's Retirement or other Separation from Service in accordance with the provisions of Section 7.1.

6.3 Flexible Distribution Option. Subject to Section 7.2, each Flexible Distribution Account shall be distributed commencing on the first Plan Distribution Date of the Plan Year elected by the Participant in the Enrollment Agreement pursuant to which such Flexible Distribution Option Account was established.

ARTICLE 7 BENEFITS TO PARTICIPANTS

7.1 Benefits Under the Retirement Distribution Option. Benefits under the Retirement Distribution Option shall be paid to a Participant as follows:

(a) Benefits Upon Retirement. In the case of a Participant whose Separation from Service occurs on account of Retirement, the Participant's Retirement Distribution Account shall be distributed in one of the following methods, as elected by the Participant in the applicable Enrollment Agreement: (i) in a lump sum; (ii) in annual installments over a period of years not exceeding 20 years; or (iii) in another form that is mathematically derivable and

acceptable to the Plan Administrator. Subject to Section 10.1, distribution shall be made or begin on the first Plan Distribution Date that is at least 13 months following his Retirement. Any lump-sum benefit payable in accordance with this paragraph shall be in an amount equal to the value of such Retirement Distribution Account as of the Valuation Date applicable to the Plan Distribution Date. In the case of a benefit payable in installments, the initial annual installment payment shall be equal to (i) the value of such Retirement Distribution Account as of the Valuation Date applicable to the Plan Distribution Date on which payments begin, divided by (ii) the number of annual installment payments elected by the Participant in the Enrollment Agreement pursuant to which such Retirement Distribution Account was established. The remaining annual installments shall be paid on the first Plan Distribution Date of each succeeding Plan Year in an amount equal to (i) the value of such Retirement Distribution Account as of the applicable Valuation Date divided by (ii) the number of installments remaining. If another distribution formula is applicable, the initial and each subsequent distribution shall be calculated with reference to the applicable Valuation Date.

(b) Benefits Upon Separation from Service Prior to Retirement. In the case of a Participant whose Separation from Service occurs prior to the earliest date on which the Participant is eligible for Retirement, other than on account of death, the Participant's Retirement Distribution Account shall be distributed in a lump sum on the first Plan Distribution Date which occurs at least six months after his Separation from Service. The lump-sum benefit payable in accordance with this paragraph shall be in an amount equal to the value of such Retirement Distribution Account as of the Valuation Date applicable to the Plan Distribution Date.

7.2 Benefits Under Flexible Distribution Option. Benefits under the Flexible Distribution Option shall be paid to a Participant as elected by the Participant in the Enrollment Agreement pursuant to which a particular Flexible Distribution Account was established in one lump sum or in annual installments over a period of years not exceeding 20 years. Any lump-sum payable in accordance with this Section shall be in an amount equal to the value of such Flexible Distribution Account as of the last business day of the Plan Year preceding the date of payment which shall be the first Plan Distribution Date in the year payment is to be made. The initial annual installment payment shall be equal to (i) the value of such Flexible Distribution Account as of the last business day of the Plan Year preceding the date of payment, divided by (ii) the number of annual installment payments elected by the Participant in the Enrollment Agreement pursuant to which such Flexible Distribution Account was established. The remaining annual installments shall be paid on the first Plan Distribution Date of each succeeding year in an amount equal to (i) the value of such Flexible Distribution Account as of the last business day of the immediately preceding Plan Year divided by (ii) the number of installments remaining.

7.3 Subsequent Payment Elections. A Participant may elect on a form provided by the Plan Administrator to change the distribution election with respect to one or more of his Distribution Accounts (a "Subsequent Payment Election"). The Subsequent Payment Election shall become irrevocable upon receipt by the Plan Administrator, may not be made following the date that is ten years after Separation from Service, and shall be made in accordance with the following rules:

(a) In General. The Subsequent Payment Election may not take effect until at least 12 months after the date on which it is received by the Plan Administrator. The Subsequent Payment Election most recently received by the Plan Administrator and that satisfies the requirements of this Section shall govern the payout of the Distribution Account notwithstanding anything contained in Section 7.1 or 7.2 to the contrary.

(b) Retirement Distribution Account. A Participant may make an election to delay the payment date or change the form of payment of his Retirement Distribution Account to a form otherwise permitted under the Plan as otherwise set forth herein. Except in the event of the death or Unforeseeable Emergency of the Participant, the payment of such Distribution Account will be delayed for a period of at least five years after the date that the Distribution Account would otherwise have been paid under the Plan if such Subsequent Payment Election had not been made (or, in the case of installment payments, which are treated as a single payment for purposes of this Section, until at least the fifth anniversary of the date that the first installment payment was scheduled to be made).

(c) Flexible Distribution Account. A Participant may make one or more elections to delay the payment date or change the form of payment of one or more Flexible Distribution Account(s) to a time or form permitted under the Plan as otherwise set forth herein. Such Subsequent Payment Election must be filed with the Plan Administrator at least 12 months prior to the date that the Distribution Account would otherwise have been paid under the Plan (or, in the case of installment payments, at least 12 months from the date that the first installment payment was scheduled to be made). On such Subsequent Payment Election, the Participant must delay the payment date for a period of at least five years after the first day of the calendar year that the Flexible Distribution Account would otherwise have been paid under the Plan (or, in the case of installment payments, at least five years from the first day of the calendar year that the first installment payment was scheduled to be made). If the Participant is making a Subsequent Payment Election relating to an amount otherwise payable as a lump sum, he may make such Subsequent Payment Election with respect to a portion only of such lump sum.

7.4 Small Balance Payments. Notwithstanding the foregoing, if the total balance credited to all of the Participant's Distribution Accounts (including all other arrangements with respect to which deferrals of compensation are treated with the Plan as having been deferred under a single nonqualified deferred compensation plan under Treasury Regulation Section 1.409A-1(c)(2)) as of the date of the Participant's Separation from Service is less than \$50,000 (as adjusted for annual changes in the U.S. Consumer Price Index (CPI-U) for Plan Years after 2016), the Distribution Accounts will be distributed in a single lump payment on the first Plan Distribution Date which occurs at least six months from the Participant's Separation from Service.

ARTICLE 8 SURVIVOR BENEFITS

8.1 Death of Participant Prior to the Commencement of Benefits. In the event of a Participant's death prior to the commencement of benefits in accordance with Article 7, benefits shall be paid to the Participant's Beneficiary, as determined under Section 11.4, pursuant to Section 8.2, 8.3, or 8.4, whichever is applicable, in lieu of any benefits otherwise payable under the Plan to or on behalf of such Participant.

8.2 Survivor Benefits Under the Retirement Distribution Option. In the case of a Participant with respect to whom the Plan Administrator has established a Retirement

Distribution Account, and who dies prior to the commencement of benefits under such Retirement Distribution Account pursuant to Article 7, distribution of such Retirement Distribution Account shall be made in a lump sum on the first Plan Distribution Date following the Participant's death.

8.3 Survivor Benefits Under Flexible Distribution Option. In the case of a Participant with respect to whom the Plan Administrator has established one or more Flexible Distribution Accounts, and who dies prior to the date on which such Flexible Distribution Accounts are to be paid pursuant to Article 7, distribution of such Flexible Distribution Accounts shall be made in a lump sum on the first Plan Distribution Date following the Participant's death.

8.4 Death of Participant After Benefits Have Commenced. In the event a Participant dies after annual installment benefits payable under Section 7.1, 7.2, or 7.3 have commenced, but before the entire balance of the applicable Distribution Account has been paid, any remaining installments shall continue to be paid to the Participant's Beneficiary, as determined under Section 11.4, at such times and in such amounts as they would have been paid to the Participant had the Participant survived. Notwithstanding anything contained in this section 8.4 to the contrary, if the Participant's Beneficiary is an entity other than a natural person, any remaining balance in the applicable Distribution Account(s) shall be paid in a lump sum on the first Plan Distribution Date following the Participant's death.

ARTICLE 9 EMERGENCY BENEFIT

In the event that the Plan Administrator, upon written request of a Participant, determines, in its sole discretion, that the Participant has suffered an unforeseeable financial emergency, Teva Pharmaceuticals USA, Inc. shall pay to the Participant from the Participant's Distribution Account(s), as soon as practicable following such determination, an amount necessary to meet the emergency, after deduction of any and all taxes as may be required pursuant to Section 11.10 (the "Emergency Benefit"). For purposes of this Plan, an unforeseeable financial emergency is a severe financial hardship of the Participant resulting from an illness or accident of the Participant, his spouse, or his dependent (as defined in Section 152 of the Code without regard to Section 152(b)(1), (b)(2), or (d)(1) (B)), loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. Emergency Benefits shall be paid first from the Participant's Flexible Distribution Accounts, if any, to the extent the balance of one or more of such Flexible Distribution Accounts is sufficient to meet the emergency, in the order in which such Accounts would otherwise be distributed to the Participant. If the distribution exhausts the Flexible Distribution Accounts, distribution shall next be made from the Participant's vested Retirement Distribution Account. With respect to that portion of any Distribution Option Account which is distributed to a Participant as an Emergency Benefit, in accordance with this Article, no further benefit shall be payable to the Participant under this Plan. Notwithstanding anything in this Plan to the contrary, a Participant who receives an Emergency Benefit in any Plan Year shall not be entitled to make any further deferrals for the remainder of such Plan Year. It is intended that the

Plan Administrator's determination as to whether a Participant has suffered an "unforeseeable financial emergency" shall be made consistent with the requirements under section 409A of the Code.

ARTICLE 10 SPECIAL PAYMENT RULES

10.1 Mandatory Six Month Delay. Except as otherwise provided in Sections 10.2(a), (b), and (c), in no event may payments from a Retirement Distribution Account commence prior to the first business day of the seventh month following the Participant's Separation from Service (or if earlier, the Participant's death.)

10.2 Discretionary Acceleration of Payments. To the extent permitted by Section 409A of the Code, the Plan Administrator may, in its sole discretion, accelerate the time or schedule of a payment under the Plan as provided in this Section. The provisions of this Section are intended to comply with the exception to accelerated payments under Treasury Regulation Section 1.409A-3(j) and shall be interpreted and administered accordingly.

(a) Domestic Relations Orders. The Plan Administrator may, in its sole discretion, accelerate the time or schedule of a payment under the Plan to an individual other than the Participant as may be necessary to fulfill a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).

(b) Conflicts of Interest. The Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent necessary for any Federal officer or employee in the executive branch to comply with an ethics agreement with the Federal government. Additionally, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent reasonably necessary to avoid the violation of an applicable Federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the Participant to participate in activities in the normal course of his or her position in which the Participant would otherwise not be able to participate under an applicable rule).

(c) Employment Taxes. The Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a), and 3121(v)(2) of the Code, or the Railroad Retirement Act (RRTA) tax imposed under Sections 3201, 3211, 3231(e)(1), and 3231(e)(8) of the Code, where applicable, on compensation deferred under the Plan (the FICA or RRTA amount). Additionally, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment, to pay the income tax at source on wages imposed under Section 3401 of the Code or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA or RRTA amount, and to pay the additional income tax at source on wages attributable to the pyramiding Section 3401 of the Code wages and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the FICA or RRTA amount, and the income tax withholding related to such FICA or RRTA amount.

(d) Limited Cash-Outs. Subject to Section 10.1, the Plan Administrator may, in its sole discretion, require a mandatory lump sum payment of amounts deferred under the Plan that do not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code, provided that the payment results in the termination and liquidation of the entirety of the Participant's interest under the Plan, including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Section 409A of the Code.

(e) Payment Upon Income Inclusion Under Section 409A. Subject to Section 10.1, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan at any time the Plan fails to meet the requirements of Section 409A of the Code. The payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A of the Code.

(f) Payment of state, local, or foreign taxes. Subject to Section 10.1, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to reflect payment of state, local, or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the participant (the state, local, or foreign tax amount). Such payment may not exceed the amount of such taxes due as a result of participation in the Plan. The payment may be made in the form of withholding pursuant to provisions of applicable state, local, or foreign law or by payment directly to the Participant. Additionally, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay the income tax at source on wages imposed under Section 3401 of the Code as a result of such payment and to pay the additional income tax at source on wages imposed under Section 3401 of the Code attributable to such additional wages and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the state, local, and foreign tax amount, and the income tax withholding related to such state, local, and foreign tax amount.

(g) Certain Offsets. Subject to Section 10.1, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as satisfaction of a debt of the Participant to the Company or any Affiliate, where such debt is incurred in the ordinary course of the service relationship between the Company or any Affiliate and the Participant, the entire amount of reduction in any of the taxable years of the Company or any Affiliate does not exceed \$5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(h) Bona fide disputes as to a right to a payment. Subject to Section 10.1, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan where such payments occur as part of a settlement between the Participant and the Company or any Affiliate of an arm's length, bona fide dispute as to the Participant's right to the deferred amount.

(i) Plan Terminations and Liquidations. Subject to Section 10.1, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as provided in Section 10.4.

Except as otherwise specifically provided in this Plan, this Section 10.2 and Section 10.4, the Plan Administrator may not accelerate the time or schedule of any payment or amount scheduled to be paid under the Plan within the meaning of Section 409A of the Code.

10.3 Delay of Payments. To the extent permitted under Section 409A of the Code, the Plan Administrator may, in its sole discretion, delay payment under any of the following circumstances, provided that the Plan Administrator treats all payments to similarly situated Participants on a reasonably consistent basis:

(a) Payments subject to Section 162(m). A payment may be delayed to the extent that the Plan Administrator reasonably anticipates that if the payment were made as scheduled, the Company's deduction with respect to such payment would not be permitted due to the application of Section 162(m) of the Code. If a payment is delayed pursuant to this Section 10.3(a), then the payment must be made either (i) during the Company's first taxable year in which the Plan Administrator reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction of such payment will not be barred by application of Section 162(m) of the Code, or (ii) during the period beginning with the first business day of the seventh month following the Participant's Separation from Service (the "six month anniversary") and ending on the later of (x) the last day of the taxable year of the Company in which the six month anniversary occurs or (y) the 15th day of the third month following the six month anniversary. Where any scheduled payment to a specific Participant in a Company's taxable year is delayed in accordance with this paragraph, all scheduled payments to that Participant that could be delayed in accordance with this paragraph must also be delayed. The Plan Administrator may not provide the Participant an election with respect to the timing of the payment under this Section 10.3. For purposes of this Section 7.8(a), the term Company includes any Affiliate.

(b) Federal Securities Laws or Other Applicable Law. A Payment may be delayed where the Plan Administrator reasonably anticipates that the making of the payment will violate federal securities laws or other applicable law; provided that the delayed payment is made at the earliest date at which the Plan Administrator reasonably anticipates that the making of the payment will not cause such violation. For purposes of the preceding sentence, the making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law.

(c) Other Events and Conditions. A payment may be delayed upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

10.4 Payments Upon Termination of Plan. In the event that the Plan is terminated, the amounts allocated to a Participant's Distribution Account(s) shall be paid to the Participant or his Beneficiary on the dates on which the Participant or his Beneficiary would otherwise receive payments hereunder without regard to the termination of the Plan. Notwithstanding the preceding sentence, and subject to Section 10.1:

(a) Liquidation; Bankruptcy. The Board of Directors of Teva Pharmaceuticals USA, Inc. shall have the authority, in its sole discretion, to terminate the Plan and pay each Participant's entire Distribution Account(s) (including unvested amounts) to the Participant or, if applicable, his Beneficiary, within 12 months of a corporate dissolution taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(a), provided that the amounts are included in the Participant's gross income in the latest of the following years (or, if earlier, the taxable year in which the amount is actually or constructively received): (i) the calendar year in which the Plan termination and liquidation occurs; (ii) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture as defined under Section 409A of the Code; or (iii) the first calendar year in which the payment is administratively practicable.

(b) Discretionary Terminations. The Board of Directors of Teva Pharmaceuticals USA, Inc. shall have the authority, in its sole discretion, to terminate the Plan and pay each Participant's entire Distribution Account(s) (including unvested amounts) to the Participant or, if applicable, his Beneficiary, provided that: (i) the termination and liquidation does not occur proximate to a downturn in the financial health of the Company or any Affiliate; (ii) the Company and each Affiliate terminates and liquidates all agreements, methods, programs, and other arrangements sponsored by the Company and each Affiliate that would be aggregated with any terminated and liquidated agreements, methods, programs, and other arrangements under Section 409A of the Code if the same Participant had deferrals of compensation under all of the agreements, methods, programs, and other arrangements that are terminated and liquidated; (iii) no payments in liquidation of the Plan are made within 12 months of the date the Board takes all necessary action to irrevocably terminate and liquidate the Plan other than payments that would be payable under the terms of the Plan if the action to terminate and liquidate the Plan had not occurred; (iv) all payments are made within 24 months of the date the Board takes all necessary action to irrevocably terminate and liquidate the Plan; and (v) neither the Company nor any Affiliate adopts a new plan that would be aggregated with any terminated and liquidated plan under Section 409A of the Code if the same Participant participated in both plans, at any time within three years following the date the Board takes all necessary action to irrevocably terminate and liquidate the Plan.

(c) Other Events. The Board of Directors of Teva Pharmaceuticals USA, Inc. shall have the authority, in its sole discretion, to terminate the Plan and pay each Participant's entire Distribution Account(s) (including unvested amounts) to the Participant or, if applicable, his Beneficiary, upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

**ARTICLE 11
MISCELLANEOUS**

11.1 Amendment. The Plan may be amended, suspended or discontinued at any time by the Plan Administrator, acting on behalf of the Company; provided, however, that no such amendment, suspension or discontinuance shall reduce or in any manner adversely affect the rights of any Participant with respect to benefits that are payable or may become payable under the Plan based upon the balance of the Participant's Accounts as of the effective date of such amendment, suspension or discontinuance. Following a termination of the Plan pursuant to Section 10.4, the Plan Administrator, acting on behalf of the Company, shall determine when amounts shall be distributed from each Participant's Distribution Accounts notwithstanding any terms of the Plan to the contrary, to the extent permitted under Section 409A of the Code.

11.2 Transition Arrangements. The Plan Administrator, acting on behalf of the Company, may merge or otherwise combine any other non-qualified deferred compensation plan or arrangement maintained by the Company or any Affiliate with the Plan upon such terms and in such manner as the Plan Administrator shall deem appropriate, with the deferred compensation amounts under such other plan or arrangement to be governed after such merger or other combination by the terms of the Plan or by such other terms as the Plan Administrator may provide in the documents implementing the merger or other combination.

11.3 Claims Procedure.

(a) Claim

A person who believes that he is being denied a benefit to which he is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Plan Administrator, setting forth the claim.

(b) Claim Decision

Upon receipt of a claim, the Plan Administrator shall advise the Claimant that a reply will be forthcoming within 90 days and shall, in fact, deliver such reply within such period. The Plan Administrator may, however, extend the reply period for an additional 90 days for reasonable cause.

If the claim is denied in whole or in part, the Claimant shall be provided a written opinion, using language calculated to be understood by the Claimant, setting forth:

(i) The specific reason or reasons for such denial;

(ii) The specific reference to relevant provisions of the Plan on which such denial is based;

(iii) A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation why such material or such information is necessary;

- (iv) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review;
- (v) The time limits for requesting a review under subparagraph (iii) and for review under subparagraph (iv); and
- (vi) The Participant's right to bring an action for benefits under Section 502 of ERISA.

(c) Request for Review

Within 60 days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Plan Administrator review its determination. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comment in writing for consideration by the Plan Administrator. If the Claimant does not request a review of the initial determination within such 60 day period, the Claimant shall be barred and estopped from challenging the determination.

(d) Review of Decision

Within 60 days after the Plan Administrator's receipt of a request for review, it will review the initial determination. After considering all materials presented by the Claimant, the Plan Administrator will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the relevant provisions of this Agreement on which the decision is based and the Participant's right to bring an action for benefits under Section 502 of ERISA. If special circumstances require that the 60 day time period be extended, the Plan Administrator will so notify the Claimant and will render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

(e) Exhaustion of Remedies

To the extent permitted by applicable law, all decisions of the Plan Administrator under this Section 11.3 shall be final and shall be binding upon the Claimant, his heirs and assigns, and all other persons claiming by, through, or under him. Any failure to file a claim and an appeal in the manner and within the time limits set forth herein shall be deemed a failure by the Claimant to exhaust his administrative remedies and shall constitute a waiver of the rights or benefits sought to be established under the Plan. Notwithstanding anything in this Section 11.3 to the contrary, no civil action under Section 502 of ERISA may be brought by any Claimant or other person later than three years following the initial commencement of proceedings relating to such person's claim with the Plan Administrator.

11.4 Designation of Beneficiary. Each Participant may designate a Beneficiary (which Beneficiary may be an entity other than a natural person) to receive any payments which may be made following the Participant's death. Such designation may be changed or canceled at any time without the consent of any such Beneficiary. Any such designation, change or cancellation must be made in a form approved by the Plan Administrator and shall not be effective until received by the Plan Administrator, or its designee. If no Beneficiary has been named, or the designated Beneficiary shall have predeceased the Participant, the Beneficiary shall be the

Participant's estate. For these purposes, the Participant may name a single beneficiary; to the extent a Participant wishes payments to be split among more than one beneficiary, such intentions may be detailed in a trust established by the Participant, with the trustee named sole Beneficiary.

11.5 Limitation of Participant's Right. Nothing in this Plan shall be construed as conferring upon any Participant any right to continue in the employment of the Company, nor shall it interfere with the rights of the Company to terminate the employment of any Participant and/or to take any personnel action affecting any Participant without regard to the effect which such action may have upon such Participant as a recipient or prospective recipient of benefits under the Plan. Any amounts payable hereunder shall not be deemed salary or other compensation to a Participant for the purposes of computing benefits to which the Participant may be entitled under any other arrangement established by the Company for the benefit of its employees.

11.6 No Limitation on Company Actions. Nothing contained in the Plan shall be construed to prevent the Company from taking any action which is deemed by it to be appropriate or in its best interest. No Participant, Beneficiary, or other person shall have any claim against the Company as a result of such action.

11.7 Obligations to Company. If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company, then Teva Pharmaceuticals USA, Inc. may offset such amount owed to the Company against the amount of benefits otherwise distributable. Such determination shall be made by the Plan Administrator.

11.8 Nonalienation of Benefits. Except as expressly provided herein, no Participant or Beneficiary shall have the power or right to transfer (otherwise than by will or the laws of descent and distribution), alienate, or otherwise encumber the Participant's interest under the Plan. The obligations of Teva Pharmaceuticals USA, Inc. under this Plan are not assignable or transferable except to (a) any corporation or partnership which acquires all or substantially all of the assets of Teva Pharmaceuticals USA, Inc. or (b) any corporation or partnership into which Teva Pharmaceuticals USA, Inc. may be merged or consolidated. The provisions of the Plan shall inure to the benefit of each Participant and the Participant's Beneficiaries, heirs, executors, administrators or successors in interest.

11.9 Protective Provisions. Each Participant shall cooperate with Teva Pharmaceuticals USA, Inc. and the Plan Administrator by furnishing any and all information requested by them in order to facilitate the payment of benefits hereunder, taking such physical examinations as they may deem necessary and taking such other relevant action as may be requested by them. If a Participant refuses to cooperate, Teva Pharmaceuticals USA, Inc. shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the then current balance of the Participant's Distribution Option Accounts in accordance with his prior elections.

11.10 Withholding Taxes. The Company may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Company is required by any law or regulation of any governmental authority, whether Federal, state or local, to withhold in connection with any benefits under the Plan, including, but not

limited to, the withholding of appropriate sums from any amount otherwise payable to the Participant (or his Beneficiary). Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

11.11 Unfunded Status of Plan. The Plan is intended to constitute an “unfunded” plan of deferred compensation for Participants. Benefits payable hereunder shall be payable out of the general assets of Teva Pharmaceuticals USA, Inc., and no segregation of any assets whatsoever for such benefits shall be made. Notwithstanding any segregation of assets or transfer to a grantor trust, with respect to any payments not yet made to a Participant, nothing contained herein shall give any such Participant any rights to assets that are greater than those of a general creditor of Teva Pharmaceuticals USA, Inc.

11.12 Severability. If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

11.13 Governing Law. The Plan shall be construed in accordance with and governed by the laws of the State of Delaware, without reference to the principles of conflict of laws, except where preempted by federal law.

11.14 Headings. Headings are inserted in this Plan for convenience of reference only and are to be ignored in the construction of the provisions of the Plan.

11.15 Gender, Singular and Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

11.16 Notice. Any notice or filing required or permitted to be given to the Plan Administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Human Resources Department, or to such other entity as the Plan Administrator may designate from time to time. Such notice shall be deemed given as to the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

11.17 Asset Purchase Transactions. Where as part of a sale or other disposition of assets by the Company to an unrelated buyer (an “Asset Purchase Transaction”), a Participant would otherwise experience a Separation from Service, the Company hereby retains the discretion to specify whether a Participant providing services to the Company immediately before the Asset Purchase Transaction and providing services to the buyer after and in connection with the Asset Purchase Transaction has experienced a Separation from Service for purposes of the Plan, provided that the Asset Purchase Transaction results from bona fide, arm’s length negotiations, all Participants providing services to the Company immediately before the Asset Purchase Transaction and providing services to the buyer after and in connection with the Asset Purchase Transaction are treated consistently (regardless of position at the Company) for purposes of applying the provisions of any nonqualified deferred compensation plan, and such treatment is specified in writing no later than the closing date of the Asset Purchase Transaction, as permitted under Section 409A of the Code.

11.18 Payments on Behalf of Persons Under Incapacity. In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Plan Administrator, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Plan Administrator may direct that such payment be made to any person found by the Plan Administrator, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Plan Administrator, the Board and the Company.

11.19 ERISA; Section 409A. The Plan is intended to provide benefits for a “select group of management or highly compensated” employees within the meaning of Sections 201, 301 and 401 of ERISA, and therefore to be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Plan shall terminate and no further benefits shall accrue hereunder in the event it is determined by a court of competent jurisdiction that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt. The Plan is also intended to comply with Section 409A and shall be interpreted in a manner consistent with such intent. To the extent any provision of the Plan should violate Section 409A, such provision shall be rescinded and immediately reformed to the extent necessary to avoid the imposition of taxes or interest under Section 409A. The Plan may be amended to the extent necessary (including retroactively) by the Plan Administrator to preserve compliance with Section 409A. The preceding shall not be construed as a guarantee of any particular tax effect for Participants.

IN WITNESS WHEREOF, the undersigned has caused this Plan to be executed in the name of and on behalf of the Company as of this day of , 2015.

Teva Pharmaceuticals USA, Inc.

By: _____
Name:
Title:

**THE TEVA PHARMACEUTICALS USA, INC. DEFINED CONTRIBUTION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

Effective as of October 1, 2013

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**THE TEVA PHARMACEUTICALS USA, INC. DEFINED CONTRIBUTION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

**ARTICLE I
EFFECTIVE DATE AND PURPOSE**

1.1. Purpose

The Teva Pharmaceuticals USA, Inc. Defined Contribution Supplemental Executive Retirement Plan (the “Plan”) is intended to provide nonqualified retirement income for eligible employees of Teva Pharmaceuticals USA, Inc. (the “Company”) and its designated subsidiaries and affiliates (together with the Company, an “Employer”) following retirement. The Plan is not intended to be (i) subject to Part 2, 3 or 4 of Title I, Subtitle B, of ERISA, or (ii) qualified under Section 401(a) of the Code. The Plan is intended to satisfy all requirements of Section 409A of the Code so as not to subject any Participant to the payment of interest and tax penalties which may be imposed under Section 409A of the Code. If any provision of the Plan may be susceptible to more than one interpretation or to an interpretation that may result in the Plan’s failing to satisfy the requirements of Section 409A of the Code, such provision shall be applied and construed in a manner that is consistent with the provisions of Section 409A of the Code and regulations thereunder, which are incorporated herein by reference.

1.2. Effective Date

The effective date for this Plan shall be October 1, 2013 (the “Effective Date”). This Plan shall not apply to any individual who does not qualify as a Participant for any period beginning on or after the Effective Date.

**ARTICLE II
DEFINITIONS**

2.1. Definitions

For purposes of the Plan, the words and phrases defined below shall have the specified meanings, unless a different meaning is plainly required by the context. Wherever used, the masculine pronoun shall include the feminine pronoun, the feminine pronoun shall include the masculine, the singular shall include the plural, and the plural shall include the singular.

(a) “Account” shall mean the notional account established and maintained for each Participant pursuant to Article IV for purposes of determining the amount payable to the Participant pursuant to Article VI.

(b) “Administrator” shall mean the Board or such person or persons as may be designated by the Board, from time to time, to administer the Plan as provided in Article VIII.

(c) “Base Salary” shall mean a Participant’s regular base salary paid by the Employer during the portion of the applicable Plan Year that an individual qualifies as a Participant in the Plan, including any amounts deferred therefrom or contributed at the election

of the Participant on a pre-tax or after-tax basis to any other employee benefit plan maintained by the Employer, but excluding bonuses, overtime, reimbursements, commissions, incentive compensation, discretionary benefits or any other supplemental payment or award. Notwithstanding anything herein to the contrary, Base Salary shall not include amounts that are paid to a Participant by the Employer with respect to services performed prior to the time that an election is made, or is deemed made, as to the form of benefit payment under Section 3.2 of the Plan.

(d) “Beneficiary” shall mean the person(s) or entity(ies) designated by a Participant to receive Plan benefits in the event of the Participant’s death, such designation to be made in writing (including electronically) on a form satisfactory to the Administrator and effective when received by the Administrator. Any such designation shall be deemed to revoke any and all prior designations. If, upon a Participant’s date of death, there is no surviving Beneficiary designated by the Participant, the Participant’s Beneficiary (or Beneficiaries) shall be the Participant’s estate. The Administrator shall determine which Beneficiaries, if any, shall have been validly designated and the Administrator’s decision shall be binding and conclusive on all persons.

(e) “Board” shall mean the Board of Directors of the Company.

(f) “Cause” shall mean, as determined in good faith by the Board:

(i) the commission by the Participant of an act of fraud or embezzlement against the Company or any of its subsidiaries or affiliates;

(ii) any willful act or omission of the Participant that has the effect of injuring the reputation or business of the Company or any of its subsidiaries or affiliates in any material respect, provided that no act, or failure to act, on a Participant’s part shall be considered “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant’s action or omission was in the best interests of the Company or any of its subsidiaries or affiliates;

(iii) the use of alcohol by a Participant or his illegal use of drugs (including narcotics) which is, or could reasonably be expected to become, materially injurious to the reputation or business of the Company or any of its subsidiaries or affiliates or which impairs, or could reasonably be expected to impair, the performance of the Participant’s duties of employment; or

(iv) a Participant’s conviction by a court of competent jurisdiction of, or pleading “guilty” or “no contest” to, (A) a felony, or (B) any other criminal charge (other than minor traffic violations) which has, or could reasonably be expected to have, a material adverse impact on the Company’s reputation and standing in the community or that of any of its subsidiaries or affiliates.

(g) “Code” shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time, and any rules or regulations promulgated thereunder.

(h) “Company” shall mean Teva Pharmaceuticals USA, Inc., a Delaware corporation, or any successor thereto as a result of a statutory merger, purchase of assets, or any other form of reorganization of the business of the Company.

(i) “Competition” shall mean any of the following actions: engaging in or carrying on, directly or indirectly, any enterprise, whether as an advisor, principal, agent, partner, participant, officer, director, employee, stockholder, associate or consultant to any person, partnership, corporation or any other business entity, that is principally engaged in any business in which the Company or any subsidiary or affiliate is engaged, or is contemplating becoming engaged, on the Participant’s date of Separation from Service, in any area in which the Company or any subsidiary or affiliate is then engaged, or is then contemplating being engaged, in such business. Notwithstanding the foregoing, a Participant shall not be deemed to have engaged in Competition solely as a result of the Participant’s owning, for passive investment purposes not intended to circumvent this provision, less than one percent (1%) of the publicly traded equity or debt securities of any entity engaged in Competition with the Company or any subsidiary or affiliate, so long as the Participant has no power, directly or indirectly, to manage, operate, market, promote, advise, consult with or control such entity and no power, alone or in conjunction with other parties, to select a director, general partner or similar governing official of such entity other than in connection with the normal and customary voting powers afforded to the Participant in connection with any permissible equity or debt ownership.

(j) “Confidential Information” shall mean all information of any nature and in any form that a Participant learns in the course of his employment with the Employer and that is not publicly available or generally known to persons engaged in businesses similar or related to those of the Employer or any subsidiary or affiliate. Confidential Information will include, without limitation, the Employer’s (including its subsidiaries and affiliates) financial matters, customers, employees, industry contracts, and all other secrets and all other information of a confidential or proprietary nature.

(k) “Crediting Rate” shall mean the notional gains and losses credited to a Participant’s Account balance which shall be based on the Participant’s choice among the notional investment alternatives made available by the Administrator pursuant to Section 4.3 of the Plan. The available notional investment alternatives may be modified by the Administrator from time to time without formal amendment of the Plan. Any change in the available investment alternatives shall have prospective effect only.

(l) “Disability” or “Disabled” shall mean either: (i) the inability of a Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can reasonably be expected to result in death or can reasonably be expected to last for a continuous period of not less than twelve (12) months, or (ii) the receipt by a Participant of income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Employer due to a medically determinable physical or mental impairment that can reasonably be expected to result in death or can reasonably be expected to last for a continuous period of not less than twelve (12) months.

(m) “Election Form” shall mean the form(s) approved by the Administrator by which a Participant shall elect a benefit payment form, Beneficiary, Crediting Rate, or other matters requiring an election by the Participant.

(n) “Employer” shall mean the Company and any of its subsidiaries or affiliates which the Board determines to be an Employer with respect to its eligible employees.

(o) “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time, and any rules or regulations promulgated thereunder.

(p) “Growth Credits” shall mean the notional amounts credited to a Participant’s Account pursuant to Section 4.3 based on the applicable Crediting Rate.

(q) “Installments” shall mean the payment of a Participant’s Account, or portion thereof, in annual periodic payments for up to fifteen (15) years as provided under the Plan and as elected by the Participant on an Election Form.

(r) “Participant” shall mean an individual who is eligible to participate in this Plan pursuant to Article III.

(s) “Plan” shall mean the Teva Pharmaceuticals USA, Inc. Defined Contribution Supplemental Executive Retirement Plan as set forth herein and as may be amended from time to time in accordance with Article X.

(t) “Plan Year” shall mean the twelve (12) month period beginning on January 1 and ending on December 31 of the same calendar year; provided, however, that the first Plan Year shall commence on the Effective Date and end on the immediately following December 31.

(u) “Separation from Service” shall, with respect to each Participant, occur on the earliest date on which the Administrator determines that the facts and circumstances indicate either that: (i) it is not reasonably anticipated that such Participant will perform any future services for the Employer or its affiliates (whether as an employee or independent contractor) after such date, or (ii) such Participant’s bona fide services to the Employer and its affiliates (whether as an employee or independent contractor) have been permanently reduced to less than 20% of the level of services provided to the Employer and its affiliates in the immediately preceding thirty-six (36) months (or the full period of service to the Employer and its affiliates if the Participant has been providing services to the Employer and its affiliates for less than thirty-six (36) months). For this purpose, a Separation from Service shall not occur while an individual is on military leave, sick leave or other bona fide leave of absence from the Employer and its affiliates of less than the greater of six (6) months or the period for which the individual retains a right to reemployment under any applicable statute or contract and there is a reasonable expectation that the Participant will return to perform services for the Employer or its affiliates. A Participant’s Separation from Service shall be determined in accordance with regulations adopted under Section 409A of the Code.

(v) “Service Credit” shall mean the notional amount, as a percentage of a Participant’s Base Salary for the applicable Plan Year, credited to an eligible Participant’s Account pursuant to Section 4.2.

(w) “Settlement Date” shall mean the date by which a lump sum payment shall be made or the date by which Installment payments shall commence. Payment of a lump sum amount shall be deemed to have occurred on the Settlement Date so long as payment occurs as soon as administratively feasible following the event triggering the payment, but in no event later than the later of: (i) the end of the calendar year in which the triggering event occurs, or (ii) the fifteenth (15th) day of the third calendar month following the date on which the triggering event occurs. The Settlement Date for Installment payments shall be March 1st of the Plan Year immediately following the Plan Year in which the triggering event occurs and continuing as of each March 1st of each Plan Year thereafter until all such Installments for the applicable years have been paid pursuant to the Participant’s Election Form. An Installment payment shall be deemed to have occurred on March 1st of the applicable Plan Year so long as payment occurs no later than the end of the calendar year in which the Installment is due to be paid. Notwithstanding anything herein to the contrary, if a Participant is considered a “specified employee” pursuant to Code Section 409A(a)(2)(B)(i) on the date of his Separation from Service, and if the reason for such separation is other than death or Disability, the payment of such Participant’s Account, or any portion thereof, may not be made earlier than the first day of the seventh (7th) month following such separation date (the “Alternate Payment Date”). Any payments that have been deferred beyond the applicable regular Settlement Date in accordance with the preceding sentence shall be paid to such Participant on the Alternate Payment Date, in a single cash lump sum, without interest, and the balance of such Participant’s benefit payments, if any, shall be made on the same schedule called for by the Plan. For the avoidance of doubt, payments otherwise required to be made more than six (6) months after a Participant’s Separation from Service shall not be affected by the rule set forth in the preceding sentence.

(x) “Solicitation” means, with respect to each Participant, any acts, either alone or in concert with others, and whether direct or indirect: (i) to solicit, induce, influence, encourage, or attempt to solicit, induce, influence or encourage any person employed by the Company or any of its subsidiaries or affiliates to terminate his employment relationship with the Company or any of its subsidiaries or affiliates or otherwise interfere with any such person’s employment by or association with the Company or its subsidiaries or affiliates; (ii) to solicit for employment, hire, or assist in any aspect with the hiring of, whether on the Participant’s own behalf or on behalf of any third party, any person who is, or within the past six (6) months from the date of the Participant’s Separation from Service has been, an employee, executive, officer, manager, consultant, independent contractor or other agent of the Company or its subsidiaries or affiliates; or (iii) to induce, influence, encourage, or attempt to induce, influence or encourage any third party to terminate such party’s business relationship with the Company or its subsidiaries or affiliates or otherwise damage any business or contractual relationship of the Company or its subsidiaries or affiliates.

(y) “Valuation Date” means the date as of which the Account maintained on behalf of each Participant or Beneficiary is adjusted as provided hereunder. An Account shall be valued on each day that is not a Saturday or a Sunday, or any other day on which the financial markets are closed due to a statutory or civic holiday, unanticipated events or for any other reason.

ARTICLE III PARTICIPATION

3.1. Eligibility for Participation

(a) Each employee of the Employer identified in Appendix A attached hereto shall become a Participant in this Plan on the Effective Date, provided such individual is then employed as an employee of the Employer.

(b) Each individual not described in subsection (a) above who qualifies as an employee of the Employer and who served as a Teva Pharmaceutical Industries Ltd. executive officer (as this term is defined in the Teva Pharmaceutical Industries Ltd. Compensation Policy for Executive Officers and Directors) for not less than one full year may become a Participant following: (i) the written recommendation of such individual's Plan participation to Teva Pharmaceutical Industries Ltd. by both the Human Resources Leader of Teva Pharmaceutical Industries Ltd. and the Chief Executive Officer of the Company, and (ii) any other approval of such individual's Plan participation if such approval is required according to applicable laws or policies governing the terms of office and employment of executive officers.

3.2. Participant Elections

(a) Except as otherwise provided in the Plan, each Participant must complete and sign an Election Form and submit the signed Election Form to the Administrator within thirty (30) days after the date on which he becomes a Participant. A Participant shall elect the form in which his benefits are to be paid upon a Separation from Service, the Crediting Rate and his Beneficiary on such Election Form. Any election made pursuant to this Section 3.2 shall be made on an approved Election Form in the manner prescribed by the Administrator.

(b) Notwithstanding anything herein to the contrary, an election made pursuant to this Section 3.2 with respect to the form of benefit payment upon a Separation from Service shall be irrevocable. If a Participant does not make a valid election as to the form of benefits within thirty (30) days after the date on which he becomes a Participant, upon a Separation from Service his benefits will be paid in the form of a single lump sum payment and the date of such separation shall be the Participant's Settlement Date.

3.3. Discontinuance of Participation

Participation in the Plan shall cease on the date all amounts in respect of a Participant's Account have been paid to the Participant (or his Beneficiary) or forfeited; provided, however, a Participant shall cease receiving Service Credits pursuant to Section 4.2 (except as provided in subsection (b) thereof) on the date on which he has a Separation from Service (unless he again becomes a Participant following his reemployment by the Employer).

**ARTICLE IV
CONTRIBUTIONS AND CREDITS**

4.1. Accounts

The Administrator shall establish an Account on behalf of each Participant that shall be credited, to the extent eligible, with Service Credits pursuant to Section 4.2 and Growth Credits as provided in Section 4.3. Participant Accounts shall be notional accounts only and shall not require segregation of any funds of the Company or provide any Participant with any rights to any assets of the Company, except, to the extent applicable, as a general creditor thereof. Neither a Participant nor a Participant's Beneficiary shall have any right to receive payment in respect of any amount credited to the Participant's Account except as expressly provided by this Plan.

4.2. Service Credits

(a) As of the last day of each Plan Year beginning on or after the Effective Date, the Account of each Participant who qualifies as an active Participant on the last day of such year shall be credited with a Service Credit equal to fifteen percent (15%) of the Participant's Base Salary that is paid during the portion of the Plan Year that he qualifies as a Participant; provided, however, that Base Salary shall not include amounts that are paid to a Participant by the Employer with respect to services performed prior to the time that an election is made, or is deemed made, as to the form of benefit payment under Section 3.2 of the Plan.

(b) Notwithstanding anything in Section 4.2(a) to the contrary, for the Plan Year in which a Participant has a Separation from Service after attaining age 65 or due to death or Disability prior to the last day of such year, the Account of such Participant shall, on the last day of such year (or the date that a Participant's benefits commence under Article VI, if earlier), be credited with a Service Credit equal to fifteen percent (15%) of the Participant's Base Salary that is paid during the portion of the Plan Year that he qualifies as a Participant; provided, however, that Base Salary shall not include amounts that are paid to a Participant by the Employer with respect to services performed prior to the time that an election is made, or is deemed made, as to the form of benefit payment under Section 3.2 of the Plan.

4.3. Growth Credits

(a) Subject to the provisions of this Section 4.3 and all such additional rules and administrative procedures that the Administrator determines to be necessary or appropriate for the proper administration of the Plan, a Participant may, by providing appropriate instructions to the Administrator on an Election Form, including by means of electronic media, prospectively direct the Administrator as to the percentage of any amounts credited to his Account to be notionally invested in one or more of the types of notional investment funds ("Crediting Rates") selected by the Administrator from time to time, in its sole discretion. To the extent a Participant does not select a Crediting Rate as provided in this Section 4.3 (or fails to provide appropriate directions with respect to all or a portion of his Account as provided in this Section 4.3), the Administrator shall cause his Account to be adjusted based on the default Crediting Rate as provided in subsection (c) below.

(b) Following the Administrator's receipt of a Participant's Crediting Rate instructions, the Administrator shall debit or credit the applicable percentage of the Participant's Account in accordance with the applicable rate instructions as provided in this Section 4.3. A Participant's Crediting Rate instructions shall remain in effect until receipt by the Administrator of a Participant's proper request changing or revoking the Participant's Crediting Rate instructions then in effect pursuant to this Section 4.3.

(c) To the extent that a Participant does not direct the Administrator as to the Crediting Rate for the amounts that are credited to his Account, or the applicable portion thereof, the Participant shall be deemed to have selected a Crediting Rate of interest under the money market fund or any similar fund designated by the Administrator until such time as the Participant shall have properly designated a Crediting Rate in accordance with the procedures of this Section 4.3.

(d) As of each Valuation Date, the allocable portion of the notional income and any notional realized and unrealized gains and losses attributable to the Crediting Rate selected by the Participant (including any notional administrative or similar fees and employment taxes associated with the Account), or at the Administrator's designation with respect to a Participant who has failed to designate a Crediting Rate pursuant to subsection (c) above, shall be allocated by the Administrator for the benefit of the Participant for whom such Account was maintained during the Plan Year. Any allocation of any notional increase or decrease in the net worth of the Participant's Account shall be adjusted for any Service Credits allocated to such Account since the preceding Valuation Date with appropriate credit given for the period during which such allocations were credited to the Account.

(e) The Administrator shall from time to time establish all such rules, procedures and limitations which it determines to be necessary or appropriate for the proper administration of the Crediting Rate options available to Participants. The Administrator shall from time to time, in its sole discretion, determine the different Crediting Rate choices available to Participants. To the extent the Administrator shall eliminate any Crediting Rate options, provide any new Crediting Rate options or otherwise modify the availability or eligibility standards of any Crediting Rate options that are offered under the Plan, the Administrator may impose such limitations as it deems necessary or appropriate for the proper administration of the Plan.

(f) The provision of this Section 4.3 regarding a Participant's right to select the Crediting Rate options available to his Account shall apply with equal effect with respect to any Beneficiary of a deceased Participant.

4.4. Statements

The Administrator shall furnish on an annual basis, or at more frequent intervals as determined by the Administrator, a statement to each Participant or Beneficiary of the notional net earnings or losses (including administrative or similar fees and employment taxes) credited to or charged against his Account, the amount of any Service Credits allocated to such Account, and the total vested and nonvested notional value of such Account.

ARTICLE V
VESTING

5.1. Vested Percentage of Account

(a) Subject to the provisions of Section 5.2 hereof, upon the occurrence of any of the following, the right of a Participant to receive or to continue to receive any benefits hereunder shall at all times be fully vested and nonforfeitable upon the earliest of:

(i) The Participant's completion of five (5) full years as a Participant in the Plan following the Effective Date;

(ii) The Participant's attainment of age sixty-five (65) while in the employ of the Employer;

(iii) The Participant's death while in the employ of the Employer;

(iv) The Participant's becoming Disabled while in the employ of the Employer; or

(v) The occurrence of a change of control event (within the meaning of Treasury Regulations Section 1.409A-3(i)(5)) relating to the Participant.

(b) Notwithstanding the provisions of subsection (a) hereof, each employee of the Employer who was an active participant in the Amended and Restated Teva Pharmaceuticals USA, Inc. Supplemental Executive Retirement Plan on September 30, 2013 and who became a Participant in this Plan on the Effective Date shall be fully vested in his Account; provided, however, that such Account shall be subject to forfeiture pursuant to the provisions of Section 5.2.

(c) A Participant who has a Separation from Service when he is not 100% vested in his Account shall forfeit the entire amount credited to such Account upon such separation. If a Participant whose Account was forfeited following a Separation from Service again becomes a Participant after such separation, (i) the amount previously credited to his Account with respect to periods of service prior to the Separation from Service shall not be restored, and (ii) the Participant's period of Plan participation prior to the Separation from Service shall be disregarded for purposes of determining the vested percentage of the Participant's Account attributable to periods after again becoming a Participant.

(d) If a Participant who has had a Separation from Service when he was 100% vested in his Account again becomes a Participant following such separation, the Participant's period of participation prior to the Separation from Service shall be taken into account in determining the vested percentage of the Participant's Account attributable to periods after again becoming a Participant.

5.2. Forfeiture of Benefits

(a) Notwithstanding any provision of this Plan to the contrary, all benefits provided on behalf of, or that remain to be paid to, a vested Participant under this Plan shall be forfeited, at the sole discretion of the Board, in the following circumstances:

(i) The Participant fails to satisfy any of the covenants contained in Section 5.3;

(ii) The Employer terminates the Participant's employment for Cause; or

(iii) The Participant fails to execute and deliver to the Company (or revokes during any applicable revocation period) a release of all claims against the Company and its affiliates (and their respective officers, directors, employees, stockholders, associates and consultants), in a form acceptable to the Company, upon the Participant's Separation from Service.

(b) In the event that a Participant fails to satisfy any of the covenants contained in 5.3 and his benefit is forfeited as provided in subsection (a) above, the Board may, in its sole discretion, require such Participant to promptly repay to the Employer all or any portion of the amounts previously paid to the Participant prior to the date of the forfeiture.

5.3. Restrictive Covenants

(a) As consideration for the benefits provided under this Plan, each Participant covenants and agrees that during the term of his employment with the Employer and for two (2) years following a Separation from Service he will not, without the prior written consent of the Employer, engage in Competition with the Employer or its subsidiaries or affiliates. In the event that a Participant engages in Competition with the Employer or its subsidiaries or affiliates during the term of such Participant's employment with the Employer or during the two (2) year period following such Participant's Separation from Service for any reason, the Board may, in its sole discretion (i) cause the Participant's Account to be forfeited, in which case the Participant shall have no further rights with respect to his Account, and (ii) require such Participant to promptly repay to the Employer all or any portion of the Account that was paid to the Participant prior to the date of the forfeiture.

(b) As consideration for the benefits provided under this Plan, each Participant covenants and agrees that during the term of his employment with the Employer and for two (2) years following a Separation from Service he will not, without the prior written consent of the Employer, engage in any activities that constitute Solicitation. In the event that a Participant engages in any activities that constitute Solicitation during the term of such Participant's employment with the Employer or during the two (2) year period following such Participant's Separation from Service for any reason, the Board may, in its sole discretion (i) cause the Participant's Account to be forfeited, in which case the Participant shall have no further rights with respect to his Account, and (ii) require such Participant to promptly repay to the Employer all or any portion of the Account that was paid to the Participant prior to the date of the forfeiture.

(c) The Employer has disclosed to each Participant its Confidential Information respecting the business of the Employer, and its subsidiaries and affiliates, to the extent necessary for each Participant to carry out the terms of his employment. Accordingly, and as consideration for the benefits provided under this Plan, each Participant covenants and agrees that he will not, without the prior written consent of the Employer, disclose, at any time (whether prior to or after termination of employment with the Employer), to any person not employed by the Employer, or use in connection with engaging in Competition with the Employer or its subsidiaries or affiliates, any Confidential Information of the Employer or its subsidiaries and affiliates. The foregoing obligations imposed by this subsection (c) will cease if such Confidential Information will have become, through no fault of the Participant, generally known to the public or the Participant is required by law to make disclosure (after giving the Employer notice and an opportunity to contest such requirement). In the event that a Participant discloses Confidential Information in violation of this subsection (c), the Board may, in its sole discretion (i) cause the Participant's Account to be forfeited, in which case the Participant shall have no further rights with respect to his Account, and (ii) require such Participant to promptly repay to the Employer all or any portion of the Account that was paid to the Participant prior to the date of the forfeiture.

(d) As consideration for the benefits provided under this Plan, each Participant agrees that after his employment with the Employer has terminated he will provide, upon reasonable notice, such information and assistance to the Employer as may reasonably be requested by the Employer in connection with any audit, governmental investigation or litigation in which it or any of its subsidiaries or affiliates is or may become a party; provided that (i) the Employer agrees to reimburse the Participant for any related out-of-pocket expenses, including travel expenses, and to pay the Participant reasonable compensation for his time based on his rate of Base Salary in effect as of his employment termination date, and (ii) any such assistance may not unreasonably interfere with the then-current employment of the Participant. In the event that a Participant fails to provide such information and assistance in violation of this subsection (d), the Board may, in its sole discretion (i) cause the Participant's Account to be forfeited, in which case the Participant shall have no further rights with respect to his Account, and (ii) require such Participant to promptly repay to the Employer all or any portion of the Account that was paid to the Participant prior to the date of the forfeiture.

(e) Notwithstanding the foregoing provisions of this Section 5.3, in the event that a Participant engages in any prohibited Competition or Solicitation activities or discloses any Confidential Information, the Employer shall be entitled (in addition to any other remedy that may be available to it, including monetary damages and forfeiture of the Participant's Account) to seek and obtain (i) a decree or order of specific performance to enforce the observance and performance of such covenant or obligation, (ii) an injunction restraining such breach or threatened breach of such covenant or obligation, and (iii) attorneys' fees and other costs incurred in obtaining such decree or order of specific performance of such covenant or obligation or in obtaining an injunction restraining such breach or threatened breach of such covenant or obligation or in connection with any other proceeding relating to or arising out of the Participant's breach or threatened breach of such covenant or obligation. In enforcing the provisions of this Section 5.3, the Employer shall not be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this subsection (e), and a Participant shall be deemed to have irrevocably waived any right he may have to require the Employer to obtain, furnish or post any such bond or similar instrument.

(f) If any of the provisions of, or covenants contained in, this Section 5.3 are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the provisions or the enforceability thereof in any other jurisdiction, which shall be given full effect, without regard to the invalidity or unenforceability in such other jurisdiction. If any of the provisions of, or covenants contained in, this Section 5.3 are held to be unenforceable in any jurisdiction because of the duration or geographical scope thereof, a court making such determination shall reduce the duration and geographical scope of such provision or covenant and, in its modified form, such provision or covenant shall be enforceable; provided that the determination of such court shall not affect the enforceability of this Section 5.3 in any other jurisdiction.

ARTICLE VI DISTRIBUTIONS

6.1. Time and Manner of Distributions

(a) **Separation from Service.** Except as otherwise set forth in this Section 6.1, the vested value of a Participant's Account, determined under Article V, shall be distributed to the Participant in the form of a single lump sum payment following the Participant's Separation from Service on the applicable Settlement Date for such payment; provided, however, that if a Participant has timely elected on an Election Form to have his Account distributed in the form of Installments, distribution of his Account shall commence following the Participant's Separation from Service on the applicable Settlement Date for such Installments. Notwithstanding anything in the previous sentence to the contrary, all vested amounts credited to the Account of a Participant who has not attained age fifty-five (55) but who has been credited with ten (10) or more years of Plan participation at the time of a Separation from Service shall be distributed in the form of a single lump sum payment following such separation on the applicable Settlement Date for such payment. In the event that a Participant dies after a Separation from Service and prior to the commencement or completion of benefit payments, either as a lump sum or in the form of Installments, any amounts that remain to be paid to the Participant shall be paid to the Participant's Beneficiary at the time and in the amount scheduled to be paid to the Participant as if he had remained alive.

(b) **Death Prior to Separation from Service.** In the event that a Participant has a Separation from Service as a result of his death, the vested value of a Participant's Account, determined under Article V, shall be distributed to the Participant's Beneficiary in the form of a single lump sum payment and such date of death shall be the Participant's Settlement Date. Payment of any death Benefits shall not be due until the Administrator is provided with documentation or other evidence reasonably necessary to establish the fact of the Participant's death.

(c) **Disability Prior to Separation from Service.** In the event that a Participant has a Separation from Service as a result of a Disability, the vested value of a Participant's Account, determined under Article V, shall be distributed to the Participant (or the Participant's Beneficiary) in the form of a single lump sum payment and such date of Separation from Service, as determined by the Administrator, shall be the Participant's Settlement Date.

(d) **Installment Payment Amounts.** For purposes of determining the annual amount to be distributed on behalf of a Participant who has elected Installments pursuant to Section 3.2, each annual payment shall be determined by dividing the vested value of the Participant's Account determined as of the last day of the Plan Year preceding the year of distribution by the number of years over which Installments will be paid, reduced by one for each year that has elapsed since distributions commenced. The undistributed balance of such Participant's Account shall continue to receive Growth Credits until the last Installment is paid. If a Participant dies after the commencement of installment payments have begun, the Beneficiary shall continue to receive benefit payments under the Installment method of distribution for the remaining years for which the Participant was receiving benefits.

(e) **Reemployment.** The provisions of this Section 6.1 shall be applied independently to each Account maintained for an employee who again becomes a Participant following a Separation from Service.

6.2. Delayed Distributions

Notwithstanding any other provision of the Plan, any payment otherwise required to be made pursuant to this Plan to a Participant at any date as a result of a Separation from Service shall be delayed as follows to the extent applicable:

(a) **Six-Month Delay for Specified Employees.** Any payment otherwise required to be made pursuant to this Plan to a Participant at any date as a result of a Separation from Service shall be delayed for such period of time as may be necessary to satisfy the applicable requirements of Section 409A(a)(2)(B)(i) of the Code. On the earliest date on which such payments can be made without violating the requirements of Section 409A(a)(2)(B)(i) of the Code, there shall be paid to such Participant, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence.

(b) **Excessive Remuneration.** A payment shall be delayed to the extent that, and for so long as, the Employer reasonably determines the payment will cause the Employer's deduction to be limited or eliminated by reason of Section 162(m) of the Code, provided that the payment is made either: (i) during the first calendar year in which the Employer reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction of such payment will not be barred by the application of Section 162(m) of the Code, or (ii) during the period beginning with the date of the Participant's Separation from Service and ending on the latest of (A) the last day of the calendar year of the Participant's Separation from Service, (B) the 15th day of the third month following the Participant's Separation from Service, or (C) in the case of a Participant subject to the provisions of subsection (a) above, the calendar year in which any required period of delay described therein ceases.

(c) **Jeopardize Going Concern.** A payment shall be delayed to the extent that, and for so long as, the Employer reasonably determines the payment will jeopardize the Employer's ability to continue as a going concern. Payment shall be made as soon as the payment would no longer have such effect.

(d) **Violation of Applicable Law.** A payment shall be delayed to the extent that, and for so long as, the Employer reasonably determines the payment will cause the Employer to violate Federal security laws or other applicable law.

6.3. Accelerated Payments

(a) **Small Benefits.** Notwithstanding a Participant's election of Installments pursuant to Section 3.2, the Administrator shall distribute a Participant's Account in a single lump sum following his Separation from Service if: (i) the amount payable to the Participant under the Plan at the time of his Separation from Service is less than or equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code, and (ii) the payment accompanies the termination of the Participant's interest in the Plan and all similar nonqualified deferred compensation arrangements of the Employer in which the Participant participates.

(b) **FICA Taxes.** A Participant's Account shall be reduced (and benefits accelerated) to the extent necessary to pay the amount of any FICA taxes imposed on the Participant, and any applicable income tax withholdings due on such FICA taxes; provided, however, that the total amount reduced (accelerated) shall not exceed the aggregate amount of such FICA taxes and the income tax withholding related to such FICA taxes.

(c) **Code Section 409A Failure.** Payments shall be accelerated, to the extent amounts are required to be included in a Participant's income, if the Plan fails to meet the requirements of Section 409A of the Code.

(d) **Plan Termination Payments.** If the Company, by action of the Board, exercises its right under Article X to terminate the Plan, distributions to Participants will be made in accordance with the applicable terms of the Plan as then in effect; provided, however, that all distributions hereunder shall be accelerated and shall be made to Participants in a single lump sum in the following circumstances (notwithstanding any provision of Section 6.1 to the contrary):

(i) The Company exercises its discretion to terminate the Plan within twelve (12) months of a corporate dissolution taxed under Section 331 of the Code, or with the approval of the bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(A), provided that all amounts credited to Accounts under the Plan shall be distributed by the latest of: (A) the calendar year in which the termination occurs, (B) the first calendar year in which payment is administratively feasible, or (C) the first calendar year in which such Account is vested.

(ii) The Company exercises its discretion to terminate the Plan (and all other similar account balance-type arrangements of the Employer that would be aggregated with the Plan pursuant to Section 409A of the Code are terminated), with respect to each Participant that experienced the change in control event (within the meaning of Treasury Regulations Section 1.409A-3(i)(5)), within thirty (30) days preceding or the twelve (12) month period following such change in control event and all Account distributions under the Plan and such other arrangements are made to such Participants within twelve (12) months of the termination date.

(iii) The Company exercises its discretion to terminate the Plan (and all other similar account balance-type arrangements of the Employer that would be aggregated with the Plan pursuant to Section 409A of the Code are terminated), provided that: (A) the termination does not occur proximate to a downturn in the financial health of the Company, (B) no payments are made within twelve (12) months of the termination date (other than payments that would be payable under the terms of the Plan and any aggregated arrangements if the termination had not occurred), (C) all payments under the Plan (and any aggregated arrangements) are made within twenty-four (24) months of the termination date, and (D) the Employer does not adopt a new arrangement that would be aggregated with any terminated arrangement pursuant to Section 409A of the Code if the same participants participated in both arrangements at any time within three (3) years following the termination date.

6.4. Incapacity of Recipient

If any person entitled to a distribution under this Plan is deemed by the Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until a claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Employer and the Plan therefor.

ARTICLE VII FUNDING

7.1. Unfunded Obligations

The obligations of the Employer to pay benefits under this Plan shall be interpreted solely as an unfunded obligation of the Employer to pay only those vested amounts credited to the Participant's Account pursuant to Article IV in the manner and under the conditions prescribed in Articles V and VI. All benefits are intended to be in the form of an unfunded obligation of the Employer payable out of the Employer's general assets.

7.2. General Creditor Status

Nothing contained herein shall create an obligation on the part of the Employer to set aside or earmark any monies or other assets specifically for payments under the Plan. At no time shall a Participant or Beneficiary have any right, title, or interest in or to any specific fund or assets of the Employer. As to any claim for benefits, the Participant or the Participant's Beneficiary shall be a general creditor of the Employer.

7.3. Trust

The Employer shall be responsible for the payment of all benefits with respect to its Employees. At its discretion, the Employer may establish one or more grantor trusts for the purpose of providing for payment of benefits, except to the extent that such action would result in a penalty tax to a Participant pursuant to Section 409A of the Code, provided that any such trust and all trust assets are located within the United States at all times. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Employer's creditors. Benefits paid to the Participant from any such trust or trusts shall be considered paid by the Employer for purposes of meeting the obligations of the Employer under the Plan. Any assets set aside, at the sole discretion of the Employer, shall be subject to the claims of the Employer's general creditors, and no person other than the Employer shall, by virtue of the provisions of the Plan, have any interest in such assets.

ARTICLE VIII ADMINISTRATION

8.1. Organization of the Administrator

(a) **Appointment.** Except as otherwise provided herein, the Plan shall be administered by the Board or such person or persons as may be designated by the Board, from time to time, to administer the Plan. Any person or persons designated by the Board as the Administrator of the Plan may resign by delivering his written resignation to the Board and to the remaining members of the Administrator. Vacancies in the Administrator arising from resignation, death, or removal shall be filled by the Board.

(b) **Action.** The Administrator shall act by a majority of its members unless unanimous consent is required by the Plan, or by unanimous approval of its members if there are no more than two members in office at the time. No member of the Administrator shall act upon any question pertaining solely to himself or herself, and the other member or members shall make any determination required by the Plan in respect to such Participant.

(c) **Delegation.** The Administrator may delegate specific authority and responsibilities to one or more of its members or to management of the Company. The member or members or persons so designated shall be solely responsible for their acts or omissions with respect to such delegated authority and responsibilities. Members of the Administrator not so designated shall be relieved from responsibility for any act or omission resulting from such delegation.

8.2. Authority and Responsibility

The Administrator shall have full discretionary authority and responsibility to interpret and construe the Plan and determine all questions of the status and rights of Participants and the amounts of their benefits. Its interpretation, construction, or determination, as the case may be, shall be final and conclusive with respect to the Employer, Participants, and their respective successors, assignees, personal representatives, and Beneficiaries. Such authority and responsibility shall include, but shall not be limited to, the following:

(a) Appointing qualified consultants, administrators, counsel or other persons deemed necessary or advisable to serve the Plan as advisors; provided, however, that no appointee shall exercise any discretionary authority, responsibility, or control with respect to the management or administration of the Plan;

(b) Resolving and determining all disputes or questions arising under the Plan, including the power to determine the rights of Participants and Beneficiaries, and their respective benefits, and to remedy any ambiguities, inconsistencies or omissions in the Plan;

(c) Creating, adopting, and revising rules, regulations, forms and procedures for the proper administration of the Plan;

(d) Remedying any inequity resulting from incorrect information received or communicated, or from administrative error;

(e) Settling or compromising any claims or debts arising from the operation of the Plan and the commencement of any legal actions or administrative proceedings; and

(f) Taking any other actions and making any other determinations as it may deem necessary and proper for the administration of the Plan.

8.3. Records and Reports

The Administrator shall keep a record of its proceedings and acts, and shall keep books of account, records, and other data necessary for the proper administration of the Plan.

8.4. Payment of Plan Expenses

The expenses of the Administrator in connection with the administration of the Plan shall be the responsibility of the Employer.

8.5. Indemnification

Except as otherwise prohibited by applicable law, the Employer shall indemnify and hold harmless the Administrator and its delegates from and against any and all liabilities, costs, and expenses incurred by such persons as a result of any act or omission in connection with the performance of such persons' duties, responsibilities, and obligations under the Plan, other than such liabilities, costs, and expenses as may result from the bad faith, willful misconduct or gross negligence of such persons.

ARTICLE IX CLAIMS PROCEDURE

9.1. Claim for Benefits

(a) **Non-Disability Claims.** The following provisions apply with respect to all claims under the Plan except with respect to claims relating to a Participant's Disability:

(i) Any request for specific information with respect to benefits must be made to the Administrator in writing by a Participant or his Beneficiary ("Claimant"). The Claimant may be represented by counsel, or by another representative authorized in writing in a manner specified by the Administrator. The expense of a paid representative shall be borne by the Claimant. Oral communications will not be recognized as a formal request or claim for benefits.

(ii) Within 90 days (180 days, if special circumstances require an extension of time and written notice of the extension is given to the Claimant within such initial 90-day period) after receiving a claim for benefits by any Claimant, or within such shorter period of time as may be required by law, the Administrator shall provide notice in writing to the Claimant regarding whether the claim has been approved or denied.

(iii) If there is an adverse benefit determination, the written notice shall set forth (A) the specific reasons for such adverse determination, (B) a reference to the specific Plan provisions on which the determination is based, (C) a description of any material and information which had been requested but not received by the Administrator, and (D) a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

(iv) Any appeal of such adverse determination must be submitted in writing to the Administrator within 60 days after receipt of such notification. If the Claimant fails to appeal such action to the Administrator in writing within the prescribed period of time, the Administrator's adverse determination shall be final.

(v) If an appeal is filed with the Administrator, the Claimant shall submit such issues he feels are pertinent. The Claimant may submit written comments, documents, records, and other information relating to his claim. In addition, the Claimant shall have reasonable access, upon request and at no charge, to all documents, records, and other information relevant to his claim.

(vi) The Administrator shall reexamine all facts without regard to whether such information was submitted or considered in the initial benefit determination, make a final determination as to whether the denial of benefits is justified under the circumstances, and notify the Claimant in writing of its decision on review and the specific reasons on which such decision was based. The written notice shall be provided within 60 days (120 days, if special circumstances require an extension of time and written notice of the extension is given to the Claimant within such initial 60-day period) after receipt by the Administrator of such written appeal, or within such shorter period of time as may be required by law.

(vii) If there is an adverse benefit determination on review, the written notice shall set forth (A) the specific reason(s) for the adverse determination, (B) a reference to the specific Plan provisions on which the determination is based, (C) a statement that the Claimant is entitled to receive, upon request and free of charge,

reasonable access to and copies of all documents, records, and other information relevant to the Claimant's claim, and (D) a statement describing the Claimant's right to bring an action under Section 502(a) of ERISA.

(viii) The decision of the Administrator shall be final and shall be binding upon the Claimant, his heirs and assigns, and all other persons claiming by, through, or under him.

(b) Disability Claims. The following provisions apply with respect to all claims under the Plan for Disability benefits:

(i) Any request for specific information with respect to benefits must be made to the Administrator in writing by a Claimant. The Claimant may be represented by counsel, or by another representative authorized in writing in a manner specified by the Administrator. The expense of a paid representative shall be borne by the Claimant. Oral communications will not be recognized as a formal request or claim for benefits.

(ii) The Administrator shall notify the Claimant in writing of its decision within 45 days after receipt of the claim, unless special circumstances beyond the control of the Administrator require an extension of time for processing the claim. If such an extension of time for processing is required, this 45-day period may be extended up to an additional 30 days (for a total of 75 days) if the Administrator notifies the Claimant in writing prior to the expiration of the original 45-day period of (A) the circumstances requiring the extension, and (B) the date by which the Administrator expects to render its decision. In the event that the Administrator determines (during the 30-day extension period) that due to matters beyond the control of the Administrator, a decision on the claim for Disability benefits cannot be rendered within the 30-day extension period, the 75-day period may be extended up to an additional 30 days (for a total of 105 days) if the Administrator notifies the Claimant in writing prior to the expiration of the first 30-day extension period of (A) the circumstances requiring the additional extension, and (B) the date by which the Administrator expects to render its decision. The extension notice that is provided by the Administrator for the first extension period or the second extension period must include (A) an explanation of the standards on which entitlement to Disability benefits is based, (B) any unresolved issues that prevent the Administrator from rendering a decision on the claim for Disability benefits, and (C) the additional information required to resolve such issues (a Claimant must provide the additional information to the Administrator required to resolve such issues within 45 days of the date of the extension notice).

(iii) In the event that the period of time for the Administrator to render its decision on a claim for Disability benefits is extended due to a Claimant's failure to submit information necessary to decide a claim for Disability benefits, the period of time for the Administrator to render a decision for such a claim shall be tolled from the date on which the extension notice is sent to the Claimant until the date on which the Claimant responds to the request for additional information.

(iv) If there is an adverse benefit determination, the written notice shall set forth (A) the specific reasons for such denial, (B) a reference to the specific Plan provisions on which the determination is based, (C) a description of any material and information which had been requested but not received by the Administrator, (D) a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review, and (E) if an internal rule, guideline, protocol, or other similar criterion was relied upon for the decision, either the specific rule, guideline, protocol, or other similar criterion; or a statement that such a rule, guideline, protocol, or other similar criterion was relied upon in making the determination and that a copy of such rule, guideline, protocol, or other similar criterion will be provided free of charge to the Claimant upon request.

(v) Any appeal of such adverse determination must be submitted in writing to the Human Resources Leader of Teva Pharmaceutical Industries Ltd., and who shall be designated a "named fiduciary" for purposes of the Plan (the "Named Fiduciary"), within 180 days after receipt of such notification. If the Claimant fails to appeal such action to the Named Fiduciary in writing within the prescribed period of time, the Administrator's adverse determination shall be final.

(vi) If an appeal is filed with the Named Fiduciary, the Claimant shall submit such issues he feels are pertinent. The Claimant may submit written comments, documents, records, and other information relating to his claim. In addition, the Claimant shall have reasonable access, upon request and at no charge, to all documents, records, and other information relevant to his claim.

(vii) The Named Fiduciary shall reexamine all facts without regard to whether such information was submitted or considered in the initial benefit determination, make a final determination as to whether the denial of benefits is justified under the circumstances, and notify the Claimant in writing of his decision on review and the specific reasons on which such decision was based. The Named Fiduciary will provide a written response to the appeal within 45 days after it is received. In the event that an extension of time is needed due to special circumstances by the Named Fiduciary to render his decision for an appeal of an adverse benefit determination for Disability benefits, this 45-day period may be extended up to an additional 45 days (for a total of 90 days) if the Named Fiduciary notifies the Claimant in writing prior to the expiration of the original 45-day period of (A) the special circumstances requiring the 45-day extension, and (B) the date by which the Named Fiduciary expects to render his decision.

(viii) If there is an adverse Disability benefit determination, the written notice shall set forth (A) the specific reason(s) for the adverse determination, (B) a reference to the specific Plan provisions on which the determination is based, (C) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the Claimant's claim, (D) a statement describing the Claimant's right to bring an action under Section 502(a) of ERISA, and (E) if an internal rule, guideline, protocol, or other similar criterion was relied upon for the decision, either the specific rule, guideline,

protocol, or other similar criterion; or a statement that such a rule, guideline, protocol, or other similar criterion was relied upon in making the determination and that a copy of such rule, guideline, protocol, or other similar criterion will be provided free of charge to the Claimant upon request.

(ix) The decision of the Named Fiduciary shall be final and shall be binding upon the Claimant, his heirs and assigns, and all other persons claiming by, through, or under him.

(c) **Exhaustion of Remedies.** A failure to file a claim and an appeal in the manner and within the time limits set forth herein shall be deemed a failure by the Claimant to exhaust his administrative remedies and shall constitute a waiver of the rights or benefits sought to be established under the Plan.

9.2. Protective Provisions

A Participant shall cooperate with the Administrator by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrator may deem necessary, and taking such other actions as may be requested by the Administrator. If the Participant refuses to so cooperate, the Administrator shall have no further obligation to the Participant under the Plan. In the event the Participant makes any material misstatement of information or non-disclosure of medical history, then no benefits shall be payable to the Participant under the Plan, except that benefits may be payable in a reduced amount in the sole discretion of the Board.

ARTICLE X AMENDMENT, DISCONTINUANCE, AND TERMINATION

10.1. Amendment

The Plan may be amended by the Board, in whole or in part, either retroactively or prospectively; provided, however, that no amendment shall reduce benefits already earned as of the date of adoption of the amendment or increase the vesting requirements under Article V for benefits already earned by any one or more persons who are Participants as of the date such amendment is adopted; and provided, further, that no amendment shall increase the benefits that are provided under the Plan in respect of or on behalf of any Participants, either prospectively or retroactively, without the prior written approval of Teva Pharmaceutical Industries Ltd. in accordance with applicable policies and laws governing the award of executive compensation and benefits.

10.2. Termination

The Plan may be terminated at any time at the discretion of the Board. Written notification of such action shall be given to each Participant and the Administrator. In the event that the Plan is terminated or discontinued pursuant to this Section 10.2, no additional amounts will be credited to a Participant's Account pursuant to Section 4.2 (Service Credits) or Section 4.3 (Growth Credits), and any amounts credited to a Participant's Account (determined as of the date of the Plan's termination or discontinuation) shall be distributed to the Participant in accordance with Article VI hereof.

**ARTICLE XI
MISCELLANEOUS**

11.1. Non-Guarantee of Service

Participation in the Plan does not give any person any right to be retained in the service of the Employer. The right and power of the Employer to terminate a Participant's status as an employee is expressly reserved.

11.2. No Assignment

Except as otherwise provided in the Plan, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit shall be void. No such right or benefit shall in any manner be liable for or subject to the debts, liabilities or torts of a Participant.

11.3. Withholding/Offset

The Employer shall have the right to deduct from any payment made hereunder any taxes required by law to be withheld from a Participant with respect to such payment. The Employer may reduce a Participant's Account by any unsatisfied obligations of a Participant to the Employer that were incurred in the ordinary course of the Participant's services on behalf of the Employer, provided such reduction is made at the same time and in the same amount that such obligation would have been due and collected by the Employer and the entire amount of the reduction in any of the Participant's taxable years does not exceed \$5,000.

11.4. Account Statements

Periodically (as determined by the Administrator), each Participant shall receive a statement indicating the amounts credited to and payable from the Participant's Account. If an error is made in any such statement, such error shall be corrected on the next benefit statement following the date such error is discovered. In the event of an error in a distribution, the Participant's benefits shall, immediately upon the discovery of such error, be adjusted to reflect such under- or over-payment and, if possible, the next distribution shall be adjusted upward or downward to correct such prior error. If the remaining balance of a Participant's benefits is insufficient to cover an erroneous overpayment, the Employer may, at its discretion, offset other amounts payable to the Participant from the Employer, to the extent allowed by law, to recoup the amount of such overpayment(s).

11.5. Severability

Should any provision of the Plan be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions of the Plan unless such invalidity shall render impossible or impractical the functioning of the Plan and, in such case, the appropriate parties shall immediately adopt a new provision to take the place of the one held illegal or invalid.

11.6. Binding upon Successors

The liabilities under the Plan shall be binding upon any successor or assignee of the Employer and any purchaser of the Employer or substantially all of the assets of the Employer.

11.7. Waiver of Breach

The waiver by the Employer of any breach of any provision of the Plan by any Participant (or his Beneficiary) shall not operate or be construed as a waiver of any subsequent breach by that Participant (or his Beneficiary) or any other Participant (or his Beneficiary).

11.8. Notice

Any notice or filing required or permitted to be given to the Employer or the Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, in the case of the Employer, to the principal office of the Employer, directed to the attention of the Employer's General Counsel, and in the case of the Participant, to the last known address of the Participant indicated on the records of the Employer. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Notices to the Employer may be permitted by electronic communication according to specifications established by the Administrator.

11.9. Inability to Locate a Participant or Beneficiary

It is the responsibility of a Participant to apprise the Administrator of any change in address of the Participant or Beneficiary. If the Administrator is unable to locate a Participant or Beneficiary for a period of three (3) years, the Participant (and his Beneficiary) shall forfeit any and all amounts credited to such Participant's Account.

11.10. Masculine, Feminine, Singular and Plural

All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

11.11. ERISA; Code Section 409A

The Plan is intended to provide benefits for a "select group of management or highly compensated" employees within the meaning of Sections 201, 301 and 401 of ERISA, and therefore to be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Plan shall terminate and no further benefits shall accrue hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA

which is not so exempt. The Plan is also intended to satisfy all requirements of Section 409A of the Code so as not to subject any Participant to the payment of interest and tax penalties which may be imposed under Section 409A of the Code. If any provision of the Plan may be susceptible to more than one interpretation or to an interpretation that may result in the Plan's failing to satisfy the requirements of Section 409A of the Code, such provision shall be applied and construed in a manner that is consistent with the provisions of Section 409A of the Code and regulations thereunder, which are incorporated herein by reference. For all purposes of this Plan, the phrase "termination of employment" (or any similar phrase of like meaning and intent) shall mean a "separation from service" as such phrase is defined in regulations under Section 409A of the Code.

11.12. Governing Law

This Plan shall be construed according to the laws of the State of Delaware, and all provisions hereof shall be administered according to, and its validity shall be determined under, the laws of the State of Delaware, except where preempted by Federal law.

11.13. Titles

The titles to Articles and Sections in this Plan are placed herein for convenience of reference only, and the Plan is not to be construed by reference thereto.

11.14. Other Plans

Nothing in this Plan shall be construed to affect the rights of a Participant, Participant's Beneficiaries, or Participant's estate to receive any retirement or death benefit under any tax-qualified or nonqualified pension plan, deferred compensation agreement, insurance agreement or other retirement plan of the Employer.

* * *

Executed this _____ day of _____, 2013.

TEVA PHARMACEUTICALS USA, INC.

By: _____

Its: _____

INITIAL DESIGNATED PLAN PARTICIPANTS

<u>Employee Name</u>	<u>Effective Date of Participation</u>
Mike Dearborn	October 1, 2013
Debbie Griffin	October 1, 2013
Jeffrey Herzfeld	October 1, 2013
David Stark	October 1, 2013

Indemnification and Release Agreement

This Indemnification and Release Agreement (this "Indemnification Agreement") is being entered into effective as of [●], 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, as adopted by the Company's shareholders on September 12, 2012, (such Articles of Association, or other Articles of Association as shall be in effect at the relevant time, 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 (v) 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.

Kindly sign and return the enclosed copy of this Indemnification Agreement to acknowledge your agreement to the contents hereof.

[Signature Page to Follow]

Sincerely yours,

Teva Pharmaceutical Industries Ltd.

Name: _____

Title: _____

Accepted and agreed
as of the first date written above:

Name:

[signature page of the Indemnification and Release Agreement]

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.

AWARD AGREEMENT

This Award Agreement (this “Agreement”), is made effective as of [•], between Teva Pharmaceutical Industries Limited (the “Company”) and [•] (the “Participant”), in [his / her] capacity as a member of the Company’s board of directors (the “Board”). 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 Restricted Share Units (“RSUs” or “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 RSU:	[\$[•] as of [•].
RSUs Granted:	[•] which represents the Total Fair Value of Award divided by the Fair Value of each RSU, rounded to the nearest whole number.
Grant Date:	[•]
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 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 settle as set forth in the table above. For the avoidance of doubt, in the event that the Participant becomes an executive officer or employee of the Company while continuing to serve as a director of the Company, Awards granted to such Participant will continue to vest subject to the same terms and conditions as originally granted.

(B) Termination of Service. Upon the Participant’s Termination as a director, other than removal pursuant to a shareholder resolution due to a breach of fiduciary duties, any unvested Awards held by the Participant shall immediately become vested and shall be settled promptly

following the date of such Termination. Upon the Participant's Termination as a director as a result of removal pursuant to a shareholder resolution due to a breach of fiduciary duties, any unvested Awards held by the Participant will immediately be forfeited for no consideration as of the date of such Termination.

(C) Withholding. The Company, 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 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 or capital gains taxes or any other required deductions or payments (hereinafter referred to as "Taxes"). The Company, may withhold from fees 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) VAT. VAT, if applicable, shall be calculated based on the Total Fair Value of Award.

(E) Other Effective Documents; Other Agreements. 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 (i) execute and become a party to the agreements set forth in any appendix attached hereto, and (ii) 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 in the future, and shall also agree to such agreement in writing.

(F) Clawback/Recoupment Policy. By signing this Agreement, the Participant grants the Company a power of attorney to deduct from any payments due to the Participant by the Company, any amounts owed by him under Section 21(e) of the Plan, in accordance with applicable law.

(G) Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties hereto.

(H) 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 the State of Israel without giving effect to the principles of the conflicts of laws thereof.

(I) 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.

(J) 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.

I acknowledge that I have read the Award Agreement above and I

Accept	▼
Accept	
Do Not Accept	

AWARD AGREEMENT

This Award Agreement (this “Agreement”), is made effective as of [•], between Teva Pharmaceutical Industries Limited (the “Company”) and Hafrun Fridriksdottir (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 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 Quarter (1/4) of Awards Granted:	First Anniversary of the Grant Date.
Vesting of Second Quarter (1/4) of Awards Granted:	[•]
Vesting of Third Quarter (1/4) of Awards Granted:	[•]

Vesting of Balance of Awards Granted: [•]

Option Exercise Price: \$[•], the Fair Market Value per Share on the Grant Date.

Option Exercise 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.

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 on the Grant Date 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. 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 (i) execute and become a party to the agreements set forth in any appendix attached hereto, and (ii) 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.

(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.

(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.

I acknowledge that I have read this Agreement and all appendices and I

Accept	▼
Accept	
Do Not Accept	

AWARD AGREEMENT

This Award Agreement (this “Agreement”), is made effective as of November 3, 2017, between Teva Pharmaceutical Industries Limited (the “Company”) and Kare Schultz (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 and Section 4.1 of the Employment Agreement, dated as of September 7, 2017, between the Company and the Participant (the “Employment Agreement”), the Company hereby grants to the Participant as of the Grant Date (as defined below) the number of Restricted Share Units (“RSUs”), Performance Share Units with the three-year performance period specified below (“Three-Year PSUs”) and Performance Share Units with the five-year performance period specified below (“Five-Year PSUs,” and the RSUs, Three-Year PSUs and Five-Year PSUs shall be collectively referred to 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, the Employment Agreement and the Compensation Policy, which are incorporated herein in their entirety. All dollar amounts in this Agreement are in U.S. dollars.

RSUs Granted:	349163, RSUs (which is equal to the number of Shares that would be subject to 7 an RSU award with a grant date fair value of \$5,000,000 if such grant had been made on September 8, 2017, using the per Share closing price on such date of \$15.50).
Target Number of Three-Year PSUs Granted:	649914, Three-Year PSUs (which is equal to the target number of Shares that would be subject to a Three-Year PSU award with a grant date fair value of \$7,500,000 if such grant had been made on September 8, 2017, using the per Share closing price on such date of \$15.50). The Target Number of Three-Year 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 Three-Year PSU Performance Objectives. The number of Three-Year PSUs earned, if any, is subject to increase or decrease based on the Company’s actual achievement of the Three-Year PSU Performance Objectives during the Three-Year PSU Performance Period and may range from zero to three hundred percent (0% to 300%) of the Target Number of Three-Year PSUs Granted.

Target Number of Five- Year PSUs Granted: 751504, Five-Year PSUs (which is equal to the target number of Shares that would be subject to a Five-Year PSU award with a grant date fair value of \$7,500,000 if such grant had been made on September 8, 2017 using the per Share closing price on such date of \$15.50). The Target Number of Five-Year PSUs Granted represents the number of Five-Year PSUs that would be earned, subject to vesting, if the Company were to achieve the target level of the Five-Year PSU Performance Objectives. The number of Five-Year PSUs earned, if any, is subject to increase or decrease based on the Company’s actual achievement of the Five-Year PSU Performance Objectives during the Five-Year PSU Performance Period and may range from zero to three hundred percent (0% to 300%) of the Target Number of Five-Year PSUs Granted.

Grant Date of all RSUs and PSUs Granted Hereunder: November 3, 2017

Vesting of RSUs: The total number of RSUs subject to this Agreement shall vest in three equal installments on each of November 1, 2020, November 1, 2021, and November 1, 2022, subject to the Participant’s continued employment with the Company through each such date.

Settlement of Vested RSUs: Upon vesting, RSUs shall be settled by delivering one Share for each RSU that vested as soon as practicable following the applicable vesting date.

Three-Year PSU Performance Period: 12:00 A.M., November 1, 2017 - 12:00 A.M., November 1, 2020

Five-Year PSU Performance Period: 12:00 A.M., November 1, 2017 - 12:00 A.M., November 1, 2022.

Three-Year PSU Performance Objectives and Earnout: The number of Three-Year PSUs earned shall be determined based on the percentage increase in the per Share price, beginning with the per Share closing trading price on September 8, 2017 of \$15.50 (the “Beginning Price”) and ending with the average per Share closing trading price as reported on the New York Stock Exchange (“NYSE”) during the six (6) months ending on November 1, 2020 (the “Three-Year PSU End Price”), as follows:

- Threshold. - 50% of the Target Number of Three-Year PSUs Granted shall vest if the Three-Year PSU End Price is 16% higher than the Beginning Price (\$17.98).
- Target. - 100% of the Target Number of Three-Year PSUs Granted shall vest if the Three-Year PSU End Price is 29% higher than the Beginning Price (\$19.995).
- Outperform. - 150% of the Target Number of Three-Year PSUs Granted shall vest if the Three-Year PSU End Price is 42% higher than the Beginning Price (\$22.01).
- Superperform. - 200% of the Number of Three-Year PSUs Granted shall vest if the Three-Year PSU End Price is 94% higher than the Beginning Price (\$30.07).
- Maximum. - 300% of the Target Number of Three-Year PSUs Granted shall vest if the Three-Year PSU End Price is at least 158% higher than the Beginning Price (\$39.99).

None of the Three-Year PSUs shall be eligible to vest if the Three-Year PSU End Price is less than the applicable threshold target price set forth above. Straight line interpolation shall be applied to determine the number of Three-Year PSUs that vest upon a Share price increase between the levels above. Any Three-Year PSUs that are not earned at the end of the Three-Year PSU Performance Period shall be automatically forfeited and canceled for no consideration.

5 Year PSU Performance Objectives and Earnout:

The number of Five-Year PSUs earned shall be determined based on the percentage increase in the per Share price, beginning with the Beginning Price and ending with the average per Share closing trading price as reported on the NYSE during the six (6) months ending on November 1, 2022 (the "Five-Year End Price"), as follows:

- Threshold. - 50% of the Target Number of Five-Year PSUs Granted shall vest if the Five-Year PSU End Price is 28% higher than the Beginning Price (\$19.84).
- Target. - 100% of the Target Number of Five-Year PSUs Granted shall vest if the Five-Year PSU End Price is 53% higher than the Beginning Price (\$23.715)
- Outperform. - 150% of the Target Number of Five-Year PSUs Granted shall vest if the Five-Year PSU End Price is 79% higher than the Beginning Price (\$27.745).
- Superperform. - 200% of the Target Number of Five-Year PSUs Granted shall vest if the Five-Year PSU End Price is 202% higher than the Beginning Price (\$46.81).
- Maximum. - 300% of the Target Number of Five-Year PSUs Granted shall vest if the Five-Year PSU End Price is at least 385% higher than the Beginning Price (\$75.175).

None of the Five-Year PSUs shall be eligible to vest if the Five-Year PSU End Price is less than the applicable threshold target price set forth above. Straight line interpolation shall be applied to determine the number of Five-Year PSUs that vest upon a Share price increase between the levels above. Any of the Five-Year PSUs that are not earned at the end of the Five-Year PSU Performance Period shall be automatically forfeited and canceled for no consideration.

Vesting of Three-Year PSU:

Shares underlying the Three-Year PSUs that are earned at the end of the Three-Year PSU Performance Period shall vest in equal installments on November 3, 2020, November 1, 2021, and November 1, 2022, subject to the Participant's continued employment with the Company through each such date. For the avoidance of doubt, the Participant acknowledges and agrees the first vesting date shall be November 3, 2020, notwithstanding any provision of the Employment Agreement to the contrary.

Vesting of Five-Year PSU:

Shares underlying the Five-Year PSUs that are earned at the end of the Five-Year PSU Performance Period shall vest on November 1, 2022, subject to the Participant's continued employment with the Company through such date.

Change in Control

Upon a Change in Control during the Three-Year PSU Performance Period or Five-Year PSU Performance Period, as applicable, the applicable performance period shall end immediately and the number of Three-Year PSUs or Five-Year PSUs, as applicable, earned shall be fixed based on the price paid per Share in connection with the Change in Control (or, if no price is paid for Shares in connection with the Change in Control, the per Share closing price for the last complete trading session on the NYSE immediately preceding the Change in Control), and the earned Three-Year PSUs or earned Five-Year PSUs, as applicable, shall vest and be settled upon the Change in Control; provided that, if the earned Three-Year PSUs or earned Five-Year PSUs, as applicable, remain outstanding or are assumed by the Company's successor following the Change in Control, the earned Three-Year PSUs or earned Five-Year PSUs, as applicable, shall remain subject to service-based vesting over the remainder of the originally scheduled vesting period.

Settlement of Vested, Earned PSUs:

Upon vesting, earned Three-Year PSUs and Five-Year PSUs shall be settled by delivering one Share for each earned PSU that vested as soon as practicable following the vesting date.

1. Restricted Share Units.

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.

No Issuance at Grant. No Shares shall be issued or delivered to the Participant at the time the RSUs are granted.

2. Performance Share Units.

Grant of PSUs. As set forth above, the Company hereby grants to the Participant, as of the Grant Date, the Target Number of Three-Year PSUs Granted and Five-Year PSUs Granted as set forth in the table above.

No Share Issuance at Grant. No Shares shall be issued or delivered to the Participant at the time the Three-Year PSUs or Five-Year PSUs are granted.

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 Three-Year PSU Performance Objectives and Five-Year PSU Performance Objectives and shall do so as soon as practicable following the completion of the Three-Year PSU Performance Period or Five-Year PSU Performance Period, as applicable, as set forth in the table above.

Adjustment of PSU Performance Objectives. The Committee and, as applicable, the Board shall adjust the Beginning Price, Three-Year PSU End Price and Five-Year PSU End Price as set forth in the table above in the event of any corporate transaction impacting the capitalization of the Company to the extent the Committee or the Board, as applicable, determines that the adjustment is necessary or advisable to avoid dilution or preserve the intended incentives and benefits of the PSUs.

3. Other Provisions.

Vesting. The Awards granted hereunder shall vest and settle, as the case may be, as set forth in the table above.

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 Employment Agreement. Any provisions in the Plan or any other plan, policy, agreement or arrangement providing for vesting on, following or in connection with the Participant's termination of employment shall be inapplicable to the Awards.

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 settlement of an RSU, a Three-Year PSU or a Five-Year 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.

The terms and provisions of the Plan and the Employment Agreement 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 Employment Agreement, except as expressly provided in this Agreement, it is agreed that the terms of the Plan and the Employment Agreement 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. 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 imposed by local securities laws. Accordingly, the Participant is encouraged to seek legal advice prior to any resale of such Shares.

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.

(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 him 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, amended, or rescinded only by a written agreement executed by both parties.

(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	▼
Accept	
Do Not Accept	

AWARD AGREEMENT

This Award Agreement (this “Agreement”), is made effective as of May 18, 2017, between Teva Pharmaceutical Industries Limited (the “Company”) and Carlo de Notaristefani (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 8 of the Plan and the Participant’s Employment Agreement with the Company dated January 18, 2015, as amended (the “Employment Agreement”), the Company hereby grants to the Participant as the Grant Date (as defined below) the number of Restricted Share Units (“RSUs” or “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:	U.S.\$836400
Fair Value of each RSU:	US\$27.09
RSUs Granted:	30875, which represents the Total Fair Value of Award divided by the Fair Value of each RSU, rounded up to the nearest whole number.
Grant Date:	May 18, 2017
Vesting of Awards Granted:	Second anniversary of the Grant 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 RSUs Granted 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.

2. Other Provisions.

(A) Vesting. The Awards granted hereunder shall vest and become exercisable or settle, as the case may be, as forth in the table above.

(B) Termination of Employment.

(i) The applicable provisions of the Plan related to the treatment of RSUs upon Termination and the Company's Qualifying Retirement Policy as shall be amended from time to time are incorporated herein reference and made a part hereof. Provided however that notwithstanding anything contrary in the Plan the event that:

(1) Participant is provided with a written notice of termination without cause pursuant to Section 7(d) of Amended and Restated Employment Agreement on or prior to June 30, 2019, the Award shall continue to vest, without regard to the termination of Participant's employment, for an additional two (2) year period following the Termination date (the two (2) year anniversary of the Termination date, the "Continued Ve Date") to the same extent as if the Participant had remained employed by the Company in accordance w the terms and conditions of the Company's equity plans; or

(2) Participant's employment terminates by the Participant without Good Reason, prior to the time that RSUs have vested, and such termination is mutually agreed with the prior written consent of the Company the Board of Directors in its sole discretion may provide that, subject to Participant's continued compliance with Section 9 of the Employment Agreement, all of such Participant's RSUs shall be earned and continue to vest in accordance with their original vesting schedule as if no such Termination had occurred, until the second anniversary of such termination.

(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 the settlement of RSU, the delivery of a Share or its transfer, and any other event occurring pursuant to the Plan or 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 the Participant, or to otherwise require the Participant to pay such Taxes.

(D) Other Effective Documents; Other Agreements.

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 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, provided however that if there is a contradiction between the terms of Section 2(B) of this Agreement and/or its Appendices and/or the Plan, the provision Section 2(B) of this Agreement shall prevail. The Participant agrees to (i) execute and become a party to agreements set forth in any appendix attached hereto, and (ii) the terms of an Award administration framework agreement and its terms and conditions, as may be set forth in an appendix or as requested the Company or the Employer in the future, and shall also agree to such agreement in writing.

(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 him 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, amended, or rescinded only by a written agreement executed by both parties.

(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.

I acknowledge that I have read this Agreement and all appendices and I

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 Award (in Options prior to conversion):	[•]
Conversion Ratio:	[•], which represents the ratio between the value of an Option and the value of an RSU, as determined by the Company on or about the Grant Date.
Options Granted:	[•], which represents approximately fifty percent (50%) of the Total Award, calculated as follows: the difference between the Total Award and the number of RSUs granted, rounded up to the nearest whole number.
RSUs Granted:	[•], which represents approximately fifty percent (50%) of the Total Award divided by the Conversion Ratio, rounded down to the nearest whole number.
Grant Date:	[•]
Vesting of First Quarter (1/4) of Awards Granted:	First Anniversary of the Grant Date.
Vesting of Second Quarter (1/4) of Awards Granted:	Second Anniversary of the Grant Date.
Vesting of Third Quarter (1/4) of Awards Granted:	Third Anniversary of the Grant Date.
Vesting of Balance of Awards Granted:	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.

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 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 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 Teva 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) 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	▼
Accept	
Do Not Accept	

12/27/2017

Options Award Agreement—Review

SUBSTITUTE AWARD AGREEMENT

This Substitute Award Agreement (this “Agreement”) is made effective as of August 2nd, 2016, between Teva Pharmaceutical Industries Limited (the “Company”) and Hafrun Fridriksdottir (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 Section 7.9 of that certain Master Purchase Agreement, dated July 26, 2015, by and between Allergan plc (“Allergan”) and the Company (the “Master Purchase Agreement”), the Company agreed to assume certain stock options granted to the Participant by Allergan that were outstanding and unvested and held by the Participant immediately prior to the Closing (as defined in the Master Purchase Agreement) (the “Allergan Awards”) and the Participant is entitled to receive substitute stock options denominated in Shares in substitution for the Allergan Awards, except that the substitute awards shall be subject to the Plan and the terms and conditions of this Agreement.

Pursuant to Section 5 of the Plan, the Company hereby issues to the Participant the number of Options (“Options” or “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.

Select	Allergan Shs Subject to Awards	Substitute Options Issued	Vesting Schedule (# Options)	Substitute Option Strike Price	Substitute Option Expiry Date
<input type="checkbox"/>	4958	22809	01-JUL-17 (7603) 01-JUL-18 (7603) 01-JUL-19 (7603)	48.69	30.JUN.2024

1. Substitute Options.

(A) Issuance of Options. As set forth above, pursuant to the terms of the Master Purchase Agreement, the Company hereby issues to the Participant the number of Options as set forth in the table above to purchase an equal number of Shares in substitution for the stock options granted to the Participant by Allergan on [Date], under the terms and conditions hereinafter set forth.

(B) No Obligation to Exercise Options. The issuance and acceptance of Options pursuant to this Agreement do not impose any obligation on the Participant to exercise them.

2. Other Provisions.

(A) Vesting. The Awards issued hereunder shall vest and become exercisable as set forth in the table above.

(B) Termination of Employment. The provisions of the plan related to the treatment of Options upon Termination are incorporated herein by reference and made a part hereof; provided, however, that the provisions of the Plan related to Qualifying retirement shall not apply to the Options, and the Options shall instead be subject to the retirement provisions that were applicable to the Allergan Awards prior to the Closing Date, in any, as such provisions are set forth in the relevant Seller Parent Incentive Plan (as defined in the Master Purchase Agreement, the Seller Parent Incentive Award (as defined in the Master Purchase Agreement) or related administrative rules.

(C) Acknowledgement and Release. By signing this Agreement, the Participant hereby acknowledges and agrees that, as of the date of this Agreement, the Participant (i) has, and will have, no claims, rights, causes of action, damages, grievances, liabilities, or the like against the Company or any of its affiliates, or any of its or their respective present or former employees, officers, directors, managers, members, or agents (collectively, the "Released Parties") relating to or arising under or in connection with any Seller Parent Option that was outstanding and unvested and held by the Participant immediately prior to the Closing, or the assumption and conversion of any such Seller Parent Option into Buyer Parent Options (collectively, the "Claims") and (ii) irrevocably and unconditionally, individually and on behalf of his/her assigns, heirs, and beneficiaries, releases, acquits, and forever discharges the Released Parties from, and covenants not to sue the Released Parties with respect to, any and all Claims (whether known or unknown) that the Participant may have.

(D) 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 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.

(E) Other Effective Documents; Other Agreements. 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 (i) execute and become a party to the agreements set forth in any appendix attached hereto, and (ii) 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.

(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, amended, or rescinded only by a written agreement executed by both parties.

(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.

I acknowledge that I have read this Agreement and all appendices and I accept.

12/27/2017

Converted RSUs Award Agreement - Review

SUBSTITUTE AWARD AGREEMENT

This Substitute Award Agreement (this “Agreement”) is made effective as of August 2nd, 2016, between Teva Pharmaceutical Industries Limited (the “Company”) and Hafrun Fridriksdottir (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 Section 7.9 of that certain Master Purchase Agreement, dated July 26, 2015, by and between Allergan plc (“Allergan”) and the Company (the “Master Purchase Agreement”) the Company agreed to assume certain performance-based restricted stock units granted to the Participant by Allergan that were outstanding and unvested and held by the Participant immediately prior to the Closing (as defined in the Master Purchase Agreement) (the “Allergan Awards”) and the Participant is entitled to receive substitute performance-based restricted stock units denominated in Shares in substitution for the Allergan Awards, except that the substitute awards shall be subject to the Plan and the terms and conditions of this Agreement.

Pursuant to Section 7 of the Plan, the Company hereby issues to the Participant the number of Restricted Share Units (“RSUs” or “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.

Select	Allergan Shs Subject to Awards	Substitute RSUs Issued	Vesting of Substitute Awards
<input checked="" type="checkbox"/>	3026	13921	31-DEC-17 (4641) 31-DEC-18 (4640) 31-DEC-19 (4640)
<input checked="" type="checkbox"/>	857	3944	05-MAR-17 (1972) 05-MAR-18 (1972)
<input checked="" type="checkbox"/>	1902	8750	31-DEC-16 (8750)

1. Substitute Restricted Share Units.

(A) Issuance of RSUs. As set forth above, pursuant to the terms of the Master Purchase Agreement, the Company hereby issues to the Participant the number of RSUs as set forth in the table above in substitution for the performance-based restricted stock units granted to the Participant by Allergan on [Date], under the terms and conditions hereinafter set forth.

(B) No Shares Issued. No Shares shall be issued or delivered to the Participant at the time the RSUs are issued.

1. Other Provisions.

(A) Vesting. The Awards issued hereunder shall vest and settle as set forth in the table above.

(B) Termination of Employment. The provisions of the Plan related to the treatment of RSUs upon Termination are incorporated herein by reference and made a part hereof; provided, however, that the provisions of the plan related to Qualifying Retirement shall not apply to the RSUs, and the RSUs shall instead be subjected to the retirement provisions that were applicable to the Allergan Awards prior to the Closing Date, if any, as such provisions are set forth in the relevant Seller Parent Incentive Plan (as defined in the Master Purchase Agreement) the Seller Parent Incentive Award (as defined in the Master Purchase Agreement) or related administrative rules.

(C) Acknowledgement and Release. By signing this Agreement, the Participant hereby acknowledges and agrees that, as of the date of this Agreement, the Participant (i) has, and will have, no claims, rights, causes of action, damages, grievances, liabilities, or the like against the Company or any of its affiliates, or any of its or their respective present or former employees, officers, directors, managers, members, or agents (collectively, the "Released Parties") relating to or arising under or in connection with any performance-based vesting Seller Parent RSU Award that was outstanding and unvested and held by the Participant immediately prior to the Closing, or the assumption and conversion of any such performance-based vesting Seller Parent RSU Award into a Buyer Parent Performance RSU Award (collectively, the "Claims") and (ii) irrevocably and unconditionally, individually and on behalf of his/her assigns, heirs, and beneficiaries, releases, acquits, and forever discharges the Released Parties from, and covenants not to sue the Released Parties with respect to, any and all Claims (whether known or unknown) that the Participant may have.

(D) 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 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.

(E) Other Effective Documents; Other Agreements. 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 (i) execute and become a party to the agreements set forth in any appendix attached hereto, and (ii) 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.

(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, amended, or rescinded only by a written agreement executed by both parties.

(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.

I acknowledge that I have read this Agreement and all appendices and I accept

AWARD AGREEMENT

This Award Agreement (this ‘Agreement’), is made as of this [•] day of [•], 2015, 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 2010 Long-Term Equity-Based Incentive Plan (the ‘Plan’).

Pursuant to the terms of the Plan, the Company grants to the Participant as of the Grant Date the number of Options and 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: [•] Representing approximately 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 the award and the total fair value of 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: [•] Representing approximately 50% of the Total Fair Value of Award divided by the Fair Value of each RSU. Calculated as follows: 50% of the total fair value of the award is divided by the fair value of each RSU, and the result is rounded down to the nearest whole number.

Grant Date: [•]

Vesting of 1st Fourth (1/4) of Grant: First Anniversary of Grant Date

Vesting of 2nd Fourth (1/4) of Grant: Second Anniversary of Grant Date

Vesting of 3rd Fourth (1/4) of Grant: Third Anniversary of Grant Date

Vesting of Grant Balance: Fourth Anniversary of Grant Date
Option Exercise Price: USD [•], the NYSE closing price of Teva ADSs 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 grants to the Participant, as of the Grant Date, Options in a number to be determined as set forth in the table above, to purchase up to, but not exceeding in the aggregate, an equal number of Shares. (b) No Obligation to Exercise Options. The grant and acceptance of the Options impose no obligation on the Participant to exercise them.

2. Restricted Share Units.

(a) Grant of Restricted Share Units. As set forth above, the Company grants to the Participant, as of the Grant Date, an Award of Restricted Share Units, in a number to be determined 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 Restricted Share Units are granted.

3. Other Provisions.

(a) Vesting. Subject to the Participant's continuous employment with the Company and its subsidiaries and affiliates through the applicable vesting dates, Awards shall vest and become exercisable (or settle, as the case may be), as set forth in the table above.

(b) No Rights as a Shareholder. The Participant shall have no rights as a shareholder with respect to any Shares covered by the Options or Restricted Share Units until the date of issuance of the underlying Shares.

(c) Termination of Employment.

(i) In the event of a Participant's Termination with the Employer prior to the Expiration Date for any reason other than (A) the Participant's death or Disability, (B) a Qualifying Retirement, or (C) by the Employer for Cause, (1) all vesting with respect to such Participant's Options and Restricted Share Units shall cease, (2) all of such Participant's unvested Options shall expire as of the date of such Termination, and (3) all of such Participant's vested Options shall remain exercisable until the earlier of the Expiration Date and the date that is ninety (90) days after the date of such Termination.

(ii) In the event of a Participant's Termination with the Employer prior to the Expiration Date by reason of such Participant's death, Disability or Qualifying Retirement, (A) all of such Participant's Options and Restricted Share Units shall continue to vest in accordance with their

original vesting schedule as if no such termination had occurred, and (B) Options shall remain exercisable until the Expiration Date. In the event of a Participant's death, such Participant's Options shall be exercisable by the person or persons to whom a Participant's rights under the Options pass by will or the applicable laws of descent and distribution until the Expiration Date.

(iii) In the event of a Participant's Termination with the Employer prior to the Expiration Date by the Employer for Cause, all of such Participant's Options (whether or not vested) shall immediately expire and all Restricted Share Units shall be forfeited as of the date of such Termination.

(d) Withholding. The Company or the Participant's 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 a Participant net of any applicable taxes, fees or other required deductions, such as but not limited to income 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 a Restricted Share Unit, 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 or employment taxes or any other required deductions or payments (hereinafter referred to as -Taxes-). The Company or the Participant's employer, may withhold from wages or other amounts payable to a 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.

(e) Other Effective Documents; Other Agreements. 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 the Agreement and any appendix, and that the terms of any appendix shall prevail of the terms of the Agreement. The Participant agrees to (i) execute and become a party to the agreements set forth in any appendix attached hereto, and (ii) 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 Employer in the future, and will also agree to such agreement in writing.

(f) Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators, and successor of the parties hereto.

(g) Governing Law. This Agreement (including, for the avoidance of doubt, its appendices) shall be construed and interpreted in accordance with the local laws of country where the Participant is or was last employed by the Company or its Affiliate, as applicable, without giving effect to the principles of the conflicts of laws thereof.

(h) Entire Agreement; Modification. This Agreement (together with the 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.

(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 the Agreement, unless otherwise stipulated in any appendix, may be by electronic or digital means.

I acknowledge that I have read the Award Agreement above and I

Accept	▼
Accept	
Do Not Accept	

AWARD AGREEMENT

This Award Agreement (this "Agreement"), is made effective as of February 14, 2017, 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, 7 and 8 of the Plan, the Company hereby grants to the Participant as of the Grant Date (as defined below) the number of Options, Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") (Options, 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, which are incorporated herein in their entirety.

Total Fair Value of Award: \$[•]

Fair Value of each Option: \$[•]

Fair Value of each RSU: \$[•]

Fair Value of each PSU: \$[•]

Options Granted: [•], which represents approximately one-third (1/3) of the Total Fair Value of Award divided by the Fair Value of each Option, calculated as follows: the difference between (x) the Total Fair Value of Award and (y) the sum of (i) the product of (A) the Fair Value of each RSU and (B) the number of RSUs granted and (ii) the product of (A) the Fair Value of each PSU and (B) the Target Number of PSUs Granted, divided by the Fair Value of each Option, and the result is rounded up to the nearest whole number.

RSUs Granted: [•], which represents approximately one-third (1/3) of the Total Fair Value of Award divided by the Fair Value of each RSU, rounded down to the nearest whole number.

[•], which represents approximately one-third (1/3) of the Total Fair Value of Award divided by the Fair Value of each PSU rounded down to the nearest whole number.

Target Number of PSUs Granted:	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 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 zero to two hundred percent (0% to 200%) of the Target Number of PSUs Granted.
Grant Date:	February 14, 2017
Vesting of First Third ($\frac{1}{3}$) of Options and RSUs Granted:	Second Anniversary of the Grant Date.
Vesting of Second Third ($\frac{1}{3}$) of Options and RSUs Granted:	Third Anniversary of the Grant Date.
Vesting of the Balance of Options and RSUs Granted:	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.
Settlement of Vested RSUs:	Upon vesting, RSUs shall be settled by delivering one Share for each RSU that vested as soon as practicable following the vesting date.
PSU Performance Period:	12:00 A.M., January 1, 2017—12:00 A.M., January 1, 2020.

PSU Performance Objectives:

- **EPS Performance Objective**—Achievement of non-GAAP EPS target for the PSU Performance Period. The non-GAAP EPS target will be cumulative for the PSU Performance Period and will include the non-GAAP EPS target for 2017 as shall be approved by the Committee and the Board, as well as the non-GAAP EPS targets for 2018 and 2019, which will be based on the 2018-2019 LRP that will be approved by the Board. For purposes hereof, “non-GAAP EPS” is defined as non-GAAP earnings per share as reported in the Company’s audited financial statements, subject to adjustment for currency fluctuations; and
- **Free Cash Flow Performance Objective**—Achievement of free cash flow target for the PSU Performance Period. The free cash flow target will be cumulative for the PSU Performance Period and will include the free cash flow target for 2017 as shall be approved by the Committee and the Board, as well as the free cash flow targets for 2018 and 2019, which will be based on the 2018-2019 LRP that will be approved by the Board. For purposes hereof, “free cash flow” as reported in the Company’s audited financial statements, subject to adjustment for legal settlements.

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:

<u>Achievement Level</u>	<u>Relative TSR Percentile Rank</u>	<u>Relative TSR Modifier</u>
Minimum	Up to 25th Percentile	80%
Target	50th Percentile	100%
Maximum	100th Percentile	120%

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: AbbVie Inc., Allergan plc, Amgen Inc., Astellas Pharma Inc., AstraZeneca plc, Bayer AG, Bristol-Myers Squibb Company, Eli Lilly and Company, Gilead Sciences Inc., GlaxoSmithKline plc, Merck & Co. Inc., Merck KGaA,

Mylan NV, Novartis AG, Novo Nordisk A/S, Pfizer Inc., Roche Holding AG, Sanofi, and Takeda Pharmaceutical Company Ltd.; provided, however, that (i) subject to clause (ii) below, if a member of the Peer Group ceases to be publicly traded for any reason following the Grant Date and prior to the applicable date on which the Beginning Stock Price or Ending Stock Price is calculated, that member of the Peer Group shall be deleted as a member of the Peer Group and shall not be counted for purposes of determining TSR and all related calculations and (ii) if a member of the Peer Group becomes bankrupt following the Grant Date and prior to the applicable date on which the Beginning Stock Price or Ending Stock Price is calculated, that member of the Peer Group shall remain a member of the Peer Group and shall be attributed a Total Shareholder Return of –100% for purposes of determining TSR and all related calculations.

“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 EPS Performance Objective and the Applicable Earning Percentage of the Free Cash Flow Performance Objective shall equal the Applicable Earning Percentage of the PSU Performance Objectives:

<i>Achievement Level</i>	<i>Percentage Achievement of PSU Performance Objectives</i>	<i>Applicable Earning Percentage</i>
Below Threshold	<85%	0%
Threshold	85%	0%
Target	100%	100%
Maximum	120%	200%
Above Maximum	>120%	200%

Linear interpolation shall be used to determine the Applicable Earning Percentage between Achievement Levels.

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 200% of the Target Number of PSUs Granted.

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 of PSUs:

Third Anniversary of the Grant Date.

Settlement of Vested,
Earned PSUs:

Upon vesting, Earned PSUs shall be settled by delivering one Share for each Earned PSU that vested as soon as practicable following the vesting 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.

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. 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 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 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 preserve the intended incentives and benefits of the PSUs or if such adjustments were reflected in the Company's public non-GAAP financial results.

4. 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, RSUs and Performance Awards upon Termination, as applicable, the Company's Qualifying Retirement and Qualifying Termination Policy as in effect from time to time 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 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 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. 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 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.

(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 him 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, amended, or rescinded only by a written agreement executed by both parties.

(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 

Vesting of Second Third (1/3) of Options Granted:	Third Anniversary of the Grant Date.
Vesting of the Balance of Options Granted:	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.
PSU Performance Period:	12:00 A.M., January 1, [●] - 12:00 A.M., January 1, [●].
PSU Performance Objectives:	<ul style="list-style-type: none"> • Operating Profit Performance Objective - Achievement of non-GAAP operating profit target for the PSU Performance Period. The non-GAAP operating profit target will be cumulative for the PSU Performance Period and will include the non-GAAP operating profit target for 2016 that will be approved by the Board and communicated to the Participant following such approval, as well as the non-GAAP operating profit targets for 2017 and 2018, which will be based on the 2017-2018 LRP that will be approved by the Board and communicated to the Participant following such approval. For purposes hereof, “<u>non-GAAP operating profit</u>” is defined as non-GAAP operating profit as reported in the Company’s audited financial statements, subject to adjustment for currency fluctuations; and • Net Revenue Performance Objective - Achievement of net revenue target for the PSU Performance Period. The net revenue target will be cumulative for the PSU Performance Period and will include the net revenue target for 2016 that will be approved by the Board and communicated to the Participant following such approval, as well as the net revenue targets for 2017 and 2018, which will be based on the 2017-2018 LRP that will be approved by the Board and communicated to the Participant following such approval. For purposes hereof, “<u>net revenue</u>” is defined as net revenue as reported in the Company’s audited financial statements, subject to adjustment for currency fluctuations;

such that the arithmetic mean of the percentage of achievement of the Operating Profit Performance Objective and the percentage of achievement of the Net Revenue Performance Objective shall equal the percentage of achievement of the PSU Performance Objectives.

The number of PSUs earned, if any, subject to vesting (“Earned PSUs”), will be determined based on the achievement of the PSU Performance Objectives for the PSU Performance Period, in accordance with the following table:

	<i>Achievement Level</i>	<i>Percentage Achievement of PSU Performance Objectives</i>	<i>Applicable Earning Percentage</i>
Earned PSUs:	Below Threshold	<90%	0%
	Threshold	90%	0%
	Target	100%	100%
	Maximum	120%	150%
	Above Maximum	>120%	150%

Linear interpolation shall be used to determine the Applicable Earning Percentage between Achievement Levels. The number of Earned PSUs shall be determined by multiplying the Target Number of PSUs Granted by the Applicable Earning Percentage.

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 of PSUs: Third Anniversary of the Grant Date.

Settlement of Vested, Earned PSUs: Upon vesting, Earned PSUs shall be settled by delivering one Share for each Earned PSU that vested as soon as practicable following the vesting 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.

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 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 to calculate the number of Earned PSUs, and shall do so as soon as practicable following the completion of the PSU Performance Period as set forth in the table above.

(D) Adjustment of PSU Performance Objectives. The Committee and 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 preserve 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 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 Performance Awards upon Termination, as applicable, the Company’s Qualifying Retirement and Qualifying Termination Policy as in effect on the Grant Date 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 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. 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 (i) execute and become a party to the agreements set forth in any appendix attached hereto, and (ii) 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.

(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 him 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, amended, or rescinded only by a written agreement executed by both parties.

(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.

I acknowledge that I have read this Agreement and all appendices and I

Accept 

AWARD AGREEMENT

This Award Agreement (this "Agreement"), is made effective as of [●] 2015, 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 2010 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 Performance Share Units ("PSUs") (Options 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, which are incorporated herein in their entirety.

Total Fair Value of Award: \$[●]

Fair Value of each Option: \$[●]

Fair Value of each PSU: \$[●]

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 (i) the Total Fair Value of Award and (ii) the product of (a) the Fair Value of each PSU and (b) the Target Number of PSUs Granted is divided by the Fair Value of each Option, and the result is rounded up to the nearest whole number.

Target Number of PSUs Granted: [●], which represents approximately fifty percent (50%) of the Total Fair Value of Award divided by the Fair Value of each PSU, calculated as follows: Fifty percent (50%) of the Total Fair Value of Award is divided by the Fair Value of each PSU, and the result is rounded down to the nearest whole number.

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 Goals during the PSU Performance Period. The number of PSUs earned, if any, is subject to increase or decrease based on the Company's actual achievement of the PSU Performance Goals during the PSU Performance Period and may range from zero to one hundred fifty percent (0% to 150%) of the Target Number of PSUs Granted.

Grant Date: [●], 2015

Vesting of First Third ($\frac{1}{3}$) of Options Granted:	Second Anniversary of the Grant Date.
Vesting of Second Third ($\frac{1}{3}$) of Options Granted:	Third Anniversary of the Grant Date.
Vesting of the Balance of Options Granted:	Fourth Anniversary of the Grant Date.
Option Exercise Price:	\$(●), the NYSE closing price of Teva ADSs on the Grant Date.
Option Expiration Date:	Tenth Anniversary of the Grant Date.
PSU Performance Period:	12:00 A.M. January 1, 2015 - 12:00 A.M. January 1, 2018.
PSU Performance Goals:	<ul style="list-style-type: none"> • Operating Profit Performance Goal - Achievement of non-GAAP operating profit target of \$18 billion for the PSU Performance Period. For purposes hereof, “non-GAAP operating profit” is defined as non-GAAP operating profit as reported in the Company’s audited financial statements, subject to adjustment for currency fluctuations. • Net Revenue Performance Goal - Achievement of non-GAAP net revenue target of \$62.3 billion for the PSU Performance Period. For purposes hereof, “non-GAAP net revenue” is defined as net revenue as reported in the Company’s audited financial statements, subject to adjustment for currency fluctuations.

such that the arithmetic mean of the percentage of achievement of the Operating Profit Performance Goal and the percentage of achievement of the Net Revenue Performance Goal shall equal the percentage of achievement of the PSU Performance Goals.

Earned PSUs: The number of PSUs earned, if any, subject to vesting (“Earned PSUs”), will be determined based on the achievement of the PSU Performance Goals for the PSU Performance Period, in accordance with the following table:

<i>Achievement Level</i>	<i>Percentage Achievement of PSU Performance Goals</i>	<i>Applicable Earning Percentage</i>
Below Threshold	<90%	0%
Threshold	90%	0%
Target	100%	100%
Maximum	120%	150%
Above Maximum	>120%	150%

Linear interpolation shall be used to determine the Applicable Earning Percentage between Achievement Levels. The number of Earned PSUs shall be determined by multiplying the Target Number of PSUs Granted by the Applicable Earning Percentage.

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 of Earned PSUs: Third Anniversary of the Grant Date.

Settlement of Vested, Earned PSUs: Upon vesting, Earned PSUs shall be settled by delivering one Share for each Earned PSU that vested as soon as practicable following the vesting 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.

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 number of PSUs 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 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 Goals and to calculate the number of Earned PSUs, and shall do so as soon as practicable following the completion of the PSU Performance Period as set forth in the table above.

(D) Adjustment of PSU Performance Goals. The Committee and the Board shall have the discretion to adjust (increase or decrease) the PSU Performance Goals 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 Goals, is: (i) determined to be extraordinary, unusual or non-recurring in nature; (ii) related to changes in accounting principles under U.S. Generally Accepted Accounting Principles (“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 preserve 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. Subject to the Participant’s continuous employment with the Employer through the applicable vesting dates, except as otherwise specifically set forth in Section 3(C) below, the Awards granted hereunder shall vest and become exercisable or settle, as the case may be, as set forth in the table above.

(B) No Rights as a Shareholder. The Participant shall have no rights as a shareholder with respect to any Shares covered by the Awards granted hereunder until the date of issuance of the underlying Shares.

(C) Termination of Employment.

- (i) In the event of the Participant’s Termination with the Employer prior to (x) the Option Expiration Date (in the case of Options) or (y) the time that any Earned PSUs have vested (in the case of PSUs), for any reason other than (A) the Participant’s death or Disability, (B) a Qualifying Retirement, or (C) by the Employer for Cause, (1) all vesting with respect to such Participant’s Options and PSUs shall cease, (2) all of such Participant’s unvested Options and PSUs (whether or not Earned PSUs) shall expire as of the date of such Termination, and (3) all of such Participant’s vested Options shall remain exercisable until the earlier of the Option Expiration Date and the date that is ninety (90) days after the date of such Termination.
- (ii) In the event of the Participant’s Termination with the Employer by reason of such Participant’s death, Disability or Qualifying Retirement prior to

(x) the Option Expiration Date (in the case of Options) or (y) the time that any Earned PSUs have vested (in the case of PSUs), (A) all of such Participant's Options and PSUs shall be earned based on actual performance during the PSU Performance Period and continue to vest in accordance with their original vesting schedule as if no such Termination had occurred, and (B) Options shall remain exercisable until the Option Expiration Date. In the event of the Participant's death, such Participant's Options shall be exercisable by the person or persons to whom the Participant's rights under the Options pass by will or the applicable laws of descent and distribution until the Option Expiration Date.

- (iii) In the event of the Participant's Termination with the Employer for Cause prior to (x) the Option Expiration Date (in the case of Options) or (y) the time that any Earned PSUs have settled (in the case of PSUs), all of the Participant's Options (whether or not vested) shall immediately expire and all of the Participant's PSUs (whether or not vested and whether or not Earned PSUs) shall be forfeited as of the date of such Termination.

(D) 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, 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 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 or employment 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.

(E) Other Effective Documents; Other Agreements. Notwithstanding anything contained herein to the contrary, all awards granted to the Participant under the Plan shall be and remain subject to the provisions of the Company's Compensation Policy for Executive Officers and Directors (as amended from time to time, the "Compensation Policy"), to the extent applicable to the Participant. The terms and provisions of the Plan and the Compensation Policy, to the extent applicable to the Participant, 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 (i) execute and become a party to the agreements set forth in any appendix attached hereto, and (ii) 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.

(F) Clawback/Recoupment Policy. Notwithstanding anything contained herein to the contrary, all Awards granted to the Participant under the Plan shall be and remain subject to any

incentive compensation clawback or recoupment policy currently in effect or as may be adopted by the Board, and in each case, as may be amended from time to time, including, but not limited to, any clawback provision(s) in the Compensation Policy, to the extent applicable to the Participant. Any such policy adoption or amendment shall in no event require the prior consent of the Participant. In the event that an Award is subject to more than one such policy, the policy with the most restrictive clawback or recoupment provisions shall govern such Award, subject to applicable law. 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 him under this section, in accordance with applicable law.

(G) Binding Effect. This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties hereto.

(H) 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.

(I) 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.

(J) 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.

I acknowledge that I have read this Agreement and I

Accept 

AWARD AGREEMENT

This Award Agreement (this "Agreement"), is made effective as of February 9, 2018, 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, 7 and 8 of the Plan, the Company hereby grants to the Participant as of the Grant Date (as defined below) the number of Options, Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") (Options, 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 Option:	\$[•]
Fair Value of each RSU:	\$[•]
Fair Value of each PSU:	\$[•]
Options Granted:	[•], which represents approximately one-third (1/3) of the Total Fair Value of the Award divided by the Fair Value of each Option, calculated as follows: (I) the positive difference between (x) the Total Fair Value of the Award and (y) the sum of (i) the product of (A) the Fair Value of each RSU and (B) the number of RSUs granted and (ii) the product of (A) the Fair Value of each PSU and (B) the Target Number of PSUs Granted, divided by (II) the Fair Value of each Option, and the result is rounded down to the nearest whole number.
RSUs Granted:	[•], which represents approximately one-third (1/3) of the Total Fair Value of the Award divided by the Fair Value of each RSU, rounded down to the nearest whole number.

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[•], which represents approximately one-third (1/3) of the Total Fair Value of the Award divided by the Fair Value of each PSU rounded down to the nearest whole number.

Target Number of PSUs Granted:	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 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 zero to three hundred percent (0% to 300%) of the Target Number of PSUs Granted.
Grant Date:	February 9, 2018
Vesting of First Third ($\frac{1}{3}$) of Options and RSUs Granted:	2 nd anniversary of the Grant Date, subject to the Participant's continued employment through such date
Vesting of Second Third ($\frac{1}{3}$) of Options and RSUs Granted:	3 rd anniversary of the Grant Date, subject to the Participant's continued employment through such date
Vesting of the Balance of Options and RSUs Granted:	4 th anniversary of the Grant Date, subject to the Participant's continued employment through such date
Option Exercise Price:	\$[•], the Fair Market Value per Share on the Grant Date.
Option Expiration Date:	Tenth Anniversary of the Grant 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:	12:00 A.M., January 1, 2018 - 12:00 A.M., January 1, 2021.

PSU Performance Objectives:

- **EPS Performance Objective**—Achievement of non-GAAP EPS target for the PSU Performance Period. The non-GAAP EPS target will be cumulative for the PSU Performance Period and will include the non-GAAP EPS AOP target for 2018 as shall be approved by the Board as well as the non-GAAP EPS targets for 2019 and 2020, which will be based on the AOP that will be approved by the Board for the applicable year. For purposes hereof, “non-GAAP EPS” is defined as non-GAAP earnings per share as reported in the Company’s audited financial statements; and
- **Free Cash Flow Performance Objective** - Achievement of free cash flow target for the PSU Performance Period. The free cash flow target will be cumulative for the PSU Performance Period and will include the free cash flow AOP target for 2018 as will be approved by the Board, as well as the free cash flow targets for 2019 and 2020, which will be based on the AOP that will be approved by the Board for the applicable year. For purposes hereof, “free cash flow” is defined as cash from operations as reported in the Company’s audited financial statements net of CAPEX.

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:

<i>Achievement Level</i>	<i>Relative TSR Percentile Rank</i>	<i>Relative TSR Modifier</i>
Minimum	Up to 25th Percentile	80%
Target	50th Percentile	100%
Maximum	100th Percentile	150%

Relative TSR Modifier:

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: AbbVie Inc., Allergan plc, Amgen Inc., Astellas Pharma Inc., AstraZeneca plc, Bayer AG, Bristol-Myers Squibb Company, Celgene Corporation, Eli Lilly and Company, Gilead Sciences Inc., GlaxoSmithKline plc, Merck & Co. Inc., Merck KGaA, Mylan NV, Novartis AG, Novo Nordisk A/S, Pfizer Inc., Roche Holding AG, Sanofi, Shire Plc, and Takeda Pharmaceutical Company Ltd.; provided, however, that (i) subject to clause (ii) below, if a member of the Peer Group ceases to be publicly traded for any reason following the Grant Date and prior to the applicable date on which the Beginning Stock Price or Ending Stock Price is calculated, that member of the Peer Group shall be deleted as a member of the Peer Group and shall not be counted for purposes of determining TSR and all related calculations and (ii) if a member of the Peer Group becomes bankrupt following the Grant Date and prior to the applicable date on which the Beginning Stock Price or Ending Stock Price is calculated, that member of the Peer Group shall remain a member of the Peer Group and shall be attributed a Total Shareholder Return of –100% for purposes of determining TSR and all related calculations.

“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 EPS Performance Objective and the Applicable Earning Percentage of the Free Cash Flow Performance Objective shall equal the Applicable Earning Percentage of the PSU Performance Objectives:

<i>Achievement Level</i>	<i>Percentage Achievement of PSU Performance Objectives</i>	<i>Applicable Earning Percentage</i>
Below Threshold	<85%	0%
Threshold	85%	25%
Target	100%	100%
Maximum	120%	200%
Above Maximum	>120%	200%

Linear interpolation shall be used to determine the Applicable Earning Percentage between Achievement Levels.

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 300% of the Target Number of PSUs Granted.

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): 3rd 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. 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.

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 Share Issuance at Grant. No Shares shall be issued or delivered to the Participant at the time the RSUs are granted.

3. 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 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.

4. 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 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, the Plan or the Company's Qualifying Retirement and Qualifying Termination Policy as may be in effect from time to time and subject to its terms.

(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 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 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. 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 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.

(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 him 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 you and you shall be subject to all its terms and conditions, unless you click 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.



Private & Confidential

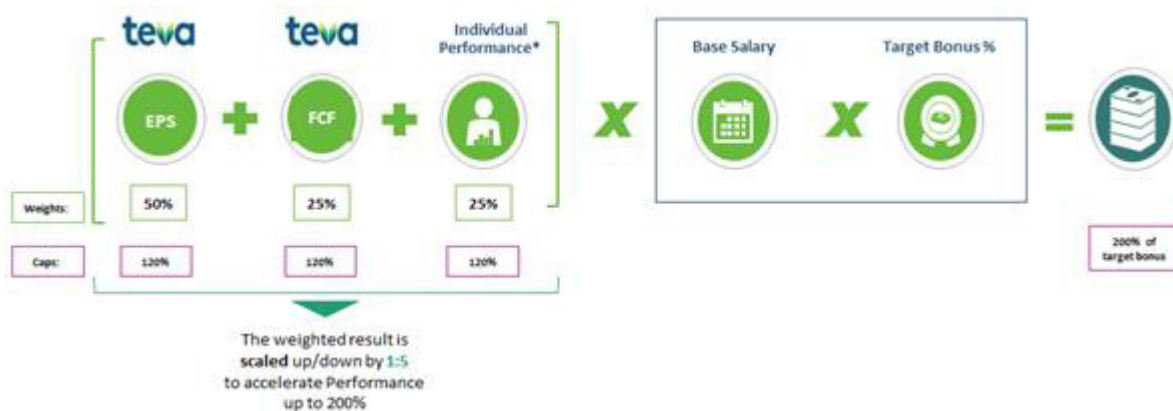
February 8, 2018

To: <First_Name> <Last_Name>
 Teva Global ID: <GID>

Subject: 2018 Annual Bonus Plan for Employee Office Holders

Dear <First_Name>,

I would like to inform you that your eligibility for annual cash bonus for 2018 will be based on the following scheme:



EPS: non-GAAP earnings per share as reported in the Teva Pharmaceutical Industries, Ltd. annual report on form 10-K, vs. AOP target

- **Weight** = 50%
- **Cap** = maximum achievement of 120%
- **Super-measure:** achievement of less than 85% of target Non-GAAP EPS will not entitle employees to Annual Bonus.

FCF (Free Cash Flow): cash from operations as reported in the Teva Pharmaceutical Industries Ltd. audited financial statements net of CAPEX, vs. AOP target

- **Weight** = 25%
- **Cap** = maximum achievement of 120%
- **Super-measure:** achievement of less than 85% of FCF target will not entitle employees to Annual Bonus.

Individual Performance:

- **Weight** = 25%
- Linked to performance evaluation ratings, each of which has an individual performance range:

Individual performance range:	
Outstanding:	110%-120%
Successful:	90%-110%
Needs Improvement:	0%-70%

Scaled Performance Result:

In the range of 0% to 200%, determined by scaling the performance result up/down at a ratio of 1:5 (5% for each percentile change in performance).



Threshold:

Achievement of less than 85% of performance (weighted result before scaling) will not entitle office holders to Annual Bonus (achievement of 85% of performance will result in 25% after scaling).

Annual Base Salary (ABS): the eligible salary which is used for the Annual Bonus calculation and payout.

Target Bonus: 100%.

Notes:

- All components shall be calculated on a prorated basis (for example the Annual Base Salary in case of working less than a full year or salary change)
- Subject to your employment agreement, the Annual Bonus is and shall remain subject to your continued employment at the date of payout, the Compensation Policy and other company policies, including but not limited to clawback provisions, and to any applicable law
- The Annual Base Salary shall not include any statutory allowances, benefits or perquisites
- Teva reserves the right to amend or discontinue the plan at any time

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,

/s/ Kåre Schultz

Kåre Schultz

President and Chief Executive Officer

AWARD AGREEMENT

This Award Agreement (this "Agreement"), is made effective as of September 18, 2017, between Teva Pharmaceutical Industries Limited (the "Company") and Mike McClellan (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, and the Company's Compensation Policy for Executive Officers and Directors (the "Compensation Policy"), which are incorporated herein in their entirety.

Options Granted:	12341
RSUs Granted:	4091
Grant Date:	September 18, 2017
Vesting Date:	Second anniversary of the Grant Date.
Option Exercise Price:	\$16.99, 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,

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. the treatment of Options and RSUs upon Termination, as applicable, any applicable Company policy as in effect from time to time 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 Compensation Policy 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 Compensation Policy, it is agreed that the terms of the Compensation Policy shall prevail over the terms of this Agreement and any appendix,

(ii) 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. 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 imposed by local securities laws. Accordingly, the Participant is encouraged to seek legal advice prior to any resale of such Shares.

(iii) 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 Teva 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.

(iv) 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.

(v) 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 Me Participant by the Employer, any amounts owed by him under Section 21(e) of the Plan and/or any applicable Compensation Policy provision, 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, amended, or rescinded only by a written agreement executed by both parties.

(I) No Employee-Employer Relationship. Nothing in this Agreement shall create employee-employer relationship between the Company and the Participant.

(J) 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

EXECUTION VERSION

SETTLEMENT AGREEMENT AND MUTUAL RELEASES

This Settlement Agreement and Mutual Releases (the “Agreement”) is entered into as of January 31, 2018 (the “Effective Date”) by and between Teva Pharmaceutical Industries Ltd. (“Teva”) and Allergan plc (“Allergan”). Teva and Allergan shall be referred to collectively as the “Parties” and individually as a “Party.”

RECITALS

WHEREAS, on July 26, 2015, the Parties entered into a Master Purchase Agreement which was amended by the First Amendment to the Master Purchase Agreement dated as of June 9, 2016, the Second Amendment to the Master Purchase Agreement dated as of July 5, 2016 and the Third Amendment to the Master Purchase Agreement dated as of July 11, 2016 (the “MPA”) through which Teva acquired the Business (the “Transaction”) (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the MPA);

WHEREAS, on August 2, 2016 (the “Closing Date”), the Transaction closed and Teva became the owner of the Business;

WHEREAS, after the Closing Date, the Parties initiated arbitration under Section 3.3 of the MPA in response to Teva’s claim for a purchase price adjustment of nearly \$1.5 billion (inclusive of all Claims by either Party under Section 3.3 of the MPA, the “Working Capital Dispute”);

WHEREAS, Teva and Allergan have made submissions to the Reporting Accountants in connection with the Working Capital Dispute (the “Submissions”);

WHEREAS, on October 30, 2017, Teva asserted several claims for indemnification under Section 12.2 of the MPA (“October 2017 Notice”), including reiterating, restating, and updating claims for indemnification made on November 30, 2016 (such claims for indemnification, together with the claims for indemnification in the October 2017 Notice, the “Teva Asserted Claims”) (the Teva Asserted Claims, collectively with any indemnification claims that Teva potentially could assert now or in the future under Section 12.2(a)(i) or Section 12.2(a)(iv) of the MPA, are referred to as the “Teva Indemnification Claims”);

WHEREAS, on November 2, 2017, Allergan asserted several claims for indemnification under Section 12.3 of the MPA (the “November 2017 Notice”), including reiterating, restating and updating claims for indemnification made on November 18, 2016 and July 13, 2017 (such claims for indemnification in the November 2017 Notice, the “Allergan Asserted Claims”) (the Allergan Asserted Claims, collectively with any indemnification claims that Allergan potentially could assert now or in the future under Section 12.3(a)(i) of the MPA, are referred to as the “Allergan Indemnification Claims”);

WHEREAS, by this Agreement, the Parties desire to resolve any and all disputes arising out of, relating to, or in any way connected to the MPA, including but not limited to the Working Capital Dispute, the Teva Indemnification Claims and the Allergan Indemnification Claims, and to avoid future disputes under the MPA; it is the Parties’ intention that, on and after the date hereof, (i) the only remedies available to Teva under the MPA are (A) indemnification under

Section 12.2(a)(ii) of the MPA for unknown breaches by Allergan of covenants that were intended to be performed by Allergan after the Closing, (B) indemnification under Section 12.2(a)(iii) of the MPA (Excluded Liability), and (C) specific enforcement of Allergan's ongoing covenants; and (ii) the only remedies available to Allergan under the MPA are (A) indemnification under Section 12.3(a)(ii) of the MPA for unknown breaches by Teva of covenants that were intended to be performed by Teva after the Closing, (B) indemnification under Section 12.3(a)(iii) (Assumed Liability) or Section 12.3(a)(iv) of the MPA (Liabilities and Claims relating to the operation of the Acquired Assets), and (C) specific enforcement of Teva's ongoing covenants;

WHEREAS, this Agreement is entered into for purposes of compromise and settlement only;

NOW, THEREFORE, in consideration of the foregoing, and the mutual promises and representations contained in this Agreement, and in exchange for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties agree as follows:

AGREEMENT AND MUTUAL RELEASES

1. **No Admissions.** This Agreement is being entered into solely to avoid lengthy, costly and time-consuming disputes. By entering into this Agreement, no Party is admitting any liability or wrongdoing whatsoever, and each Party continues to deny any and all liability and wrongdoing. This Agreement shall not be construed as an admission by either Party as to the merits of any position adopted by the other Party.
2. **Dismissal of the Working Capital Dispute.** Within two (2) Business Days of the Effective Date, the Parties shall jointly notify the Reporting Accountants that the Parties have reached an agreement in principle for the resolution of the Working Capital Dispute and that the Reporting Accountants should cease any and all activities relating to the Working Capital Dispute pending further instructions from the Parties. Within one (1) Business Day of the payment contemplated in Section 3 hereof, the Parties shall jointly notify the Reporting Accountants that the Working Capital Dispute has been finally and fully resolved and that the arbitration is terminated. The Parties shall split evenly any external costs or expenses associated with the Working Capital Dispute, including the fees and disbursements of the Reporting Accountants, but excluding the fees and expenses of the Parties' respective advisors. Upon payment of the Settlement Amount, Allergan's obligations under Section 3.3(g) and Section 3.3(h) of the MPA shall be fully satisfied.
3. **Payment.** Within thirty (30) days following the Effective Date, Allergan shall pay Teva the sum of US \$700,000,000 (the "Settlement Amount"). The Settlement Amount shall be paid by wire transfer to the following Teva account:

MIZRAHI TEFAHOT BANK LTD IL92 0204 6100 0000 0198 781
Main Branch, Tel Aviv
Branch No: 461
Account No: 198781
Swift: MIZBILIT
Beneficiary: Teva Pharmaceutical Industries Ltd.

4. **Agreed Liabilities and Indemnification; Third Party Claim Indemnification Procedures.** Teva agrees, on behalf of itself and each of its successors-in-interest and assigns, that it shall assume, and shall be or become responsible for (i) any Liabilities or Losses arising from the Third Party Claims listed on Exhibit A hereto, (ii) any Liabilities or Losses arising from the Third Party Claims listed on Exhibit B hereto or arising from any other Third Party Claim, in each case to the extent such Liabilities or Losses are based upon generic opioid drugs that are Products, and (iii) any Liabilities, Losses or Claims that are, directly or indirectly, jointly or severally, asserted against or imposed on Allergan, its respective Affiliates and their respective officers, directors, employees, agents, successors and permitted assigns (the “Allergan Parties”) to the extent such Liabilities, Losses or Claims are based on parent or control liability or a substantially similar theory in connection with any Proceeding involving (1) a member of the Transferred Group and (2) a Product or the Business (collectively, (i), (ii) and (iii), the “Teva Agreed Liabilities”). For the avoidance of doubt, any Liabilities or Losses arising from the Third Party Claims listed on Exhibit B hereto or arising from any other Third Party Claim, in each case to the extent such Liabilities or Losses are based upon branded opioid drugs of the Retained Business that are not Products, are Excluded Liabilities under the MPA for which Teva is entitled to indemnification under Section 12.2(a)(iii) of the MPA. Teva further agrees that it will indemnify, defend and hold harmless the Allergan Parties, from, against and in respect of any and all Losses imposed on, sustained, incurred or suffered by, or asserted against, any of the Allergan Parties, whether in respect of third party claims, claims between the Parties, or otherwise, directly or indirectly relating to, arising out of, resulting from, based upon the underlying facts of, with respect to or by reason of the Teva Agreed Liabilities. Teva shall have 90 days from the Effective Date to notify Allergan that it desires to defend Allergan against any of the matters listed on Exhibit A hereto in accordance with the terms of Section 12.4 of the MPA. Unless otherwise agreed by the Parties, (i) Allergan shall be responsible for the defense of Third Party Claims involving opioid drugs to the extent such Third Party Claims are based upon branded opioid drugs of the Retained Business that are not Products and (ii) Teva shall be responsible for the defense of Third Party Claims involving opioid drugs to the extent such Third Party Claims are based upon generic opioid drugs that are Products. In the case of Third Party Claims that involve both (i) branded opioid drugs of the Retained Business that are not Products and (ii) generic opioid drugs that are Products, the Parties shall (x) each be responsible for the defense of such Third Party Claims in accordance with the immediately prior sentence and (y) cooperate with each other to enable the proper and adequate defense of such Third Party Claim. Each Party further agrees to provide the other Party by no later than February 28, 2018 a supplemental list which includes all additional known Third Party Claims based upon opioid drugs received by such Party on or before February 25, 2018 (“Supplemental Opioid Case List”), which shall be in substantially the same format as Exhibit B; any Third Party Claims appearing on Exhibit B (or the Supplemental Opioid Case List) shall be deemed to have been notified by each Party in compliance with Section 12.4 of the MPA. On or before the first Business Day of each month beginning after March 31, 2018, each Party shall provide the other Party with a list of additional Third Party Claims based upon opioid drugs that have been filed and served upon the Party on or prior to the third to last Business Day of the prior month (“Monthly Opioid

Case List”). The Monthly Opioid Case List shall be in substantially the same format as Exhibit B and the Supplemental Opioid Case List, and each Party may request a copy of a complaint listed thereon. The Parties’ respective rights and obligations pursuant to Section 12.4 of the MPA shall otherwise remain unchanged, including but not limited to the Parties’ obligations to cooperate following the date hereof to ensure the proper and adequate defense of a Third Party Claim.

5. **Mutual Releases.**

- (a) Teva, for itself and its past and present parents, subsidiaries, affiliates, directors, managers, officers, shareholders, employees, attorneys, agents, representatives, predecessors, successors and assigns, hereby fully and forever releases and discharges Allergan and its past and present parents, subsidiaries, affiliates, directors, managers, officers, shareholders, employees, attorneys, agents, representatives, predecessors, successors and assigns, from any and all claims, counterclaims, demands, damages, debts, liabilities, attorneys’ fees, actions, causes of action, obligations and demands whatsoever, whether fixed or contingent, at law or in equity, and now known or unknown (each, a “Claim”), (i) arising from or in any way relating to (A) the Working Capital Dispute, (B) the Teva Indemnification Claims (except for any Liabilities or Losses arising from the Third Party Claims listed on Exhibit B hereto or arising from any other Third Party Claim, in each case to the extent such Liabilities or Losses are based upon branded opioid drugs of the Retained Business that are not Products), (C) the Teva Agreed Liabilities, (D) any breach or alleged breach by Allergan of any representation or warranty contained in the MPA, (E) any breach or alleged breach by Allergan of any covenant in the MPA that was intended to be performed by Allergan or its Affiliates on or prior to the Closing, (F) any breach or alleged breach by Allergan prior to the date hereof of any covenant in the MPA that was intended to be performed by Allergan or its Affiliates after the Closing (an “Allergan Post-Closing, Pre-Settlement Covenant Breach”) other than any Allergan Post-Closing, Pre-Settlement Covenant Breach the material underlying facts of which are unknown to Teva as of the date hereof or (G) the historical financial statements of the Business or the Transferred Group, including any Claim that such financial statements do not comply with U.S. GAAP or any other applicable accounting standards or Laws, or (ii) for any Losses resulting from any potential Claims that are referenced in the Submissions (collectively, the “Teva Released Claims”).
- (b) Allergan, for itself and its past and present parents, subsidiaries, affiliates, directors, managers, officers, shareholders, members, employees, attorneys, agents, representatives, predecessors, successors and assigns, hereby fully and forever releases and discharges Teva and its past and present parents, subsidiaries, affiliates, directors, managers, officers, shareholders, employees, attorneys, agents, representatives, predecessors, successors and assigns, from any and all Claims (i) arising from or in any way relating to (A) the Working Capital Dispute, (B) the Direct Claims specified in the November 2017 Notice, (C) the Third Party Claims for indemnification listed on Exhibit C hereto, (D) any breach or alleged

breach by Teva of any representation or warranty contained in the MPA, (E) any breach or alleged breach by Teva of any covenant in the MPA that was intended to be performed by Teva or its Affiliates on or prior to the Closing or (F) any breach or alleged breach by Teva prior to the date hereof of any covenant in the MPA that was intended to be performed by Teva or its Affiliates after the Closing (a “Teva Post-Closing, Pre-Settlement Covenant Breach”) other than any Teva Post-Closing, Pre-Settlement Covenant Breach the material underlying facts of which are unknown to Allergan as of the date hereof, or (ii) for any Losses resulting from any potential Claims that are referenced in the Submissions (collectively, the “Allergan Released Claims”).

- (c) Except as provided herein, (i) Teva shall continue to have rights to indemnification under Section 12.2(a)(ii) and Section 12.2(a)(iii) of the MPA; and (ii) Allergan shall continue to have rights to indemnification under Section 12.3(a)(ii), Section 12.3(a)(iii) and Section 12.3(a)(iv) of the MPA. For the avoidance of doubt, (i) Teva shall be prohibited from asserting any of the Teva Released Claims as Claims under Section 12.2(a)(iii) of the MPA, (ii) Allergan shall be prohibited from asserting any of the Allergan Released Claims as Claims under Section 12.3(a)(iii) or Section 12.3(a)(iv) of the MPA and (iii) the rights and obligations of the Parties under Section 9.1 of the MPA shall remain in effect.
- (d) The Parties acknowledge that the releases in this Agreement may include a release of claims, counterclaims, demands, damages, debts, liabilities, attorneys’ fees, actions, causes of action, obligations and demands whatsoever, whether fixed or contingent, at law or in equity that are unknown or unsuspected. The Parties hereby waive any common law or statutory doctrine or provision that limits the effect of a release of unknown or unsuspected claims, counterclaims, demands, damages, debts, liabilities, attorneys’ fees, actions, causes of action, obligations and demands whatsoever, whether fixed or contingent, at law or in equity. The releases in this Agreement are to be interpreted as broadly as the law allows.
- (e) Teva represents and warrants to Allergan that no Buyer Indemnified Party has received any Third Party Claim against a Buyer Indemnified Party other than (i) the Teva Indemnification Claims and (ii) any Third Party Claims based upon any branded or generic opioid drugs.
- (f) Allergan represents and warrants to Teva that no Seller Indemnified Party has received any Third Party Claim against a Seller Indemnified Party other than (i) the Allergan Indemnification Claims and (ii) the Third Party Claims listed on Exhibit A or Exhibit B hereto and any Third Party Claims based upon any branded or generic opioid drugs.

6. **Covenant Not to Sue and Agreement to Indemnify.**

- (a) Teva agrees, on behalf of itself and each of its current and former directors, officers, employees, representatives, agents, controlling entities or persons, predecessors or successors-in-interest and assigns, (i) that it will neither initiate

nor continue any claims, suits, actions, arbitrations or proceedings that seek any relief based upon the Teva Released Claims or the Teva Agreed Liabilities and (ii) that it will not assign or otherwise transfer the Teva Released Claims to any party. Teva further agrees that it will indemnify Allergan for any and all costs, charges or expenses, including but not limited to reasonable attorneys' fees, incurred in connection with any breach of this Section 6(a).

- (b) Allergan agrees, on behalf of itself and each of its current and former directors, officers, employees, representatives, agents, controlling entities or persons, predecessors or successors-in-interest and assigns, (i) that it will neither initiate nor continue any claims, suits, actions, arbitrations or proceedings that seek any relief based upon the Allergan Released Claims and (ii) that it will not assign or otherwise transfer the Allergan Released Claims to any party. Allergan further agrees that it will indemnify Teva for any and all costs, charges or expenses, including but not limited to reasonable attorneys' fees, incurred in connection with any breach of this Section 6(b).

7. **Representations and Warranties of the Parties.** The Parties represent and warrant to one another that:

- (a) Such Party has the legal right, capacity and authority to enter into this Agreement;
- (b) Such Party has taken all necessary corporate and legal actions, as applicable, to duly approve the making and performance of this Agreement;
- (c) This Agreement has been validly executed and delivered by such Party and constitutes its valid and binding obligation, enforceable against the Party in accordance with the terms hereof;
- (d) Neither the execution nor performance of this Agreement by such Party constitutes or will constitute a violation or breach of such Party's charter or bylaws (or comparable documents, as applicable);
- (e) Neither the execution nor the performance of this Agreement will constitute a violation or breach of any law, order, injunction, judgment, statute or regulation applicable to such Party or constitutes or will constitute a material default (or would, with the passage of time or the giving of notice, or both, constitute such a default) under any material contract, agreement or other instrument to which such Party is a party or by which it is bound;
- (f) Such Party has not relied upon any document, statement, representation, promise, inducement, understanding or information made or provided by any other Party or its representatives except as expressly set forth in this Agreement, and such Party has relied solely upon its own due diligence and independent judgment concerning this Agreement and the Party's decision to enter into this Agreement;
- (g) Such Party has read this Agreement and fully understands all of its terms, covenants, conditions, provisions and obligations and such Party believes that this

Agreement is a fair, just and reasonable resolution of the Working Capital Dispute, the Teva Indemnification Claims and the Allergan Indemnification Claims;

- (h) Such Party specifically acknowledges that this Agreement shall not be subject to any claim of mistake of fact, that it expresses a full and complete settlement between the Parties, and that regardless of the adequacy or inadequacy of the consideration described herein, this Agreement is intended to be a final and complete settlement of claims and obligations between the Parties described herein as covered by this Agreement; and
- (i) Such Party has not assigned or transferred any Claim or interest in any claim that is the subject of the releases in this Agreement.

8. **Multiple Counterparts.** This Agreement: (i) may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument and shall be binding upon the person or entity executing the same; and (ii) may be executed by a signature page delivered by facsimile or email, in which case the person or entity so executing this Agreement shall promptly thereafter deliver its originally executed signature page (but the failure to deliver an original shall not affect the binding nature of such person's or entity's signature).
9. **Governing Law.** This Agreement shall be governed by the laws of the State of New York without regard to its conflict of laws provisions.
10. **Dispute Resolution.** Any dispute, controversy or claim relating to the interpretation or construction of Sections 4 or 5 of this Agreement, or to the determination of whether a claim for indemnification made by a Party under Sections 12.2 or 12.3 of the MPA is, in fact, subject to indemnification under the MPA, shall be finally resolved by arbitration in accordance with the International Institute for Conflict Prevention and Resolution ("CPR") Rules for Non-Administered Arbitration ("Rules") as in effect on the date of the Agreement, or such other rules and procedures as the Parties may agree. The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. The place of arbitration shall be New York, New York. The language of the arbitration shall be English. Except as otherwise agreed by the Parties, the arbitrators shall issue an award within ninety (90) days of the filing of the notice of intention to arbitrate, and the arbitrators shall agree to comply with this schedule before accepting appointment. Any claims for indemnification sought by Allergan involving allegations against the Transferred Group that relate to Claims based upon (i) contracts for services related to generic drugs that are Products or (ii) alleged or actual violations of competition or antitrust Laws in the generic drug market involving Products (other than any such violation of competition or antitrust Laws relating to any litigation settlement agreement between Allergan and Teva (or between their respective Affiliates)), shall be subject to a rebuttable presumption by the arbitrators that such claims are subject to indemnification by Teva under the MPA. Any claims for indemnification sought by Teva involving allegations against the Transferred Group that relate to Claims based upon (i) contracts for services related to branded drugs of the Retained Business that are not Products or (ii) alleged or

actual violations of competition or antitrust Laws in the branded drug market involving products of the Retained Business that are not Products (other than any such violation of competition or antitrust Laws relating to any litigation settlement agreement between Allergan and Teva (or between their respective Affiliates)), shall be subject to a rebuttable presumption by the arbitrators that such claims are subject to indemnification by Allergan under the MPA. In the event the arbitrators determine that the rebuttable presumption is inapplicable, the arbitrators will then proceed to determine whether the claim for indemnification is subject to indemnification under the MPA. Any award issued by the arbitrators shall be final, binding and conclusive on the Parties hereto and shall constitute an arbitral award upon which a judgment may be entered in any court having jurisdiction thereof. The prevailing party in any arbitration conducted under this provision will be entitled to an award of all fees, costs and expenses of the arbitrators and the arbitration (including, for the avoidance of doubt, reasonable attorneys' fees).

11. **No Effect on Manufacturing Agreements.** Nothing in this Agreement shall modify or in any way affect the parties' rights and obligations under any manufacturing or supply agreements between Allergan and Teva (or between their respective Affiliates).
12. **Kadian Agreement.** Teva shall, and shall cause its Controlled Affiliates to, (i) cooperate with Allergan to assign the Asset Purchase Agreement, dated December 17, 2008, by and between Actavis Elizabeth, LLC and King Pharmaceuticals, Inc. (the "Kadian Agreement") to Allergan or its Affiliate, such assignment to be effectuated by an agreement mutually satisfactory to Teva and Allergan, and (ii) prior to the assignment of the Kadian Agreement to Allergan or its Affiliate, cooperate with Allergan to provide Allergan with the benefits of the Kadian Agreement, including cooperation in asserting any indemnification rights of Actavis Elizabeth, LLC (or its successors and assigns) under the Kadian Agreement. Following the assignment of the Kadian Agreement to Allergan or its Affiliate, Allergan shall, and shall cause its Controlled Affiliates to, cooperate with Teva to provide Teva with the benefits of the Kadian Agreement that relate to the authorized generic of Kadian[®], including cooperation in asserting any indemnification rights of Teva or its Controlled Affiliates under the Kadian Agreement with respect to any Liabilities or Losses to the extent such Liabilities or Losses are based upon or related to the authorized generic of Kadian[®].
13. **No Modification.** This Agreement may only be modified or amended by a writing dated after the date hereof and signed by each of the Parties.
14. **Construction.**
 - (a) This Agreement shall be construed so that the word "including" means "including without limitation;" and the singular shall include the plural and vice versa.
 - (b) For the avoidance of doubt, "Products" as used in this Agreement shall exclude any products that are Excluded Assets.
 - (c) Titles or headings contained in this Agreement are included only for ease of reference and will have no substantive effect.
 - (d) None of the Parties will be entitled to have any language contained in this Agreement construed against another because of the identity of the drafter.

15. **Confidentiality**. Neither of the Parties hereto shall issue, make or cause to be made any disclosures regarding the terms of this Agreement without the written consent of the other Party, except that the Parties (i) may disclose the terms of this Agreement to attorneys, accountants and other advisors retained by the Party; (ii) may make such disclosures as may be required by applicable laws or regulations, provided that the disclosing Party notifies the other Party in writing of any such requirement and the intended disclosure at least two (2) Business Days in advance of any such disclosure; and (iii) may disclose that they entered into a “Settlement Agreement” without disclosing its terms. Either of the Parties may disclose the terms and conditions of this Agreement if such Party receives a subpoena or other process or order to produce this Agreement, provided that such Party shall, prior to any disclosure to any third party, promptly notify the other Parties to this Agreement so that each Party has a reasonable opportunity to respond to such subpoena, process or order. The Party receiving a subpoena, process or order shall (in the first instance) take no action contrary to the confidentiality provisions set forth above, and shall make reasonable efforts to respond only subject to the confidentiality designation available under a protective order in litigation. The Party objecting shall have the burden of defending against such subpoena, process or order. The Party receiving the subpoena, process or order shall be entitled to comply with it, except to the extent that any other Party is successful in obtaining an order modifying or quashing it.
16. **Entire Agreement**. This Agreement constitutes the full and entire understanding and agreement among the Parties with regard to the subject hereof and supersedes any prior negotiations, representations or agreements, written or oral, with respect to such subject matter; provided, however, that nothing herein shall amend, modify, or supersede the Tax Settlement and Resolution Agreement dated October 15, 2017, which the Parties intend to remain in full force and effect.
17. **Severability**. If any term or provision of this Agreement is held to be invalid, illegal or contrary to public policy, such term or provision shall be modified to the extent necessary to be valid and enforceable and shall be enforced as modified; provided, however, that if no modification is possible such provision shall be deemed stricken from this Agreement. In any case, the remaining provisions of this Agreement shall not be affected thereby.
18. **No Waiver**. Any waiver of any Party’s rights under this Agreement is only effective if in writing signed by the Party to be waived or its duly authorized representative, and any such waiver shall only be effective for the specific matter waived and shall not be deemed to apply to any other conduct, provision or other matter.
19. **No Assignment**. The Parties agree that they have not, and will not, sell, transfer or assign, or purport to sell, transfer or assign, any Claim or interest in any claim that is the subject of the releases in this Agreement.
20. **Allocation of Global Purchase Price**. Within thirty (30) days following the Effective Date, Allergan shall deliver to Teva the final allocation of the Global Purchase Price (which, for the avoidance of doubt, shall be reduced by the entire amount of the Settlement Payment) among the Acquired Assets (the “Final PPA”). Teva agrees to treat the Final PPA as the Global Purchase Price Allocation in accordance with the MPA.

21. **Notices.** All notices and other communications hereunder shall be in writing, shall be sent by Federal Express or other expedited courier service, and shall be deemed effective and duly given upon delivery to the other Party at the following addresses or to such other addresses as the Parties may notify one another of in accordance with the provision of this Section:

If to Teva:

Teva Pharmaceutical Industries Ltd.
5 Basel Street
Petach Tikva 4951033
Israel
Attention: Chief Legal Officer
Facsimile: +11 972 3 926-7896

With a copy (which does not constitute notice) to:

Vinson & Elkins LLP
666 Fifth Avenue
New York, NY 10103
Attention: Ari Berman
Facsimile: +1 (917) 849-5368

If to Allergan:

Allergan PLC
Clonshaugh Business and Technology Park
Coolock
Dublin, D17 E400
Ireland
Attention: Chief Legal Officer and Secretary
Facsimile: +1 (862) 261-8223

With copies to (which shall not constitute notice):

Allergan plc
5 Giralda Farms
Madison, New Jersey 07940
Attention: Chief Legal Officer and Secretary
Facsimile: +1 (862) 261-8223

and:

Latham & Watkins LLP
885 Third Avenue
New York, NY 10022-4834
Attention: Charles K. Ruck
R. Scott Shean
Facsimile: +1 (212) 751-4864

22. **Independent Legal Advice**. This Agreement was negotiated between the Parties at arm's length. Teva and Allergan acknowledge that they have been advised by their own independently selected counsel and other advisors in connection with this Agreement. Teva and Allergan further acknowledge that they enter into this Agreement solely on the basis of advice from independently selected counsel and on the basis of their own independent investigation of all of the facts, laws and circumstances material to this Agreement or any provision hereof, and not in any manner or to any degree based upon any statement or omission by any other party hereto or its counsel. As such, Teva and Allergan agree that they shall have no basis to challenge, set aside or void this Agreement on grounds of fraud, fraudulent inducement or related legal theories.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed in their respective names by their duly authorized representatives as of the date and year written below.

TEVA PHARMACEUTICAL INDUSTRIES, LTD.

ALLERGAN PLC

/s/ Michael McClellan

/s/ A. Robert D. Bailey

Name: Michael McClellan

Name: A. Robert D. Bailey

Date: January 31, 2018

Date: January 31, 2018

TEVA PHARMACEUTICAL INDUSTRIES, LTD.

/s/ Doron Herman

Name: Doron Herman

Date: January 31, 2018

The following is a list of subsidiaries of the Company as of December 31, 2017, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary. Teva Pharmaceutical Industries, Ltd. is not a subsidiary of any other entity.

Name of Subsidiary	Jurisdiction of Organization
AbZ-Pharma GmbH	Germany
Actavis Pharma Holding 4 ehf	Iceland
Arrow International Ltd.	Malta
INTER LAB PHARMACEUTICA, S.A. de C.V.	Mexico
Laboratorio Chile S.A.	Chile
Medis ehf.	Iceland
Mepha Schweiz AG	Switzerland
Merckle GmbH	Germany
Norton (Waterford) Limited	Ireland
Norton Healthcare Limited	United Kingdom
Pharmachemie Holding B.V.	Netherlands
PLIVA HRVATSKA d.o.o.	Croatia
Plus Chemicals, branch of Teva Pharmaceuticals International GmbH	Switzerland
ratiopharm Arzneimittel Vertriebs-GmbH	Austria
Ratiopharm GmbH	Germany
ratiopharm Oy	Finland
Teva API B.V.	Netherlands
Teva API Inc.	United States
Teva Canada Limited	Canada
Teva Czech Industries s.r.o	Czech Republic
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	Spain
Teva Pharmaceutical Industries Ltd	Israel
TEVA Pharmaceutical Works Private Limited Company	Hungary
Teva Pharmaceuticals International GmbH	Switzerland
Teva Pharmaceuticals USA, Inc.	United States
Teva Santé SAS	France
Teva Takeda Pharma Ltd.	Japan
Teva Takeda Yakuhin Ltd.	Japan
Teva UK Limited	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-220382, 333-168331, 333-206753, 333-212851 and 333-214077) of Teva Pharmaceutical Industries Limited of our report dated February 12, 2018 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 12, 2018 relating to the Financial Statement Schedule, which appears in this Form 10-K.

Tel-Aviv, Israel
February 12, 2018

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

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

CERTIFICATIONS

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 12, 2018

/s/ Kåre Schultz

Kåre Schultz
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

CERTIFICATIONS

I, Michael McClellan, 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 12, 2018

/s/ Michael McClellan
Michael McClellan
Chief Financial Officer

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, 2017 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 Michael McClellan, 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 12, 2018

/s/ Kåre Schultz

Kåre Schultz
President and Chief Executive Officer

/s/ Michael McClellan

Michael McClellan
Chief Financial Officer